



# Corporate Governance Report

## **CORPORATE GOVERNANCE PRACTICES**

Pursuant to the Code of Best Practice a set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rule”), an audit committee was established by the Company in 2004 to review and supervise the Group’s financial reporting process and internal controls. The current members of the Audit Committee are the three independent non-executive directors, Mr. Cheung Sheung Hing, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan. The annual results for the year ended 30 June 2006 have been reviewed by the Audit Committee.

## **MODE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 30 June 2006.

## **BOARD OF DIRECTORS**

The board of directors (the “Board”) currently comprises eight directors, including five executive Directors, and three independent non-executive Directors. The Company has three independent non-executive Directors representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 13 to 14 of this annual report.

The principal duty of the Board is to ensure that the Company is properly managed in the interest of shareholders. The Board, led by the Chairman, is responsible for the formulation of strategies and policies, including an oversight of the management. Management is responsible for the day-to day operations of the Group under the leadership of the executive Directors.

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## BOARD OF DIRECTORS (cont'd)

The attendance of individual members of the Board and other Board Committees meeting during 2006 is set out in the following table:

Directors	Attended/Eligible to Attend	
	Regular Board Meeting <sup>(2)</sup>	Special Board Meeting <sup>(3)</sup>
<b>Executive Directors</b>		
Mr. Ho, Chi Wing ( <i>Chairman</i> )	12/12	7/7
Mr. Lee, Tsung Hei David Chris ( <i>Chief Executive Officer</i> ) <sup>(1)</sup>	0/2	0/0
Mr. Tao, Wei Ming	0/12	0/7
Mr. Ng, Yan	8/12	1/7
Mr. Lu, Liang	7/12	7/7
<b>Independent Non-Executive Directors</b>		
Mr. Law, Tai Yan		3/7
Mr. Cheung, Sheung Hing		3/7
Mr. Cheong, Kwong Choi Alexander		3/7

### Notes:

- (1) Appointed as an Executive Director and Chief Executive Officer on 3 April 2006.
- (2) Regular Board Meetings were attended by a majority of the Directors in person.
- (3) Special Board Meetings were convened from time to time for the Board to discuss major matters that require the Board's timely attention. Since the Special Board Meetings were concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors attended.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman (held by Mr. Ho Chi Wing) and the Chief Executive Officer (held by Lee Tsung Hei, David Chris) are held by separate individuals with a view to maintaining an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

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## NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

Code provision A.4.1 of the Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing non-executive Director and independent non-executive Directors of the Company are appointed for a specific term. However, in accordance with the Company's Bye-Laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation and become eligible for re-election. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

## REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company on 20 December 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising an executive director, Mr. Ho Chi Wing and two independent non-executive directors, namely, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan is held at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of the Senior Management. Remuneration and the employment contracts of newly appointed directors have to be reviewed and approved by the Remuneration Committee. Compensation, removal or dismissal of directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

<b>Name of member</b>	<b>Attended/ Eligible to Attend</b>
Mr. Ho Chi Wing ( <i>Executive Director</i> ) ( <i>Chairman of Remuneration Committee</i> )	2/2
Mr. Cheng Kwong Choi Alexander ( <i>Independent Non-executive Director</i> )	2/2
Mr. Law Tai Yan ( <i>Independent Non-executive Director</i> )	2/2

During the year, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policies of the Group, grant of share options to executive Directors and the remuneration package of the Chief Executive Officer.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or its subsidiaries, of the Company's listed securities during the year ended 30 June 2006.

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## COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the reporting period, except for the following deviations:

The independent non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation in accordance with the Company's articles of association. (Code Provision A.4.1)

## AUDITORS' REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the auditors' work. For the year ended 30 June 2006, the external auditors' remuneration for audit service amounted to approximately HK\$200,000.

## AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, the Directors has been established an Audit Committee since 2004 and the Audit Committee currently comprises three independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

<b>Name of member</b>	<b>Attended/ Eligible to Attend</b>
Mr. Law Tai Yan ( <i>Independent Non-executive Director</i> ) ( <i>Chairman of Audit Committee</i> )	4/4
Mr. Cheng Sheung Hing ( <i>Non-executive Director</i> )	4/4
Mr. Cheng Kwong Choi, Alexander ( <i>Independent Non-executive Director</i> )	4/4



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## **INTERNAL CONTROL**

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding assets of the Group, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is 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, it regularly reviews the effectiveness of the system.

## **DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS**

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

## **AUDITORS' REPORTING RESPONSIBILITIES**

The reporting responsibilities of Patrick Ng & Company, the Auditors, are stated in the Auditors' Report on page 20 to 21 of the annual report.

## **INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS**

The Company has established a range of communication channels between itself and its shareholders, investors and other shareholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at [www.ecyberchina.com](http://www.ecyberchina.com) and meetings with investors and analysts.