

Corporate Governance Report

The board of Directors (the “Board”) is committed to achieving a high standard of corporate governance.

The Board has reviewed the Group’s corporate governance practices and is satisfied that the Company has complied with the code provisions in the Code on Corporate Governance Practices (“the Code”) set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) during the year.

The Board

The Board, led by the Chairman, is responsible for the formulation of the Group’s strategies and policies, approval of annual budgets and business plans, and supervising the management of the day-to-day operations of the Group to ensure the business objectives are met.

As at 31 March 2009, the Board comprised of ten Directors, including the Chairman, CEO, four executive Directors, one non-executive Director and three independent non-executive Directors. Biographical details of the Directors are stated under the section “Biographical Details of Directors and Senior Management”.

For a Director to be considered independent, that director should not have any direct or indirect material interest in the Group. In determining the independence of Directors, the Board follows the requirement set out in the Listing Rules. Each of the independent non-executive Directors has made an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

All the non-executive Directors are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meeting of the Company.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interest for the Group. Board meetings are planned and conducted effectively.

The Chairman is responsible for approving the agenda for each Board meeting, after taking into account the matters proposed by other Directors. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages all Directors to be fully engaged in the Board’s affairs and make contributions to the Board’s functions. The Board has adopted good corporate governance practices and procedures and has taken appropriate steps to provide effective communication with shareholders.

The CEO is responsible for managing the business of the Group, attending to the formulation and implementation of group policies, and assuming full accountability for the Group’s operations. Acting as the principal manager of the Group’s business, the CEO develops a strategic operating plan that reflects the long-term objectives and priorities established by the Board, and is directly responsible for maintaining the operational performance of the Group. Working with the senior management and the Board, the CEO ensures that the funding requirements of the business are met and closely monitors the operating and financial results against the plans and budgets. He also takes remedial actions when necessary and advises the Board of any significant developments and issues of the Group.

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The Board *(Continued)*

Ongoing dialogues are maintained with the Chairman and all Directors to keep them fully informed of all major business developments and issues.

The Board meets regularly, and at least 4 times a year. Between scheduled meetings, senior management of the Group provides to Directors the information on the activities and developments in the business of the Group on a timely basis and when required, additional Board meetings are held. In addition, Directors have full access to the information of the Group and the independent professional advice whenever deemed necessary by the Directors.

The Board held 5 meetings during the year.

	Name of Director	Attended/Eligible to attend
Chairman	Ko Chun Shun, Johnson	5/5
CEO	Liu Shunxing	5/5
Executive Directors	Wang Xun	5/5
	Yang Zhifeng	5/5
	Liu Jianhong	5/5
	Chan Kam Kwan, Jason	5/5
Non-executive Director	Tsoi Tong Hoo, Tony	5/5
Independent Non-Executive Directors	Ho Tak Man, Billy	5/5
	Yap Fat Suan, Henry	5/5
	Dr. Wong Yau Kar, David	5/5

All Directors are subject to re-election by shareholders at the annual general meeting following their appointments. The Directors shall retire and shall be eligible according to the bye-laws of the Company to offer themselves for re-election at least once every three years. None of the Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

All Directors confirmed that they have complied with the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "Model Code") in their securities transactions throughout the year.

Directors' Responsibility for the Financial Statements

The following statements, which set out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's report on page 26 which acknowledges the reporting responsibilities of the Group's Auditors.

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Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps proper and accurate accounting records for the preparation of the financial statements in accordance with the relevant laws and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Company Secretary

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that the activities of the Board are carried out efficiently and effectively. The Company Secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and board committees in a timely manner. The Company Secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of Report and Financial Statements and interim reports within the period laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made when there are any dealings of the Director in the securities of the Group.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensure that the standards and disclosures required by the Listing Rules are observed.

With respect to the secretarial function of the Group, the Company Secretary maintains formal minutes of the Board meetings and other Board committee meetings.

Audit Committee

The Audit Committee comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. Yap Fat Suan, Henry and the other members of the Committee are Dr. Wong Yau Kar, David and Mr. Ho Tak Man, Billy. Mr. Yap Fat Suan, Henry is a chartered accountant in England and Wales and is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants.

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Audit Committee *(Continued)*

Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements, to monitor compliance with statutory and listing requirements, to review the scope, extent and effectiveness of the Group's internal control system, to engage independent legal or other advisers as it determined necessary and to perform necessary investigations.

The Audit Committee held 2 meetings during the year.

Name of Member	Attended/Eligible to attend
Ho Tak Man, Billy	2/2
Dr. Wong Yau Kar, David	2/2
Yap Fat Suan, Henry	2/2

There are no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the interim financial statements and the annual consolidated financial statements.

Financial Statements

The Audit Committee meets and holds discussions with the Executive Directors and other senior management of the Group on the interim results, preliminary results announcement and Annual Report. The Audit Committee reviews and discusses the management's report and representations with a view to ensure that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also considers reports from the Group's principal external auditors, PricewaterhouseCoopers ("PwC"), on the scope and outcome of their annual audit of the consolidated financial statements.

External Auditors

The Audit Committee holds meetings with PwC regularly to discuss the scope of their audit and their findings during the audit.

The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

Review of Risk Management and Internal Control

The Audit Committee reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and risks are managed. In reliance on these reviews, the Audit Committee makes a recommendation to the Board for the approval of the consolidated financial statements for the year.

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Auditors' Remuneration

A summary of fees for audit and non-audit services is as follows:

Nature of the services	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Audit services	2,650	1,934
Other services	268	—
	2,918	1,934

Remuneration Committee

The Remuneration Committee comprises 4 members. The Remuneration Committee is chaired by Mr. Ko Chun Shun, Johnson, with Messrs. Ho Tak Man, Billy, Yap Fat Suan, Henry and Dr. Wong Yau Kar, David, being the members. The Remuneration Committee meets for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee also meets as and when required to consider remuneration related matters.

Under its term of reference, the responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating people of the highest caliber and experience needed to shape and execute strategies across the Group's operations. The Committee assists the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group.

The Remuneration Committee held 1 meeting during the year ended 31 March 2009.

Name of Member	Attended/Eligible to attend
Ko Chun Shun, Johnson	1/1
Ho Tak Man, Billy	1/1
Yap Fat Suan, Henry	1/1
Dr. Wong Yau Kar, David	1/1

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Internal Control and Group Risk Management

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of risk. The Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Group.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. Reporting and review activities include the review and approval by the Board of detailed operational and financial reports, budgets and plans provided by the management of the business operations, the review by the Board of actual results against the budgets, the review by the Board of the internal control system of the Group, as well as the regular business reviews by executive Directors and the senior management.

The Board is responsible for monitoring the overall operations of the businesses within the Group. Directors are appointed to the boards of all significant material operating subsidiaries and associates to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The senior management is accountable for the performance within the agreed strategies and is accountable for its conduct and performance.

The Financial Controller of the Company, reports directly to the Board and the Audit Committee, and monitors the existence and effectiveness of the risk management activities and controls in the Group's business operations. The Financial Controller also discusses the audit plan with the Audit Committee and the external auditors. The audit plan is reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. In addition, regular dialogues are maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Reports from the external auditors on relevant financial reporting matter is presented to the Audit Committee, and, as appropriate, to the Board.

Investor Relations and Shareholders' Rights

The Board is committed in providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The Chairman and Directors are available to answer questions on the Group's business at the meeting. Subject to the bye-laws of the Company, all shareholders shall have statutory rights to call for special general meetings and put forward agenda items for consideration in the general meetings. All resolutions at the general meeting are decided by a poll which is conducted by the Group's branch share registrar in Hong Kong.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.