

CORPORATE GOVERNANCE

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders. The Stock Exchange introduced the Code on Corporate Governance Practices ("the Code") in November 2004, for replacement and enhancement of the Code of Best Practice in Appendix 14 of the Listing Rules. The Code has become effective from 1 January 2005 and the Group has complied with the code provisions set out in the Code, except for the following deviations:-

- (a) The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Clause 87(1) of the Company's Bye-Laws. Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that the deviation is acceptable;
- (b) All the Independent Non-Executive Directors were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-Laws. As such, the Company considers that such provision is sufficient to meet the underlying objectives of the relevant provisions of the Code;
- (c) Only part of the board members attended in the annual general meeting of the Company held on 19th August 2005. The directors present thereat conducted the meeting in a good and proper manner.

THE BOARD

Composition

The Board consists of six executive directors and three independent non-executive directors ("INED(s)"). The names and biographical details of each director are disclosed on pages 29 to 30 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the bye-laws of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board.

Function

The Board is responsible for managing and direction setting of the Group. For any major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters, Board approval is required.

The executive directors are responsible for day-to-day management of the Group's operations. These executive directors conduct regular meetings, at which operational issues and financial performance of the Group are evaluated.

CORPORATE GOVERNANCE (CONTINUED)

THE BOARD (Continued)

Function (Continued)

The Company views well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

The Board held four regular Board meetings at approximately quarterly interval during the year ended 31st March 2006 and additional board meetings would be held when necessary. An agenda and accompanying board papers are sent in full to all directors in a timely manner. Adequate information related to the issues are also supplied for the board and its committee to make decisions which is for the best interests of the Group. The directors who cannot attend in person might through other electronic means of communications to participate. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meetings during the year ended 31st March 2006

Number of meetings: 5

	Attendants/Number of Meetings
<i>Directors</i>	<i>Board</i>
<i>Executive Directors</i>	
Mr. Wang Jun (Chairman)	4/5
Ms. Chen Xiao Ying (Executive Vice-chairman)	5/5
Mr. Luo Ning (Vice-chairman)	4/5
Mr. Sun Yalei	4/5
Mr. Zhang Lian Yang	4/5
Mr. Xia Guilan	4/5
Mr. Yin Yiping [†]	1/2
Dr. Liu Xiaoping ^Δ	2/3
<i>Non-executive Directors</i>	
Mr. Hui Ho Ming, Herbert, JP*	2/2
Mr. Liu Hongru	4/5
Mr. Zhang Jian Ming	4/5
Mr. Tsui Yiu Wa, Alec**	3/3

[†] Mr. Yin Yiping resigned as Executive Director of the Company on 18th August 2005.

^Δ Dr. Liu Xiaoping resigned as Executive Director of the Company on 26th September 2005.

* Mr. Hui Ho Ming, Herbert, JP has been appointed as Independent Non-Executive Director of the Company since 16th November 2005.

** Mr. Tsui Yiu Wa, Alec resigned as Independent Non-Executive Director of the Company on 10th November 2005.

CORPORATE GOVERNANCE (CONTINUED)

THE BOARD (Continued)

Board Committees

In order to strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Remuneration Committee

The Board has established a Remuneration Committee which comprises three independent Non-Executive Directors, Mr. Liu Hongru, Mr. Zhang Jian Ming and Mr. Hui Ho Ming, Herbert, JP. It is chaired by Mr. Liu Hongru. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code.

The Remuneration Committee's responsibilities are to review and consider Company's policy for remuneration of directors and senior management, to determine remuneration packages of executive directors including benefits in kind, pension rights and compensation payments, to recommend to the Board remuneration of non-executive directors and to assess the performance of executive directors.

The Remuneration Committee held one meeting for the year ended 31st March 2006. Details of individual attendance of its members are set out in the table below:

Number of meetings	1
Mr. Liu Hongru	1/1
Mr. Hui Ho Ming, Herbert, JP	1/1
Mr. Zhang Jian Ming	1/1

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors with Mr. Hui Ho Ming, Herbert, JP as Chairman of the Committee. The main duties of the Audit Committee include:

- (a) To consider the appointment of the external auditor and any questions in relation to its resignation or dismissal;
- (b) To discuss with the external auditor the nature and scope of the audit;
- (c) To review the half-year and annual financial statements before submission to the Board;
- (d) To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss;
- (e) To review the external auditors' management letter and management's response;

CORPORATE GOVERNANCE (CONTINUED)

THE BOARD (Continued)

Audit Committee (Continued)

- (f) To review the Company's statement on internal control systems prior to endorsement by the Board;
- (g) To review the internal audit function, and ensure coordination with external auditors, and ensure the internal audit function has adequate resources and appropriate standing within the company; and
- (h) To consider the major findings of internal investigations and management's response.

The Audit Committee held 4 meetings for the financial year ended 31st March 2006.

Details of individual attendance of its members are set out in the table below:

Number of meetings

4

INEDs

Mr. Hui Ho Ming, Herbert, JP	3/3
Mr. Liu Hongru	4/4
Mr. Zhang Jian Ming	4/4
Mr. Tsui Yiu Wa, Alec	1/1

Other Information

The Board has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year ended 31st March 2006.

CORPORATE GOVERNANCE (CONTINUED)

AUDITORS' REMUNERATION

During the year under review, PricewaterhouseCoopers ("PwC") resigned as auditors of the Company as the Company and PwC could not reach an agreement on the audit fees for the financial year ended 31st March 2006. The Company subsequently appointed Deloitte Touche Tohmatsu ("Deloitte") as its auditors with effect from 31st March 2006.

The remuneration paid to the Deloitte for audit and non-audit services for the year ended 31st March 2006 amounted to HK\$1,700,000 and HK\$60,000 respectively.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the audit committee of the Board, the Board reviews the effectiveness of these systems.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in all circulars accompanying notice convening general meetings and has been read out by the chairman at general meetings.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in preparing the financial statements of the Group (the "Financial Statements"). The statement of the Company's auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on page 36.