

# CORPORATE GOVERNANCE REPORT

## 公司管治報告

We are firmly committed to statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness.

### Code of Best Practice and Code on Corporate Governance Practices

The Company has, throughout the year ended 31st March, 2005, complied with the Code of Best Practices set out in Appendix 14 of the Main Board Listing Rules (the "Listing Rules"). The Code of Best Practices was replaced by the Code on Corporate Governance Practices which has become effective for accounting periods commencing on or after 1st January, 2005. The Company has, to a certain extent, applied the principles and complied with code provisions and the recommended best practices of the Code on Corporate Governance Practices throughout the year ended 31st March, 2005.

### Board of Directors

The Board currently comprises five Non-executive Directors and three Executive Directors. Three of the Non-executive Directors are independent.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

Under the Company's current Articles of Association, all Directors are subject to retirement by rotation and their re-election is subject to approval by shareholders at the Annual General Meeting.

本集團奉行法定及監管公司管治標準，並時刻遵循注重透明度、獨立、問責、負責與公平之公司管治原則。

### 最佳應用守則及企業管治常規守則

本公司於截至二零零五年三月三十一日止年度一直遵守主板上市規則（「上市規則」）附錄14所載之最佳應用守則。最佳應用守則已被於二零零五年一月一日或之後開始之會計期間生效的企業管治常規守則所取代。本公司於截至二零零五年三月三十一日止年度內在在一定程度上採納了企業管治常規守則之原則及遵守其中的守則規定及其建議最佳常規。

### 董事會

董事會現由五位非執行董事及三位執行董事組成。其中三位非執行董事為獨立人士。

本公司已收到各獨立非執行董事根據上市規則第3.13條就其身份之獨立性發出之週年確認書。本公司認為各獨立非執行董事確屬獨立人士。

根據本公司現有章程細則，所有董事均須輪值告退，並須在股東週年大會上獲股東批准，方可膺選連任。

### Board of Directors (continued)

The Board met six times in fiscal year of 2004/2005 to review the financial and operating performance of the Group and to consider and approve the annual budget for the Group. Individual attendance of each Board member at these meetings is as follows:

	Note 附註	Attendance 出席率
<b><u>Independent Non-executive Directors</u></b>	<b><u>獨立非執行董事</u></b>	
Dr. The Hon. David Kwok-po LI	李國寶博士	6/6
Mr. Iain F. BRUCE	布魯士先生	6/6
Mr. Chi-kian SHIU	邵志堅先生	(i) 5/6
<b><u>Non-executive Directors</u></b>	<b><u>非執行董事</u></b>	
Ms. Myrna Mo-ching LO	羅慕貞女士	6/6
Mr. Frank Yau-yee LO	羅友義先生	(ii) 2/4
Ms. Yvonne Mo-ling LO	羅慕玲女士	6/6
<b><u>Executive Directors</u></b>	<b><u>執行董事</u></b>	
Mr. Winston Yau-lai LO – Chairman	羅友禮先生 – 主席	6/6
Mr. Fransis Ming-yin KONG	江明彥先生	(iii) 6/6
Mr. Eric Fat YU	余發先生	6/6
Mr. John Shek-hung LAU	劉錫鴻先生	6/6

Notes:

- (i) Re-designated from a Non-executive Director to an Independent Non-executive Director on 10th September, 2004.
- (ii) Resigned as a Non-executive Director on 19th January, 2005.
- (iii) Resigned as an Executive Director on 18th April, 2005.

### System of Internal Controls

The Board recognises its overall responsibility for the establishment, maintenance and review of a system of internal control that provides reasonable assurance on the reliability and integrity of financial and operational information, effective and efficient operations, safeguarding of assets and compliance with laws and regulations. The system of internal control is designed to manage rather than eliminate all risks of failure while its goal is to provide reasonable, not absolute, assurance regarding the achievement of organisational objectives.

