

Corporate Governance Report

The Company has adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules (the "Code on Corporate Governance Practices") during the year under review.

In the opinion of the directors, the Company has complied throughout the period under review with the code provisions set out in the Code on Corporate Governance Practices with the following deviations:

1. Code Provision A.4.1

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

All non-executive directors (including executive directors) of the Company do not have a specific term of appointment. However, they are subject to retirement by rotation in accordance with the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code Provision A.4.1.

Board of Directors

The Board serving the important function of guiding the management, currently comprises:–

- (a) eight executive directors, namely Dr. Hui Chi Ming, Dr. Wang Tao, Mr. Chen Hua, Dr. Cui Yingxu; Dr. Chui Say Hoe, Mr. Tsang Kwok Man and Mr. Cheung Shing;
- (b) one non-executive director Mr. Chow Charn Ki, Kenneth;
- (c) three independent non-executive directors ("INED") required under Rule 3.10 (1) of the Listing Rules, namely Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka which represent approximately 33% of the Board. One INEDs have appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company and each of the INEDs has made annual confirmation that he complied with the independence criteria set out in Rule 3.3 of the Listing Rules. The Directors consider that all the three INEDs are independent under these independence criteria and are capable to effectively exercise independent judgment.

The Directors as aforesaid, accompanied by their respective biographical details, are listed in the section of "Biographies of Directors", in this annual report and that the INEDs are expressly identified in all of the Company's publication such as circulars, announcements or relevant corporate communications in which the names of Directors of the Company are disclosed.

Corporate Governance Report (cont'd)

Board of Directors (cont'd)

The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. During the year under review, the Board has reviewed, inter alia, the performance of the Group and formulated business strategy of the Group; reviewed and approved the interim and annual results of the Group for the year ended 31 March 2006; reviewed the operations of the Group and reviewed internal controls taken by the Group.

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or video conference and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director or their respective associates has conflict of interest.

In the said Board meetings, sufficient notices for regular board meetings and reasonable days for non-regular Board meetings were given to all directors so as to ensure that each of the them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Sufficient information was also supplied by the management to the Board to enable it to make decisions, which are made in the best interests of the Company.

In considering the nomination of a new director, the Board will take into account the qualification, in particular as required in the Listing Rules, ability, working experience, leadership and professional ethics of the candidates. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable new director.

Details of the attendance of the Board for the year ended 31 March 2006 and up to the date of this report were as follows:

Directors	Attendance
Dr. Hui Chi Ming (<i>Chairman</i>)	4/4
Mr. Chen Hua (<i>Deputy Chairman</i>)	0/4
Dr. Chui Say Hoe	4/4
Mr. Tsang Kwok Man	4/4
Mr. Cheung Shing	4/4
Dr. Wang Tao (<i>Honorary Chairman</i>)	(appointed on 15 June 2006) 0/4
Mr. Cui Yeng Xu	(appointed on 15 June 2006) 0/4
Mr. Lew Mon Hung	(resigned on 11 April 2005) 0/4
Mr. Chan Wai Dune	4/4
Dr. Yu Sun Say	4/4
Mr. Ng Wing Ka	4/4
Mr. Chow Cham Ki, Kenneth	4/4

Corporate Governance Report (cont'd)

Independent Non-executive Director

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive Directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises three INEDs including one with financial management expertises.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

Director's Responsibility for the Financial Statements

The financial statements of the Company for the period from 1 April 2005 to 31 March 2006 have been reviewed by the Audit Committee and audited by the external auditors, HLB Hodgson Impey Cheng. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner.

Board Committee

Audit Committee

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The written term of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" and "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, and was amended in accordance with the Appendix 14 of the Listing Rules. The Audit Committee, comprises three INEDs, namely Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka met regularly during the financial year. During the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, internal control and financial reporting matters including the review of these unaudited interim results for the six months ended 30 September 2005 and the audited results for the twelve months ended 31 March 2006. There were two meetings during the period under review and all INEDs attended all the two meetings.

Remuneration Committee

The Remuneration Committee was established for the purposes of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The written term of reference which describes the authority and duties of the Remuneration Committee was prepared and adopted. The Remuneration Committee comprises two INEDs namely Dr. Yu Sun Say and Mr. Chan Wai Dune, and an executive director, Dr. Chui Say Hoe. The Remuneration Committee has not been met during the period.

Corporate Governance Report (cont'd)

Board Committee (cont'd)

Nomination Committee

The Nomination Committee was established for the purposes of reviewing the structure, size and composition of the board as well as identifying individuals suitable and qualified to become board members. The written term of reference which describes the authority and duties of the Nomination Committee was prepared and adopted. The Nomination Committee comprises two INEDs, Dr. Yu Sun Say and Mr. Ng Wing Ka and an executive director, Mr. Chui Say Hoe. The Nomination Committee had not held any meeting during the period from 1 April 2005 to 31 March 2006.

Finance Committee

The Finance Committee was established for the purpose of reviewing and approving banking facilities and financial instruments to be granted or issued by the Company for the Group's needs, the financial assistance of the Company and the provision of financing to third parties. The written term of reference which describes the authority and duties of the Finance Committee was prepared and adopted. The Finance Committee comprises two INEDs, Mr. Chan Wai Dune and Mr. Ng Wing Ka, and an executive director, Mr. Tsang Kwok Man. The Finance Committee had not held any meeting during the period from 1 April 2005 to 31 March 2006.

Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

Investor Relations

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its mandatory interim and final reports. Through the timely distribution of press releases, the Group has also kept the public abreast of its latest developments.

Communication with Shareholders

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman is pleased to answer shareholder's questions.

Separate resolutions are proposed at general meetings on each substantially separate issue.

Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biographies of each candidates standing for re-election.