

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "Board") is committed to achieving high standard of corporate governance.

In the opinion of the Board, the Company has complied throughout the year ended 31 March 2006 (the "Year") with the Code on Corporate Governance Practices (the "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"), which was in force on 1 January 2005, save for the following:

- (a) The Chairman and the Managing Director are not subject to retirement by rotation pursuant to Bye-laws of the Company.
- (b) Independent Non-Executive Directors of the Company were appointed without specific term as they were subject to retirement by rotation in accordance with the Bye-laws of the Company.
- (c) Pursuant to Bye-law 87(1) of the Company, at each annual general meeting one-third of the Directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that, the Chairman of the Board and/or the Managing Director of the Company shall not whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

DIRECTORS' SECURITIES TRANSACTIONS

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 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed 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 throughout the year ended 31 March 2006.

BOARD OF DIRECTORS

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the oversight of the realization of the objectives set by the Board and the day-to-day operations of the Group.

As at 31 March 2006, the Board comprises nine members (including one alternate director), four of whom are executive directors (including one alternate director), two are non-executive directors and three are independent non-executive directors. More than one-third of the Board is independent non-executive directors and more than one of them have appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

During the Year, six board meetings have been held, the attendance of each Director, on named basis and by category at Board meetings, Board committee meetings is set out below:

	Meetings attended/held	
	Board Meetings	Audit Committee Meetings
Executive Directors:		
Fan Di (<i>Chairman & CEO</i>) (<i>Note 1</i>)	2/6	N/A
Chen Gang (<i>alternate to Fan Di</i>) (<i>Notes 1 & 4</i>)	3/3	N/A
Li Xinggui (<i>Note 2</i>)	4/4	N/A
Wu Shiyue (<i>Note 3</i>)	0/1	N/A
Zhou Li Yang	6/6	N/A
Zheng Yingsheng	5/6	N/A
Non-executive Directors:		
Robert Fung Hing Piu	5/6	N/A
Wang Shizhen (<i>Note 1</i>)	0/6	N/A
Independent Non-executive Directors:		
Barry J Buttifant (<i>Members of Audit Committee</i>) (<i>Note 1</i>)	4/6	3/3
Iain F Bruce (<i>Chairman of Audit Committee</i>) (<i>Note 1</i>)	3/6	2/3
Victor Yang (<i>Members of Audit Committee</i>)	3/6	2/3

Notes:

- (1) Resigned on 24 May 2006.
- (2) Resigned on 31 December 2005.
- (3) Resigned on 30 August 2005.
- (4) Appointed on 23 December 2005.

To the best knowledge of the Board, there is no relationship (including financial, business, family or other relationship) among members of the Board as at 31 March 2006. All of them are free to exercise their individual judgments.

Chairman and Chief Executive Officer

For the Year, Dr. Fan Di, the Chairman and Mr. Zhou Li Yang, the Managing Director, had segregated and clearly defined roles.

Non-executive Directors

None of the existing non-executive directors of the Company for the Year was appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the CG Code. However, one-third of the directors of the Company are subject to the retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the CG Code.

Remuneration of Directors

On 14 February 2006, the Board has approved to establish of a Remuneration Committee and the Remuneration Committee was established on 13 June 2006. The Remuneration Committee has 3 members, comprising Messrs. Victor Yang, Anwar Ibrahim and Lee G. Lam, all independent non-executive directors. The Remuneration Committee is chaired by Mr. Victor Yang.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing directors.

The notice of annual general meeting contains detailed information on election of directors including detailed biography of all directors standing for election or re-election to enable shareholders to make an informed decision on their election.

Auditors' Remuneration

During the year, fees paid to the Company's external audits for audit services totaled HK\$671,000, compared with HK\$799,000 in the previous year.

AUDIT COMMITTEE

As at 31 March 2006, the Audit Committee comprises the three independent non-executive directors, namely Mr. Iain F Bruce (Chairman of the Audit Committee), Mr. Barry J Buttifant and Mr. Victor Yang. The Audit Committee held three meetings during the year. The Audit Committee is provided with sufficient resources to discharge its duties. The terms of reference of the Audit Committee follow the guidelines set out in the CG Code. The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, CCIF CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditors' Report on page 31.