

1. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Board of Directors (the "Board") of the Company are committed to making sure that effective self-regulatory practices exist to protect the interests of the shareholders. These include a Board comprising experienced and high calibre members, Board Committees and effective internal audit and sound systems of internal controls.

This Corporate Governance Report ("Report") describes the Company's corporate governance practices with specific reference to the code provisions set out in 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"). During the financial year ended 31st March 2006, the Company complied with the provisions of the Code as set out in Appendix 14 of Listing Rules, except for the deviations set out in this Report and where there are deviations from the Code, details of such deviations (including considered reasons for such deviations) are set out in this Report.

2. DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

The Company has also made specific enquiry of all its directors to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Model Code.

All directors complied with the provisions of the Model Code during the financial year ended 31st March 2006.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for relevant employees of the Company in respect of their dealings in the securities of the Company.

3. BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Group (the Company and its subsidiaries) and is collectively responsible for promoting the success of the Group by directing and supervising its affairs. Every director is expected to discharge his duties in good faith and up to the standard of prevailing applicable laws and regulations, acting in the best interests of the Group and the Company's shareholders. The Board currently consists of nine members. Among them, five are executive directors and four are non-executive directors. Three out of the four non-executive directors are independent.

The post of Chairman and Chief Executive Officer ("CEO") are separate and are not held by the same individual. The Chairman, Mr. Wong Chong Po, and the CEO, Mr. Joseph C.C. Wong, also Vice Chairman of the Board, are brothers. Both the Chairman and Vice Chairman are responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The CEO, supported by other board members and senior management manages the Group's businesses, implementing major strategies, making day-to-day decisions and co-ordinating overall business operations.

The independent non-executive directors are highly experienced professionals with a broad range of expertise and experience including in areas such as accounting, finance and business. They ensure that the Board maintains high standards of financial and other mandatory reporting and provides adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole.

During the financial year ended 31st March 2006, Dr. Chu Chun Keung, Sydney, an independent non-executive director resigned on 1st August 2005 after having served on the Board for more than seven years. Dr. Wu Chi Man, Lawrence, was appointed as Dr. Chu's replacement on 28th October 2005, pursuant to Rule 3.11 of the Listing Rules. Mr. Wu Chun Sang, an independent non-executive director was appointed on 22nd September 2004 and is a qualified accountant.

3 BOARD OF DIRECTORS (Continued)

To assist the directors to discharge their duties, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. Directors are encouraged to attend professional development seminars and programmes during the year.

The term of office of the Company's non-executive directors, including the independent non-executive directors, is for a term of 3 years, subject to retirement (pursuant to Bye-law 110(A) of the Company's Bye-laws) whichever is the earlier.

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all directors of the Company retire strictly under Code Provision A.4.2 but in accordance with the Company's Bye-Laws. Bye-Law 110(A) stipulates that one-third of the directors of the Company who have been longest serving in office since their last election, except the Chairman, Vice Chairman or CEO, shall retire from office by rotation at each annual general meeting.

Both the Board and management have clearly defined responsibilities under various internal control and checks-and-balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objective and business development plans, monitoring the performance of senior management and assuming responsibility for corporate governance. Management is responsible for implementing these strategies and plans, and regular reports on the Company's operations are submitted to the Board. All directors have access to management and enquiries, explanations, briefings or informal discussions on the Company's operations are welcome.

The Board held a total of twelve board meetings during the financial year and up to the date of this Report. Of these, three meetings were held to approve the 2005 final results and 2006 interim and final results of the Group; the other nine meetings were held for the appointment of an executive director and an independent non-executive director and to consider financial and operating performances of the Group and corporate governance issues of the Company. The Executive Director for Finance & Corporate Affairs and the Company Secretary attended all board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

Details of the directors' attendance at the board meetings during the year and up to the date of this Report are set out below. All businesses transacted at the board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

