

Corporate Governance Report |

The board of directors (the “board”) is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders’ value. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

The Code on Corporate Governance Practice (“CGP Code”) issued by The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in its Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) sets out two levels of corporate governance practices, i.e. mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CGP Code, save for the deviations discussed below.

Code Provision A.4.1

Under this code provision, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive directors of the Company except for Mr. Wu Jiesi is appointed for a specific term. However, under the Company’s bye-laws, all the directors of the Company (whether executive or non-executive) are subject to the retirement by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practice are no less exacting than those in the Code.

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Code Provision A.4.2

Under this code provision, every director should be subject to retirement by rotation at least once every three years. According to the Company’s bye-laws, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of Board should not be subject to retirement by rotation.

The number of the Board Meeting and Audit Committee Meetings attended by each Director during the year under review are set out in the following table. Figure in brackets indicates maximum of meetings in the period in which the individual was a Board Members or Audit Committee Members (as the case may be).

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	Notes	Meetings Attended/(Held)	
		Board	Audit Committee
<i>Executive Directors</i>			
Mr. Duan Chuan Liang (Chairman)		33/(33)	N/A
Mr. Tsui Chi Kin	1	7/(7)	N/A
Mr. Chen Guo Ru	2	22/(26)	N/A
<i>Non-executive directors</i>			
Mr. Chiu Shui Pui, Andrew	4	2/(33)	N/A
Mr. Zhao Hai Hu		13/(33)	N/A
Mr. Zhou Wen Zhi		0/(33)	N/A
Mr. Wu Jiesi	3	0/(9)	N/A
<i>Independent non-executive directors</i>			
Mr. Chan Chi Shing		6/(6)	4/(4)
Mr. Chen Lizhong		6/(6)	4/(4)
Ms. Huang Shao Yun		6/(6)	4/(4)

Notes:

1. Resigned as Executive director on 9 January 2006
2. Appointed as Executive director on 30 November 2005
3. Appointed as Non-executive director on 13 February 2006
4. Resigned as Non-executive director on 14 July 2006

Each of the independent Non-executive Directors have confirmed in writing their independence from the Company in accordance with the guidelines on director independence of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

The Board is principally responsible for formulating business strategies, and monitoring the performance of the business of the Group. The Board decides on corporate strategies, approves overall business plans, evaluates the Group's financial performance and management and reviews the financial and internal control system. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

The Board plans to have at least four meetings in a financial year and to discuss at other times as and when required to review financial and internal control, risk management, company strategy and operating performance of the Group.

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Biographical details of the Directors of the Company as at the date of this report are set out on pages 8 to 9 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. Given the composition of the Board and the skills, knowledge and expertise of the Director, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of emoluments of each of the Director from the Group for the year are disclosed in note 12 to the financial statements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

During the year under review, appointment of new Directors was considered and approved by the full Board by taking into account criteria such as expertise, experience, integrity and commitments.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors (except the Chairman) are subject to retirement by rotation and re-election at annual general meetings of the Company. Further, at each annual general meeting, one third of the Directors (excluding the Chairman), or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third are required to retire from office. All of the Directors (excluding Chairman) are subject to retirement by rotation.

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of the Chairman and the Chief Executive Officer (the "CEO") of the Group were separately held by Mr. Duan Chuan Liang and Mr. Du Lin Dong respectively for the year to ensure a clear distinction between the Chairman's responsibility to lead the Board and the CEO's responsibility to manage the Company's business affairs. The Company intends to continue to have the role of the Chairman and CEO assumed by different individuals.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently, all independent Non-executive Directors have no specific term of office with the Company. All of them are subject to retirement by rotation in accordance with Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

AUDIT COMMITTEE

The Audit Committee comprises all independent Non-executive Directors and is responsible for review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records, external auditors and senior management.

The Audit Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code provision. For the year under review, the Audit Committee held four meetings included the review of the final results for the year ended 31 March 2005 and the interim accounts for the six months ended 30 September 2005.

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REMUNERATION COMMITTEE

The remuneration Committee, comprised of all Independent Non-executive Directors, is responsible for reviewing and determining the compensation and benefits of the Directors and senior management. The Remuneration Committee is chaired by an Independent Non-executive Director.

Since 22 December 2005, the Remuneration Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code Provision. Since its inception, no meeting has been held by the Remuneration Committee.

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. Furthermore, as the full Board is responsible for the selection and approval of candidate for appointment as Director to the Board, therefore the Company has not established a Nomination Committee for the time being.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Director are responsible for the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Company and of the Group and the results and cash flow of the Group for the period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives.

AUDITORS' REMUNERATION

Grant Thornton has been appointed as the auditors of the Company on 12 June 2006 following the resignation of RSM Nelson Wheeler on 10 May 2006. Total auditors' remuneration for the year ended 31 March 2006 amounted to HK\$850,000 (2005: HK\$650,000). HK\$935,000 (2005: Nil) was paid for other non-audit services provided by RSM Nelson Wheeler for the Company and its subsidiaries during the year.

The responsibilities of the auditors with respect to financial reporting are set out in the section of "Report of the Auditors" on page 21.

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DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the period and they all confirmed that they have fully complied with the required standard set out in the Model Code. The Company is considering adopting a code of conduct governing securities transactions with terms no less exacting than that required by the Listing Rules by employees who may possess or have access to price sensitive information.

COMMUNICATION WITH SHAREHOLDERS

The Company attaches great priority to establishing effective communications with its shareholders and investors. As a means of communications, the Company provides information relating to the Company and its business in its interim and annual reports. The Company regards its Annual General Meeting as an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the Annual General Meeting to address shareholders' queries. The Company also responds to requests for information and queries from the shareholders and investors and welcomes the views of shareholders on matters concerning the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management direct.