

## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of governance practices and procedures and to complying with statutory and regulatory requirements with an aim to maximising the shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability.

### CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31st March, 2006, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code provision A.4.2 of the Code, the details of which and the considered reasons are explained below.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Specific enquiry has been made with all directors of the Company and the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2006. The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price-sensitive information.

### BOARD OF DIRECTORS

The Board is individually and collectively responsible for leadership and control of, and for promoting the success of, the Company by operating and developing the Group's business operations and implementing the Company's business strategies. As at the date of this report, the Board consists of seven directors which include two executive directors, two non-executive directors and three independent non-executive directors.

The Company has a balanced Board composition of executive and non-executive directors (including independent non-executive directors). With a majority of the Board members being non-executive directors possessing a good balance of professional expertises and diverse range of experience, the Board can effectively exercise independent judgement and advice to the management of the Company and it can make decisions objectively in the interests of the Company and all shareholders as a whole. The biographical details of the directors are set out on pages 7 and 8 of this annual report. There is no financial, business, family or other material/relevant relationship among the members of the Board.

The Board has delegated the Executive Board with authority and responsibility for handling the management functions and operations of the day-to-day business of the Company while specifically reserving certain important matters and decisions for the approval by the Board such as annual and interim period financial reporting and control, equity fund raising, declaration of interim dividend, making recommendation of final dividend or other distributions, notifiable transactions under Chapter 14 and Chapter 14A of the Listing Rules and making recommendation for capital reorganisation or scheme of arrangement of the Company.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS *(Cont'd)*

Regular Board meetings are held at least four times a year with at least 14-day notices to be given to all directors, and if necessary, additional meetings are arranged as and when required. Directors can attend Board meetings either in person or through electronic means of communication. A total of five Board meetings (including four regular Board meetings) were held during the year ended 31st March, 2006.

The directors are provided with relevant information to make informed decisions and appropriate arrangements are in place to ensure that they are given an opportunity to include matters in the agenda of the Board meetings. All directors have separate and independent access to the advice and services of the Group's senior management and consultants with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

The attendance record of each individual Board member at the Board, Audit Committee and Remuneration Committee meetings (including former directors who has since resigned or retired) during the year under review, on a named basis, is set out in the following table:

Name of Director	Meetings Attended/Eligible to Attend		
	Board	Audit Committee	Remuneration Committee
<b><i>Executive directors:</i></b>			
Cheung Hon Kit ( <i>Chairman</i> ) (appointed on 20th April, 2005)	4/5		
Chan Fut Yan ( <i>Managing Director</i> ) (appointed on 20th April, 2005)	5/5		2/2
Tse Cho Tseung (resigned on 31st March, 2006)	3/5		
Cheung Sze Man (resigned on 24th May, 2005)			
<b><i>Non-executive directors:</i></b>			
Ho Hau Chong, Norman ( <i>Deputy Chairman</i> ) (previously an independent non-executive director and re-designated on 11th August, 2005)	0/5		
Lo Lin Shing, Simon (previously an executive director and re-designated on 20th April, 2005)	0/5		
<b><i>Independent non-executive directors:</i></b>			
Wong Chi Keung, Alvin	5/5	3/3	2/2
Kwok Ka Lap, Alva	5/5	3/3	2/2
Chui Sai Cheong (appointed on 9th September, 2005)	2/3	0/1	
Zhang Shichen (retired on 9th September, 2005)	0/2	0/2	

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### BOARD OF DIRECTORS *(Cont'd)*

#### **Chairman and Managing Director**

The roles of the Chairman and the Managing Director, held by separate individuals, are clearly segregated with an aim to providing a balance of power and authority. The Chairman is principally responsible for the strategic planning of the Group and the management of the operations of the Board. The Managing Director is mainly responsible for the operations and business development of the Group.

#### **Non-executive Directors**

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. All the current non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company (the "Bye-laws"). The Board considers that sufficient measures are in place to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code in this respect.

At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 13.10 of the Listing Rules. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers them to be independent.

#### **Nomination, Appointment and Re-election of Directors**

The Board as a whole is responsible for the appointment of the potential new directors and the nomination of directors for re-election by shareholders at the annual general meeting of the Company. Pursuant to the Bye-laws, the directors shall have the power from time to time and at any time to appoint any person as director either to fill a casual vacancy on the Board or as an addition to the existing Board who is subject to retirement and re-election at the first general meeting or first annual general meeting respectively after his/her appointment. The Board should take into account of the candidate's qualification, ability and potential contribution to the Company. A candidate to be appointed as an independent non-executive director must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. During the year under review, no director has involved in fixing his own terms of appointment and no independent non-executive director has participated in assessing his own independence.

