

# Corporate Governance Report

AMS Public Transport Holdings Limited is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of corporate governance. The Company has complied with all the code provisions set out in Appendix 14 "Code on Corporate Governance Practices" ("the Code") of the Listing Rules for the year ended 31 March 2006. The Company has also set up corporate governance practices to meeting some of the recommended best practices in the Code. This report describes how the Company has applied the principles of the Code.

## The Board of Directors

The Board is chaired by Mr. Wong Man Kit (the "Chairman"). The Board comprises three Independent Non-executive Directors and four Executive Directors. All Independent Non-executive Directors bring a variety of experience and expertise to the Company. The Board has appointed four Board Committees, namely Executive Committee, Remuneration Committee, Audit Committee and Nomination Committee, to oversee different areas of the Company's affairs. The composition of the Board and the Board Committees are given below and their respective responsibilities are discussed in this report.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to an Executive Committee. The Executive Committee comprises the four Executive Directors and is fully accountable to the Board. The Company maintains appropriate directors' and officers' liabilities insurance.

The members of the Board are responsible for preparing the financial statements of the Company and of the Group. The financial statements are

prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006, and of the Group's profit and cash flow for the year then ended. In preparing the financial statements for the year ended 31 March 2006, the members of the Board have made reasonable judgments and estimates and selected appropriate accounting policies and, apart from those new and revised accounting policies as disclosed in the notes to the financial statements ended 31 March 2006, have applied the policies consistently with previous financial year.

Regular Board meetings are scheduled in advance to facilitate fullest possible attendance. The Company Secretary assists the Chairman in setting the agenda of Board meetings. Notices of Board meetings, including proposed agenda, are sent to the Directors at least 14 days before the meeting date and each Director is invited to present any businesses that he wishes to discuss or propose at such meetings. Finalised agenda and Board papers are normally circulated to all Directors 7 days before the Board meetings to ensure timely access to relevant information. The Board agreed to seek independent professional advice at the expense of the Company, upon reasonable request and the approval from all independent non-executive directors. Draft and final versions of minutes are circulated to all Directors for comments. The Company held 4 regular full Board meetings in financial year 2005/06. Attendance of the regular full Board meetings are as follows:

	Attendance of Board meetings in 2005/06	Attendance rate
<b>Executive Directors:</b>		
Mr. Wong Man Kit, Chairman	4/4	100%
Ms. Ng Sui Chun	4/4	100%
Mr. Chan Man Chun, Chief Executive Officer	4/4	100%
Mr. Wong Ling Sun, Vincent	4/4	100%
<b>Independent Non-Executive Directors:</b>		
Dr. Lee Peng Fei, Allen	4/4	100%
Dr. Leung Chi Keung	4/4	100%
Mr. Lam Wai Keung	4/4	100%

# Corporate Governance Report (continued)

The Board members have no financial, business, family or other material/ relevant relationships with each other save that Ms. Ng Sui Chun is the spouse of the Chairman and Mr. Wong Ling Sun, Vincent is the son of the Chairman and Ms. Ng Sui Chun. When the Board considers any proposal or transaction in which a Director has a conflict of interest, he declares his interest and is required to abstain from voting. Each of the Independent Non-executive Directors has confirmed in writing his independence from the Company in accordance with the guidelines on director independence of the Listing Rules. On this basis, the Company considers all Independent Non-executive Directors to be independent. All Directors disclose to the Board on their first appointment their interests as director or otherwise in other companies or organisations and such declarations of interests are updated semi-annually. Biographical details of the Directors of the Company as at the date of this report are set out on pages 24 to 25 of this annual report.

Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

## Appointment and Re-election of Directors

The Nomination Committee regularly reviews the structure, size and composition of the Board to ensure its expertise and independence are maintained. A person may be appointed as a Member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nomination Committee of the Company. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. A Director who retires in this way is eligible for election at that annual general meeting, but is not taken into account when deciding which and how many Directors should retire by rotation. In

either case, the Directors so elected and appointed are eligible for re-election and re-appointment. At each annual general meeting of the Company, one third of the Directors (or, if the number of Directors is not divisible by three, such number as is nearest to and less than one third) must retire as Directors by rotation.

Currently, all Executive Directors and Independent Non-Executive Directors are appointed on a term of three years.

## Chairman and Chief Executive Officer

To ensure a balance of power and authority, the role of the Chairman is separate from that of the Chief Executive Officer ("CEO"). The current CEO is Mr. Chan Man Chun. Mr. Chan Man Chun is also an Executive Director of the Board.

The posts of Chairman and Chief Executive Officer are distinct and separate. The Chairman is responsible for chairing and managing the operations of the Board, as well as monitoring the performance of the CEO and other Executive Directors. Apart from ensuring that adequate information about the Company's business is provided to the Board on a timely basis, the Chairman also ensures that the Independent Non-Executive Directors make an effective contribution at Board meetings. The CEO is responsible to the Board for managing the business of the Company.

## Executive Committee

The Executive Committee is chaired by the CEO and comprises other three Executive Directors. It meets monthly and is responsible to the Board for overseeing and setting the strategic direction of the Company.

