

# corporate governance report

The board of directors of the Company (the “Board”) is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31 March 2007.

## CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence and accountability with a view to safeguarding the interests of shareholders and enhancing corporate value.

The Code on Corporate Governance Practices (the “CG Code”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) sets out the principles of good corporate governance and two levels of corporate governance practices, being (i) the code provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and (ii) the recommended best practices, for guidance only, which listed issuers are encouraged to comply with.

The Company has complied with the code provisions set out in the CG Code save for the non-compliance with (i) code provision A.2.1 which requires the separation of the roles of Chairman and Chief Executive Officer; and (ii) code provision B.1.1 which stipulates that a majority of the members of a listed issuer’s remuneration committee should be independent non-executive directors (such non-compliance was only last for the period from 6 July 2007 to 26 July 2007). The details of such deviations will be explained below.

The Company will review periodically and improve its corporate governance practices to ensure that these continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:

### A. THE BOARD

#### 1. Responsibilities

The overall management of the Company’s business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

Every director carries out his duty in good faith acts in the interests of the Company and its shareholders at all times.

The day-to-day management, administration and operation of the Company are delegated to the Executive Committee, the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

## 2. Board Composition

As at 31 March 2007, the Board comprised the following directors:—

Executive directors:—

Mr. Leung Ngok, *Chairman of the Board, the Executive Committee and the Remuneration Committee and Chief Executive Officer*

Mr. Leung Shing, *Deputy Chairman of the Board and a member of the Executive Committee*

Mr. Leung Siu Kan, Stephen, *a member of the Executive Committee*

Independent non-executive directors:—

Mr. Jia Luqiao, *a member of the Audit Committee*

Mr. Yang Dong Hui, *a member of the Audit Committee*

Mr. Wong Kai Cheong, *Chairman of the Audit Committee and a member of the Remuneration Committee*

Mr. Wong Kong Hon\*, *member of the Audit Committee and the Remuneration Committee*

\* *Mr Wong Kong Hon passed away on 6 July 2007.*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Mr Leung Ngok is the elder brother of Mr Leung Shing. Other than that, there is no relationship (including financial, business, family, or other material/relevant relationship(s)) among the Board members.

During the year ended 31 March 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, and accounting and related financial management expertise. The Company has also met the recommended best practice under the CG Code for having one third of its Board members being independent non-executive directors.

The Company has received written annual confirmations from the independent non-executive directors respectively for confirming their independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The non-executive director brings a wide range of business and financial expertise, experiences and independent judgement to the Board. Through their participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, the non-executive directors make various contributions to the Company.

### 3. Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Leung Ngok is the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

### 4. Appointment and re-election of directors

Each of Mr. Leung Ngok and Mr. Leung Shing, the executive directors of the Company, is engaged on a service contract with the Company which will continue unless and until terminated by either party by not less than 6 months' written notice whereas Mr. Leung Siu Kan, Stephen, an executive director of the Company, is engaged on a service contract for a term of 3 years.

The term of office of all the independent non-executive directors of the Company is about 1 year up to the date of holding the forthcoming annual general meeting of the Company.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Pursuant to the aforesaid, Mr. Leung Siu Kan, Stephen, having been appointed as an executive director of the Company during the year, have been re-elected by shareholders at the special general meeting of the Company held on 11 April 2007. In addition, Mr. Jia Luqiao and Mr. Yang Dong Hui shall retire by rotation and, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting. The Board recommended the re-appointment of these two retiring directors standing for re-election at the forthcoming annual general meeting. The Company's circular, sent together with this annual report, contains detailed information of such directors standing for re-election.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Company has adopted Directors Nomination Procedures as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

During the year under review, the Board met once, with the presence of Mr. Leung Ngok, Mr. Leung Shing, Mr. Lee Ka Yiu, Mr. Jia Luqiao, Mr. Yang Dong Hui, Mr. Wong Kong Hon and Mr. Wong Kai Cheong for reviewing the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Company; assessing the independence of the independent non-executive directors of the Company; and recommending the re-appointment of the directors standing for re-election at the annual general meeting of the Company.

## 5. Training for directors

Each newly appointed director, including Mr. Leung Siu Kan, Stephen who was appointed during the year ended 31 March 2007, receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Continuing briefings and professional development to directors will be arranged whenever necessary.

## 6. Board meetings

### *Board Practices and Conduct of Meetings*

Notices of regular Board meetings were served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice was generally given.

