

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the “**Code on CG Practices**”) was introduced to Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HK Listing Rules**”) in November 2004 to take effect on 1 January 2005 (and applicable to accounting periods commencing on or after 1 January 2005), with an exception in respect of the provisions on internal controls, which took effect on 1 July 2005 (and applicable to accounting periods commencing on or after 1 July 2005). Appropriate actions were duly taken by the Directors to put the Company in compliance of all code provisions in the Code on CG Practices, save that Article 87(1) of the Company’s Articles of Association provides that notwithstanding any other provisions therein, 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. Anthony Baillieu and Jamie Gibson shall therefore not be subject to rotational retirement requirement under Article 87. However, a special resolution has been proposed at the Company’s forthcoming annual general meeting for an amendment to be made to the Articles of Association so that every Director, including the chairman of the board and the managing director, should be subject to retirement by rotation, in compliance of Code Provision A.4.2.

The Company has applied the principles of the Code on CG Practices since their adoption on 1 January 2005 as mentioned above in a manner consistent with best practices of a listed issuer. The primary responsibility for ensuring that the Code on CG Practices is complied with rests with the Directors with the full support of the Company’s company secretary and its executive management.

BOARD OF DIRECTORS

The Board currently consists of nine Directors. The Directors of the Company who hold office as at the date of this report, accompanied by their respective biographical details, are listed in the Report of the Directors under the section headed “Directors”. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises three independent non-executive Directors, namely Julie Oates, Mark Searle and Robert Whiting, representing one-third of the Board. Pursuant to paragraph 12B of Appendix 16 to the HK Listing Rules, each of the independent non-executive Directors has confirmed by an annual confirmation that he/she complied with the independence criteria set out in Rule 3.13. The Directors consider that all the three independent non-executive Directors to be independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates, who was appointed on 28 September 2004, has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group’s financial reporting procedures, in compliance of Rule 3.24.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

In compliance of Code Provision A.4.1 of the Code on CG Practices, the letter of appointment of each of the seven non-executive Directors (including the independent Directors) provides that his/her appointment may be terminated by either party giving 30 calendar days' notice.

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company 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), who have been longest in office since their last re-election or appointment, shall retire from office by rotation provided that the Chairman of the Board of Directors 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. A retiring Director shall be eligible for re-election. However, a special resolution has been proposed at the Company's forthcoming annual general meeting for an amendment to be made to the Articles of Association so that every Director, including the chairman of the board and the managing director, should be subject to retirement by rotation, in compliance of Code Provision A.4.2 of the Code on CG Practices.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

None of the Directors has any relationships (either financial or business or family or other material/relevant relationship(s)) with any other Directors, senior management or substantial or controlling shareholders of the Company.

The Directors held two board meetings since 1 January 2005, which were attended by all Directors except that James Mellon, Mark Searle and Jayne Sutcliffe were absent from one of the meetings. Sufficient notices were given to all Directors so as to ensure each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Adequate information was also supplied by the management to the Board in a timely manner to enable it to make informed decisions, which are made in the best interests of the Company.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Resolutions were also passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary. In any event, the matters in which a substantial shareholder or a Director has a conflict of interest, which the Board has determined to be material, will be considered at a Board meeting but not to be dealt with by way of circulation of written resolutions or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a Board meeting). Pursuant to Rule 13.44 of the HK Listing Rules, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting.

The Board is primarily responsible for leadership and control of the Company and is committed to make decisions in the interests of both the Company and its shareholders. However, the following duties of the Board have been delegated to the management:

- (a) the daily operations of the Company, including the management of all aspects of the Company's principal activities, namely corporate investment and asset management;
- (b) the financial operations of the Company, including the preparation of the monthly management accounts, interim report and annual report and the timely distribution to the Board;
- (c) the company secretarial activities, including the preparation and timely despatch of minutes of Board meetings; and
- (d) corporate and regulatory issues, including corporate strategy and planning, internal controls and compliance,

providing that the following shall always be subject to approval by a resolution of the Board:

- material capital commitment (material being defined as representing more than 5% of the Company's net assets based on the most recent financial information on hand);
- issuance, purchase or redemption of securities (including options);
- significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;
- relevant transactions (which are loans, quasi loans and credit transactions) with any Director as referred to in Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong;
- management contracts of service with any Director as referred to in Paragraph 28(10) of Appendix 16 to the HK Listing Rules and Section 162A of the Companies Ordinance of Hong Kong; and
- bank borrowings.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Anthony Baillieu is the Non-Executive Chairman of the Board of Directors, who provides leadership for the Board. He also ensures that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

Jamie Gibson is the Chief Executive Officer, who is responsible for the day-to-day management of the Company's business.

