

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company recognises that good corporate governance is vital to the success and the sustained development of the Group. The Company aims at complying with, where appropriate, all code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has applied and complied with most of the applicable Code Provisions throughout the year ended 31 March 2006 and up to the date of publication of the annual report, except for certain deviations from the Code Provisions in respect of Code Provisions A.1.1, A.2.1, A.4.1 and B.1.1, details of which are explained below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has not adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") in Appendix 10 of the Listing Rules. In other words, the Company has adopted the required standard set out in the Model Code. The Company, having made specific enquiry, confirms that all directors of the Company have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

BOARD OF DIRECTORS

Composition and role

As at the date of this annual report, the Board of the Company comprises five executive directors and three independent non-executive directors, which includes:

Executive Directors:

Chan Sik Ming, Harry (*Chairman & Chief Executive Officer*)

Motofumi Tsumura

Hiroto Sasaki

Hiroyuki Kikuchi

Au-Yeung Wai Hung

Independent Non-Executive Directors:

Kohu Kashiwagi

Chan Yuk Tong

Li Chi Kwong

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BOARD OF DIRECTORS *(Continued)*

The Biographical details of the Board members are set out on pages 3 and 4 of this annual report.

The Board is responsible for the strategic planning for the Group and the monitoring of the Group's operating performance while day-to-day management of the Group is delegated to the management team. Generally speaking, the Board is responsible for:

- Formulating the Group's long term strategy and monitoring the implementation thereof
- Reviewing and approving the interim and annual reports
- Recommending of interim and final dividend
- Ensuring good corporate governance and compliance
- Monitoring the performance of the management
- Reviewing and approving any material acquisition and disposal of assets

Owing to from the death of Mr. Taro Akashi, an independent non-executive director of the Company, on 28 September 2005, the Company was left with only two independent non-executive directors. According to the requirement under Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Hence, the Company was not in compliance with Rule 3.10(1) of the Listing Rules from 28 September 2005. Until 22 December 2005, when the Company appointed Dr. Li Chi Kwong as an independent non-executive director to fill the casual vacancy. The Company has complied with Rule 3.10(1) of the Listing Rules since 22 December 2005.

Save as disclosed above, the Company complies with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related finance management expertise. The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules. Moreover, each independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Board meetings

According to the Code Provision A.1.1, regular board meetings should be held at least four times a year.

There were only two regular board meetings held during the year ended 31 March 2006 because some executive directors who were also top management of the Group were busy at planning the purchase of sophisticated machines for the Group during the current year in order to cope with the foreseeable increase in sales orders for High Density Inter – connect printed circuit boards. The Board will arrange at least four regular board meetings during the year ending 31 March 2007.

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BOARD OF DIRECTORS *(Continued)*

The names and individual attendance of each director at each board meeting are set out below:

	Attendance/ No. of board meetings
<i>Executive directors:</i>	
Chan Sik Ming, Harry (<i>Chairman & CEO</i>)	2/2
Motofumi Tsumura	0/2
Hiroto Sasaki	0/2
Hiroyuki Kikuchi	0/2
Au-Yeung Wai Hung	2/2
<i>Independent non-executive directors:</i>	
Kohu Kashiwagi	0/2
Chan Yuk Tong	2/2
Li Chi Kwong (*)	1/1

(*) Dr. Li Chi Kwong was appointed as an independent non-executive director on 22 December 2005 and there was only one board meeting held between the date of his appointment and 31 March 2006.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual.

The Company does not have a separate Chairman and CEO, and Mr. Chan Sik Ming, Harry currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person ensures consistent leadership within the Group and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board believes that the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

NON-EXECUTIVE DIRECTORS

According to the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company do not have a specific term of appointment, but are subject to retirement by rotation and re-election in accordance with the relevant provisions of the Company's bye-laws.

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REMUNERATION COMMITTEE

According to the Code Provision B.1.1, the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

The Remuneration Committee of the Company was established on 22 December 2005 with specific written terms of reference which deal clearly with its authority and duties. The Remuneration Committee comprises the three independent non-executive directors and two executive directors.

The Remuneration Committee is responsible for formulating formal and transparent remuneration policies, and for approving the remuneration packages of directors and senior management. In determining the emolument payable to directors, it takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the justification of performance-based remuneration.

There was only one Remuneration Committee meeting held between the date of the establishment of the Remuneration Committee on 22 December 2005 and 31 March 2006. The names and individual attendance of each member at the Remuneration Committee meeting are set out below:

	Attendance/ No. of Remuneration Committee meeting
<i>Independent non-executive directors:</i>	
Chan Yuk Tong (<i>Chairman of Remuneration Committee</i>)	1/1
Kohu Kashiwagi	0/1
Li Chi Kwong	1/1
<i>Executive directors:</i>	
Chan Sik Ming, Harry	1/1
Au-Yeung Wai Hung	1/1

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AUDIT COMMITTEE

The Audit Committee of the Company was established in 1999 and comprises the three independent non-executive directors of the Company at present. The Board considers that each Audit Committee member has broad commercial experience and technical knowledge and there is a suitable mix of expertise in business, accounting and financial management within the Audit Committee. The composition of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee's primary responsibility includes reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee also acts as a communication channel between the Company's external auditors and management for all essential issues identified during the course of the audit.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2006.

There was only one Audit Committee meeting held during the current year ended 31 March 2006. The names and individual attendance of each member at the Audit Committee meeting are set out below:

	Attendance/ No. of Audit Committee meeting
<i>Independent non-executive directors:</i>	
Chan Yuk Tong (<i>Chairman of Audit Committee</i>)	1/1
Kohu Kashiwagi	0/1
Li Chi Kwong	1/1

NOMINATION OF DIRECTORS

Currently, the Company does not have a Nomination Committee. The Board identifies individuals who are suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account such attributes as working experience, professional qualification and other relevant factors including the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rules 3.13 of the Listing Rules.

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AUDITORS' REMUNERATION

Ernst & Young is the Company's external auditors. The Audit Committee is responsible for considering the appointment, remuneration and terms of engagement of the external auditors.

During the year ended 31 March 2006, the services and associated remuneration provided by Ernst & Young to the Group were as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Audit services	585	540
Other services	55	49

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. 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.

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

A statement by the auditors about their reporting responsibilities is set out on page 24 of this annual report.