

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

In April 2005, the Board adopted the Company's Corporate Governance Code (the "Interchina CG Code") and the Interchina CG Code exceeds the code provisions set out in the CG Code.

For the year ended 31 March 2007, the Company has complied with the code provisions of the CG Code with deviations from the code provision A.4.1 and B.1.1 of the CG Code as summarized below:

- i. The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, all directors of the Company (including executive and non-executive directors) are not appointed for any specific term. However, all directors are subject to retirement by rotation at each annual general meeting in accordance with the Company's Articles of Association and shall be eligible for re-election. The Board shall ensure that all directors shall be subject to retirement by rotation at least once every three years so as to accomplish the same purpose as a specific term of appointment.
- ii. The code provision B.1.1 of the CG Code stipulates that a majority of the members of the remuneration committee should be independent non-executive directors. As Mr. Lee Peng Fei, Allen, J.P. resigned as the member and chairman of the Remuneration Committee on 1 March 2006, the Remuneration Committee consisted only 1 independent non-executive director and 1 non-executive director. On 19 June 2006, the Board appointed Mr. Wong Hon Sum, an independent non-executive director of the Company, as a member and also a chairman of the Remuneration Committee so as to comply with the code provision B.1.1 of the CG Code.

CORPORATE GOVERNANCE PRACTICES (continued)

- iii. The code provision B.1.4 and C.3.4 of the CG Code stipulate that the Company should make available the terms of reference of the Remuneration Committee and the Audit Committee respectively on request and by including the information on the Company's website. At present, the terms of reference of the Remuneration Committee and the Audit Committee are available in writing upon request to the company secretary. However, the Company is in the process of setting up its own website and will post the terms of reference of these two committees on the Company's website once the website is in operation.
- iv. The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the 2006 annual general meeting of the Company ("2006 AGM"). The chairman did not attend the 2006 AGM due to other business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

In April 2005, The Company adopted the Company's Code of Conduct regarding Directors' Securities Transactions ("Interchina Model Code") and the terms of the Interchina Model Code" are no less exacting than the required standard set out in the Model Code for Securities Transactions By Directors of Listed Issuers contained in Appendix 10 of the Listing Rules ("Model Code").

Having made specific enquiry of all directors, the directors of the Company have complied with the required standard set out in the Model Code throughout the year.

BOARD

a) Board Composition

The Board currently comprises three executive directors and three independent non-executive directors, serving the important function of guiding the management.

The Board members for the year ended 31 March 2007 and up to the date of the annual report were:-

Chairman

Mr. Zhang Yang

Executive directors

Mr. Zhang Yang

Mr. Chan Wing Yuen, Hubert

Mr. Lam Cheung Shing, Richard

Non-executive director

Mr. Hui Ho Ming, Herbert, J.P. (retired on 26 August 2006)

Independent non-executive directors

Mr. Wong Hon Sum

Ms. Ha Ping

Dr. Tang Tin Sek (appointed on 26 August 2006)

Mr. Wu Wai Chung, Michael (retired on 26 August 2006)

BOARD (continued)

b) Role and Function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as when necessary, directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that Board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 March 2007, the Board:–

- i. reviewed the performance of the Group and formulated business strategy of the Group;
- ii. reviewed and approved the annual and interim results of the Group for the year ended 31 March 2006 and for the period ended 30 September 2006 respectively;
- iii. reviewed the internal controls of the Group;
- iv. reviewed and approved the general mandates to issue and repurchase shares of the Company;
- v. reviewed and approved the price-sensitive transactions;

BOARD (continued)

b) Role and Function (continued)

- vi. reviewed and approved the notifiable transactions of the Company; and
- vii. reviewed and approved the auditor remuneration the re-appointment of HLB Hodgson Impey Cheng (“HLB”) as the external auditors of the Group respectively.

To the best knowledge of the Company, there is no financial, business and family relationship among our directors between the chairman and the chief executive officers. All of them are free to exercise their independent judgment.

c) Meeting Records

There were six board meetings held for the year ended 31 March 2007.

