

This corporate governance report (“CG Report”) presents the corporate governance matters during the period covering the financial period ended 31 March 2006 required to be disclosed as set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 23 of the Rules Governing the Listing of the Securities of The Stock Exchange of Hong Kong Limited (“Listing Rules”).

### (A) CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2006, all those principles as set out in the Code in Appendix 14 of the Listing Rules which became applicable to the Company in respect of the year under review were applied by the Company, and the relevant Code provisions were met by the Company, with the exception of the deviations as set out under section D and E below. The application of the relevant principles and the reasons for the deviations from the Code provisions, are stated in the following sections.

### (B) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, they have confirmed that they have complied with the Model Code.

本企業管治報告（「企業管治報告」）呈列涵蓋截至2006年3月31日止財政期間須根據香港聯合交易所有限公司證券上市規則（「上市規則」）附錄二十三所載的企業管治常規守則（「該守則」）須予披露的企業管治事宜。

### (A) 企業管治常規守則

在截至2006年3月31日止年度期間，本公司已應用上市規則附錄十四所載該守則所列於是年內適用於本公司的所有原則，且本公司已遵守該守則內的有關守則條文，惟其中兩項列述於下文分部(D)和(E)的偏離則除外。茲將有關原則的應用及上述兩項偏離守則條文的原因列述於下文各分部。

### (B) 董事的證券交易

本公司已採納上市規則附錄十內載的標準守則。本公司已向所有董事特地作出查詢，而所有董事均已確定彼等已遵守該標準守則。

### (C) BOARD OF DIRECTORS

#### (i) Composition of the Board, number of Board meetings and Directors' attendance

During the financial period under review, 15 Board meetings were held. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
<i>Chairman &amp; CEO</i>	
Mr. Zou Yishang	14/15
<i>Executive Directors</i>	
Mr. Hu Jian, <i>Chief Operating Officer</i>	10/15
Ms. Chow King Lin Theresa	14/15
Mr. Cui Jingya	10/15
Mr. Zou Yicheng	11/15
<i>Non-executive Director</i>	
Mr. Weng Xianding	1/15
<i>Independent Non-executive Directors</i>	
Mr. Zhao Renwei	2/15
Mr. Wang Xiangfei	2/15
Mr. Xu Xiaosheng	2/15

Each Director of the Company has been appointed on the strength of his/her caliber and experience, and his/her potential to contribute to the proper guidance of the Group and its businesses.

### (C) 董事會

#### (i) 董事會組成、董事會會議及董事出席次數

在本回顧財政年度內舉行了15次董事會會議。董事會組成及董事出席詳情如下：

董事	會議出席次數
<i>主席及行政總裁</i>	
鄒藝尚先生	14/15
<i>執行董事</i>	
胡建先生·營運總裁	10/15
鄒景蓮小姐	14/15
崔靜亞先生	10/15
鄒藝成先生	11/15
<i>非執行董事</i>	
翁先定先生	1/15
<i>獨立非執行董事</i>	
趙人偉先生	2/15
王翔飛先生	2/15
許小勝先生	2/15

本公司的每一名董事均按其才幹、經驗和地位，以及其可能對本集團的適當指引及其業務所作出的貢獻而獲委任。

**(ii) Operation of the Board**

The Board of Directors of the Company takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior officers. Approval has to be obtained from the Board prior to any significant transactions entered into by the officers.

**(ii) 董事會運作**

本公司董事會就本公司所有主要事項負責，包括批准及監督所有政策事宜、整體策略及預算、內部監控及風險管理系統、財務資料、董事之委任及其他重大財務及營運事宜。本公司日常管理、行政管理及營運由高級職員負責。任何由高級職員訂立之重大交易，事前均須得董事會之批准。

**(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Zou Yishang serves as the Chairman and also the chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of Chairman and chief executive officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient and cost effective to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer.

