

CORPORATE GOVERNANCE REPORT

The Company had complied throughout the year with those paragraphs of the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BOARD OF DIRECTORS

As of the date of this annual report, the Board of Directors of the Company comprises two Executive Directors, namely Ms. Lo Oi Kwok, Sheree and Mr. Wong Man Hon, Frederick, and three Independent Non-Executive Directors, namely Mr. Shum Ming Choy, John, Mr. Kwong Wai Tim, William and Mr. Douglas Gary Drew (Chairman). The offices of Chairman and Executive Director of the Company had been segregated by different individuals, Mr. Douglas and the two Executive Directors respectively. Mr. Douglas, Ms. Lo and Mr. Wong are not related to each other in financial, business or family aspects.

In August 2005, the Board of Directors reviewed, discussed and approved the respective written terms of reference ("Terms of Reference") in order to divide the respective responsibilities of the Chairman and the Executive Director. The Chairman is responsible for determining the Group's objectives, strategies, policies and business plans whereas the Executive Director is responsible for the running the Company's business, making day-to-day decisions concerning business operations and the implementation of the approved strategies in achieving the overall commercial objectives.

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. Hence, the Company enquired all the Directors individually whether they had complied with the Appendix 10 while trading the securities of the Company during the financial year, and all Directors had complied with the Appendix 10 during the year.

The Company had complied with the requirements of the Listing Rules to appoint several Independent Non-Executive Directors during the financial year, namely Mr. Shum Ming Choy, John, Mr. Kwong Wai Tim and Mr. Douglas Gary Drew provided that each of them is subject to retire by rotation and re-election, if eligible, under the Articles of Association of the Company. The Company had received a letter from each of the Independent Non-Executive Directors confirming their independency had been complied with the Rule 3.13 of the Listing Rules. As such, the Company also confirmed all Independent Non-Executive Directors are independent. The Directors of the Company are unrelated to each other in every aspect, including financial, business or family.

The Company has in place established Board process. Regular full Board meetings are held at least four times a year, and, if necessary, additional meetings would be arranged. The Company Secretary assists the Directors in establishing the meeting agenda. Notice of meeting and information package will be sent to Directors within reasonable and practical time prior to a regular Board meeting in order to facilitate the Directors informed discussion and decision-making. Each Director may request inclusion of matters in the agenda for Board meetings.

The Company Secretary is responsible for taking minutes of the Board meetings and keeping the minute books and will be opened for inspection by the Directors upon request. All Directors have access to the advices and services of the Company Secretary, who is responsible to the Board.

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The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. In the nomination process, the Board of Directors makes reference to criteria including, inter alia, accomplishment and experience in the industry, professional and educational background and commitment in respect of available time and relevant interest. During the year, the Board has determined the policy for the nomination of Directors and assessed the independence of Non-Executive Directors.

Those Directors appointed by the Board during the year shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

The process for re-election of a director is in accordance with the Company's Articles of Association, which requires that, other than those Directors appointed during the year, one-third of the Directors for the time being are required to retire by rotation at each annual general meeting and are eligible to stand for re-election. The annual report and the circular for annual general meeting contain detailed information on election of Directors including detailed biography of all Directors standing for re-election to ensure shareholders to make an informed decision on their election.

The attendance records of individual Directors during the financial year are set out below:

Directors	Attendance
LIU Xue Lin	9/10
ZHANG Fang Hong	0/0
YAO Keming	4/5
SHI Hao, Simon	2/2
NI Ling	7/10
SUN Yuming	7/9
CHANG Kuan Hsi	5/6
LIN Chia Chin	5/6
PENG Sheng Bo	1/4
CHEN Simo	1/2
QIU Jing	2/2
CHUNG Wilson	N/A
YEUNG Ming Kwong	N/A
WONG Man Hon, Frederick	N/A
LO Oi Kwok, Sheree	N/A
LIU Kwok Fai, Alvan	5/10
CHOW Siu Tong	7/12
LAI Ka Chu	6/10
WONG Tam Yee	2/2
IP Man Tin, David	2/2
DOUGLAS Gary Drew	N/A
CHENG Keli	N/A
XU Xuechuan	N/A
SHUM Ming Choy, John	N/A
LAM Ping Cheung	N/A
KWONG Wai Tim, William	N/A

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AUDIT COMMITTEE

During the financial year, the Audit Committee of the Company comprises Mr. Liu Kwok Fai, Alvan, Mr. Chow Siu Tong, Mr. Lai Ka Chu, Mr. Wong Tam Yee and Mr. Ip Man Tin, David, the Independent Non-Executive Directors.

During the financial year, the Audit Committee met two times, and the meetings were attended by external auditors and the Company Secretary for the purpose of assessing and reviewing the internal control, the financial statements and corporate governance and so on.

The Audit Committee had reviewed, discussed and approved the financial statements for the year ended 31st March 2006.

The attendance records of the meetings of individual Audit Committee Members during the financial year are set out below:

Committee members	Attendance
LIU Kwok Fai, Alvan	1/2
CHOW Siu Tong	2/2
LAI Ka Chu	2/2
WONG Tam Yee	0/0
IP Man Tin, David	0/0
DOUGLAS Gary Drew	N/A
SHUM Ming Choy, John	N/A
KWONG Wai Tim, William	N/A

REMUNERATION COMMITTEE

The Board of Directors of the Company had approved the establishment of Remuneration Committee during the financial year, and also reviewed, discussed and approved the written Terms of Reference. During the financial year, the Remuneration Committee comprised Mr. Liu Kwok Fai, Alvan, Mr. Chow Siu Tong, Mr. Lai Ka Chu, Mr. Wong Tam Yee and Mr. Ip Man Tin, David, the Independent Non-Executive Directors and the chief executive officer. The major roles and functions of the Remuneration Committee are to formulate remuneration policy and to determine the remuneration of the Directors and senior management. A meeting had been convened to review Terms of Reference of the Remuneration Committee and other matters upon its establishment.

In devising remuneration proposals of Directors, the Remuneration Committee has access to professional advice when necessary. During the year, no Director was involved in deciding his/her remuneration.

The Directors' fees and any other reimbursement or emolument payable to a Director during the year are disclosed in the Company's financial statements.

INTERNAL CONTROL

The Company has gradually establishing, maintaining and operating an effective system of internal control, which has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

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ACCOUNTABILITY AND AUDIT

The directors acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements.

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's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each propose resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the AGM, and (except where a poll is demanded) reveals how many proxies for and against have been received in respect of each resolution.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders are also welcome to promote our transparency.

On behalf of the Board
DOUGLAS Gary Drew
Chairman

Hong Kong, 6 November 2006