The following was an attendance record of the board meetings held by the board during the year:

Board Members	Attendance at meetings held for the year ended 31 March 2007	Attendance Rate
Mr. Zhang Yang	5/6	83.33%
Mr. Chan Wing Yuen, Hubert	6/6	100%
Mr. Lam Cheung Shing, Richard	6/6	100%
Mr. Hui Ho Ming, Herbert, J.P. (retired on 26 August 2006)	2/6	100% (Note 1)
Mr. Wong Hon Sum	6/6	100%
Ms. Ha Ping	4/6	66.66%
Dr. Tang Tin Sek (appointed on 26 August 2006)	3/6	75% (Note 2)
Mr. Wu Wai Chung, Michael (retired on 26 August 2006)	0/6	0% (Note 3)

BOARD (continued)

c) Meeting Records (continued)

Note:

1. 2/2 meetings attended up to 26 August 2006
2. 3/4 meetings attended since 26 August 2006
3. 0/2 meetings attended since 26 August 2006

d) Independent Non-executive Directors

All independent non-executive directors are financially independent from the Company and any of its subsidiaries.

The Company confirmed with all non-executive directors as to their independence with reference to the factors as set out in Listing Rules 3.13.

e) Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are Mr. Zhang Yang and Mr. Chan Wing Yuen, Hubert respectively.

The chairman's responsibility is to provide leadership to the Board and formulate the Group's business strategies. The chief executive officer's responsibility is to manage the Company's business. The division of responsibilities between the chairman and chief executive officer is clearly established and set out in the Interchina CG Code.

BOARD (continued)

f) Accountability and Audit

The directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

In preparing the financial statements, the directors consider that the financial statements of the Group are prepared on going concern basis and appropriate accounting policies have been consistently applied. The directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 41.

g) Internal Control and Risk Management

The Board is responsible for the Group's system of internal control so as to maintain sound and effective internal controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate. During the year, HLB was engaged in the internal control review of the Group and reported to the Audit Committee of the Company. Through the Audit Committee, the Board assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance controls and risk management functions.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

- Audit Committee
- Remuneration Committee
- Corporate Governance Committee

Each Board Committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

Audit Committee

The audit committee currently consists of three independent non-executive directors.

a) Composition of Audit Committee Members

Mr. Wong Hon Sum (chairman of Audit Committee)

Ms. Ha Ping

Dr. Tang Tin Sek (appointed on 26 August 2006)

Mr. Wu Wai Chung, Michael (retired on 26 August 2006)

b) Role and Function

The Audit Committee is mainly responsible for:

- i. to review the Group's financial and accounting policies and financial statements half yearly before submission to, and providing advice and comments thereon on to the Board;

BOARD COMMITTEES (continued)

Audit Committee (continued)

b) Role and Function (continued)

- ii. to discuss with the external auditors the nature and scope of audit and review audit issues raised by the external auditors;
- iii. to review the financial controls, internal controls and risk management systems of the Group; and
- iv. to consider the appointment, resignation or dismissal of external auditors and their audit fees.

c) Meeting Records

The Audit Committee held six meetings during the year, particular in reviewing the interim and annual results of the Group and internal controls of the Group.

The following was an attendance record of the of the audit committee meetings for the year ended 31 March 2007:

Audit Committee Member	Attendance at meetings held for the year ended 31 March 2007	Attendance Rate
Mr. Wong Hon Sum	6/6	100%
Ms. Ha Ping	2/6	33.33%
Dr. Tang Tin Sek (appointed on 26 August 2006)	4/6	100% (Note 1)
Mr. Wu Wai Chung, Michael (retired on 26 August 2006)	1/6	50% (Note 2)

Note:

1. 4/4 meetings attended since 26 August 2006
2. 1/2 meetings attended up to 26 August 2006

BOARD COMMITTEES (continued)

Audit Committee (continued)

c) Meeting Records (continued)

During the meetings, the Audit Committee discussed the following matters:-

i. Financial Reporting

The Audit Committee met with the external auditors to discuss the interim and annual financial statements of the Group. The auditors, the chief executive officer, the company secretary and the financial controller of the Company were also in attendance to answer questions on the financial results.

