

## CORPORATE GOVERNANCE REPORT

The Company is obliged to comply with the requirements for continuing listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and is committed to practice high standard of corporate governance in its daily management and operations. The Company follows and applies the principles of the Code on Corporate Governance Practices (the “Corporate Governance Code”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in the year under review, except for those mentioned below.

The board of directors of the Company (the “Board”) acknowledged in this Corporate Governance Report that it is its responsibility for preparing the accounts for the year ended 31 March, 2007 together with the relevant notes. In this Corporate Governance Report, significant matters were discussed with appropriate cross-reference to relevant parts in this annual report.

### The Board of Directors

The Board has 1 non-executive chairman, 4 executive directors (2 being appointed after 31 March, 2007) and 3 independent non-executive directors (“INED”). Biographies of all current directors are set out on pages 12 and 14 of this annual report. All directors pay sufficient time and attention to the affairs of the Company. Every member of the Board is fully aware of his responsibilities as a director of the Company under the applicable laws and regulations. Non-executive directors provide their skills and expertise and serve different board committees of the Company. The Company provides appropriate cover on directors and officers liabilities insurance and the latest policy was renewed in May, 2007.

Bye-laws 102 (A) and 102 (B) are amended by a special resolution passed on 25 August, 2005 to the effect that all directors are subject to rotation at least once every three years. No specific term is imposed on the non-executive directors who are required to retire in accordance with the bye-laws of the Company. Additional and new directors filling up casual vacancy are subject to election in the next following general meeting.

The Company does not have the position of Chief Executive Officer. The Board is chaired by the non-executive director. The roles of chairman were adopted on 21 July, 2005. The Company created the position of Group Chief Operating Officer on 1 April, 2007 to oversee the daily management and operations of the Company.

The Board has resolved to meet regularly 4 times a year. The Board met on 29 July, 24 October, and 29 December, 2006 and 19 March, 2007 and the attendance of each director is set out below:-

Name of Director	Number of Attendance
Chung Cho Yee, Mico	4/4
Ma Wai Man, Catherine	4/4
Chow Hou Man	4/4
Wong Sin Just	4/4
Lam Lee G.	4/4
Cheng Yuk Wo	4/4
Hubert Chak	Appointed on 1 June, 2007
Kan Sze Man	Appointed on 1 June, 2007

In addition to the above regular board meetings, all board members met on 31 January, 2007 and 2 written board resolutions were duly executed during the year. There were also various casual meetings and telephone conversations between non-executive directors and executive directors from time to time to discuss the businesses and overall direction of the Company.

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### The Board of Directors (Continued)

Draft board minutes were circulated to all directors for comments after the meetings. The original board minutes are kept by the Company Secretary for inspection of the directors.

### Board Committees

The Company has 4 board committees to oversee the businesses and corporate governance. All minutes are circulated to committee members and full records are kept by the Company Secretary.

Remuneration Committee, which comprises majority of INED, was established on 21 July, 2005. Its written terms of reference, which deal clearly with its authority and duties for a formal and transparent procedure to fix the remuneration package for all directors, were adopted on 21 July, 2005. The remuneration paid to the directors for the year ended 31 March, 2007 was set out on pages 50 to 52. The Remuneration Committee met on 29 July, 2006 and 19 March, 2007.

Audit Committee was established pursuant to the board meeting held on 2 June, 1999 with its terms of reference adopted on the same day and revised on 21 July, 2005. The Audit Committee met on 29 July, and 29 December, 2006.

<b>Name of Non-executive Director</b>	<b>Number of Attendance Audit Committee</b>	<b>Number of Attendance Remuneration Committee</b>
Chung Cho Yee, Mico	N/A	2/2
Wong Sin Just	1/2	N/A
Lam Lee G.	2/2	2/2
Cheng Yuk Wo	2/2	2/2

A General Executive Board Committee comprised of the executive directors was formed with terms of reference on 21 June, 2005. In addition, 3 executive board committees, with delegated power for specific purposes, were established in the year under review pursuant to board resolutions.

For the purpose of giving independent advice to independent shareholders of the Company for transactions contemplated during the year, 2 independent board committees comprised of only independent non-executive directors of the Company was formed.

The members of the above committees had full access to board minutes, records, materials as well as the management and staff of the Company. The Company provides full supports to the above committees and arranges for professional advisors to give incidental advice whenever necessary.

### Directors' Dealing in Shares of the Company

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules relating to dealings in securities. Memorandum was sent to directors twice a year to draw their attention to the Model Code. The Company made specific enquiries to each director and had received their written confirmation of full compliance with the Model Code for the year ended 31 March, 2007.

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### Audit and Internal Control

Deloitte Touche Tohmatsu was appointed as the auditors of the Company in the annual general meeting held on 29 August, 2006. The Audit Committee with the mandate given by the shareholders on the general meeting fixed the audit fee of HK\$800,000 for the financial year of 2007 (page 50 of this annual report). The Company also engages Deloitte Touche Tohmatsu on taxation and other services during the year at a total fee of HK\$320,000.

The Board acknowledged that it has the overall responsibility of the internal control system to enhance the awareness of risk management and assets protection. The internal control system is designed to provide reasonable policies and procedures to manage business risk and to avoid misstatement of the performance of the Company and its subsidiaries (the "Group"). The Company has a clearly defined organisation chart by functions, an effective filing system to maintain proper records for accounting and business transactions, well established procedures in approving payments and safeguarding the appropriate use of assets. The Group Legal Counsel of the Company also acts as the head of compliance to ensure the Group's compliance with applicable laws and regulations. The Company reviews its internal control system annually with the Audit Committee thereafter, taking effective actions on recommendation, if any, to improve its system.

### Communication with Shareholders, General Meetings and Voting By Poll

All company announcements, circulars and notice of general meetings include an update list of directors with their designation. In the year under review, the Company had issued 14 announcements in the newspapers and 6 circulars, convened 2 special general meetings and 1 annual general meeting.

All company circulars relating to general meetings contains specific paragraph with reference to Bye-laws to clearly draw the attention of shareholders to procedures and their rights in demanding a poll vote. The chairman of general meetings provided extracts from Company's Bye-laws relating to voting procedures and the Chairman drew the attention of the shareholders to their rights to vote at the beginning of all meetings. With the assistance of the share registrar of the Company, all voting results are counted and recorded clearly. The results and the number of votes (for and against) were announced by the Chairman in the meeting and published in the newspapers on the following day.