

# 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.

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## 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, Mr. Fung Siu To Clement is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and Managing Director, Mr. Poon Jing 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’ Report.

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. The Chairman and the Managing Director shall retire voluntarily at the Annual General Meeting every three years in accordance with the Code on Corporate Governance Practices. A retiring Director shall be eligible for re-election at the meeting. The Non-executive Director 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 and The Code on Corporate Governance Practices.

The Board meets quarterly and 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 and responsible for daily operations of the Group under the leadership of the Chief Executive. The management provides explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Chief Executive, working with the other Executive Directors and the head of each division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group. All executive Directors have made full and active contributions to the affairs of the Board.

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The Directors are responsible for selecting and consistently applying appropriate accounting policies and preparing financial statements which give a true and fair view. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The Board acknowledges that it is its responsibility to prepare the financial statement and to present a balanced, clear and comprehensive assessment to annual and interim reports, other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

During the year, the Board held 5 meetings including four regular meetings. The Directors of the Board and the attendance of each Director are as follows:–

Name of Director	Title	Attendance at Board meetings/ Number of Board meetings held
Mr. Fung Siu To Clement	Chairman	5/5
Dr. Lim Yin Cheng	Deputy Chairman	5/5
Mr. Poon Jing	Managing Director and Chief Executive	4/5
Mr. Lun Pui Kan	Executive Director	5/5
Mr. Kwan Po Lam Phileas	Executive Director	5/5
Mr. Chan Sze Hung	Non-executive director	1/5
Mr. Cheung Kwok Wah Ken	Independent non-executive director	2/5
Mr. Hung Yat Ming	Independent non-executive director	4/5
Mr. Wong Chi Keung	Independent non-executive director	5/5

During the year, no new director was appointed. If new directors are required to be appointed to the Board, the Board will elect the appropriate candidates by considering qualification, ability, working experience, and professional ethics of the candidates.

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## Remuneration Committee

The Company established a Remuneration Committee in December 2004. The Committee currently comprises the Chairman, Mr. Fung Siu To, Clement and two Independent Non-executive Directors, Mr. Wong Chi Keung and Mr. Hung Yat Ming. The Chairman also act as the chairman of the Remuneration Committee. 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. No director may be involved in any decisions as to his own remuneration or other benefit. The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The remuneration is determined with reference to his duties and responsibility, remuneration benchmark in the industry and prevailing market conditions.

During the year, the Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration package of the Directors.

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## 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 financial statements and the unaudited interim financial statements. During the year, the Audit Committee met twice to review the Company's financial reporting and the recommendation by the auditors on the issues of internal control. All the members had attended the meetings.

The Audit Committee has reviewed the audited financial statements for the year ended 31st March 2006.

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### 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 for Securities Transactions by Directors of Listed Issuers (Appendix 10) of the Listing Rules. The Company has also made specific enquiry to 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.

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### Code on Corporate Governance Practices

During the year, the Company has complied with the code provisions of the Code on the Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

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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 includes audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities is included in the Report of Auditors on pages 30 of this annual report.

An amount of HK\$914,000 (2005: HK\$2,933,000) was charged to the financial statement of the Group for their statutory audit services. Taxation services and review on interim results provided by the auditors for the Group amounted to HK\$138,000 (2005: HK\$732,000). In 2005, PricewaterhouseCoopers provided additional audit and review services for certain notifiable transactions of the Group, at total services fees of HK\$2,064,000.

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### 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.