### 董事會 (續)

於二零零四/二零零五財政年度內董事會共開會六次，以檢討本集團之財務及營運表現，及考慮與批准本集團之全年預算。董事會各成員於該等會議之出席率表列如下：

附註：

- (i) 於二零零四年九月十日由非執行董事重新改任為獨立非執行董事。
- (ii) 於二零零五年一月十九日辭任非執行董事。
- (iii) 於二零零五年四月十八日辭任執行董事。

### 內部監控系統

董事會認識到本身就建立、維持及檢討內部監控系統制度之整體責任，實須合理地保證財務及營運資料之可靠及完整性、有效及高效營運、保護資產及遵守法規。內部監控系統乃旨在管理而非消除所有失誤之風險，而它的宗旨是提供有關達成公司目標之合理保證而非絕對保證。

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### Board Committees

The Board has established an Executive Committee, an Audit Committee and a Remuneration and Nomination Committee (formerly known as Compensation Committee).

#### Executive Committee

The Executive Committee was established in 2001. Its current members include all three Executive Directors, who are:

Mr. Winston Yau-lai LO  
Mr. Eric Fat YU  
Mr. John Shek-hung LAU

Mr. Fransis Ming-yin KONG resigned as Director on 18th April, 2005. He was a member of the Executive Committee prior to his resignation.

The Executive Committee operates as a general management committee under the direct authority of the Board to deal with certain operational matters of the Group.

#### Audit Committee

The Audit Committee was established in 1999. Its current members include three Independent Non-executive Directors, who are:

Mr. Iain F. BRUCE (Chairman)  
Dr. The Hon. David Kwok-po LI  
Mr. Chi-kian SHIU (re-designated from a Non-executive Director to an Independent Non-executive Director on 10th September, 2004)

The Audit Committee's terms of reference are to make recommendation to the Board on the appointment, reappointment and removal of the External Auditors and any questions of resignation or dismissal, their audit fees, matters relating to the independence of the External Auditors; to meet with the External Auditors to discuss the nature and scope of the audit, and matters of concern when requested to do so by the External Auditors; to review the interim financial report and annual financial statements before they are submitted to the Board; to discuss problems and reservations arising from the interim review and final audit, and any other matters the External Auditors may wish to discuss, and to review the External Auditors' management letter and management's response; to review the internal audit programmes and to ensure co-ordination between the Internal and External Auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group; and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

### 董事委員會

董事會轄下已成立執行委員會、審核委員會及薪酬及提名委員會(前稱薪酬委員會)。

#### 執行委員會

執行委員會於二零零一年成立，現成員包括全部三位執行董事，分別為：

羅友禮先生  
余發先生  
劉錫鴻先生

江明彥先生於二零零五年四月十八日辭去董事職務，彼於辭任前為執行委員會成員。

執行委員會為一般管理委員會，直屬於董事會，處理本集團部份營運事宜。

#### 審核委員會

審核委員會於一九九九年成立，現成員包括三位獨立非執行董事，分別為：

布魯士先生(主席)  
李國寶博士  
邵志堅先生(於二零零四年九月十日由非執行董事重新改任為獨立非執行董事)

審核委員會之職權範圍包括就外聘核數師之委任、重新委任及罷免，或處理任何有關該核數師辭職或辭退該核數師、核數師酬金、外聘核數師之獨立性等事宜向董事會提供意見；與外聘核數師開會討論審核工作之性質及範圍及應外聘核數師要求處理值得關注事項；審閱中期財務報告及全年財務報表以便上呈董事會；討論源於中期審閱及年結審核過程發現之問題及保留意見，及任何其他外聘核數師欲討論之事宜；審閱外聘核數師致管理層之函件及管理層之回應；審閱內部稽核計劃並確保內部及外聘核數師間之協調；確保內部稽核職能有足夠資源配合並於本集團內擁有適當地位；及審議董事會指派或其自發進行之內部調查之主要調查結果及管理層之回應。

## Board Committees (continued)

### Audit Committee (continued)

The Audit Committee met twice in fiscal year of 2004/2005. Individual attendance of each Committee member at these meetings is as follows:

