

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2006 except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, (ii) the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election, (iii) a remuneration committee of the Board comprising a majority of independent non-executive directors was only formed on 14 October 2005 in compliance with the Code.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and financial performances. The Board delegates to the management team the day-to-day management of the Company's business including the preparation of annual and interim reports, and for implementation of internal control, business strategies and plans developed by the Board.

The Board comprises two executive directors and three independent non-executive directors. More than one-third of the Board is independent non-executive directors and one of them has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Each of the independent non-executive directors has made an annual confirmation of independence, and the Company considers that all of the independent non-executive directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Corporate Governance Report

Board meetings are scheduled to be held at about quarterly interval. The attendance of the directors at the Board meetings for the year ended 31 March 2006 is as follows:

Name of Directors	Number of attendance
Mr. Cheung Ngan	4/4
Mr. Chan Chung Chun, Arnold	4/4
Mr. Chan Francis Ping Kuen	4/4
Mr. Hu Guang	2/4
Mr. Chan Chak Paul	4/4

The current independent non-executive directors of the Company are not appointed for a specific term as required by code provision A.4.1. In order to be more consistent with code provision A.4.1, the relevant bye-law of the Company was amended to ensure that all directors, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years at the Company's annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

BOARD COMMITTEE

The Board has established two committees with clearly-defined written terms of reference. The independent views and recommendations of the two committees ensure proper control of the Group and the continual achievement of the high standard corporate governance practices.

Remuneration Committee

The Remuneration Committee (the "Committee") composed of two independent non-executive directors and one executive director, being Mr. Chan Chak Paul, Mr. Chan Francis Ping Kuen and Mr. Cheung Ngan respectively. One meeting was held during the year ended 31 March 2006 and all members of the Committee had attended the meeting.

Corporate Governance Report

The brief duties of the Committee as per the terms of reference were as follows:

- i) to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors;
- ii) to have the delegated responsibilities to determine the specific remunerations package of all executive directors; and
- iii) to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of director.

The Committee has every right to access to professional advice relating to remuneration proposal if considered necessary.

Audit Committee

The Company has an Audit Committee comprising three independent non-executive directors, Mr. Hu Guang, Mr. Chan Chak Paul, and Mr. Chan Francis Ping Kuen who serves as the chairman of the Committee. Two meetings were held during the year ended 31 March 2006 and all members of the Audit Committee had attended the meetings.

During the year ended 31 March 2006, the Audit Committee had reviewed the Company's annual report for the year ended 31 March 2005, the interim report for the six months ended 30 September 2005 and the principal duties of the Audit Committee include:

- i) monitoring integrity of the Company's financial statements and reports;
- ii) reviewing of financial controls, internal controls, and risk management system; and
- iii) reviewing of the Company's financial and accounting policies and practices.

The Audit Committee is authorized by the Board to investigate any activity and seek any information it requires within its terms of reference. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

NOMINATION OF DIRECTORS

Directors are responsible for identifying suitable qualified individual and make recommendation to the Board for consideration. The Board will apply certain criteria on selection such as the consideration of what business or financial experience that the nominated individual can bring into the Board, his or her capabilities to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating Company's policies and strategies, as well as to the effective ways of discharging the Board's responsibilities.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Code of Conduct during the year under review.

AUDITORS' REMUNERATION

For the year ended 31 March 2006, the auditors of the Company received approximately HK\$350,000 for audit service and no fee was payable for other non-audit services.

INTERNAL CONTROL

The Board review the internal control system of the Company annually and will take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets. The effectiveness of the internal control system was discussed on an annual basis with the Audit Committee.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 March 2006 were prepared in accordance with statutory requirements and applicable accounting standards, and have been prepared on going concern basis.