

# Corporate Governance Report

## Code of Best Practice and Code on Corporate Governance Practices

The Board is committed to upholding a high standard of corporate governance practice and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews the corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has complied with the all Code Provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited throughout the year ended 30 April 2006 except for the certain deviations disclosed herein:

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

## Board of Directors

The Board is collectively responsible for the formulating of the Group's overall strategy, reviewing and monitoring the business performance of the Group preparing and approving financial statements, recommendation of the directors' appointment or re-appointment, considering and approving material contracts and transactions as well as other significant policy and financial matters. The Board also gives clear directions as to the powers delegated to the management for the day-to-day operation and administration function of the Group.

The Board comprises 6 members, including Chairman, 3 executive directors and 3 independent non-executive directors. One of the independent non-executive directors has relevant financial management expertise required by the Listing Rules.

## Corporate Governance Report

The Board schedules four meetings a year and also meets as and when required. During the year, the Board held four regular meetings.

During the year ended 30 April 2006, and upto the date of this report, 4 board meetings have been held. Details of the attendance of the Directors are as follows:—

<b>Directors</b>	<b>Number of board meetings attended/ Number of board meetings held</b>
<b><i>Executive Directors</i></b>	
Mr. Li Qiao Feng ( <i>chairman</i> )	4/4
Mr. Zhang He	4/4
Mr. Chen Shengjie	4/4
Mr. Tsoi Chi Keung	0/4
Mr. Li Yi	0/4
<b><i>Independent Non-executive Directors</i></b>	
Mr. Wang Guoqi	2/4
Mr. Wang Qihong	2/4
Mr. Wong Sat	2/4
Mr. Li Xin	0/4
Mr. Chen Bao Ying	0/4
Mr. Seto Man Fai	0/4

The Company has received annual confirmation of independence from Independent Non-executive Directors and the Company considers them to be independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on page 9 of this annual report respectively.

### Chairman and Chief Executive Director

Mr. Li Qiao Feng is the Chairman of the Board and Mr. Zhang He is the Chief Executive Officer (“CEO”) of the Company. The roles of the Chairman and the CEO are two distinctively separate positions. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The CEO is responsible for the Group’s business development and management.

# Corporate Governance Report

## Independent Non-executive Directors

Under the Code Provisions A.4.1, independent non-executive director should be appointed for a specific term and every Director should be subject to retirement by rotation at least once every three years. The existing three independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

## Audit Committee

The Audit Committee has been established. It currently consists of three independent non-executive directors.

The main responsibilities for the Audit Committee are:—

1. To review the accounting principles and practices adopted by the Group; and
2. To review the financial reporting process and internal control system of the Group.

There were two Audit Committee meetings held for the year ended 30 April 2006, and upto the date of this report, the following was the attendance record of the Audit Committee meetings held during the year:—

<b>Audit Committee Members</b>	<b>Number of meetings attended/ Number of meetings held</b>
Mr. Wang Guoqi	2/2
Mr. Wang Qihong	2/2
Mr. Wong Sat	2/2
Mr. Li Xin	0/2
Mr. Chen Bao Ying	0/2
Mr. Seto Man Fai	0/2

The Audit Committee reviewed the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors for the Board's approval. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 30 April 2006.

# Corporate Governance Report

The Chairman of the Audit Committee, Mr. Wang Guoqi, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

## Nomination of Directors

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his/her own independence.

## Remuneration Committee

The Remuneration Committee has been established. It currently consists three independent non-executive directors of the Company.

The main responsibilities for the Remunerations Committee are:

1. To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office;
2. To review and approve compensation arrangements relating to dismissal or removal of directors; and
3. To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;
4. To have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;
5. To review and approve above performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
6. To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office;

There was no meeting held for the year ended 30 April 2006. Nevertheless, the remuneration packages of the Board for the year ended 30 April 2006 had been reviewed by the Remuneration Committee and approved by the Board by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, market conditions elsewhere in the Group and desirability of performance-based remuneration.

# Corporate Governance Report

## **Auditors' Remuneration**

During the year the fees charged by the Company's external auditors, Messrs. Patrick Ng & Company, to the financial statements of the Company and its subsidiaries for the Group's statutory audit and other services were approximately HK\$341,000.

## **Directors' and Auditors' Responsibilities for Financial Statements**

The Directors acknowledge their responsibilities 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 financial statements for the year ended 30 April 2006, the Directors have adopted suitable accounting policies which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis.

## **Internal Controls**

One of the duties of the Board is to ensure the Group's sound and effective internal control system to safe guard the shareholders' investment and the Group's assets. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness through the Audit Committee. The internal control system are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.