	Attendance 出席率
<b><u>Independent Non-executive Directors</u></b>	<b><u>獨立非執行董事</u></b>
Mr. Iain F. BRUCE – Chairman	布魯士先生 – 主席 2/2
Dr. The Hon. David Kwok-po LI	李國寶博士 2/2
Mr. Chi-kian SHIU	邵志堅先生 2/2
In Attendance:	列席:
Chief Financial Officer	財務總監 2/2
Internal Auditor	內部核數師 2/2
External Auditors	外聘核數師 2/2

The Audit Committee of the Board has reviewed the 2004/2005 financial statements with management and the Company's External Auditors, and recommended its adoption by the Board.

### Remuneration and Nomination Committee

The Compensation Committee was established in February, 1994 and was renamed as "Remuneration and Nomination Committee" on 2nd February, 2005, with increased scope of authority. This Committee now comprises three Independent Non-executive Directors and two Non-executive Directors and its current members are:

#### Independent Non-executive Directors

Dr. The Hon. David Kwok-po LI (Chairman)

Mr. Iain F. BRUCE

Mr. Chi-kian SHIU

#### Non-executive Directors

Ms. Myrna Mo-ching LO

Ms. Yvonne Mo-ling LO

## 董事委員會(續)

### 審核委員會(續)

於二零零四/二零零五財政年度內審核委員會共開會兩次。各成員於該等會議之出席率表列如下：

董事會之審核委員會已連同管理層及本公司外聘核數師審閱二零零四/二零零五年度之財務報表，並建議董事會予以採納。

### 薪酬及提名委員會

薪酬委員會於一九九四年二月成立，於二零零五年二月二日改名為「薪酬及提名委員會」，其職權範圍亦加以擴大。目前，委員會成員包括三位獨立非執行董事及兩位非執行董事，其現成員為：

#### 獨立非執行董事

李國寶博士(主席)

布魯士先生

邵志堅先生

#### 非執行董事

羅慕貞女士

羅慕玲女士

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### Board Committees (continued)

#### Remuneration and Nomination Committee (continued)

The Committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The Committee also reviews the structure, size and composition (including the skills, knowledge and experience) of the Board from time to time and recommends to the Board on appointments of Directors and the succession planning for Directors.

The Committee met three times in fiscal year of 2004/2005. Individual attendance of each Committee member at these meetings is as follows:

### 董事委員會(續)

#### 薪酬及提名委員會(續)

委員會之成立旨在審批本集團高層僱員之薪酬福利組合，包括薪金及花紅計劃及其他長期獎勵計劃。委員會亦不時檢討董事會之架構、規模及組成(包括董事之技能、知識及經驗)，並就董事之委任及董事繼任計劃向董事會提出建議。

於二零零四／二零零五財政年度內委員會共開會三次。各成員於該等會議之出席率表列如下：

	Note	Attendance
	附註	出席率
<b><u>Independent Non-executive Directors</u></b>	<b><u>獨立非執行董事</u></b>	
Dr. The Hon. David Kwok-po LI – Chairman	李國寶博士 – 主席	3/3
Mr. Iain F. BRUCE	布魯士先生	3/3
Mr. Chi-kian SHIU	邵志堅先生	2/3
<b><u>Non-executive Directors</u></b>	<b><u>非執行董事</u></b>	
Ms. Myrna Mo-ching LO	羅慕貞女士	3/3
Mr. Frank Yau-yee LO	羅友義先生 (i)	1/2
Ms. Yvonne Mo-ling LO	羅慕玲女士	3/3
<b><u>Executive Director</u></b>	<b><u>執行董事</u></b>	
Mr. Winston Yau-lai LO	羅友禮先生 (ii)	2/2
In Attendance:	列席：	
<b><u>Executive Director</u></b>	<b><u>執行董事</u></b>	
Mr. Winston Yau-lai LO	羅友禮先生 (ii)	1/1

Notes:

- (i) Resigned as a Non-executive Director on 19th January, 2005.
- (ii) Ceased to be a member of the Committee on 2nd February, 2005.

