

Corporate governance report

The Board is committed to comply with high standards of corporate governance and to promote shareholders value. In November 2004, the Stock Exchange introduced the Code on Corporate Governance Practices (“**the Code**”) (which is set out in Appendix 14 to Rules Governing the Listing of Securities in Hong Kong) for the purposes of enhancing corporate governance standards of listed companies in Hong Kong. The Code came into effect on 1 January 2005, and will be applicable to the accounting period of the Company commencing 1 April, 2005 (“**the coming financial year**”). While the Group will only be required to follow the Code provisions in the coming financial year, the Board voluntarily sets out below information which, if the Code had become applicable to the Company as at the date of this report, would be required to be included in the Company's annual report.

The Board

At 31 March 2005, the Company's Board is composed of five executive directors and three independent non-executive directors. The Board is responsible for, inter alia, preparing the accounts, and is accountable to shareholders for the overall activities and financial performance of the Group. All directors have full and timely access to all relevant information which is required for their discharge of their duties as directors. Induction programme had also been arranged for newly appointed directors and opportunities to update and develop skills and knowledge are provided to them.

The Chairman of the Board, who is also an executive director, is responsible for the business development in North America, and overseeing the functioning of the Board. The Managing Director, Mr. Zhou Tian Bao, who is also the Chief Executive Officer, is responsible for managing the Group's business.

The independent non-executive directors are all experienced individuals with diversified industry expertise. Their mix of skills and experience is an important element in the proper of functioning of the Board and in ensuring a high standard of financial and other mandatory reporting, and adequate checks and balances for safeguarding the interests of both the Group and its shareholders. At 31 March 2005, the Board consists of three independent non-executive directors, representing over one-third of the Board. Each of them is appointed for a term of two years, and is subject to re-election. One of the independent non-executive directors, Mr. Choi Tat Ying, Jacky has the requisite financial and accounting background.

The company secretary is responsible to the Board and ensures that the Board complies with all applicable laws and regulations. The company secretary also keeps all minutes of meetings of the Board and the committee.

The Board meets regularly to discuss the operation and financial performance of the Group. Matters discussed in Board meeting include major acquisitions, notifiable transactions, connected transactions, relevant announcement and circulars, annual and interim results of the Group, recommendation on directors' appointment and resignation. The Board members had met seven times during the year:

Attendants at Board meetings	Number of meetings attended	Members' average attendance
Executive directors:		
Ms. Lilly Huang	6	86%
Mr. Zhou Tian Bao	7	100%
Ms. Zhang Zhen Juan	7	100%
Mr. Lee Cheuk Yin, Dannis	7	100%
Mr. Yang Bin	7	100%
Independent non-executive directors:		
Mr. Choi Tat Ying, Jacky	5	71%
Mr. Liu Zhong Liang (resigned on 5 August 2004)	2	100%
Mr. Wu Chao Ying (appointed on 5 August 2004)	5	100%
Ms. Zhang Xin, Cindy (appointed on 28 September 2004)	4	80%

Pursuant to the Company's Articles of Association, all directors, except the Chairman and the Managing Director, are subject to retirement by rotation and being eligible, may seek for re-election in the forthcoming annual general meeting.

Audit committee

The Company has established an audit committee in accordance with the requirements of the paragraph 14 of Code of Best Practice. The primary duties of the audit committee are to review and supervise the accounting principles and practices adopted by the Group, the financial reporting process and internal controls systems of the Group. It also monitors the appointment and function of the Group's external auditor. During the year, it reviewed the terms and conditions of the Company's connected transactions which took place during the year ended 31 March 2005.

At 31 March 2005, the audit committee comprised three independent non-executive directors, namely, Mr. Choi Tat Ying, Jacky, Mr. Wu Chao Ying and Ms. Zhang Xin, Cindy. The audit committee met two times during the year, and the meetings were held on 23 June 2004 and 15 November 2004.

	Number of meetings attended	Members' average attendance
Attendants at board meetings		
Mr. Choi Tat Ying, Jacky	2	100%
Mr. Liu Zhong Liang (resigned on 5 August 2004)	1	100%
Mr. Wu Chao Ying (appointed on 5 August 2004)	1	100%
Ms. Zhang Xin, Cindy (appointed on 28 September 2004)	1	100%

The audit committee held a meeting on 15 June 2005 to review the annual report of the Company for the year ended 31 March 2005 and to give opinion and advice to the Board of the Company.

Remuneration committee

The Company is in the course of setting up its remuneration committee in accordance with the Code. The present remuneration policy for executive directors and independent non-executive directors is subject to annual assessment and recommendation by the Board for shareholders' approval at the annual general meeting. No individual director has been allowed to determine his or her own remuneration.

Internal control and risk management

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems 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.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

External auditor

The external auditor of the Company is RSM Nelson Wheeler. Its non-audit functions to the Group, if any, were reviewed by the audit committee. The audit committee also considers in advance whether such non-audit functions would lead to any potential material conflict of interest.

During the year, the services provided by RSM Nelson Wheeler to the Group were as follows:

	RMB'000
Audit Service	721
Non-Audit Services	—

Investor relations

The Company uses two-way communication channels to account to shareholders and investors for the performance of the company. All the shareholders have 21 days' notice of annual general meeting at which directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its Annual Report and Accounts and Interim Report which are sent to shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the Stock Exchange website. The periodic presentation, road shows and conference calls with the institutional investors and analysts are made from time to time to release the Group's latest business development plan.

In order to provide effective disclosure to shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.