



# Corporate Governance Report

The board of directors (the “Board”) recognises the importance of corporate governance to the Company’s healthy growth and is dedicated to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interests of shareholders.

The Company has complied with all the code provisions in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2006 (the “Year”).

The key corporate governance principles and practices of the Company are summarized as follows:

## THE BOARD

### *Responsibilities*

The overall management of the Company’s business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promotion the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes the responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, appointment and retirement of directors and other significant financial and operational matters.

The executive directors are responsible for overseeing the day-to-day management of the Company’s operations and implementation of the strategies set by the Board.

As the Company is a investment company, investment management services have been delegated to the investment manager and the custodian, fund services and transaction handling services have been delegated to the custodian. The delegated functions and work tasks are reviewed periodically by the Board.

### *Composition*

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.



## Corporate Governance Report *(continued)*

The Board of the Company comprised the following directors:

### *Executive Directors*

Mr. ZHANG Zhi Ping (*Chairman*)

Mr. ZHANG Gaobo (*Chief Executive Officer*)

### *Non-executive Director*

Mr. LIU Hongru

### *Independent Non-executive Directors*

Mr. KWONG Che Keung, Gordon (*Chairman of Audit Committee and member of Remuneration Committee*)

Prof. HE Jia (*member of Audit Committee and Remuneration Committee*)

Mr. WANG Xiaojun (*member of Audit Committee and Chairman of Remuneration Committee*)

The names and biographical details of each director are disclosed on pages 6 to 8 of this Annual Report.

During the Year, the Board at all times met the requirements of the Listing Rules relation to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company confirms that it has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors are independent.

The non-executive director and each of the independent non-executive directors are appointed for a term of two years expiring on 31 May 2007 and they are also subject to retirement by rotation in accordance with the Company's Articles of Association.

### *Board Meetings*

Regular Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

## Corporate Governance Report *(continued)*

During the Year, 16 Board meetings were held and the attendance of individual directors was as follows:

<b>Name of directors</b>	<b>Attendance</b>
Mr. ZHANG Zhi Ping	16/16
Mr. ZHANG Gaobo	16/16
Mr. LIU Hong Ru	4/16*
Mr. KWONG Che Keung, Gordon	4/16*
Prof. HE Jia	4/16*
Mr. WANG Xiaojun	4/16*

\* 4 full Board meetings were held during the Year.

### *Chairman and Chief Executive Officer*

The Chairman and Chief Executive Officer of the Company are Mr. Zhang Zhi Ping and Mr. Zhang Gaobo respectively.

The Chairman is responsible for providing leadership for the Board and ensuring that the Board works effectively and that all key and appropriate issues are discussed by the Board on a timely manner.

The Chief Executive Officer is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions.

## BOARD COMMITTEES

In order to strengthen the functions of the Board and to oversee particular aspects of the Company's affairs, two committees has been established, namely, the Remuneration Committee and the Audit Committee. Both committees are established with defined written terms of reference.

### *Remuneration Committee*

The Board has established a Remuneration Committee comprising three independent non-executive directors, namely, Mr. Kwong Che Keung, Gordon, Prof. He Jia and Mr. Wang Xiaojun. Mr. Wang Xiaojun is the chairman of the Remuneration Committee.

The primary objective for setting up the Remuneration Committee is to comply with the Code Provision as set out in the CG Code. Its responsibilities are to review and consider the Company's policy for remuneration of directors and senior management, to recommend to the Board the remuneration packages of executive directors, non-executive director and the senior management.

## Corporate Governance Report *(continued)*

The Remuneration Committee held 2 meetings during the Year. Details of individual attendance of its members are set out below:

<b>Name of directors</b>	<b>Attendance</b>
Mr. KWONG Che Keung, Gordon	2/2
Prof. HE Jia	2/2
Mr. WANG Xiaojun	2/2

### *Audit Committee*

The Audit Committee comprised three independent non-executive directors, namely, Mr. Kwong Che Keung, Gordon, Prof. He Jia and Mr. Wang Xiaojun. Mr. Kwong Che Keung, Gordon is the Chairman of the Audit Committee.

The main duties of the Audit Committee include the following:

- (1) To review the financial statements and reports and consider any significant or unusual items by the qualified accountant, compliance officer or external auditors before submission to the Board.
- (2) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (3) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held 3 meetings during the Year. Details of individual attendance of its members are set out below:

<b>Name of directors</b>	<b>Attendance</b>
Mr. KWONG Che Keung, Gordon	3/3
Prof. HE Jia	3/3
Mr. WANG Xiaojun	3/3

The Company's annual report for the Year has been reviewed by the Audit Committee.



## Corporate Governance Report *(continued)*

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the Year.

### AUDITOR'S REMUNERATION

The Audit Committee reviews each year with the external auditors of the Company with regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them.

During the Year, the fees paid to the Company's auditors in respect of audit services amounted to HK\$165,000. No non-audit services were provided by the Company's auditors for the Year.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on pages 23 and 24.

### DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirement.

The directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year which gives a true and fair view of the state of the Company.

### INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Company's internal control system. The Company has established an internal control system and the Board will conduct review on the effectiveness of the system at least annually and report the result of the review to the shareholders.