

Corporate Governance Practices

The Board of Directors and the management of the Company recognize the importance and benefits of good corporate governance practices and have adopted certain corporate governance and disclosure practices aiming at a high level of transparency and accountability. The Company is committed to continuously improving its corporate governance practices as part of its own corporate culture.

The Company has complied with the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices (the 'CG Code') under 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 except for the deviations from the code provisions A.1.1 and A.4.1 as set out below.

The Board

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and affairs of the Company with the objective of enhancing shareholder value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividend, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board of the Company comprises a total of 7 Directors, with four Executive Directors and three Independent Non-executive Directors. More than one-third of the Board is Independent Non-executive Directors and more than one of them have appropriate professional qualifications or accounting or related financial management expertise. The composition of the Board is shown on page 14 under the subject Board Meeting attendance records. Biographies of the Directors which include relationship among members of the Board are set out on pages 18 to 19 under the subject Directors and Senior Management Profile.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Corporate Governance Report

The Board (continued)

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Code Provision A.1.1 stipulates that the Company should hold at least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through other electronic means of communication.

Regular Board meetings were held twice during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. As the Company did not announce quarterly results no quarterly meetings have been held. In order to meet the Code Provision, the Company plans to hold at least four regular Board meetings, at approximately quarterly intervals, starting from the financial year commencing on 1 April 2006.

Details of Directors' attendance records of the two meetings held during the year are as follows:

Composition of the Board	Attended
<i>Executive Directors</i>	
Mr. But Tin Fu (<i>Chairman</i>)	2/2
Mr. But Tin Hing	2/2
Mr. Leung Cheong (<i>Chief Executive Officer</i>)	2/2
Mr. Leung Kuen, Ivan	2/2
<i>Independent Non-executive Directors</i>	
Mr. See Tak Wah	0/2
Prof. Xu Yang Sheng (appointed on 20 May 2005)	2/2
Mr. Yau Wing Keung, Frankie (appointed on 20 May 2005)	2/2

The Board (continued)

All Directors have full access to accurate, relevant and timely information of the Group through management and are able to obtain independent professional advices on issues whenever deemed necessary by the Directors.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated. Mr. But Tin Fu is the Chairman and Mr. Leung Cheong the Chief Executive Officer of the Group.

Remuneration Committee

The Company has a remuneration committee which was established in accordance with the requirements of the Code for the purpose of reviewing the remuneration policy and fixing the remuneration package for all Directors. The remuneration committee currently comprises three members, namely Prof. Xu Yang Sheng and Mr. Yau Wing Keung, Frankie who are independent non-executive directors, and Mr. But Tin Fu, who is an executive director. The committee has met once during the year with all members present to review the remuneration packages for all Directors.

Audit Committee

The existing Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Yau Wing Keung, Frankie (Chairman), Mr. See Tak Wah and Prof. Xu Yang Sheng.

The principal duties of the Audit Committee include the review of the internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence, monitor compliance with statutory and listing requirements, and to engage independent legal or other advisers as it determines necessary.

During the year, two meetings were held. All members of the Audit Committee with the exception of Mr. See Tak Wah attended the meetings.

Corporate Governance Report

Audit Committee (continued)

In discharging its responsibility, the Audit Committee has performed the following work during the year:

- (i) reviewed the draft annual and interim financial statements and draft results announcements during the year;
- (ii) reviewed, in conjunction with the auditors, the development of accounting standards and assessed their potential impacts on the Group's financial statements.

Model Code For Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

Auditors' Remuneration

Ernst & Young provided audit services in respect of the Group's annual financial statements prepared under the Hong Kong Financial Reporting Standards. The following table sets forth the type of, and fees for, the principal audit services and non-audit services provided by Ernst & Young to the Group for the year ended 31 March 2005 and 2006:

Nature of services	2006 HK\$	2005 HK\$
Audit services fee	1,500,000	825,000
Taxation consultancy services fee	243,100	105,700
Total audit and non-audit services	1,743,100	930,700

Financial Reporting

The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis in preparing the financial statements.