

## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company believes that good corporate governance practices are essential for effective management to enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

### CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2006, complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviation from code provision A.4.2 of the Code, details of which, together with the considered reasons therefor, are explained below:

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The rotation of directors at the annual general meeting of the Company held on 12th September, 2005 was in accordance with the Company's previous bye-laws which stipulated, inter alia, that 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) shall retire from office by rotation provided that notwithstanding anything 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. This deviated from the requirements of code provision A.4.2. To fully comply with code provision A.4.2, relevant amendments to the Company's bye-laws were proposed and approved by the shareholders at the same annual general meeting of the Company, pursuant to which every director shall be subject to retirement by rotation at least once every three years at the annual general meeting.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31st March, 2006.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

### BOARD OF DIRECTORS

#### The Board

The members of the Board are individually and collectively responsible for the leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affair. As at the date of this report, the Board comprises of nine directors, including the Chairman, the Deputy Chairman and Managing Director, three other executive directors, and four independent non-executive directors. The Board has a balanced composition of executive and independent non-executive directors so that strong independent elements are included in the Board, enabling the Board to exercise judgment independently and make decision objectively in the interests of the Company and its shareholders as a whole. Biographical details of the directors, showing a good balance of professional expertise and diverse range of experience among them, are set out on pages 10 and 11 of the annual report. The Board members have no financial, business, family or other material/relevant relationship with each other, except that Dr. Chan Kwok Keung, Charles is the elder brother of Mr. Chan Kwok Hung.

The Board has delegated the Executive Board with authority and responsibility for handling the management functions and operations of the day-to-day business of the Company, while reserving certain key matters for the approval by the Board. The types of decisions to be taken by the Board include annual and interim period financial reporting and control, equity fund raising, declaration of interim dividend and making recommendation of final dividend or other distributions, notifiable transactions under Chapter 14 and 14A of the Listing Rules and making recommendation for capital reorganisation or scheme of arrangement of the Company.

## CORPORATE GOVERNANCE REPORT *(continued)*

Four regular board meetings were held with at least fourteen days' notices given to all directors and additional board meetings were held as and when necessary. Directors are provided with relevant information to make informed decisions. The Board and each director have separate and independent access to the Company's senior management. A director of the Company who considers a need for independent professional advice in order to perform his/her duties as a director of the Company may convene, or request the secretary of the Company to convene, a meeting of the Board to approve the seeking of independent legal or other professional advice.

The attendance of each individual member of the Board, the Audit Committee and the Remuneration Committee at the respective meetings during the financial year is set out in the following table:-

Name of Directors	Meetings Attended/ Eligible to attend		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Chan Kwok Keung, Charles ( <i>Chairman</i> )	13/15		
Chau Mei Wah, Rosanna ( <i>Deputy Chairman and Managing Director</i> ) ( <i>Note 1</i> )	15/15		5/5
Chan Kwok Hung	11/15		
Chan Fut Yan	14/15		
Cheung Hon Kit	14/15		
Lau Ko Yuen, Tom ( <i>Note 2</i> )	4/5		
<i>Independent Non-executive Directors</i>			
Chuck, Winston Calptor	13/15	3/3	5/5
Lee Kit Wah	15/15	3/3	5/5
Wong Kam Cheong, Stanley	14/15	3/3	

*Notes:*

1. Ms. Chau Mei Wah, Rosanna was also appointed as the Deputy Chairman of the Company on 12th September, 2005.
2. Mr. Lau Ko Yuen, Tom retired as a director of the Company on 12th September, 2005.
3. Mr. Shek Lai Him, Abraham was appointed as an independent non-executive director of the Company on 26th June, 2006.

### Chairman and Managing Director

The roles of the Chairman and Managing Director are segregated and are held by different individuals. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the Managing Director takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and Managing Director of the Company which provides a balance of power and authority.

### Independent non-executive directors

The independent non-executive directors are appointed for a specific term, subject to re-election, which will run until the conclusion of the third annual general meeting from the date of their last re-election and in accordance with the Company's bye-laws. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has received the annual confirmation of independence from each of the independent non-executive directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

## CORPORATE GOVERNANCE REPORT *(continued)*

### Nomination, appointment and re-election of directors

The Board as a whole is responsible for the appointment of new directors and directors' nomination for re-election by shareholders at the general meeting. Under the Company's bye-laws, the directors shall have the power to appoint any person as a director at any time either to fill a casual vacancy on the Board or as an addition to the existing Board who is subject to retirement and re-election at the first general meeting or first annual general meeting respectively after his/her appointment. All directors of the Company are subject to retirement and re-election by shareholders on a rotation basis at least once every three years. Potential new directors are identified and submitted to the Board for approval. The nomination of directors should be taken into consideration of the candidate's qualification, ability and potential contribution to the Company. A candidate to be appointed as independent non-executive director must also satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. No Board meeting was convened during the year under review for the appointment of new director.

### REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee with a majority of the members being independent non-executive directors. The existing Remuneration Committee comprises two independent non-executive directors, namely, Mr. Chuck Winston Calptor (Chairman of the Remuneration Committee) and Mr. Lee Kit Wah, and the Deputy Chairman and Managing Director, Ms. Chau Mei Wah, Rosanna.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and reviewing and determining the remuneration packages of the executive directors and senior management. The terms of reference of the Remuneration Committee, which follow closely the requirements of the code provisions of the Code and have been adopted by the Board, are posted on the Company's website. The Remuneration Committee is provided with sufficient resources to discharge its duties.

During the year, the Remuneration Committee held five meetings. In these meetings, the Remuneration Committee had principally performed the followings: making recommendation on directors' fees to the Board for the approval by the shareholders at the annual general meeting, approving the directors' fees of executive directors of the Company and making recommendation for the approval by the Board on the Company's independent non-executive directors' fees, reviewing and approving the remuneration of the Chairman and the Deputy Chairman and the Managing Director, and approving the discretionary bonus of senior management and reviewing remuneration policy.

With the recommendation of the Remuneration Committee, the Board set the remuneration policy of directors and senior management of the Company. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about its proposals relating to remuneration packages of the directors and senior management of the Company. The emoluments of the directors and senior management of the Company are based on the skills, knowledge and involvement in the Company's affairs of each director or senior management and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration is to ensure that the Company is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company.

The details of the remuneration of directors are set out on note 15 to the financial statements. No director is involved in deciding his/her own remuneration.

## CORPORATE GOVERNANCE REPORT *(continued)*

### AUDIT COMMITTEE

The Audit Committee of the Company consists of four independent non-executive directors, namely Mr. Lee Kit Wah (Chairman of the Audit Committee), Mr. Chuck Winston Calptor, Mr. Wong Kam Cheong, Stanley and Mr. Shek Lai Him, Abraham. The Audit Committee is chaired by Mr. Lee Kit Wah, who is a qualified accountant with extensive experience in financial reporting and controls.

The principal duties of the Audit Committee include reviewing the Company's financial reporting system and internal control procedures, reviewing the Group's financial information and reviewing the relationship with the external auditors of the Company. Terms of reference of the Audit Committee, which follow closely the requirements of code provisions of the Code and have been adopted by the Board and posted on the Company's website. The Audit Committee is provided with sufficient resources to discharge its duties.

During the year under review, the Audit Committee reviewed and made recommendation for the Board's approval of the draft audited financial statements of the Group for the year ended 31st March, 2005 and the draft unaudited interim financial statements of the Group for the six months ended 30th September, 2005, discussed the accounting policies and practices which may affect the Group with the management and the Company's auditors, made recommendation on the re-appointment of external auditors for the approval of shareholders in the annual general meeting of the Company, reviewed the fees charged by the external auditors and reviewed the internal control systems of the Group.

### AUDITORS' REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Group's principal auditors, were re-appointed by shareholders at the annual general meeting of the Company held on 12th September, 2005 as the Company's external auditors until the next annual general meeting. For the year ended 31st March, 2006, the total fee paid/payable in respect of statutory audit and non-audit services provided by Deloitte is set out in the following table:

Services rendered	Fee paid/payable	
	for the year ended 31st March	
	2006 HK\$'000	2005 HK\$'000
Audit service	870	650
Non-audit services		
Taxation	20	20
Ad hoc projects	200	650
Review of interim results	250	170
Review of annual results announcement	30	–
<b>Total fee paid/payable for the year</b>	<b>1,370</b>	<b>1,490</b>

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st March, 2006, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 28 of this annual report.

## CORPORATE GOVERNANCE REPORT *(continued)*

### INTERNAL CONTROL

The Board has the overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Company's business strategies and the Group's business operations. The directors of the Company have adopted an internal control policy of the Group. The internal control policy is fundamental to the successful operation and day-to-day running of a business and it assists the Company in achieving its business objective. The policy has been developed with primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objective.

### COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with all shareholders and, in particular, use general meetings to communicate with shareholders and encourage their participation. The Company also uses various other means of communication with its shareholders, such as publication of annual and interim reports, press announcements, circulars and additional information on the Group's business activities and development on the Company's website: <http://www.itc.com.hk>. Details of poll vote procedures, which comply with the Listing Rules and the bye-laws of the Company, have been included in the Company's circulars sent to shareholders of the Company and in the proceedings of the Company's general meetings.

By order of the Board

**Law Hon Wa, William**  
*Company Secretary*

Hong Kong, 28th July, 2006