**(D) 主席及行政總裁**

鄒藝尚先生出任本公司主席，亦是本公司的行政總裁，此乃偏離了主席及行政總裁的角色由不同人士擔任的守則條文。由同一人出任本公司主席及履行行政總裁的執行職能被認為具較高的效益，因此該項偏離乃被視為合適者。董事會相信經由董事會（由有經驗及有才幹人士組成，其中包括頗多的獨立非執行董事）的運作，已足夠確保本公司的權力與兩者間的平衡。

**(E) NON-EXECUTIVE DIRECTORS**

The Non-executive Director (“NED”) and all the Independent Non-executive Directors (“INED”) were not appointed for a specified term. This is a deviation from the Code Provision with respect to all Non-executive Directors should be appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company’s Articles of Association.

**(E) 非執行董事**

本公司之非執行董事及所有獨立非執行董事並無具體委任年期。此乃偏離了非執行董事須有具體委任年期的守則條文。但彼等須根據本公司細則於本公司股東周年大會上輪值退任及重選。

### (F) REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee consisting of two Independent Non-executive directors, namely Mr. Wang Xiangfei and Mr. Xu Xiaosheng, and one Executive director, Mr. Zou Yicheng.

The terms of reference of the Remuneration Committee are aligned with the provisions set out in Appendix 14 of the Listing Rules. Given below are the main duties of the Remuneration Committee:

- (a) To consider the Company's policy and structure for all remuneration of Directors and senior management;
- (b) To determine the specific remuneration packages of each Director and senior management;
- (c) To review and approve the compensation payable to Directors and senior management in connection with any loss or termination of their office or appointment; and
- (d) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

No Remuneration Committee meeting was held during the financial period under review.

The work performed by the Remuneration Committee for the financial period under review is summarized below:

- (a) Review of the Company's policy and structure for the remuneration of Directors and senior management; and
- (b) Consideration of the emoluments for all Directors and senior management.

### (F) 薪酬委員會

本公司已設立薪酬委員會，成員包括兩名獨立非執行董事：王翔飛先生和許小勝先生及一名執行董事：鄒藝成先生。

薪酬委員會的職權範圍與上市規則附錄十四內載的條文相符。茲將薪酬委員會的主要職責臚列如下：

- (a) 考慮本公司董事及高級管理人員的全體薪酬政策及架構；
- (b) 釐定每位執行董事及高級管理人員的特定薪酬待遇；
- (c) 檢討向執行董事及高級管理人員支付有關失去或終止職務或委任的賠償；及
- (d) 透過參照董事會不時通過的公司目標，檢討按表現而釐定的薪酬。

薪酬委員會於本財政年度並無舉行任何會議。

薪酬委員會於本財政年度內的工作摘要如下：

- (a) 檢討本公司董事及高級管理人員的全體薪酬政策及架構；及
- (b) 考慮全體董事及高級管理人員的酬金。

## (G) DIRECTORS' EMOLUMENTS

The remuneration paid to and/or entitled by each of the Directors for the financial period under review is set out in note 13 to the financial statements in the Annual Report.

The share options granted to and/or entitled by the Directors during the financial period under review are set out in the section headed "Directors' Interests in Shares" in the Report of the Directors of the Annual Report.

## (H) NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee as the role and function of such a committee are performed by the Board.

The Board is responsible for the formulation of nomination policies, making recommendations to shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating Directors to fill casual vacancies. The Chairman in conjunction with the other Directors from time to time review the composition of the Board with particular regard to ensuring there is an appropriate number of Directors on the Board independent of management. They also identify and nominate qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

## (G) 董事酬金

於回顧財政期間向各董事支付及／或各董事享有之酬金載於年報內財務報表附註13。

於回顧財政期間向各董事支付及／或各董事享有之購股權載於年報內董事報告「董事於股份之權益」一節。

## (H) 董事提名

本公司並無設立提名委員會，概因此類委員會的角色及職能乃由董事會擔任。

董事會負責制定提名政策、向股東建議重選的董事、向股東提供足夠的董事個人履歷資料，讓股東掌握全面資訊對重選作出決定，以及於有需要時提名董事填補臨時空缺。主席連同其他董事不時檢討董事會的組成，特別要確保董事會內有適當數目的董事獨立於管理層。彼等亦物色及提名合資格人士委任為本公司新董事。本公司的新董事乃由董事會委任。任何及所有新董事須於委任後緊接的本公司股東周年大會上退任，並可於股東周年大會上膺選連任。

### (I) AUDITORS' REMUNERATION

The fees in relation to the audit and taxation services provided by Morison Heng, the external auditor of the Company is HK\$400,000.

