

Corporate Governance Report

The Company is committed to the practice and high standards of corporate governance with a view to enhancing transparency, accountability and protecting the interest of the stakeholders. Save as the deviation disclosed below, the Company has complied with all the applicable code provisions (“**Code Provisions**”) set out in the Code of Corporate Governance Practices (“**CG Code**”) in Appendix 14 to the Listing Rules throughout the year.

BOARD OF DIRECTORS

Composition

During the year under review, the Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors (“**INED(s)**”). Biographical details of each Director are set out on page 12 to 14 of this Annual Report.

Each of the INEDs of the Company has complied with the provisions set out in Rule 3.13 of the Listing Rules and has confirmed that he is independent of the Company and its connected persons (as defined in the Listing Rules) and the Company also considers that they are independent under the Listing Rules.

Mr. Lee Woo Sing, Chairman and non-executive Director of the Company, is the father of Mr. Lee Tak Lun and grandfather of Ms. Lee Wai Tsang Rosa, both being executive Directors. Mr. Lee Tak Lun is the father of Ms. Lee Wai Tsang Rosa. Save as the above, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Role of the Board

The Board is responsible for development of strategies and monitoring business performance of the Company. Every Director is kept informed of his or her responsibilities as a director of the Company under the laws of Hong Kong and the Listing Rules and of the conduct, business activities and development of the Company.

All Directors have access to the advice and relevant information from the company secretary with a view to ensure that the Board procedures and all applicable rules and regulations are followed. All INEDs also have independent access to the Executive Directors in respects of operating issues.

A Director’s Handbook is issued to every Director, which sets out the guidelines on the conduct of which directors of a listed company should follow. The handbook also outlines the responsibilities of making disclosure of personal interest, change in personal particulars, potential conflict of interest to the Stock Exchange in a timely manner.

Upon convening of a Board meeting, drafts of agenda and relevant documents are sent to directors for review and comment. During the year ended 31 March 2006, Directors attended meetings based on their executive and non-executive role. The following is the attendance record of the meetings.

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Name of Directors	No. of meetings	No. of meetings attended
Executive Directors		
Chou Ping-chun Benji	20	20
Chung Wing Han Wendy	20	20
Fong Chi Wah (resigned on 1/4/2006)	19	19
Lee Wai Tsang Rosa (appointed on 1/6/2005)	19	19
Lee Tak Lun (appointed on 1/6/2005)	19	19
Non-executive Directors		
Lee Woo Sing (<i>Chairman</i>)	3	3
Independent Non-Executive Directors		
Lu Fan	3	3
Yao Cho Fai Andrew	3	3
Dr. Zhang Hongru	3	3

Executive Directors provide appropriate and sufficient information to INEDs and the committee members in a timely manner to keep them abreast of information of the Company.

Pursuant to code A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election and, pursuant to Code A.4.2 of the CG Code, Directors shall retire by rotation at the minimum of once every three years. None of the existing non-executive Director and INEDs is appointed for a specific term. However, in accordance with the Company's Bye-Laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation and become eligible for re-election. The Chairman of the Board is not subject to the said retirement by rotation and re-election. A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next annual general meeting. The reason for the deviation is that the Directors do not consider that arbitrary term which limits on Director's service are appropriate and the current practice of retirement by rotation has given the Company's shareholders the right to assess the performance of the retiring Directors and the opportunity to approve the continuation of the service of non-executive Director or INEDs. Notwithstanding the aforesaid, in order to ensure compliance with Code Provisions A.4.1 and A.4.2, a special resolution will be proposed to alter the Company's articles of association at the Annual General Meeting, so that every Director appointed by the Board during the year shall retire at the next general meeting. Every Director shall be subject to retirement at least once every three years.

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The Directors of the Company are fully insured under a Director's and Officer's Liability Insurance policy for indemnification against costs, charges, losses, expenses and liabilities that may be incurred by them in the execution and discharge of their duties or any business issues in relation thereto.

Directors' responsibility for the financial statements

The Directors acknowledge that it is their responsibilities to prepare financial statements of the Company for each financial period which give a true and fair view of the state of affairs of the Company and that financial statement are prepared in accordance with statutory and regulatory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Company.