Where there were questions on the financial statements and system of internal control of the Group reviewed by the Audit Committee, the management of the Company would provide breakdown, analysis and supporting documents to the Audit Committee members in order to ensure that the Audit Committee members were fully satisfied and make proper recommendation to the Board.

ii. External Auditors

The Audit Committee reviewed the audit fee for the year ended 31 March 2007 and the re-appointment of HLB as the external auditors of the Group.

iii. Internal Controls

The Audit Committee discussed with the management the report issued from HLB for the internal control review of the Group.

BOARD COMMITTEES (continued)

Remuneration Committee

The Remuneration Committee currently consists of two independent non-executive directors and one executive director.

a) Composition of Remuneration Committee Members

Mr. Wong Hon Sum (appointed on 19 June 2006) (chairman of the Remuneration Committee)

Ms. Ha Ping (appointed on 26 August 2006)

Mr. Chan Wing Yuen, Hubert (appointed on 26 August 2006)

Mr. Hui Ho Ming, Herbert, J.P. (retired on 26 August 2006)

Mr. Wu Wai Chung, Michael (retired on 26 August 2006)

b) Role and Function

The Remuneration Committee is mainly responsible for:

- i. reviewing any significant changes in human resources policies and structure made in line with the then prevailing trend and business requirements;
- ii. making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- iii. reviewing and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

b) Role and Function (continued)

- iv. ensuring that no director or any of his associates is involved in deciding his own remuneration.

Where circumstances are considered appropriate, some Remuneration Committee decisions are approved by way of written resolutions passed by all the Remuneration Committee members.

c) Meeting Record

For the year ended 31 March 2007, there was one meeting held.

The following was an attendance record of the of the Remuneration Committee meeting for the year ended 31 March 2007:

Remuneration Committee member	Attendance at meeting held for the year ended 31 March 2007	Attendance Rate
Mr. Wong Hon Sum (appointed on 19 June 2006)	1/1	100%
Mr. Chan Wing Yuen, Hubert (appointed on 26 August 2006)	0/1	N/A (Note 1)
Ms. Ha Ping (appointed on 26 August 2006)	0/1	N/A (Note 1)
Mr. Hui Ho Ming, Herbert, J.P. (retired on 26 August 2006)	1/1	100%
Mr. Wu Wai Chung, Michael (retired on 26 August 2006)	0/1	0%

Note:

- 1. No meeting was held since 19 June 2006

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

c) Meeting Record (continued)

During the year under review, the Remuneration Committee reviewed the policies for the remuneration of director and senior management of the Group, the staff costs and headcount of the Group.

Corporate Governance Committee

The Corporate Governance Committee currently consists of one executive director and one non-executive director.

a) Composition of Corporate Governance Committee Members

Mr. Wong Hon Sum

(appointed on 26 August 2006) (chairman of the Corporate Governance Committee)

Mr. Chan Wing Yuen, Hubert

Mr. Hui Ho Ming, Herbert J.P.

(retired on 26 August 2006) (chairman of the Corporate Governance Committee)

b) Role and Function

The Corporate Governance Committee is mainly responsible for:

- i. reviewing the policies relating to corporate governance;
- ii. proposing to the Board in respect of the Company's corporate governance policies and in respect of the formulation of these corporate governance policies for the establishment of formal and transparent procedures;
- iii. ensuring a formal structure of policies and systems, such as that set out in this Code on Corporate Governance, including the necessary checks and balances, can only work effectively within an overall of honesty and integrity;

BOARD COMMITTEES (continued)

Corporate Governance Committee (continued)

b) Role and Function (continued)

- iv. monitoring the performance of management of the Company in relation to corporate governance matters;
- v. setting the Company's values and standards for its corporate governance;
- vi. reviewing and advising upon matters in respect of the present or future regulatory related matters of the Company; and
- vii. delegating such of its powers as this Committee deems appropriate to the management of the Company.

