

Corporate Governance Report

The Company are committed to maintaining a high standard of corporate governance. We firmly believe that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interests of its shareholders as a whole.

The Company has complied throughout the year ended 31st March, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which has been replaced by the Code on Corporate Governance Practices with effect on 1st January 2005.

BOARD OF DIRECTORS

The Board of Directors (the "Board") is charged with leading the Group in a responsible and effective manner. Each director has to carry out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and act in the best interests of the shareholders. The duties of the Board include establishing the strategic direction of the Group, setting objectives and monitoring the performance of the Group.

The Board of the Company consists of 3 executive directors, 3 independent non-executive directors and one non-executive director.

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. Their brief biographical details are described on page 10 of the Annual Report. They ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate check and balance to safeguard the interest of shareholders and the Company as a whole.

The full Board meets no less than twice a year to review the financial and operating performance of the Group.

There were 5 board meetings held in the financial year ended 31st March, 2005. The attendance record of each director is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of director	No. of board meeting held	No. of board meeting attended	Attendance Rate
Mr. Lee Lap	5	4	80%
Mdm. Leung Lai Ping	5	2	40%
Mr. Wong Shiu Kee	5	5	100%
Dr. Lee Tung Hai, Leo	5	3	60%
Mr. Lee Ka Sze, Carmelo	5	1	20%
Mr. Chan Siu Kang	3	3	100%
Mr. Lo Yiu Hee	3	3	100%

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DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions.

The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the year ended 31st March, 2005.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

CHAIRMAN & CHIEF EXECUTIVE OFFICER

Pursuant to paragraph A.2.1. of the Code on Corporate Governance Practice's in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Lee Lap is currently the chairman of the board and chief executive officer of the Group. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Lee Lap acting as both the chairman of the Board and also as the chief executive officer of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

NON-EXECUTIVE DIRECTOR

Each of the independent non-executive directors and non-executive director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company from 30th September, 2004 to 31st December, 2006. The appointment shall terminate on the earlier of (i) 31st December, 2006, or (ii) the date on which the director ceases to be director for any reasons pursuant to the bye-laws of the Company or any other applicable laws.

AUDIT COMMITTEE

The Company has established an Audit Committee, chaired by Dr. Lee Tung Hai, Leo with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code of the Listing Rules. Other members are Mr. Lee Ka Sze Carmelo, Mr. Chan Siu Kang and Mr. Lo Yiu Hee.

The Audit Committee meets no less than twice a year with the senior management and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Group, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions. The Committee also provides advice and recommendations to the Board and oversees all matters relating to the external auditors, and it plays an important role in monitoring and safeguarding the independence of external auditors.

The Audit Committee met twice during the financial year ended 31st March, 2005. The attendance record of each member is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

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After each audit committee meeting, the chairman of the Audit Committee will present to the Board a report which highlights any significant issues discussed in the meeting.

Name of audit committee member	No. of audit committee meeting held	No. of meeting attended	Attendance Rate
Dr. Lee Tung Hai, Leo	2	2	100%
Mr. Lee Ka Sze, Carmelo	2	2	100%
Mr. Chan Siu Kang	1	1	100%
Mr. Lo Yiu Hee	1	1	100%

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 17th December, 2004, chaired by Mr. Lee Lap with defined terms of reference. Other members are Mr. Chan Siu Kang and Mr. Lo Yiu Hee.

The Company aims to design remuneration policies that attract and retain executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies whilst taking into account performance of the individual. The remuneration should reflect performance, complexity and responsibility of the individual; and the remuneration package will be structured to include salary, bonus and share options scheme to provide incentives to directors and senior management to improve their individual performances.

The Remuneration Committee meets once during the financial year ended 31st March, 2005. The Remuneration committee will make recommendation to the Board on the Company's policy and structure for all remuneration of directors, including non-executive directors, and senior management.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2005 are analysed as follows:

	31st March, 2005 HK\$	31st March, 2004 HK\$
Audit service	343,000	350,000
Non audit service	92,000	91,000
	435,000	441,000

CONCLUSION

The Company strongly believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of funds and effective allocation of resources and to protect shareholders' interests. The management wholeheartedly advocates of the good practice in corporate governance and will try our best to maintain, strengthen and improve the standard and quality of the Group's corporate governance.