## Remuneration Committee

The Remuneration Committee is chaired by an Independent Non-Executive Director, Dr. Lee Peng Fei, Allen and comprises two Independent Non-Executive Directors, Dr. Leung Chi Keung and Mr. Lam Wai Keung.

# Corporate Governance Report (continued)

The principal responsibilities of Remuneration Committee include formulating a remuneration policy and practices that facilitate the employment of top quality personnel, recommending to the Board on the policy and structure for all remuneration of Directors and senior management and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives. No directors or any of his associates is involved in deciding his own remuneration. The remuneration package of the Directors includes salary, bonus, pensions, medical and life insurance benefit. The remuneration level is determined by reference to the expertise, performance and experience possessed by each Director. Bonus is on a discretionary basis except for a fixed bonus payable to an executive Director Mr. Chan Man Chun pursuant to the service agreement entered on 22 March 2004. Please refer to note 15 to the financial statements for the emoluments of each Director.

In the financial year 2005/06, the Remuneration Committee held one meeting. In accordance with its terms of reference, the Remuneration Committee performed the following work during the year:

- Reviewed the Company's policy and structure for all remuneration of Directors and senior management and made recommendation;
- Reviewed and approved the remuneration packages of Directors and senior management;
- Reviewed and approved performance-based remuneration by reference to corporate goals and objectives resolved by the Board; and
- Reviewed the transactions between the Company and the Directors, or any interest associated with the Directors, to ensure the structure and the terms of the transactions comply with the relevant law and are appropriately disclosed.

The attendance of the meeting was as follows: Dr. Lee Peng Fei, Allen (1/1), Dr. Leung Chi Keung (1/1) and Mr. Lam Wai Keung (1/1).

## Audit Committee

The Audit Committee is responsible to the Board and consists of three Independent Non-Executive Directors, Dr. Lee Peng Fei, Allen, Dr. Leung Chi Keung, and Mr. Lam Wai Keung. The Audit Committee is chaired by Mr. Lam Wai Keung.

The Committee reviewed the completeness, accuracy and fairness of the Company's reports and financial statements and provided assurance to the Board that these comply with accounting standards, stock exchange and legal requirements. The Committee also reviewed the adequacy and effectiveness of the internal control and risk management systems. It reviewed the work done by the internal and external auditors, the relevant fees and terms, results of audits performed by the external auditors and appropriate actions required on significant control weaknesses. The Executive Directors, the external and internal auditors may also attend these meetings.

The Audit Committee held three meetings during the year, the attendance of which was as follows: Mr. Lam Wai Keung (3/3), Dr. Lee Peng Fei, Allen (3/3) and Dr. Leung Chi Keung (3/3).

## Nomination Committee

The Nomination Committee is chaired by an Independent Non-Executive Director, Dr. Leung Chi Keung and comprises two Independent Non-Executive Directors, Dr. Lee Peng Fei, Allen and Mr. Lam Wai Keung. The Nomination Committee nominates and recommends to the Board candidates for filling vacancies on the Board. It also identifies and nominates qualified individuals, who are expected to have such expertise to make a positive contribution to the performance of the Board, to be additional Directors or fill Board vacancies as and when they arise.

Even though there was no new Director appointed, the Nomination Committee held a meeting during the financial year to review the structure, size and composition of the Board. The attendance of which was as follows: Dr. Leung Chi Keung (1/1), Dr. Lee Peng Fei, Allen (1/1) and Mr. Lam Wai Keung (1/1).

# Corporate Governance Report (continued)

## External Auditors

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. For the financial year ended 31 March 2006, the total remuneration paid or payable to the external auditors was HK\$750,000, being HK\$690,000 for audit and HK\$60,000 for tax related services.

## Internal Control and Internal Audit

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group does not have internal audit department. The internal audit function has been outsourced to a professional accountancy firm (the "Internal Auditor") as selected by the Audit Committee. The Internal Auditor is independent to the Group and it conducts special audits of areas of concern identified by the Audit Committee annually. The Internal Auditor reports to the Audit Committee directly and the members of the Audit Committee have free and direct access to the Head of the Internal Auditor without reference to the Chairman or Management.

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. For the year under review, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on the internal controls of the Code.

## Securities Transactions

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees (as defined in the Code) on terms no less exacting than the

required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. A copy of the Securities Code has been sent to each Director of the Company. Also, formal written notices are sent to the Directors one month before the date of the board meeting to approve the Company's half-year result and annual result, as a reminder that the Directors cannot deal in the securities and derivatives of the Company until after such results have been published.

Under the Securities Code, Directors of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Board and receive a dated written acknowledgement before any dealing.

Having made specific enquiries, all Directors have confirmed that they have complied with the required standard set out in the Securities Code and Model Code throughout the accounting year under review.

Directors' interests as at 31 March 2006 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 28 to 30.

## Investor Relations

The Company continues to enhance relationships and communication with its investors. Detailed information about the Company's performance and activities is provided in the Annual Report and the Interim Report which are sent to shareholders. The Company maintains close communications with investors, analysts, fund managers and the media by individual interviews and meetings. The Group also responds to requests for information and queries from the investors in an informative and timely manner. The Board also welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or senior management directly.

In order to promote effective communication, the Company maintains its website at [www.amspt.com](http://www.amspt.com) on which financial and other information relating to the Company and its business are disclosed.