Agenda and board papers together with all appropriate, complete and reliable information were sent to all directors/ Board committee members at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary and Qualified Accountant of the Company attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

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The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

## **Directors' Attendance Records**

During the year ended 31 March 2007, 7 board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings during the year ended 31 March 2007 are set out below:

<b>Name of Director</b>	<b>Attendance/Number of Meetings</b>
Mr. Leung Ngok	7/7
Mr. Leung Shing	6/7
Mr. Lee Ka Yiu (Note 1)	1/1
Mr. Leung Siu Kan, Stephen (Note 2)	6/6
Mr. Jia Luqiao	4/7
Mr. Yang Dong Hui	3/7
Mr. Wong Kong Hon	5/7
Mr. Wong Kai Cheong	7/7

*Notes:*

- (1) Mr. Lee Ka Yiu resigned as an executive director of the Company on 5 September 2006. Before his resignation, there was 1 Board meeting held during the year ended 31 March 2007.*
- (2) Mr. Leung Siu Kan, Stephen was appointed as an executive director of the Company on 5 September 2006. Subsequent to his appointment, there was a total of 6 Board meetings were held during the year ended 31 March 2007.*

## **7. Model Code for Securities Transactions**

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 March 2007.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

In order to increase the efficiency for the business decision, the Board established an Executive Committee with written terms of reference. The Executive Committee comprises all the executive directors of the Company with Mr. Leung Ngok, the Chairman of the Board, acting as the chairman of such Committee. The principal duties of the Executive Committee include monitoring the execution of the Company's strategic plans and operations of all business units of the Company and discussing and making decisions on matters relating to the day-to-day management and operations of the Company.

The Board has also delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

The Board has the full support of the senior management to discharge its responsibilities.

## C. REMUNERATION COMMITTEE

The Company has established procedures for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 March 2007 are set out in the financial statements of the Company.

During the period from 6 July 2007 to 26 July 2007, the Company has not complied with the code provision B.1.1, which stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors. Such deviation is due to the decease of Mr. Wong Kong Hon, a then independent non-executive director and member of the Remuneration Committee, on 6 July 2007. Upon his decease, the Remuneration Committee was left with two members, namely Mr. Leung Ngok (an executive director) and Mr. Wong Kai Cheong (an independent non-executive director). Subsequently on 27 July 2007, the Company appointed Mr. Jia Luqiao, an independent non-executive director, as a member of the Remuneration Committee and by then, the Company has duly complied with such code provision B.1.1.

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The primary objectives of the Remuneration Committee include:

- To make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration;
- To make recommendations on the remuneration packages of the executive directors and the senior management;
- To review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and
- To review and approve the compensation arrangements for the executive directors and the senior management.

The Remuneration Committee normally meets annually for reviewing and discussing the remuneration policy and structure and reviewing and considering of the annual remuneration packages of the executive directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 March 2007, the Remuneration Committee met once and discussed the remuneration related matters of the Company. The individual attendance record of each member at the Remuneration Committee meeting is set out below:—

<b>Name of Committee</b>	<b>Attendance/Number of Meeting</b>
Mr. Leung Ngok	1/1
Mr. Wong Kong Hon	1/1
Mr. Wong Kai Cheong	1/1

## D. ACCOUNTABILITY AND AUDIT

### **Directors' responsibilities for financial reporting in respect of the financial statements**

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 March 2007.

The senior management has provided explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

## E. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group. Such review covered the financial, operational, compliance and risk management aspects of the Group. The Board will continue to review and evaluate the control process, identify and manage potential risks and consider measures to address the identified risks.

## F. AUDIT COMMITTEE

After the cessation of Mr Wong Kong Hon as a member of the Audit Committee of the Company upon his decease on 6 July 2007, the Audit Committee currently comprises three independent non-executive directors, namely, Mr. Wong Kai Cheong (Chairman), Mr. Jia Luqiao and Mr. Yang Dong Hui, with one independent non-executive director (Mr. Wong Kai Cheong) possessing the appropriate professional qualifications and accounting and related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements of the Group;
- To review the relationship with and terms of appointment of the external auditors; and
- To review the Company's financial reporting system, internal control system and risk management system.

During the year under review, the Audit Committee held two meetings and has reviewed the Group's annual results and annual report for the year ended 31 March 2006 and interim results and report for the six months ended 30 September 2006, the financial reporting and compliance procedures, the report from the senior management on the Company's internal control and risk management review and the re-appointment of the external auditors. The external auditors were invited to attend one of the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

The individual attendance records of each member at the above two Audit Committee meetings are set out below:—

<b>Name of Committee</b>	<b>Attendance/Number of Meetings</b>
Mr. Jia Luqiao	2/2
Mr. Yang Dong Hui	1/2
Mr. Wong Kong Hon	2/2
Mr. Wong Kai Cheong	2/2



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## G. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company, RSM Nelson Wheeler, about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 42 and 43 in this annual report.

An analysis of the remuneration paid to such external auditors in respect of the audit and non-audit services for the year ended 31 March 2007 is set out below:—

Type of services provided by the external auditors	Fees paid/payable HK\$
<i>Audit services:</i>	<i>Audit services:</i>
Audit of the annual financial statements for the year ended 31 March 2007	1,430,000
<i>Non-audit services:</i>	<i>Non-audit services:</i>
Taxation services	241,000
	<b>TOTAL: 1,671,100</b>

## H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. General meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, normally attend general meetings to answer questions raised by the shareholders.

To promote effective communication, the Company maintains a website at "www.u-right.com", where information on the Company's financial information, corporate governance practices and other information are posted. Investors may write directly to the Company at its principal place of business at 32nd Floor, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong for any inquiries.

## I. SHAREHOLDERS' RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll are included in all circulars to shareholders and explained during the proceedings of shareholders' meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

Where poll voting is conducted at a shareholders' meeting, the poll voting results will be posted on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.u-right.com](http://www.u-right.com)) after the meeting.