The Directors confirm that, to the best of their knowledge and, having made appropriate enquires, consider that the Company has adequate resources to continue in operational existence for the foreseeable futures and have prepared the financial statements on a going concern accordingly.

AUDIT COMMITTEE

The Company has established with written terms of reference an audit committee whose members are Mr. Yao Cho Fai Andrew, Dr. Zhang Hongru and Mr. Lu Fan, being independent non-executive Directors. The duty of the audit committee includes reviewing all matters relating to the scope of audit, such as the financial statements, and providing supervision over the Company's financial reporting procedures and internal control system. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and has discussed the auditing, internal control and financial reporting matters for the year under review.

The audit committee has reviewed the annual results of the Company for the year ended 31 March 2006.

For the year ended 31 March 2006, the Audit Committee held 2 meetings. The following is the attendance record of the meetings held by the Audit Committee for the year under review:

<u>Name of Committee Members</u>	<u>No. of meetings</u>	<u>No. of meetings attended</u>
Mr. Lu Fan (<i>Chairman</i>)	2	2
Mr. Yao Cho Fai Andrew	2	2
Dr. Zhang Hongru	2	2

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The work performed by the Audit Committee during the year under review is listed below:

1. Reviewed and approved financial statements, reports of auditors before submission to the Board, and relating press announcements;
2. Considered the accounting policies adopted by the Company;
3. Reviewed the internal control and financial systems of the Company; and
4. Reviewed the work of the Auditors, evaluating their performance, and making recommendation as to their appointment;

After thorough review, discussion and consideration by the Audit Committee, the Audit Committee had recommended to the Board:

1. to approve the audited financial statements for the year ended 31 March 2006 together with the Directors' and Auditors' Reports thereon before the result announcement.
2. to propose in the forthcoming Annual General Meeting of the Company for re-appointing BKR Law & Barr Limited as Auditors of the Company for the ensuing year and to hold office until conclusion of the next Annual General Meeting.

The Audit Committee does not include a former partner of the existing Auditors of the Company.

During the financial year under review, the amounts of service fees charged by the Auditors, BKR Law & Barr Limited were as below:

Nature of Services	HK\$'000
Audit services	150
Tax advisory services	0
Other advisory services	30
	180

The Audit Committee has been provided with sufficient resources to discharge its responsibilities. The Audit Committee will make available its terms of reference, explaining its role and the authority delegated to it by the Board upon request.

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REMUNERATION COMMITTEE

The major roles and functions of the Remuneration Committee are to formulate and review the remuneration policy of the Company, view the annual performance of the Executive Directors, and make recommendations as to the remuneration of each Director. The Company's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of each individual Director. No Directors or any of his associates are involved in deciding their own remuneration. The Remuneration Committee generally meets twice a year and had met once during the year under review. The Remuneration Committee was established in November 2005; its members composed of:

Name of Committee Members	No. of meetings	No. of meetings attended
Mr. Lu Fan (<i>Chairman</i>)	1	1
Mr. Yao Cho Fai Andrew	1	1
Dr. Zhang Hongru	1	1

During the year under review, the Remuneration Committee met once and performed, amongst others things, the following tasks:

1. considered and adopted the terms of reference for the Remuneration Committee to ensure compliance with the Listing Rules;
2. made recommendations to the Board regarding the Company's remuneration policy and for the formulation and review of the specific remuneration packages of all Directors and senior management of the Company; and
3. considered and dealt with matters of appointment, retirement and re-election of the Directors.

The Remuneration Committee will make available its terms of reference, explaining its role and the authority delegated to it by the Board upon request.

Appointment of Director

According to the Bye-Laws of the Company, the Board is empowered to appoint Director(s) at any time so as to fill a casual vacancy or, to add a new member of the Board. Appointment is made on basis of the qualifications, experience and personality of the appointee. During the year under review, the Company did not establish any nomination committee, but the Remuneration Committee performed similar function as that of a nomination committee in dealing with matters of appointment, retirement and re-election of the Directors. During the year under review, there was no change on the Remuneration Committee members of the Board.

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MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, the Company confirmed that all the Directors complied with the required standards laid down in the Model Code in respect of the year ended 31 March 2006.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders for their continued support and to the investment manager for their dedicated efforts.

On behalf of the Board

Lee Wai Tsang Rosa

Executive Director

Hong Kong, 25 May 2006