附註：

- (i) 於二零零五年一月十九日辭任非執行董事。
- (ii) 於二零零五年二月二日起不再擔任委員會成員。

### Internal Audit

The Group Internal Audit Department supports management by carrying out a systematic approach to evaluate the risks and improve the effectiveness of the internal control systems of all levels of the companies in the Group. The Audit Committee endorses the audit plan annually. The Group Internal Auditor has unrestricted access to all parts of the business, and direct access to any level of management as he considers necessary. The Group Internal Auditor reports his findings and the agreed corrective actions to senior management responsible for the area audited. He also reports regularly the results of the reviews in a summary to the Audit Committee.

### External Auditors

KPMG has been appointed as the External Auditors of the Company by shareholders at the Annual General Meeting annually. An amount of HK\$3.0 million (2004: HK\$2.9 million) was charged to the 2004/2005 financial statements of the Company and subsidiaries for KPMG's statutory audit and tax services. The amount for other services provided by KPMG for the Company and subsidiaries during the year was relatively small.

### Model Code for Securities Transactions

The Group has adopted, on 9th September, 2004, its own Code for Securities Transactions by Directors (the "Code"), that follows the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules. Specific enquiry has been made of all Directors, and Directors have confirmed that they have complied with the required standard set out in the Code for the year ended 31st March, 2005.

### Investor Relations

We believe accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with our shareholders, including institutional investors, is crucial. We manage investor relations systematically as a key part of our operations.

We maintain a website ([www.vitasoy.com](http://www.vitasoy.com)) to keep our shareholders and the investing public posted of our latest business developments and to disseminate shareholder information.

During the year, we continued to follow a policy of maintaining an open and regular dialogue with institutional and minority shareholders, fund managers, analysts and the media through different means, including meetings, presentations, telephone conferences, correspondence, media briefings and press releases to distribute information on the Group's latest developments and strategies. We also continued to be proactive in responding to general enquires raised by the investing public, individual and institutional investors and investment analysts.

### 內部稽核

本集團之稽核部通過有系統方法以評估風險及改善本集團公司各階層內部監控系統之效率，以配合管理層之工作。審核委員會每年確認審核方案。本集團內部核數師可不受限制地接觸其認為必要之業務範疇及各級管理層。本集團之內部核數師將其調查結果及協議之糾正行動匯報予負責有關被稽核範圍之高級管理層。彼又會定期向審核委員會簡報審閱結果。

### 外聘核數師

畢馬威會計師事務所已於每年股東週年大會上獲委聘為本公司外聘核數師。本公司及其附屬公司已就畢馬威會計師事務所提供之法定審核及稅務服務自二零零四／二零零五年財務報表中扣除港幣3,000,000元(二零零四年：港幣2,900,000元)。畢馬威會計師事務所於年內為本公司及其附屬公司所提供之其他服務費用相對較少。

### 進行證券交易的標準守則

本集團已於二零零四年九月九日採納自行制定之「董事之證券交易守則」(「守則」)，而此守則乃跟隨上市規則附錄10所載之「上市公司董事進行證券交易之標準守則」而制定。本公司已對全體董事作出具體查詢，而董事確定於截至二零零五年三月三十一日止年度均遵守守則所規定之準則。

### 投資者關係

本集團相信問責制及透明度乃良好公司管治不可或缺之部分，故此與股東(包括機構投資者)作適時溝通實為重要。本集團有系統地處理投資者關係並視為本集團之主要工作。

本集團設有網站([www.vitasoy.com](http://www.vitasoy.com))，以便向股東及公眾投資者匯報本集團最新業務發展及發放股東資訊。

年內，本集團貫徹通過不同方式與機構及少數股東、基金經理、分析員及媒體公開定期對話之政策。形式包括會面、演介會、電話會議、函件、媒體簡報會及新聞稿等，藉以發佈有關本集團最新發展及策略之資料。本集團將繼續積極回應公眾投資者、個人及機構投資者及投資分析員所提出之一般查詢。