

## Corporate Governance Report

### (A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 March 2006, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Code"), which became applicable to the Company in respect of the year under review, were applied by the Company, and the relevant Code provisions in the Code were met by the Company.

### (B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 March 2006, they have confirmed that they have complied with the Model Code during the financial year.

### (C) BOARD OF DIRECTORS

#### (i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balance composition of executive and non-executive directors. Four Board meetings were held during the financial year ended 31 March 2006. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
<b>Chairman</b>	
Walter K. W. Ma	4
<b>Chief Executive Officer</b>	
Joyce E. Ma	0
<b>President &amp; Managing Director</b>	
Adrienne M. Ma	3
<b>Non-executive Directors</b>	
Jeffrey L. Flowers ( <i>appointed on 30 June 2005</i> )	0
Michael C. Kalyk ( <i>resigned on 30 June 2005</i> )	0
Doreen Y. F. Lee	0
Gonzaga W. J. Li	0
Yvette T. Ma	4
Stephen T. H. Ng	0
T. Y. Ng	0
Paul Y. C. Tsui	4
<b>Independent Non-executive Directors</b>	
Michael E. Brillhart	0
Antonio Chan	2
Eric F. C. Li	3
Eric K. K. Lo	3

Each Director of the Company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

**(ii) Operation of the Board**

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

**(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The posts of Chairman and Chief Executive Officer are distinct and separate.

The Chairman, namely, Mr. Walter K. W. Ma, who is a non-executive Director, is responsible for leading and managing the operation of the Board, focuses on Group strategies and Board issues, and ensures a cohesive working relationship between members of the Board and management. He also monitors the performance of the Chief Executive Officer. The Chief Executive Officer, namely, Mrs. Joyce E. Ma, is accountable to the Chairman and is responsible to the Board for managing the business of the Group. She has full executive responsibilities in the business directions and operational efficiency of the business units of the Group.

**(E) NON-EXECUTIVE DIRECTORS**

All existing Non-executive Directors of the Company have their respective terms of appointment coming to an end normally one year after re-election as Directors at previous Annual General Meetings.

**(F) REMUNERATION OF DIRECTORS**

The Company has set up a Remuneration Committee consisting of one Non-executive Director and two other independent Non-executive Directors.

One Remuneration Committee meeting was held during the financial year ended 31 March 2006. Attendance of the Members is set out below:

Members	Attendance at Meeting
Paul Y. C. Tsui, <i>Chairman</i>	1
Antonio Chan	0
Eric K. K. Lo	1

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

- (a) to consider the Company's policy and structure for all remuneration of Directors and senior management;
- (b) to determine the specific remuneration packages of all executive Directors and senior management;
- (c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and
- (e) to review compensation arrangements relating to dismissal or removal of Directors for misconduct.

The work performed by the Remuneration Committee for the financial year ended 31 March 2006 was summarised below:

- (a) review of the Company's policy and structure for all remuneration of Directors and senior management;
- (b) consideration of the emoluments for all Directors and senior management; and
- (c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. Apart from the basic salary and various allowances payable by the Company to its Chief Executive Officer and President & Managing Director, there was no other Director receiving any emoluments other than a fee at the rate of HK\$30,000 per annum payable to Mr. Antonio Chan by reason of his being a Member of the Audit Committee. The basis of determining such Audit Committee Member's fee is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its Audit Committee Member.

#### **(G) NOMINATION OF DIRECTORS**

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for the formulation of the nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominate Directors to fill casual vacancies. The Chairman in conjunction with the Chief Executive Officer and the President & Managing Director from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management. They also identify and nominate qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

**(H) AUDITORS' REMUNERATION**

The fees in relation to services, all related to the audit and taxation, provided by PricewaterhouseCoopers, the external auditors of the Company, amounted to HK\$0.7 million and HK\$0.2 million respectively.

**(I) AUDIT COMMITTEE**

The Audit Committee of the Company consists of one Non-executive Director and three independent Non-executive Directors.

All Members have sufficient experience in reviewing audited accounts as aided by the auditors of the Group whenever required. In addition, Mr. Antonio Chan and Mr. Paul Y. C. Tsui have the appropriate professional qualifications and experience in financial matters.

Three Audit Committee meetings were held during the financial year ended 31 March 2006.

Attendance of the Members is set out below:

Members	Attendance at Meetings
Michael E. Brillhart, <i>Chairman</i>	0
Antonio Chan	3
Eric K. K. Lo	3
Paul Y. C. Tsui	3

- (i) The terms of reference of 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. Given below are the main duties of the Audit Committee:
  - (a) to consider the appointment of the external auditors and any questions of resignation or dismissal;
  - (b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;
  - (c) to review the half-year and annual accounts before submission to the Board, focusing particularly on:
    - (1) any changes in accounting policies and practices;
    - (2) major judgmental areas;
    - (3) significant adjustments resulting from the audit;
    - (4) the going concern assumption;
    - (5) compliance with accounting standards; and
    - (6) compliance with stock exchange and legal requirements;

- (d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary); and
  - (e) to review the audit programme, and ensure co-ordination with external auditors.
- (ii) The work performed by the Audit Committee for the financial year ended 31 March 2006 is summarised below:
- (a) approval of the remuneration and terms of engagement of the external auditors;
  - (b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;
  - (c) review of the half-year and annual accounts before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(c) above regarding the duties of the Audit Committee;
  - (d) discussion with the external auditors before the audit commences, the nature and scope of the audit;
  - (e) review of the audit programme and co-ordination between the external auditors;
  - (f) review of the Group's financial controls, internal control and risk management systems; and
  - (g) meeting with the external auditors without executive Board members present.

#### **(J) DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS**

The Directors are responsible for overseeing the preparation of accounts for the financial year ended 31 March 2006, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the accounts for the financial year ended 31 March 2006:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgements and estimates are made; and
- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

**(K) COMMUNICATION WITH SHAREHOLDERS**

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performances and activities. Annual and interim reports are printed and sent to all Shareholders. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The Company keeps Shareholders informed of the procedure for voting by poll in all circulars to Shareholders which are from time to time despatched to Shareholders together with notices of general meetings of the Company.

**(L) SHAREHOLDERS' RIGHTS TO CONVENE A SPECIAL GENERAL MEETING**

Pursuant to the Bermuda Companies Act, on requisition of one or more Shareholders in aggregate holding not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene a special general meeting.