Date of board meeting	Total no. of directors	No. of directors present
22nd April 2005	9	7
14th July 2005	9	6
18th July 2005	9	7
21st September 2005	8	6
28th October 2005	9	6
20th December 2005	9	7
26th January 2006	9	3
10th February 2006	9	7
28th March 2006	9	7
24th April 2006	10	8
30th May 2006	10	8
19th July 2006	9	7

3. BOARD OF DIRECTORS (Continued)

Director	No. of board meetings attended/held in FY2006 and up to the date of this Report
Executive Directors	
Mr. Wong Chong Po (<i>Chairman</i>)	0/12
Mr. Joseph C. C. Wong (<i>Vice Chairman and CEO</i>)	11/12
Mr. Chu Kai Wah, Anthony	12/12
Mr. Lee Shu Chung, Stan	12/12
Mr. Lau Tak Bui, Vincent (<i>appointed on 1st April 2006</i>)	3/3
Mr. Wong Yuk Woon (<i>resigned on 1st June 2006</i>)	11/11
Non-executive Directors	
Mr. Sakorn Kanjanapas	0/12
Mr. Kwong Yiu Chung (<i>Independent</i>)	11/12
Mr. Wu Chun Sang (<i>Independent</i>)	11/12
Dr. Wu Chi Man, Lawrence (<i>Independent and appointed on 28th October 2005</i>)	6/8
Dr. Chu Chun Keung, Sydney (<i>Independent and resigned on 1st August 2005</i>)	2/3

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 day's notice of a regular board meeting is given to all directors to give them the opportunity to attend. Board papers are despatched to the directors generally at least 3 days before the meeting (at least 3 days for regular board meetings) and in any event as soon as practicable to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The proceedings of the Board at its meetings are generally conducted by the Vice-Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to directors to speak, express their views and share their concerns.

Under the first part of Code Provision E.1.2, the Chairman of the Board should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting of the Company held on 6th September 2005 as he was not in Hong Kong.

The Board acknowledges its responsibility for the preparation of the Group's accounts and has delegated this responsibility to the Executive Director for Finance and Corporate Affairs ("Finance Director"). The Finance Director and his team are responsible for preparing interim and annual financial statements based on generally accepted accounting principles in Hong Kong and ensuring that the financial statements present a fair and true view of the results and the financial position of the Group and complying with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and other applicable laws and regulations. The Finance Director maintains regular communications with the external auditors. He also plays a role of reviewing and making recommendations to the Board on the Group's financial risk management. The Finance Director is also responsible for overseeing the Group's investors' relation activities.

4. AUDITORS' REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditors of the Company at the 2005 Annual General Meeting until the conclusion of the next Annual General Meeting. During the year, HK\$4,190,000 was paid to PricewaterhouseCoopers for the provision of audit services. Details of nature for non-audit related services provided by and the fee paid to PricewaterhouseCoopers are set out as below:

Description	HK\$'000
Special assignments	4,611
Taxation compliance	536
Advisory and other services	491

The Group also engaged other auditors in Hong Kong and overseas for miscellaneous services and total fees paid amounted to HK\$31,000. Total fees for non-auditing services for local auditors in PRC Mainland amounted to HK\$757,000.

5. BOARD COMMITTEES

To assist the Board in the discharge of its duties, the Board is supported by two board committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee.

(1) Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Kwong Yiu Chung, Mr. Wu Chun Sang (Chairman of the Audit Committee) and Dr. Lawrence Wu Chi Man (appointed on 28th October 2005).

The terms of reference of the 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 and the code provisions set out in the Corporate Governance Code. The Committee provides advice and recommendations to the Board and oversees all matters relating to the external auditors, thus it plays an important role in monitoring and safeguarding the independence of external auditors.

The Committee met twice during the financial year with the Finance Director, senior management together with the head of the internal control function and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, to ensure the completeness, accuracy and fairness of the financial statements of the Company, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, review all significant business affairs managed by the executive directors in particular on connected transactions.