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. At the annual general meeting of the Company held on 9th September, 2005, retirement of directors by rotation was governed by the previous Bye-laws which stipulate, inter alia, that one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything therein, the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In order to comply with code provision A.4.2 of the Code, relevant amendments to the Bye-laws were proposed and approved by the shareholders at the same annual general meeting of the Company, pursuant to which every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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### REMUNERATION COMMITTEE

The Board has established the Remuneration Committee with specific written terms of reference which clearly defined its role, authority and function. As at the date of this report, the members of the Remuneration Committee are Mr. Wong Chi Keung, Alvin (chairman of the Remuneration Committee), Mr. Chan Fut Yan and Mr. Kwok Ka Lap, Alva. With the exception of Mr. Chan Fut Yan, the other members of the Remuneration Committee are independent non-executive directors.

The main responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, the establishment of a formal and transparent procedure for developing policy on such remuneration, and reviewing and determining the remuneration packages of the executive directors and senior management. The terms of reference of the Remuneration Committee, which follow closely the requirements of the Code and have been adopted by the Board, are posted in the Company's website. The Remuneration Committee is provided with sufficient resources to discharge its duties.

The Remuneration Committee convened two committee meetings during the year ended 31st March, 2006. The major issues discussed and resolved during these meetings included: approving the commissioning of a market survey on current salary levels in order to assist the Remuneration Committee to conduct a review on existing remuneration packages of the executive directors of the Company and senior management of the Group; considering and recommending the amount of directors' fees for the shareholders' approval at the Company's annual general meeting; reviewing and approving the remuneration packages of the executive directors of the Company and senior management of the Group; and making recommendation for the approval by the Board the newly-appointed independent non-executive director's fee of the Company.

The details of the remuneration of the directors are set out on note 12 to the financial statements. During the year under review, no director has involved in deciding his own remuneration.

### AUDIT COMMITTEE

The Board has set up the Audit Committee with specific written terms of reference which clearly defined its role, authority and function. As at the date of this report, the members of the Audit Committee are the three independent non-executive directors, namely Mr. Wong Chi Keung, Alvin (chairman of the Audit Committee), Mr. Kwok Ka Lap, Alva and Mr. Chui Sai Cheong. Mr. Wong Chi Keung, Alvin is a qualified accountant with extensive experience in financial reporting and controls as required by the Listing Rules.

The principal duties of the Audit Committee include reviewing the Group's interim and final results prior to recommending them to the Board's approval, the appointment of external auditors and reviewing the relationship with the external auditors of the Company, reviewing the Group's financial information and the Group's financial reporting system and internal control procedures. The terms of reference of the Audit Committee, which follow closely the requirements of the Code and have been adopted by the Board, are posted in the Company's website. The Audit Committee is provided with sufficient resources to discharge its duties.

## CORPORATE GOVERNANCE REPORT

### AUDIT COMMITTEE *(Cont'd)*

During the year ended 31st March, 2006, the Audit Committee held three committee meetings. During these meetings, the Audit Committee had reviewed and made recommendation for the Board's approval of the draft audited financial statements for the year ended 31st March, 2005 and the draft unaudited interim financial statements for the six months ended 30th September, 2005; the discussion on the accounting policies and practices which may affect the Group with the management and the external auditors of the Company; the recommendation of the re-appointment of external auditors for the shareholders' approval at the Company's annual general meeting and the review on the fees charged by the external auditors; and the internal control policy of the Company.

The Board and the Audit Committee did not have any differences of opinion during the year ended 31st March, 2006.

### FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st March, 2006, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Board was not aware of any material uncertainties relating to events or conditions that might cause significant doubt upon the Group's ability to continue as a going concern. The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report, which is on page 28 of this annual report.

### AUDITORS' REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte") were re-appointed by shareholders at the annual general meeting held on 9th September, 2005 as the Company's external auditors until the next annual general meeting. For the year ended 31st March, 2006, the total auditors' remuneration in respect of statutory audit and non-audit services provided by Deloitte is shown in the following table:

<b>Services rendered</b>	<b>Fees paid/payable</b> <i>HK\$'000</i>
Statutory audit fees	2,668
Fees for non-audit services:	
Ad hoc projects	3,711
Review of interim results	340
Review of annual results announcement	30
<b>Total auditors' remuneration for the year</b>	<b>6,749</b>

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### INTERNAL CONTROLS

The Board has overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Company's business strategies and the Group's business operations. The directors of the Company have adopted an internal control policy of the Group, which has been developed with primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The Company's internal control systems include a well-established organisational structure and comprehensive policies and standards. Procedures have been designed to secure assets against unauthorised use or disposition, to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws and regulations. The aim of the internal control policy of the Group is to provide reasonable, but not absolute, assurance against material misstatement or loss and to management rather than eliminate risks of failure in operational systems and achievement of the objectives of the Group.

### COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with all shareholders and, in particular, use general meetings to communicate with shareholders and encourage their participation. The Company uses various communication channels with its shareholders through the publication of annual and interim reports, press announcements, circulars and additional information about the Group's activities, business strategies and developments. Such information is also available on the Company's website: <http://www.macauprime.com>. Details of the poll voting procedures, which are in compliance with the Listing Rules and the Bye-laws, have been included in the Company's circulars sent to shareholders and in the proceedings of the Company's general meetings.

By order of the Board

**Yan Ha Hung, Loucia**  
*Company Secretary*

Hong Kong, 27th July, 2006