

CORPORATE GOVERNANCE REPORT

In November, 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") promulgated the Code on Corporate Governance Practices (the "Code"), which became effective on 1 January, 2005. The Code provides the code provisions and recommended best practices for corporate governance.

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Board of the Directors ("the Board") is committed to ensure the self-regulatory practices exist to protect the interests of the shareholders. These include a Board of high caliber members, Board Committees and effective internal audit and good systems of internal controls. The Company regularly reviews the corporate governance procedures and developments of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the period under review with deviation from certain code provisions as explained below:

1. Under the code provision A.2.1, the roles of chairman and chief executive officer ("**CEO**") of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Chen Ming-hsiung, Mickey. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high caliber individuals with a substantial number thereof being non-executive directors. The Directors believes that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of the business plans;
2. Under the code provision B.1.1, the Company should establish a remuneration committee with specific written terms of reference, which deal clearly with its authority and duties. It was until 23 August 2005 that the Company established such a committee; and
3. Non-executive directors of the Company were previously not appointed for a specific term but were subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. On 23 August 2005, the Board resolved to change the terms of appointment of non-executive directors to a specific term of three years to comply with the code provision A.4.1.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The duty of the Board is to manage the Company and its subsidiaries (the “Group”) in a responsible and effective manner and every director has to carry out his/her duty in good faith and achieves the standard of any prevailing applicable laws and regulations and act in the best interests of the Company and its shareholders. The Board consists of five executive directors, one non-executive director and three independent non-executive directors:

Executive directors

Mr. Chen Ming-hsiung, Mickey
 Mdm. Huang Hsiu-duan, Helen
 Mr. Chan Ho-man, Daniel
 Mr. Kimmel, Phillip Brian
 Mr. Lee Kung, Bobby

Non-executive director

Mr. Chow Wing-kin, Anthony

Independent non-executive directors

Mr. Tam King-ching, Kenny
 Mr. Chan Mo-po, Paul
 Ms. Choy Hok-man, Constance (Resigned on 1 July 2006)
 Mr. Yung Tse-kwong, Steven (Appointed on 1 July 2006)

The board of Directors held several board meetings until the date of this report. Details of the attendance of the meetings of the meetings of the board of Directors are as follows:

Name of directors	Number of attendances
Mr. Chen Ming-hsiung, Mickey	6/6
Mdm. Huang Hsiu-duan, Helen	6/6
Mr. Chan Ho-man, Daniel	6/6
Mr. Phillip Brian Kimmel	6/6
Mr. Lee Kung, Bobby	4/6
Mr. Chow Wing-kin, Anthony	5/6
Mr. Tam King-ching, Kenny	6/6
Mr. Chan Mo-po, Paul	5/6
Ms. Choy Hok-man, Constance	3/5 (resigned on 1 July 2006)
Mr. Yung Tse-kwong, Steven	1/1 (appointed on 1 July 2006)

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, Directors’ appointment, succession

CORPORATE GOVERNANCE REPORT

planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

The Board is responsible for determining the corporate strategic development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters and material transactions of the Group.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different business functional units of the operations of the Group.

Besides, to assist the Board in discharge of its duty, the Board established the audit committee, remuneration committee and nomination committee and their scope of duties and terms of reference were discussed and approved in the board meeting.

Ms. Choy Hok-man, Constance, an independent non-executive Director, resigned on 1 July 2006 due to personal reason. The Company appointed Mr. Yung Tse-kwong, Steven as an independent non-executive Director on 1 July 2006. Save as disclosed, the Company has all along appointed, pursuant to the Listing Rules, three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders of the Company during the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1, the roles of chairman and chief executive officer (“CEO”) of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Chen Ming-hsiung, Mickey. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high caliber individuals with a substantial number thereof being non-executive directors. The Directors believes that vesting the roles of the Chairman and the CEO in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of the business plans.

