

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company aims to achieve good standard of corporate governance and believes that sound corporate governance principles, increased transparency and independency of corporate operation and an effective shareholder communication mechanism will promote the health growth of the Company and in the best interest of its shareholders as a whole.

During the year ended 31 March 2006, the Company complied with most of the code provisions ("Code Provisions") by following those Code Provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") which became applicable to the Company in respect of the year under review. Any deviation of the Code Provisions is explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors of the Company ("Director(s)"), all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2006.

Code Provision A.5.4 also requires written guidelines (the "Written Guidelines") which should be established on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company. On 28 December 2005, Written Guidelines were established.

BOARD OF DIRECTORS

As at 31 March 2006, the Board comprises seven Directors, of which four are executive Directors namely Mr. Chiu Kong (Chairman), Mr. Kwan Kam Hung, Jimmy, Mr. Wang Guangtian (General Manager) and Mr. Hui Richard Rui and three are independent non-executive Directors namely Mr. Miu Frank H., Mr. Yu Pan and Ms. Tong So Yuet. Two of the independent non-executive Directors possess the requisite appropriate professional qualification required under the Listing Rules 3.10 (2). Biographical details of all Directors are disclosed on page 10 of this Annual Report.

Statistics of Directors' attendance of 23 board of Directors' meetings during the year ended 31 March 2006 are as follows:

Name	Attended
Executive Directors	
Mr. Chiu Kong	14
Mr. Kwan Kam Hung, Jimmy	12
Mr. Wang Guangtian	5
Mr. Hui Richard Rui	23
Independent non-executive Directors	
Mr. Miu Frank H.	4
Mr. Yu Pan	3
Ms. Tong So Yuet	4

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The Board is the mastermind of the Company. It provides the leadership to the Company and oversees the Group's strategic decisions, business development and performances and all business affairs. With the authorization and delegation from the Board, the management are responsible for the management and administration of the Company and the Group.

Each of our independent non-executive Directors has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all of the independent non-executive Directors to be independent.

None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The fiduciary duties of the chairman (the "Chairman") of and chief executive officer (hereinafter refer to the "General Manager" as it is the official title used by the Company) of the Company are segregated and not exercised by the same individual. Mr. Chiu Kong is the Chairman who is responsible for the leadership of the Board and overall business directions of the Group. Mr. Wang Guangtian is the General Manager who is responsible for the execution of business strategies, day-to-day operation and management of the Group.

NON-EXECUTIVE DIRECTORS

The non-executive Directors are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. However, non-executive directors are subject to retirement by rotation at the Company's annual general meeting as specified by the articles of association of the Company.

REMUNERATION OF DIRECTORS

Code Provision B.1.1 requires setting up of the remuneration committee. The Company has deviated from the requirement and the remuneration committee has not been set up yet. The Company is in the process of establishing a remuneration committee as more time is needed for determining details appropriate and beneficial to the Company including the composition and terms of reference.

The Directors are remunerated with reference to their responsibility with the Company, their qualifications, experiences and past remuneration, the Company's performance and current market situation. A board meeting was held during the year to discuss and determine the remuneration of the directors. Mr. Chiu Kong, Mr. Hui Richard Rui, Mr. Miu Frank H. and Ms. Tong So Yuet attended the meeting.

NOMINATION OF DIRECTORS

The nomination of directors should be taken into consideration of the nominee's qualification, experience, ability and potential contributions to the Company. As no new director was appointed to the Board during the year, no meeting was held during the year by the Board for nomination of new director. The Company understands the importance of having a nomination committee and will consider the feasibility of setting up a nomination committee.

Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years (the "Rotation Period Restriction"). The Chairman and the managing director of the Company are not subject to retirement by rotation and the Company's articles of association does not provide for such specific Rotation Period Restriction. As a result, the Company has deviated from Code Provision A.4.2. The Company intends to amend the articles of association of the Company to comply with this Code Provision, and the relevant resolutions for amending the articles of association of the Company are expected to be proposed at the next annual general meeting of the Company at the earliest.

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AUDITORS' REMUNERATION

During the year ended 31 March 2006, fees paid to the Company's external auditors for non-audit related activities amounted to approximately HK\$1.31 million which covers review of interim results and taxation service in the amount of approximately HK\$0.31 million and work done relating to the proposed increase of capital in Shijiazhuang Shuanghuan Automobile Company Limited in the amount of approximately HK\$1.01 million.

Audit fee for the year ended 31 March 2006 is approximately HK\$0.85 million.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors namely Mr. Miu Frank H. (Chairman of the Committee), Mr. Yu Pan and Ms. Tong So Yuet. Two of the members possess appropriate professional accounting qualification, while the another member is an experienced senior executive who served in various multi-national companies. Code Provision C.3.3 requires the terms of reference of the audit committee should include certain minimum duties. On 28 December 2005, the terms of reference of the audit committee were revised to include all the duties set out in the Code Provisions C.3.3 of which among other things include reviewing financial statements of the Company.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The members and attendance of the 2 audit committee's meetings during the year ended 31 March 2006 are as follows:

Name	Attended
Mr. Miu Frank H.	2
Mr. Yu Pan	2
Ms. Tong So Yuet	2

During these meetings, the Audit Committee reviewed reports from external auditors regarding their audit on annual financial statements and review on interim financial results.

OTHER MATTERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of internal control of the Company and its subsidiaries has been reviewed during the year.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Auditors' Report on page 14 of this annual report.