### (J) AUDIT COMMITTEE

All the members of the Audit Committee of the Company are appointed from the independent Non-executive Directors.

All members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required.

Two Audit Committee meetings were held during the financial year ended 31 March 2006 for discussing and/or approving the final/interim results of the Group. Attendance of the Members is set out below:

Members	Attendance at Meetings
Mr. Zhao Renwei	2/2
Mr. Wang Xiangfei	2/2
Mr. Xu Xiaosheng	2/2

The terms of reference of the Audit Committee have been complied since the establishment of the Audit Committee. Given below are the main duties of the Audit Committee:

- (a) To consider the appointment of the external auditor and any questions of resignation or dismissal;

### (I) 核數師酬金

由本公司的外聘核數師華利信會計師事務所提供核數和稅務的相關費用為港幣40萬元。

### (J) 審核委員會

本公司的審核委員會成員乃從獨立非執行董事委任。

全部成員皆在審閱經審核財務報表方面有足夠經驗,並在需要時由本集團的核數師協助。

在截至2006年3月31日止財政年度期間,審核委員會舉行過2次會議,成員出席詳情如下:

成員	會議出席次數
趙人偉先生	2/2
王翔飛先生	2/2
許小勝先生	2/2

審核委員會成立時已滙編審核委員會的職權範圍。茲將審核委員會的主要職責臚列如下:

- (a) 考慮外聘核數師的委任及處理任何辭職和解僱的問題;

(b) To review the half-year and annual financial statements before submission to the Board, focusing particularly on:

- (i) Any changes in accounting policies and practices;
- (ii) Major judgmental areas;
- (iii) Significant adjustments resulting from the audit;
- (iv) The going concern assumption;
- (v) Compliance with accounting standards; and
- (vi) Compliance with the Stock Exchange and legal requirements;

(c) To discuss problems and reservations arising from the audits, and any matters the external auditor may wish to discuss.

The work performed by the Audit Committee for the financial year ended 31 March 2006 is summarized below:

- (a) Approval of the remuneration and terms of engagement of the external auditor;
- (b) Review of the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards;
- (c) Met with the Auditors to discuss the financial matters of the Group, and reviewed the findings, recommendations and representation of the Auditors; and
- (d) Reviewed and commented on the audited full year financial statements and the unaudited interim financial results of the Group of the financial period under review before submission to the Board for adoption and publication;

(b) 在向董事會提交半年度及年度財務報表前先行審閱，並特別針對下列事項：

- (i) 會計政策及實務的任何更改；
- (ii) 涉及重要判斷的地方；
- (iii) 因審核而出現的重大調整；
- (iv) 持續經營的假設；
- (v) 遵守會計準則的情況；及
- (vi) 遵守聯交所規定及其它有關法規。

(c) 討論因審核工作產生的問題和保留意見，以及任何外聘核數師希望討論的事項。

審核委員會在截至2006年3月31日止財政年度內的工作摘要如下：

- (a) 批准外聘核數師的薪酬及聘用條款；
- (b) 按適用的標準檢討外聘核數師是否獨立客觀及審核程序是否有效；
- (c) 與核數師會晤，討論本集團的財務事宜及審閱核數師提呈的資料、建議及反映；
- (d) 在提交予董事會採納及公佈前，審閱經審核之年度財務報表和未經審核的半年度財務報表，並發表意見。

### (K) ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for the financial year ended 31 March 2006, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended of the Group and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the accounts for the financial period under review, the Directors have:

- (a) Based on a going concern basis;
- (b) Selected suitable accounting policies and applied them consistently;
- (c) Made judgments and estimates that were prudent, fair and reasonable.

### (K) 董事對財務報表的責任

董事負責監察截至2006年3月31日止財政年度賬項的編製，該賬項乃真實兼公平地顯示本公司及本集團截至該日止年度之財務狀況，及本集團截至該日止年度之業績及現金流量，並符合香港《公司條例》及適用的上市規則之披露條文規定。

在編製本財政年度的賬項時，董事已：

- (a) 以持續經營基準為依據；
- (b) 選取適合會計政策並貫徹使用；
- (c) 作出審慎、公平及合理之判斷及估計。