
Corporate Governance Report

Corporate governance practices

The Company is committed to raise its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness. The Company exercises corporate governance through the Board of Directors ("Board") and various Committees. During the year, the Company has taken a series of steps to promote the level of corporate governance including the appointment of additional Independent Non-executive Directors and establishment of Remuneration Committee.

Board of Directors

The Board consists of five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive is responsible for managing the Group's business. The relationship of the directors are disclosed in the biography of directors set out in the Directors' Profile section.

According to the Bye-laws of the Company, at every annual general meeting of the Company one-third of the Directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. A retiring Director shall be eligible for re-election at the meeting. The Non-executive Directors and Independent Non-executive Directors are not appointed for a specific term but are subject to rotation in accordance with the Bye-laws of the Company.

The Board is responsible for the formulation and reviewing of long-term business directions and strategies, to monitor the operating and financial performance of the Group. It also considers and approves future strategic plans and budgets for the Group. The management is delegated with the authority to make decisions on daily operations.

Remuneration Committee

The Company established a Remuneration Committee in December 2004. The Committee comprises the Chairman and two Independent Non-executive Directors, Mr. Wong Chi Keung and Mr. Hung Yat Ming. The duties of the committee includes making recommendations to the Board on the remuneration policy and structure of the directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to directors and senior management on termination or dismissal. The remuneration packages including basic salary, annual bonus, retirement and other benefit such as share options are commensurate with their job nature and experience level.

Audit Committee

The Company has established the Audit Committee in December 1999. The committee members currently comprises all the Independent Non-executive Directors, Mr. Hung Yat Ming (as Chairman), Mr. Cheung Kwok Wah, Ken and Mr. Wong Chi Keung. The terms of reference adopted by the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee meets at least twice a year for review of the audited annual accounts and the unaudited interim accounts. The principal duties of the Audit Committee include the review of the Company's financial reporting, the recommendation by the auditors on the issues of internal control and compliance and financial risk management. During the year, the Committee met twice and all the members had attended the meetings.

The Audit Committee has reviewed the audited results for the year ended 31st March 2005.

Code of conduct

The Group has adopted its own Code for Securities Transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code (Appendix 10) of the Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

Code of best practice and code on corporate governance practice

During the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. In January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practice. The Company has taken appropriate actions to comply with the Code on Corporate Governance Practice including setting up Remuneration and Audit Committees and holding of board meetings at least once a quarter.

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Auditors' remuneration

PricewaterhouseCoopers has been appointed as the auditors of the Company by the shareholders at the Annual General Meeting. The services provided by PricewaterhouseCoopers include audit, taxation related and other services. An amount of HK\$2,933,000 was charged to the 2004/2005 financial statement of the Group for their statutory audit services. During the year, PricewaterhouseCoopers provided additional audit services for certain notifiable transactions of the Group, at total services fees of HK\$2,064,000. Taxation related services, review on interim results and other services provided by PricewaterhouseCoopers to the Group amounted to HK\$732,000.

Investor relationship

The Group aims to provide its shareholders and investors with high level of transparency. During the year, the Executive Directors met with a lot of local and institutional investors and analysts. The Board is committed to providing clear and full performance information of the Group to shareholders and the investment community through the publication of interim and annual reports, announcements, circulars and press releases.

The Company has also maintained a website at <http://www.asiaorient.com.hk> which enables shareholders, investors and public to access to the information of the Company on a timely basis.