

The Board has adopted the code provisions set out in the Code of Corporate Governance Practices (“the Code”) contained in Appendix 14 to the Rules Governing the Listing Rules on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), which become effective on 1 January 2005. The Company has applied the principles and complied with the requirements of the Code, except for certain deviations in respect of the service term and rotation of directors.

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 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors, that they have fully complied with the required standard set out in the Model Code throughout the year.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances.

During the year, 7 board meetings were held and the attendance of each director is set out as follows:–

Directors	Number of attendance
Ms. Zhang Cheng	4/7
Mr. Lin Dong	7/7
Mr. Feng Xiang Cai	7/7
Mr. Qiu Yiyong (resigned on 29 September 2005)	2/7
Mr. Yin Dakui (resigned on 7 July 2006)	4/7
Mr. Ngai Sau Chung, Howard (appointed on 29 September 2005)	2/7
Ms. Jin Jane (resigned on 19 April 2006)	4/7
Mr. Jiang Guoan (appointed on 19 April 2006)	N/A
Mr. Lin Ye (appointed on 7 July 2006)	N/A

Board Minutes are kept by the Company Secretary and are sent to the Directors for records.

Each board member is entitled to have access to board papers and enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

BOARD COMPOSITION

The Board currently comprises three Executive Directors, being Ms. Zhang Cheng (Chairman), Mr. Lin Dong (Chief Executive Officer), Mr. Feng Xiang Cai and three Independent Non-executive Directors, being Mr. Ngai Sau Chung, Howard, Mr. Jiang Guoan and Mr. Lin Ye.

The Independent Non-executive Directors of the Company are persons with academic and professional qualifications in the fields of accounting and appropriate expertise. They provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director gives an annual confirmation of his/her independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Independent Non-executive Directors of the Company were not appointed for specific terms but subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

According to the provisions of the Bye-laws of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Amendments of the Bye-laws of the Company will be proposed at the forthcoming annual general meeting in order to comply with the Code that any director appointed to fill casual vacancy shall hold office only until the next following annual general meeting or the first general meeting after the appointment of the Director by the Board of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises an Executive Director and three Independent Non-executive Directors.

The Remuneration Committee was formed on 15 July 2005 and one meeting was held in 2006. The attendance of each member is set out as follows:

Directors	Number of attendance
Mr. Lin Dong	1/1
Mr. Yan Dakui (resigned on 7 July 2006)	1/1
Mr. Ngai Sau Chung, Howard (appointed on 29 September 2005)	1/1
Ms. Jin Jane (resigned on 19 April 2006)	1/1
Mr. Qiu Yiyong (resigned on 29 September 2005)	N/A
Mr. Jiang Guoan (appointed on 19 April 2006)	N/A
Mr. Lin Ye (appointed on 7 July 2006)	N/A

The major roles and functions of the Remuneration Committee are summarized as follows:–

1. To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company; and
2. To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Executive Directors and senior management.

During the year, the Remuneration Committee has reviewed and recommended to the Board the overall remuneration policy for the Executive Directors and key senior management.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 March 2006, the Directors have adopted suitable accounting policies which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors.

The Audit Committee shall meet at least twice a year. The minutes of the Audit Committee meetings were kept by the Company Secretary. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The attendance of each member of Audit Committee is set out as follows:–

Director		Number of attendance
Mr. Qiu Yiyong	(resigned on 29 September 2005)	1/2
Mr. Yin Dakui	(resigned on 7 July 2006)	2/2
Mr. Ngai Sau Chung, Howard	(appointed on 29 September 2005)	1/2
Ms. Jin Jane	(resigned on 19 April 2006)	2/2
Mr. Jiang Guoan	(appointed on 19 April 2006)	N/A
Mr. Lin Ye	(appointed on 7 July 2006)	N/A

The Audit Committee has reviewed with management the accounting standards and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of interim and annual audited financial statements.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable
	HK\$
Audit services	700,000
Non-audit services	20,000

COMMUNICATION WITH SHAREHOLDERS

The Board recognize the importance of good communication with all shareholders. Shareholders of the Company are encouraged to attend the general meeting of the Company. The chairman of the Board, or in her absence, another member of the Board is available at the general meeting to answer questions from shareholders on the business of the Group.