In order to ensure a balance of power and authority, the roles of the Chairman of the Board and the Chief Executive Officer are segregated and the division of their responsibilities has been established by the respective written terms of reference, in compliance of Code Provision A.2.1 of the Code on CG Practices. The Chairman, however, has delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

- (a) the Chief Executive Officer is empowered to draw up and approve the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda; and
- (b) the Company Secretary is empowered to, with the guidance from the Chief Executive Officer, despatch the notice, agenda and accompanying Board papers to all Directors in a timely manner.

NOMINATION OF DIRECTORS

The Company did not establish a nomination committee.

During the year and prior to the date of this report, Julie Oates was appointed as an independent non-executive Director of the Company on 28 September 2004, in compliance of Rule 3.10(2) of the HK Listing Rules. Mrs Oates was appointed at a Board meeting attended by all Directors, except Clara Cheung and James Mellon. In the Board's opinion she has proved to possess the appropriate professional qualifications and accounting and related financial management expertise required under the said Rule 3.10(2). Apart from the appointment of Julie Oates, the Board did not appoint another Director. The terms, including Julie's remuneration, are substantially the same as the other Directors.

Corporate Governance Report

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “**Remuneration Committee**”) was established on 5 November 2004, with its written terms of reference adopted on 18 March 2005 in compliance of the code provisions in B.1 of the Code on CG Practices. It currently comprises two of the independent non-executive Directors, namely Mark Searle and Robert Whiting, and James Mellon (a non-executive Director) and is responsible to review and approve the remuneration packages of the Directors. The committee is chaired by James Mellon.

Since its establishment, the Remuneration Committee passed one set of written resolutions, signed by all members of the committee, with respect to certain issues relating to the service agreement of Jamie Gibson. Apart from the amendment to Jamie’s service agreement, the Remuneration Committee did not meet to discuss the remuneration of the executive Directors. No Director was involved in deciding his/her own remuneration.

Terms of reference of the Remuneration Committee are available on request.

THE CODE FOR SECURITIES

TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance of Code Provision A.5.4 of the Code on CG Practices, a code for securities transactions by Directors and employees, on exactly the terms and required standard contained in The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the HK Listing Rules, was adopted by the Group on 31 March 2004. All Directors of the Company confirmed that they have complied with the Group’s Code for Securities Transactions by Directors and Employees during the year.

Directors’ interests in securities and options of the Company are set out in detail in the Report of the Directors under the section headed “Directors’ Interests in Securities and Options”.

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 March 2005 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company’s performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

A report of the independent auditors with respect to the Company’s financial statements for the year ended 31 March 2005 is included in this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 11 March 1999, with written terms of reference, in compliance of the code provisions in C.3 of the Code on CG Practices. The committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

In compliance of Rule 3.21 of the HK Listing Rules, the Audit Committee currently comprises the three independent non-executive Directors, namely Julie Oates, Mark Searle and Robert Whiting, and two non-executive Directors (Anthony Baillieu and James Mellon). The committee is chaired by Robert Whiting. The Audit Committee is in compliance of Rule 3.21 of the HK Listing Rules.

The Audit Committee held one meeting since 1 January 2005 for the purposes of reviewing and approving the Company's final financial statements for the year ended 31 March 2005, which was attended by all members of the committee except James Mellon.

The Audit Committee discharged their duties in accordance with their terms of reference with no exceptions reported.

Terms of reference of the Audit Committee are available on request.

AUDITORS' REMUNERATION

The Audit Committee reviewed and approved the auditors' remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interest of the Company. In addition, the auditors received US\$14,000 for performing corporate tax services for the Group during the year, which the Audit Committee believes is fair and reasonable for the services rendered. Apart from these services, the auditors did not provide any other services.

INTERNAL CONTROL

In anticipation of Code Provision C.2.1 of the Code on CG Practices to be applicable for the Company's financial period commencing on 1 April 2006, the Directors will engage an independent professional accounting firm to conduct a review of the Group's internal control systems, including financial, operational and compliance.

COMMUNICATION WITH SHAREHOLDERS

The Company will endeavour to respond to shareholders' queries in a timely manner via what it considers the most appropriate method of communication, including, but not limited to, participation at the Company's general meetings.