Where circumstances are considered appropriate, some board decisions are approved by way of written resolutions passed by all the directors.

c) Meeting Records

For the year ended 31 March 2007, there were three meetings held.

The following was an attendance record of the of the Corporate Governance Committee meetings for the year ended 31 March 2007:

Corporate Governance Committee member	Attendance at meeting held for the year ended 31 March 2007	Attendance rate
Mr. Chan Wing Yuen, Hubert	3/3	100%
Mr. Wong Hon Sum	3/3	100%
Mr. Hui Ho Ming, Herbert, J.P. (retired on 26 August 2006)	2/3	100% (Note 1)

Note:

1. 2/2 meetings attended up to 26 August 2006

BOARD COMMITTEES (continued)

Corporate Governance Committee (continued)

c) Meeting Records (continued)

During the year under review, the Corporate Governance Committee reviewed the corporate governance disclosure of the Group's annual results of the Group for the year ended 31 March 2006 and interim results for the period ended 30 September 2006 as required by the CG Code.

EXTERNAL AUDITORS

It is the auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the independent auditors' report.

Apart from the provision of annual audit services, HLB also carried out interim review of the Group's results, preparation of accountant report of circular and the internal control review of the Group.

For the year ended 31 March 2007, HLB provided the following services to the Group:-

	2007 HK\$000
Annual audit services	700
Other advisory services	<u>550</u>

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

Information about the Company's activities is provided in its interim and annual Reports, which are sent to shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans.

The Board recognizes the importance to maintain on-going dialogue with shareholders. The Company's annual general meeting ("AGM") and extraordinary meeting (EGM") are the principal channels to communicate directly with the shareholders. The Chairman of the Board and the chairmen of the Audit Committee and Remuneration Committee (or their duly appointed delegates) together with the external auditors are presented to answer shareholders' queries at the AGM.

All shareholders have statutory rights to call for EGM and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the registered office a written request for such general meetings together with the proposed agenda items.

Registered shareholders are notified by post for the shareholders' meetings, such as at least 21 days' notice for AGM and 14 days' notice for EGM respectively. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS (continued)

For the year ended 31 March 2007, the following shareholder meeting was held by the Company:–

Date	Venue	Type of Meeting	Particulars	Voting at the Meeting
26 August 2006	Room Monet, Basement 1, Grand Stanford Hotel, 70 Mody Road, Kowloon	Annual General Meeting	<ol style="list-style-type: none"> 1. To approve the financial statements, the report of the directors and the report of the auditors for the year ended 31 March 2006 2. To re-appoint HLB as auditors and authorize the board of directors to fix their remuneration 3. To re-elect directors; and 4. To approve the general mandate to issue and repurchase shares of the Company 	By show hands
10 February 2007	Royal I, 1/F, Majestic Hotel, 348 Nathan Road, Kowloon	Extraordinary General Meeting	To approve the very substantial disposal	By show hands

MEMORANDUM AND ARTICLES OF ASSOCIATION

There are no changes to the Memorandum and Articles of Association during the year ended 31 March 2007.

PUBLIC FLOAT CAPITALIZATION AND SHAREHOLDER INFORMATION

As at 31 March 2007, the public float of capitalization of the Company was approximately HK\$845 million. The following table summarized the shareholding structure of the Company as at 31 March 2007:–

By Category	2007	
	No. of Shares	% of issued share capital of the Company
Wealth Land Development Corp. (a company beneficially and wholly owned by Mr. Zhang Yang)	103,495,000	1.56%
Public Shareholders	<u>6,548,408,632</u>	<u>98.44%</u>
Total	<u>6,651,903,632</u>	<u>100%</u>

As at 31 March 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the Company has not been notified of any substantial shareholders' interests or short positions, being 5% or more of the Company's issued share capital.

FINANCIAL CALENDAR FOR 2007/08

Events	Dates
Announcement of 2006/07 annual results	15 June 2007
Annual General Meeting	14 July 2007
Announcement of 2007/08 interim results	December 2007