

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 30 April 2006.

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

In November 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") promulgated the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which sets out corporate governance principles (the "Principles") and code provisions (the "Code Provisions") which listed issuers are expected to follow and comply with.

The Company has applied the Principles as set out in the CG Code and complied with the Code Provisions of the CG Code save for (i) the Code Provision A.2.1 which requires that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual; (ii) the Code Provision A.4.1 which requires that non-executive directors should be appointed for a specific term; (iii) the Code Provision A.4.2 which requires that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (iv) Code Provision E.1.2 which stipulates that the Chairman of the Board should attend the annual general meeting. Details of such deviations will be explained below.

The Company periodically reviews its corporate governance practices to ensure that such practices continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:

A. THE BOARD

(1) Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflicts of interest), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

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The day-to-day management, administration and operation of the Company are delegated to the executive committee (the "Executive Committee"), the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the senior management to discharge its responsibilities.

(2) Composition

The Board has in its membership a balance of skills and experience necessary for effective leadership of the Company, independent decision making and fulfilling its business needs.

The Board comprises the following directors:

Executive directors:

Mr. Lai Leong, the Chairman of the Board and of the Executive Committee

Mr. Wang Hao, a member of the Executive Committee

Mr. Clive William Oxley OBE, ED, a member of the Executive Committee

Independent non-executive directors:

Mr. Chu Kar Wing, the Chairman of the audit committee (the "Audit Committee") and of the remuneration committee ("Remuneration Committee") of the Company

Dr. Chow King Wai, a member of the Audit Committee and of the Remuneration Committee

Mr. Wong Kwok Tai, a member of the Audit Committee and of the Remuneration Committee

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

There is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

During the year ended 30 April 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmations from all its independent non-executive directors of their independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

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The independent non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

(3) Nomination of Directors

Two of the executive directors of the Company, being Mr. Lai Leong and Mr. Wang Hao, entered into service contracts with the Company for a term of three years from 3 February 2005, which are determinable by either party giving not less than six months' written notice. No service contract has been entered into between the Company and the other executive director, Mr. Clive William Oxley. Pursuant to the current provisions of the Company's Bye-laws, except Mr. Lai Leong who is the Chairman of the Board, both Mr. Wang Hao and Mr. Clive William Oxley are subject to retirement by rotation and re-election at the Company's annual general meeting.

Code Provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term. Though the independent non-executive directors of the Company have not been appointed for a fixed term, they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company.

Code Provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-laws deviate from the Code Provision A.4.2 of the CG Code as it provides that one-third of the directors for the time being (save for the Chairman and Managing Director), or if their number is not a multiple of three, then the number nearest to one-third but not greater than one-third, shall retire from office by rotation and shall be eligible for re-election at annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, when he/she shall be eligible for re-election.

In order to comply with the said Code Provision A.4.2, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Bye-laws of the Company so that all directors of the Company (including those appointed for a specific term but excluding the Chairman) will be subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting, instead of the next following annual general meeting, after appointment.

The Board considers that the Chairman of the Board should not be subject to retirement by rotation since in its opinion, the continuity of leadership by the Chairman of the Board is important for the stability and growth of the Company.

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Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board's composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the nomination of directors and assessing the independence of independent non-executive directors of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Up to the date of this Report, the Board met once (with the presence of all the directors of the Company) for reviewing the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company and for adoption of the director nomination procedures.

In accordance with the Company's Bye-laws and the Code Provision A.4.2 of the CG Code, Mr. Wang Hao, Dr. Chow King Wai and Mr. Chu Kar Wing shall retire from office by rotation at the Company's forthcoming annual general meeting and, being eligible, all of them will offer themselves for re-election at the meeting. The Board has recommended the re-appointment of the said three directors standing for re-election at the said meeting. The Company's circular to be despatched to the shareholders of the Company contains detailed information of such directors standing for re-election.