Attendance of Directors at the Audit Committee Meetings held on:

7th July 2005

Dr. Chu Chun Keung, Sydney
Mr. Kwong Yiu Chung
Mr. Wu Chun Sang

15th December 2005

Dr. Wu Chi Man, Lawrence
Mr. Kwong Yiu Chung
Mr. Wu Chun Sang

5. BOARD COMMITTEES (Continued)

(2) Remuneration Committee

Under Code Provision B.1.1, issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. The Company established a remuneration committee on 20th December 2005 and Mr. Joseph C. C. Wong (the Vice Chairman of the Company), Mr. Kwong Yiu Chung, Mr. Wu Chun Sang and Dr. Lawrence Wu Chi Man (all independent non-executive directors of the Company) were appointed as committee members. Dr. Lawrence Wu Chi Man is the Chairman of the Remuneration Committee.

Code Provision B.1.3 deals with the terms of reference of the remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.3 except that the terms of reference does not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive directors as they are in a better position to appraise the performance of senior management.

Two committee meetings have been held since the Remuneration Committee's setup. At these meetings, the Committee determined the remuneration package of a certain executive director and the annual bonus entitlement of the Group's executive directors.

Attendance of Directors at the Remuneration Committee Meetings held on:

28th March 2006

Mr. Joseph C.C. Wong
Mr. Kwong Yiu Chung
Mr. Wu Chun Sang
Dr. Wu Chi Man, Lawrence

24th April 2006

Mr. Joseph C.C. Wong
Mr. Kwong Yiu Chung
Mr. Wu Chun Sang
Dr. Wu Chi Man, Lawrence

The above Board Committees report to the Board of Directors on a regular basis. All businesses transacted at the Board Committee meetings are recorded and minuted. The Terms of Reference of the two Board Committees are available on the Company's website.

Although the Company has not set up a nomination committee, clear policies are in place to ensure that the most appropriate candidates are appointed to the Board.

During the financial year 2006 and up to the date of this Report two casual appointments, namely, the appointment of Dr. Wu Chi Man, Lawrence (independent non-executive director) on 28th October 2005 and the appointment of Mr. Vincent Lau Tak Bui as an executive director on 1st April 2006 were made at board meetings.

Attendance of Directors at these board meetings held on:

28th October 2005

Mr. Joseph C.C. Wong
Mr. Lee Shu Chung, Stan
Mr. Chu Kai Wah, Anthony
Mr. Wong Yuk Woon
Mr. Wu Chun Sang
Mr. Kwong Yiu Chung

28th March 2006

Mr. Joseph C.C. Wong
Mr. Lee Shu Chung, Stan
Mr. Chu Kai Wah, Anthony
Mr. Wong Yuk Woon
Mr. Wu Chun Sang
Mr. Kwong Yiu Chung
Dr. Wu Chi Man, Lawrence

6. INTERNAL CONTROL

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation and the accounting records are reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities.

In order to establish a sound system of internal controls in safeguarding shareholders' interests and the Group's assets, the Company established a Compliance and Internal Control Department, the key tasks of which include:

- to report to the Board from time to time of the situation/environment of the Group's corporate governance;
- to review the cost control and performance efficiency in all operating units;
- to identify the need if improvement in the Group's internal control area and propose to the Board the necessary recommendations; and
- to carry out internal audit work at operating units.

7. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communications with its investors. Communications are maintained with the media, analysts and fund managers to keep them abreast of the Company's development.

8. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communication with its shareholders and investors. To foster effective communications, the Company provides extensive information in its annual report, interim report, press releases and also disseminates information relating to the Group and its business electronically through its website at www.irasia.com/listco/hk/stelux.com.

The Company regards the Annual General Meeting ("AGM") as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholder's queries. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders participation.

9. CODE OF CONDUCT

To enhance the ethical standards of employees, the Company has an employee handbook, setting out standards of professional and an ethical code of conduct for all employees of the Group. Employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

10. CONCLUSION

The Company believes that corporate governance principles and practices must remain relevant in a changing world, thus it continues its ongoing effort to review its corporate governance practices from time to time so as to meet the changing circumstances. It will try its best to maintain, strengthen and improve the standard and quality of the Company's corporate governance.