

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Group had, throughout the year ended 31 March 2005, complied with the Code of Best Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Code of Best Practices was replaced by the Code on Corporate Governance Practices which has become effective for accounting periods commencing on or after 1 January 2005. The Company had, to certain extent, applied the principles and complied with code provisions and the recommended best practices of the Code on Corporate Governance Practices throughout the year ended 31 March 2005.

### **BOARD COMPOSITION AND BOARD PRACTICES**

The Board is collectively responsible for the management and operations of the Group. The Directors acknowledge their responsibilities in preparing the accounts of the Group for the year covered by this annual report.

The Board comprises a total of eight Directors, three of which are Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. One of the Independent Non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

All Directors are subject to retirement by rotation once every year in accordance with the Group's Articles of Incorporation and the Code on CG Practices. Board composition review will be made regularly to ensure that it has a balance of expertise, skills and expertise appropriate for the requirements of the business of the Group.

The Chairman of the Board ("Chairman") and the Group General Manager are separate individuals, to maintain segregation of duties between the management of the Board and the day-to-day management of the Group's business. One important roles of the Chairman is to provide leadership for the Board. The Chairman ensures that the Board works effectively, discharges responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors are consulted about matters proposed for inclusion in the agenda. The Chairman has delegated to the Company Secretary the responsibility for drawing up the agenda for each Board meeting.

The Group supports the establishment of good corporate governance practices and procedures. The Group General Manager has been delegated such authority. The Board always acts in the best interests of the Group, and all Directors have made full and active contribution to the affairs of the Board. Meeting between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors has been scheduled as at least once a year.

A package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. Orientation meeting for briefing on business and operations of the Group will be held with newly appointed Director.



## CORPORATE GOVERNANCE - (Con't)

The Board meets regularly. For the year ended 31 March 2005, it held four meetings, one quarterly. Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. Board papers are circulated not less than three days before the Board meetings, to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Qualified Accountant normally attend all regular Board meetings, to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings.

### **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

Each Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Group is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13, and are independent in accordance with the terms of the guidelines.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted Appendix 10 to the Listing Rules, the model code for securities transactions by directors, as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have complied with the required standard set out in the Model Code for the year ended 31 March 2005.

### **AUDIT COMMITTEE**

The Audit Committee of the Group was established in 1999. Currently, it comprises three members all of whom are Independent Non-executive Directors, namely Mr. Leung Hok Lim who possesses professional accounting qualification, Mr. Lam Kwong Siu and Mr. Cheung Wah Fung, Christopher. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. Two regular meetings have been held by the Audit Committee during the year.

The Audit Committee has reviewed the financial results for the year ended 31 March 2005.

### **NOMINATION COMMITTEE**

The Nomination Committee was formed in March 2005 to ensure fair and transparent procedures for the appointment of directors to the Board. The committee's authority and duties are set out in written terms of reference, which specify that it must comprise at least three members, the majority of whom are independent non-executive directors. The current members of the Nomination Committee are: Mr. Lam Kwong Siu, Mr. Leung Hok Lim and Mr. Cheung Wah Fung, Christopher.



## CORPORATE GOVERNANCE - (Con't)

**REMUNERATION COMMITTEE**

According to the Code on CG Practices, the Group shall set up a remuneration committee with a majority of the members being independent non-executive directors. The Group established its remuneration committee ("Remuneration Committee") in March 2005 comprising three Independent Non-executive Directors, namely Mr. Lam Kwong Siu (Chairman), Mr. Leung Hok Lim and Mr. Cheung Wah Fung, Christopher.

The Remuneration Committee shall consult the Chairman and/ or the General Manager of the Group about their proposals relating to remuneration package and other human resources issues of the Directors and senior management of the Group. The emoluments of Directors are based on each Director's skill, knowledge and involvement in the Group's affairs, the Group's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

On behalf of the Board

**Wang Xiaowu**  
*Chairman*

Hong Kong, 14 July 2005