(4) Training for Directors

Each newly appointed director will be provided with a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

(5) Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

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In respect of the financial year ended 30 April 2006, 9 Board meetings and 4 Audit Committee meetings were held and the individual attendance record of each director at such meetings is set out below:

Name of Director	Attendance of Meetings	
	Board	Audit Committee
Mr. Lai Leong	9/9	N/A
Mr. Wang Hao	6/9	N/A
Mr. Clive William Oxley	9/9	N/A
Mr. Kwok Chi Sun, Vincent (<i>Note 1</i>)	1/1	N/A
Ms. Wan Choi Ha, Noven (<i>Note 2</i>)	4/9	N/A
Mr. Li Siu Lok, Albert (<i>Note 3</i>)	6/9	N/A
Dr. Chow King Wai	9/9	4/4
Mr. Chu Kar Wing	7/9	4/4
Mr. Wong Kwok Tai	9/9	4/4

Notes:

1. Mr. Kwok Chi Sun, Vincent retired as a non-executive director of the Company on 27 September 2005. Before his retirement, one Board meeting was held.
2. Ms. Wan Choi Ha, Noven resigned as a non-executive director of the Company on 1 July 2006.
3. Mr. Li Siu Lok, Albert resigned as a non-executive director of the Company on 15 July 2006.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The company secretary of the Company normally attends regular Board meetings and other Board and committee meetings and the qualified accountant and other senior management will attend such meetings when necessary to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

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The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction which involves a conflict of interest for a substantial shareholder or a director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Lai Leong is the Chairman of the Board. He also takes up the role of the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as the execution of long-term business strategies. The Board considers that such an arrangement will not impair the balance of power and authority between the Board and the management of the Company.

C. BOARD COMMITTEES

The Board has established 3 committees, namely, the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(1) Executive Committee

The Executive Committee comprises all the executive directors of the Company with Mr. Lai Leong acting as the chairman thereof.

The principal duties of the Executive Committee include monitoring the execution of the Company's strategic plans and operations of all business units of the Company and discussing and making decisions on matters relating to the management and operations of the Company.

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(2) Remuneration Committee

The Remuneration Committee comprises the Company's three independent non-executive directors with Mr. Chu Kar Wing acting as the chairman thereof.

The primary duties of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

Up to the date of this Report, the Remuneration Committee held one meeting (with the presence of all members) to discuss the remuneration policy and structure of the Company and the remuneration packages of the executive directors and the senior management. The Human Resources Department of the Group is responsible for the collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee has reported to the Board about its recommendations on remuneration policy and structure and remuneration packages.

(3) Audit Committee

The Audit Committee comprises the Company's three independent non-executive directors with Mr. Chu Kar Wing acting as the Chairman thereof. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held 4 meetings during the year ended 30 April 2006 to review the quarterly, interim and annual financial results and reports, financial reporting and compliance procedures, and the Company's internal control and risk management systems and to consider the re-appointment of the external auditors.

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D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding its directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code and the Own Code throughout the year ended 30 April 2006.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") regarding the dealings in the Company's securities by employees of the Company who, because of such office or employment, are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

E. RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 April 2006. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Report of the Auditors" on pages 23 and 24.

F. AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 30 April 2006 amounted to HK\$300,000 and HK\$1,412,754 respectively. The non-audit services related to the preparation of the Accountant's Reports as contained in the Company's circular dated 5 September 2005 (for the rights issue), 20 March 2006 (for the very substantial acquisition) and 29 May 2006 (for the very substantial disposal) respectively.

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G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The rights of Shareholders and the procedures for demanding a poll on resolutions at Shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll are included in all circulars to Shareholders. In case poll voting is taken, the poll procedures will be explained during the proceedings of meetings and the poll results will be published in newspapers on the business day following Shareholders' meetings and posted on the website of the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between Shareholders and the Board. The Chairman of the Board as well as chairmen of the Board committees, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are normally available to answer questions at Shareholders' meetings. However, the Chairman of the Board was unable to attend the Company's 2005 annual general meeting (as stipulated under the Code Provision E.1.2 of the CG Code) as he was on a business trip. Despite his absence, he had arranged for another executive director and the senior management present at the said annual general meeting to answer Shareholders' questions. No questions were raised by Shareholders at the meeting. The Chairman will endeavour to attend future Shareholders' meetings of the Company.

Separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

To promote effective communication, the Company will set up its website where information and updates on the Company's business developments and operations, financial information and corporate governance practices and other relevant information will be posted.