

The background is a vibrant blue gradient with various geometric and organic shapes. There are several dark blue squares scattered in the upper left quadrant. A large, semi-transparent white circle is centered on the left side. A white line with a small circle at its end extends from the left towards the center. A dotted white line curves from the bottom left towards the center. The overall aesthetic is clean, modern, and futuristic.

**..... diverse and innovative  
development**

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders. The monitoring and assessment of certain governance matters are allocated to three committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee which operate under defined terms of reference and are required to report to the full Board on a regular basis.

## Code on Corporate Governance Practices

The Company has adopted the mandatory provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. In the opinion of the directors, the Company has complied with the Code provisions throughout the period ended 30 September 2006, with the exception of the following deviations:

Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer are both performed by Mr. Brian C Beazer. The Group considers the current structure will not impair the balance of power and authority between the Group and the management and both the Board and senior management of the Group has significantly benefited from the leadership, support and experience of Mr. Beazer. Therefore, the Board does not currently propose to separate the functions.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term. Under A.4.2, every director should be subject to retirement by rotation at least once every three years. Currently, non-executive directors are not appointed for a specific term. This constitutes a deviation from Code provision A.4.1. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting under the Byelaws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The corporate governance practices adopted by the Group are summarized below:

## Board of Directors

The Board comprises eight Directors, of whom three are Executive Directors, two are Non-executive Directors, and three are Independent Non-executive Directors. Mr. Ng Ching Wo, a non-executive director, retires at the next AGM but will not offer himself for re-election because of work commitments. The Board does not at this time propose to replace Mr. Ng.

The Board has a balance of skills and experiences appropriate for the requirements of the business. All Directors have separate and independent access to the advice and services of the senior management and the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

The Company confirms it has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Exchange Listing Rules, and it considers them to be independent.

The Board meets regularly and Board meetings are held at least four times a year to monitor and review the performance of the Company which includes operations, finance and strategic issues. The principal functions of the Board are to:

- play a key role in the implementation and monitoring of internal control, financial reporting and risk management
- assume responsibility for corporate governance and compliance with applicable laws and regulations
- approve the Company's strategies, directions and financial objectives.

For all of the Board meetings, proper and reasonable notices, adequate and appropriate information in the form of agenda, board papers and minutes are prepared for all the Directors and provided in reasonable time.

## Audit Committee

The Audit Committee was established pursuant to the Company's Bye-laws and the Listing Rules of the Stock Exchange of Hong Kong Limited ("The SEHK"). Its major duties are to assist the Board in fulfilling its oversight responsibilities as to the Company's financial statements, reporting, internal control, and audit findings, as well as the Company's process for monitoring compliance with certain laws and regulations.

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee comprises three Non-executive Directors, the majority of whom are Independent Non-executive Directors (within the meaning of the Listing Rules) ("INED"). The Chairman of the Audit Committee is an INED, Mr. Henry W Lim, a CPA, who has the appropriate accounting qualifications and experiences in financial matters.

The composition of the Audit Committee as at the date of this report was as follows: Mr. Henry W Lim, INED and Chairman, Dr. Wong Ho Ching, Chris, INED and member and Mr. Ng Ching Wo, Non-executive Director and member. Mr. Brian C Beazer is the Non-voting Secretary of the Committee. Upon the retirement of Mr. Ng at the next AGM, Mr. Ramon Sy Pascual, an INED, will replace Mr. Ng on the Audit Committee.

The Audit Committee holds regular meetings at least four times a year, in particular, in connection with the release of the annual and interim results of the Group and at such other times as the Audit Committee may determine.

The Audit Committee meets and holds discussions with senior management on the Company's interim and annual financial reports, discusses the audit approach and significant audit and accounting issues with the external auditor, including the accounting principles and practices adopted by the Group, internal control and financial reporting matters, and the INEDs meet with the external auditors in executive sessions in the absence of management.