NON-EXECUTIVE DIRECTORS

All non-executive directors were previously not appointed for a specific term but were subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Bye-laws of the Company. On 23 August 2005, the Board resolved to change the terms of appointment of non-executive directors to a specific term of three years to comply with the code provision A4.1.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 (the “Model Code”) to the Listing Rules to ensure directors’ dealing in the securities of the Company are conducted in accordance with the Model Code. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2006.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

Under the code provision B.1.1, the Company should establish a remuneration committee with specific written terms of reference, which deal clearly with its authority and duties. However, a remuneration committee (the “**Remuneration Committee**”) of the Company was only established on 23 August 2005. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, such as any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors.

During the year till the date of this report, members of the Remuneration Committee included:

Mr. Chen Ming-hsiung, Mickey	(Chairman)
Mdm. Huang Hsiu-duan, Helen	
Mr. Tam King-ching, Kenny	
Mr. Chan Mo-po, Paul	
Mr. Choy Hok-man, Constance	(Resigned on 1 July 2006)
Mr. Yung Tse-kwong, Steven	(Appointed on 1 July 2006)

The Remuneration Committee held a meeting on 23 August 2005 to discuss remuneration related matters. All members of the Remuneration Committee attended the meeting. The Remuneration Committee has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors with reference to the factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable. Details of the emolument policy of the Directors are set out on page 21 of this report.

NOMINATION OF DIRECTORS

The nomination committee of the Company (the “**Nomination Committee**”) was established on 23 August 2005. The role and function of the Nomination Committee include reviewing the structure, size and composition of the board of Directors on a regular basis and to make recommendations to the board of Directors regarding any proposed changes. The Board considers the past performance and qualification of the candidates for Directors, general market conditions and the Company’s bye-laws in selecting and recommending candidates for directorship during the year under review.

As at the date of this report, the Nomination Committee held 2 meetings on 23 August 2005 and 11 May 2006, the Nomination Committee members namely, Mr. Chen Ming-hsiung, Mickey, Mr. Tam King-ching, Kenny and Mr. Chan Mo-po, Paul were present on both meetings. Mr. Chow Wing-kin, Anthony and Ms. Choy Hok-man, Constance were present on the meeting held on 23 August 2005.

During the meetings, the Nomination Committee considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Company’s bye-laws and as resolved by the Nomination Committee, Mr. Tam King-ching, Kenny, Mr. Kimmel, Philip Brian and Mr. Yung Tse-kwong, Steven will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The Company's external auditors are Ernst and Young. The audit committee of the Company (the "Audit Committee") is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group. During the year under review, the Group has provided HK\$938,000 to the external auditors for their audit services. Ernst & Young has also provided the Group with non-audit services, including review of interim financial report and provision of tax services at fees totalling to HK\$285,000.

AUDIT COMMITTEE

As required by Rule 3.21 of the Listing Rules, the Company has established an Audit Committee with written terms of reference, which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems.

During the year till the date of this report, members of the Audit Committee included:

Mr. Tam King-ching, Kenny	
Mr. Chow Wing-kin, Anthony	
Mr. Chan Mo-po, Paul	
Ms. Choy Hok-man, Constance	(Resigned on 1 July 2006)
Mr. Yung Tse-kwong, Steven	(Appointed on 1 July 2006)

The Audit Committee held two meetings during the period under review till the date of this report and all the committee members were present in these meetings.

The Group's audited consolidated results for the year ended 31 March 2006 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable Hong Kong accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The Audit Committee considered that the existing proposed terms in relation to the appointment of the Group's external auditors are fair and reasonable.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders of the Company are set out on page 30 of this report.

INTERNAL CONTROL

The Board has kept the Group's system of internal control under review to ensure that it is effective. The Board convened meetings regularly to discuss financial, operational and risk management control.

INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communications with its investors. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meeting, road shows and conferences. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company set high priority in communicating with shareholders and investors. Regular meetings with institutional shareholders and general presentation of financial results are made when financial results are announced. The Company also provides extensive information in its annual reports, interim report and press announcement.

CODE OF CONDUCT

To enhance the standards of employees, the Company has set out standards of professional and ethical conduct for all employees of the Group. The employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

CONCLUSION

The Company will continue its ongoing effort in reviewing the corporate governance practices from time to time and will try the best in maintaining, strengthening and improving the standard and quality of the Company's corporate governance to meet with the continuous changing environment and for the benefit of the shareholders.