

Corporate Governance Report

The Company is committed to maintain a high standard of corporate governance with a view to enhance the management of the Company as well as to preserve the interests of the shareholders as a whole. The board of directors ("Board") has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), which came into effect on 1 January 2005 (with the exception of code provision C.2.1 on internal controls which is only applicable to accounting periods commencing on or after 1 July 2005). During the year ended 31 March 2006, the Company has complied with all applicable code provisions in the CG Code except for the deviation from Code A.2.1 of the CG Code as described below in the "Chairman and Chief Executive Officer" section.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

BOARD OF DIRECTORS

The Board comprises of six executive directors, namely Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Tsang Wing Leung, Jimson, Ms Ku Ling Wah, Phyllis, Mr. Chan Chi Sun and Ms Ma Sau Ching, one non-executive director, Mr. Ku Yiu Tung, and three independent non-executive directors, namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Two of the independent non-executive directors possess appropriate professional accounting qualifications and financial management expertise. All of the independent non-executive directors have signed their respective confirmation letters to the Company confirming their independence as set out in rule 3.13 of the Listing Rules. Biographical details of the directors are set out in the section of Directors, Senior Management and Staff on pages 12 to 13. The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board conducted six Board meetings, four of which were regular Board meetings in compliance with Code A.1.1 of CG Code, during the year ended 31 March 2006. The attendance of each director is set out as follows:

Directors	Attendance Record
Mr. Ku Ngai Yung, Otis (<i>Chairman</i>)	6/6
Mr. Ku Ka Yung (<i>Deputy Chairman</i>)	6/6
Mr. Tsang Wing Leung, Jimson	6/6
Ms Ku Ling Wah, Phyllis	6/6
Mr. Chan Chi Sun	6/6
Ms Ma Sau Ching	5/6
Mr. Ku Yiu Tung	6/6
Mr. Lo Wa Kei, Roy	6/6
Mr. Lee Kwong Yiu	6/6
Mr. Wong Che Man, Eddy	6/6

The Board is charged with the responsibility of setting corporate policy and overall strategy for the Group and providing effective oversight of the management of the Group's business affairs. The Board also monitors the financial performance and the internal controls of the Group's business operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 of CG Code provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Company does not officially have a position of chief executive officer. However, Mr. Ku Ngai Yung, Otis has been assuming the roles of both the chairman and chief executive officer of the Company. In this regard, the Company has deviated from Code A.2.1 of the CG Code. The Board intends to maintain this structure in the future as it believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently. Nonetheless, the Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Bye-law 86(2) of the then Bye-laws of the Company ("Old Bye-laws"), a director who fills a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Also, according to Bye-law 87 of the Old Bye-laws, at each annual general meeting of the Company, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, and being eligible, offer himself for re-election.

At the annual general meeting of the Company held on 22 August 2005 ("2005 AGM"), the shareholders of the Company passed a special resolution approving the amendments of the Bye-laws of the Company ("Bye-laws"). According to Bye-law 87(1) of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation no later than the third annual general meeting after he was last elected or re-elected. Also, according to Bye-law 90 of the Bye-laws, a director appointed to an office as managing director, joint managing director or deputy managing director shall also be subject to rotation, resignation and removal as the other directors of the Company.

Two independent non-executive directors, namely Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, as well as Ms Ku Ling Wah, Phyllis and Mr. Tsang Wing Leung, Jimson who are executive directors, were re-elected as directors of the Company at the 2005 AGM for a term of no more than three years and subject to retirement by rotation in accordance with the Bye-laws.

Mr. Ku Ngai Yung, Otis, Mr. Ku Ka Yung, Mr. Lee Kwong Yiu and Mr. Ku Yiu Tung will retire at the forthcoming 2006 annual general meeting and will offer themselves for re-election. Their proposed term of office shall not be more than three years and is subject to retirement by rotation in accordance with the Bye-laws.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company in September 2005 and currently comprises Mr. Lee Kwong Yiu (Chairman), Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, all of whom are independent non-executive directors of the Company, as well as the human resources manager of the Company. The duties of the remuneration committee include, inter alia, the determination of remuneration of executive directors and senior management and review of the remuneration policy of the Group.

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(continued)

REMUNERATION COMMITTEE (continued)

The remuneration committee held one meeting during the year ended 31 March 2006. The attendance of each remuneration committee member is set out as follows:-

Remuneration Committee Members	Attendance Record
Mr. Lee Kwong Yiu (<i>Chairman</i>)	1/1
Mr. Lo Wa Kei, Roy	1/1
Mr. Wong Che Man, Eddy	1/1

During the year ended 31 March 2006, the remuneration committee has reviewed and determined the remuneration of the directors and the overall remuneration policy of the Group.

AUDIT COMMITTEE

An audit committee has been established by the Company to act in an advisory capacity and to make recommendations to the Board. The members of the audit committee comprise the three independent non-executive directors of the Company, who are Mr. Lo Wa Kei, Roy (*Chairman*), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy are both qualified certified public accountants and possess the qualifications as required under rule 3.21 of the Listing Rules. None of the members of the audit committee is a member of the former or existing auditors of the Company. The audit committee has adopted the principles set out in the CG Code. The duties of the audit committee include review of the interim and annual reports of the Company as well as various auditing, financial reporting and internal control matters with the management and/or external auditors of the Company. During the year ended 31 March 2006, the audit committee has performed the above duties, including making recommendations to the Board regarding the changes in external auditors. Information on the changes in external auditors is set out on page 22.

During the year ended 31 March 2006, the audit committee held three meetings. Attendance of each audit committee member is set out as follows:-

Audit Committee Members	Attendance Record
Mr. Lo Wa Kei, Roy (<i>Chairman</i>)	3/3
Mr. Lee Kwong Yiu	3/3
Mr. Wong Che Man, Eddy	3/3

AUDITORS' REMUNERATION

During the year under review, the remuneration paid or payable to the Company's auditors, Messrs. Deloitte Touche Tohmatsu (resigned on 3 April 2006) and BDO McCabe Lo Limited, are set out as follows:

Type of Services	Fees paid/payable
Interim results review (joint review by the two firms)	HK\$125,000
Audit (by BDO McCabe Lo Limited)	HK\$630,000
Tax compliance (by BDO Tax Limited)	HK\$70,000

ACCOUNTABILITY AND INTERNAL CONTROL

The directors acknowledge their responsibility to prepare financial statements for the financial year ended 31 March 2006 which give a true and fair view of the state of affairs of the Company and the Group and the results and cash flows of the Group. In preparing the financial statements for the year ended 31 March 2006, the directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the financial statements, have made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.