## Compensation Committee

The Compensation Committee advises the Board on Group compensation theory and practice with a view that a meaningful portion of management's compensation should be contingent upon financial performance of the Company in order to foster the creation of long term shareholder value. The Compensation Committee meets regularly twice a year and at other times as required.

The Committee comprises three directors who, in the reasonable opinion of the Board, are able to exercise independent judgment in discharging their duties as a Compensation Committee member.

The Compensation Committee as at the date of this report comprises: Mr. Ramon Sy Pascual, INED and Chairman, Mr. Henry W Lim, INED and member and Mr. Brian C Beazer, Executive Chairman and member. Mr. Beazer has many years' experience in the field of executive compensation.

During the year, the Compensation Committee had reviewed the current compensation of Directors and senior management and approved the increase in compensation as it relates to Pantene and Pin Xin.

## Nominating and Corporate Governance Committee ("NCGC")

The NCGC oversees the composition of the Board to ensure that qualified individuals meeting the criteria of The SEHK regulations serve as members of the Board and its committees. The NCGC also has the responsibility to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies relating to the operation of the Board and its committees and the Company as a whole.

The NCGC Committee comprises three directors, a majority of whom are Independent Non-executive Directors. The NCGC Committee as at the date of this report comprises: Dr. Wong Ho Ching, Chris, INED and Chairman, Mr. Henry W Lim, INED and member, and Mr. Brian C Beazer, Executive Chairman and member.

The NCGC Committee annually reviews and recommends the composition of Board Committees, nominates members of each committee and evaluates the performance of each director and Board committee (other than NCGC members and Committee), and the performance of the Board as a whole.

The attendance records of the Directors for the 6-month period ended 30 September 2006 are set out below:

Directors	No. of meetings attended/No. of meetings held			
	Full Board	Audit Committee	NCGC Committee	Compensation Committee
<i>Executive Directors:</i>				
Mr. Brian C Beazer	2/2	2/2	2/2	2/2
Mr. David H Clarke	0/2	N.A.	N.A.	N.A.
Mr. Simon N Hsu	2/2	N.A.	N.A.	N.A.
<i>Non-executive Directors:</i>				
Mr. Ng Ching Wo	0/2	0/2	N.A.	N.A.
Mr. Teo Ek Tor	2/2	N.A.	N.A.	N.A.
<i>Independent Non-executive Directors:</i>				
Dr. Wong Ho Ching, Chris	2/2	2/2	2/2	N.A.
Mr. Henry W Lim	2/2	2/2	1/2	2/2
Mr. Ramon Sy Pascual	2/2	N.A.	N.A.	2/2
<b>Number of meetings held from</b>				
1 April 2006 to 30 September 2006	2	2	2	2

## **Model Code for Securities Transactions**

The Company has adopted its own Code for Securities Transactions by Directors and Officers (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") under Appendix 10 to the Listing Rules of the Stock Exchange. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code during the period under review.

## **Auditors' Remuneration**

The Company's external auditors are Deloitte Touche Tohmatsu. The remuneration paid and accrued to Deloitte Touche Tohmatsu in respect of audit services and non-audit services for the period ended 30 September 2006 amounted to approximately HK\$3,166,000 and HK\$3,310,000 respectively.

## **Responsibilities in respect of the Financial Statements**

All directors acknowledge their responsibility for preparing the accounts for the six-month period ended 30 September 2006.

The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the six-month period ended 30 September 2006 and as set out in the "Independent Auditor's Report" on page 52.

## **Communication with Shareholders**

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditors are also required to be present to assist the Directors in addressing any relevant queries by shareholders. Information regularly provided to the shareholders, include annual and interim reports, circulars and announcements in accordance with the Listing Rules.

For both institutional and retail investors, the website <http://www.irasia.com/listco/hk/upi/index.htm> provides up-to-date information on the Group. All key information such as announcements, annual and interim report can be downloaded from this website.