

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for the overall strategic development and business operation of the Group. The Board also monitors the financial performance and control on business operation. Currently the Board is comprised of four executive Directors, namely Mr. Hung Man Sing, Ms. Yeung Sau Han, Agnes, Mr. Ng Cheuk Fan, Keith and Mr. Lim Kwok Choi, three independent non-executive Directors namely, Mr. Lok Shing Kwan, Sunny, Mr. Chiang Chi Kin, Stephen and Mr. Chan Kin Sang.

The Board is committed to maintain and ensure high standards of corporate governance and continuously reviews and improves the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2006 including the deviations as disclosed in the interim report of the Company for the six months ended 30 September 2005.

The Company will continue to seek to improve its management and raise its control level to enhance the Company’s competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for shareholders.

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 specific enquiries made, all the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

BOARD OF DIRECTORS

The Board comprises four executive directors and three independent non-executive directors. The Directors of the Company during the year and up to the date of this Annual Report were:

Executive directors:

Mr. Hung Man Sing
Ms. Yeung Sau Han, Agnes
Mr. Ng Cheuk Fan, Keith
Mr. Lim Kwok Choi

Independent non-executive directors:

Mr. Lok Shing Kwan, Sunny
Mr. Chiang Chi Kin, Stephen
Mr. Chan Kin Sang

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The biographical details of the Directors are set out on page 7 to 9 of this Annual Report. The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive directors of the Company in Board meetings facilitate the maintenance of good corporate governance practices. At least one of the Independent non-executive directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rule 3.10 (1) and (2) of the Listing Rules. A balanced composition of executive and non-executive directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

All independent non-executive directors are free from any business or other relationship with the Company. The Company has received from each Independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the three independent non-executive directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least two times a year to approve annual and interim results, and to review the business operation and the internal control system of the Group. The meeting schedule is fixed at the beginning of each year. Apart from these regular meetings, Board meetings are also held as and when necessary to consider major issues. At least 14 days notice for each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of a Board meeting to ensure that Directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to Directors for their review and comment while final version of the said minutes, when duly signed, are sent to all members of the Board for their records. All such minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year, eight Board meetings were held and the attendance of each Director are as follows:

| Directors | Attendance |
|-----------------------------|------------|
| Mr. So Chi Hiu | 1/1 |
| Mr. Hung Man Sing | 8/8 |
| Ms. Yeung Sau Han, Agnes | 8/8 |
| Mr. Ng Cheuk Fan, Keith | 8/8 |
| Mr. Lim Kwok Choi | 6/8 |
| Mr. Lok Shing Kwan, Sunny | 6/8 |
| Mr. Chiang Chi Kin, Stephen | 6/8 |
| Mr. Chan Kin Sang | 6/8 |

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ACCOUNTABILITY AND INTERNAL CONTROL

The Board acknowledges its responsibility for the preparation of financial statements that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The financial statements are prepared on a going concern basis.

The Board has overall responsibility for the establishment, maintenance and review of the Company's internal control system. The Group maintains an effective internal control system and will conduct review on the effectiveness of the system at least annually. The Group has engaged an independent party conducting a review of the same.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1., the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Company, is also responsible for overseeing the general operations of the Group. The Company does not at present have any office with the title "Chief Executive Officer". The Board believes the current management structure is sufficient for monitoring and controlling the operation of the Group. The Company will review its structure from time to time and make relevant arrangements to observe the provisions of the Listing Rules whenever necessary.

BOARD COMMITTEE

The Board has established two committees, including the Remuneration Committee and Audit Committee, each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members. Each committee is required to report to the Board on its decision and recommendations where appropriate. The Board has not established a Nomination Committee since the Board is of the view that the selection and recommendation of candidates for directorship of the Company should be conducted by the Board as a whole.

REMUNERATION COMMITTEE

The Board set up the Remuneration Committee in July 2005 with specific written terms of reference which deal with its authority and duties. It currently consists of three members, including Messrs. Mr. Lok Shing Kwan, Sunny (Chairman), Mr. Chiang Chi Kin, Stephen, and Mr. Chan Kin Sang, all of them are independent non-executive directors.

The Remuneration Committee's role is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance while due having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive directors as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The Remuneration Committee shall meet at least once a year. During the year, one Remuneration Committee meeting was held to review the remuneration packages of all Directors and senior management and the attendance of each member is set out as follows:

| Members of the Remuneration Committee | Attendance |
|---|------------|
| Mr. Lok Shing Kwan, Sunny (<i>Chairman</i>) | 1/1 |
| Mr. Chiang Chi Kin, Stephen | 1/1 |
| Mr. Chan Kin Sang | 1/1 |

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same was reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in note 20 to the consolidated financial statements.

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AUDIT COMMITTEE

The role of Audit Committee is to review the Group's financial reporting, internal controls and to make relevant recommendations to the Board. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

During the year, the Audit Committee comprises the three independent non-executive directors, namely, Mr. Lok Shing Kwan, Sunny (Chairman), Mr. Chiang Chi Kin, Stephen and Mr. Chan Kin Sang.

The Audit Committee shall meet at least twice a year. Five Audit Committee meetings were held during the year and the attendance of each member is set out as follows:

| Member of the Audit Committee | Attendance |
|---|------------|
| Mr. Lok Shing Kwan, Sunny (<i>Chairman</i>) | 5/5 |
| Mr. Chiang Chi Kin, Stephen | 5/5 |
| Mr. Chan Kin Sang | 5/5 |

During the year under review, the Audit Committee had reviewed the financial statements for the year ended 31 March 2006.

EXTERNAL AUDITORS' REMUNERATION

During the year the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng ("HLB"), are set out as follows:

| Services rendered for the Group | Fees paid/payable to HLB HK\$'000 |
|--------------------------------------|--------------------------------------|
| Audit services | 650 |
| Non-audit services: | |
| – Taxation and professional services | 155 |
| – Other professional services | 150 |
| Total: | 955 |

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company also acknowledges that general meeting are valuable forums for the Board to communicate directly with the Shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The Directors of the Company acknowledge their responsibility for preparing the financial statements which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on pages 16 and 17 of this Annual Report.