

The Company is committed to achieving high standard of corporate governance in order to safeguard the interest of its shareholders and stakeholders. Save as disclosed below, throughout the year ended 31 March 2007, the Company has complied with all the principles and code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). This report describes the Company's corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Based on specific enquiry with the directors, all the directors confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 March 2007.

THE BOARD

The Board is responsible for providing leadership and control of the Company and monitoring the performance of the management. The Board focuses on the formulation of business strategy, policy and control. The Board delegates day-to-day operations of the Company to its executive directors and senior management of the Group. The Board reviews and approves key matters affecting the Company's strategic policies, finances and shareholders, such as financial statements, dividend policy and major corporate activities. Decisions of the Board are communicated to the management through executive directors who have attended Board meetings.

The Board comprises five executive directors, one non-executive director and three independent non-executive directors. The names and brief biographies are set out on page 26 to page 28 of this Annual Report. The non-executive directors (including the independent non-executive directors) are high calibre executives with diversified industry expertise and bring a wide range of skills and experience to the Company. One of the independent non-executive directors possesses recognized professional qualifications in accounting. They bring independent judgement on issues of strategy, performance, risk and people through their contribution at Board meetings. The Board considers that the three non-executive directors, representing one third of the Board, are independent in character and judgement and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The Board has received from each independent non-executive director a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Mr. Leung Lun is the Chairman of the Board and Mr. Leung Chung Ming is the managing director. They are brothers. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development. The managing director is responsible for policy making and corporate management of the Group in order to implement the strategies approved by the Board.



Board meetings are scheduled at approximately quarterly intervals, and additional meetings will be held as and when required. All directors have access to the advice and services of the company secretary of the Company and independent professional advice may be taken by the directors as required. There were nineteen Board meetings held during the year ended 31 March 2007 and the attendance of individual members of the Board at such meetings is set out below:

	Attendance
Executive Directors	
Mr Leung Lun	19/19
Mr Leung Chung Ming	19/19
Mr Zhong Bingquan	19/19
Ms Cheng Yun Tai	19/19
Mr Wong, Andy Tze On	19/19
Non-executive Director	
Mr Ko Peter, Ping Wah	19/19
Independent Non-executive Directors	
Mr Wong Lam, O.B.E., J.P.	19/19
Mr Ye Tian Liu	19/19
Mr Lai Yun Hung	19/19

Non-executive directors (including the independent non-executive directors) are appointed for a specific term of three years. All directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the articles of association of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") in 2005. The Remuneration Committee comprises three independent non-executive directors, namely Mr Wong Lam, O.B.E., J.P., Mr Ye Tian Liu and Mr Lai Yun Hung, a non-executive director Mr Ko Peter, Ping Wah and two executive directors Mr Leung Lun and Mr Leung Chung Ming. Mr Wong Lam, O.B.E., J.P. is the chairman of the Remuneration Committee. The function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The fees of the non-executive directors (including the independent non-executive directors) are determined by the Board.

The Remuneration Committee met once during the year ended 31 March 2007 and six members agreed and proposed no adjustment to existing remuneration packages and employment contracts in view of the current financial and trading environment.



The Company adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis in order to attract, retain and motivate talented executives/employees to strive for future developments and expansion of the Company. To provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the executives/employees, a share option scheme was adopted by the Company in 2002. Details of the 2002 share option scheme are set out on page 24 to page 25 of this Annual Report.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") in 2006. The Nomination Committee comprises three independent non-executive directors, namely Mr Wong Lam, O.B.E., J.P., Mr Ye Tian Liu and Mr Lai Yun Hung, a non-executive director, namely Mr Ko Peter, Ping Wah and two executive directors, namely Mr Leung Lun and Mr Leung Chung Ming. Mr Leung Lun is the chairman of the Nomination Committee. The function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes.

During the year ended 31 March 2007, there was no casual vacancy for Directors, nor was there any need to appoint new directors. Therefore, the Nomination Committee did not have any meeting held to consider issue relating to any appointment of director.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee (the "Audit Committee") was established on 14 March 2000. The Audit Committee comprises three independent non-executive directors, namely Mr Ye Tian Liu, Mr Wong Lam, O.B.E., J.P. and Mr Lai Yun Hung and a non-executive director, namely Mr Ko Peter, Ping Wah. Mr Ye Tian Liu is the chairman of the Audit Committee.

By reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board since the date of establishment. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process (including the preparation of the half-yearly and annual results) and internal controls.



Three Audit Committee meetings were held during the year ended 31 March 2007. The attendance of each member of the Audit Committee in such meetings is set out as follows:

	Attendance
Non-executive Director	
Mr Ko Peter, Ping Wah	3/3
Independent Non-executive Directors	
Mr Wong Lam, O.B.E., J.P.	3/3
Mr Ye Tian Liu	3/3
Mr Lai Yun Hung	3/3

AUDITORS' REMUNERATION

Messrs. PricewaterhouseCoopers ("PwC") resigned as auditor of the Company with effect from 13 June 2007 and Horwath Hong Kong CPA Limited ("Horwath") was then appointed as auditor of the Company with effect from 15 June 2007. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Horwath as auditor of the Company.

During the year ended 31 March 2007, the fees charged to the financial statements of the Company and its subsidiaries for Horwath's statutory audit amounted to approximately HK\$1.2 million. In addition, approximately HK\$0.4 million was charged for non-audit services. The non-audit services mainly consist of special review and tax compliance. The cost of audit services of subsidiaries not performed by Horwath amounted to approximately HK\$0.6 million. No audit fee was charged by PwC since PwC had resigned before commencement of the statutory audit for the year ended 31 March 2007. Approximately HK\$0.1 million was charged by PwC for non-audit services. The non-audit services mainly consist of tax compliance.



FINANCIAL REPORTING

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 as set out on page 38 to page 86. The statement of the external auditor about its reporting responsibilities on the financial statements is set out on page 36 to page 37.

The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The directors have the overall responsibility for internal control of the Group, including risk management, and establish appropriate policies having regard to the objectives of the Company. The directors, through the Audit Committee, have continued to review the effectiveness of the Company's system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review and by a programme of internal audits. The Audit Committee reviews the effectiveness of the internal control environment of the Group. It receives reports from the internal and external auditors, which include recommendation for improvement.

The Company has put in place an organizational structure with formal defined lines of responsibility and delegation of authority. There are also established procedures for planning, capital expenditure, treasury transactions, information and reporting systems, and for monitoring the Company's businesses and performance.

