

The Group is committed to achieving high standards of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. The Group has applied the principles and complied with most of the code provisions and recommended best practices prescribed in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This report describes its corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

## 1 BOARD OF DIRECTORS

### 1.1 Board

1.1.1 The Board is responsible to the shareholders for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company’s affairs.

1.1.2 The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group. The principle functions of the Board are to:

- establish the strategic direction and development of the Group;
- determine the broad policies, strategic plans and performance objectives of the Group;
- monitor management performance;
- approve financial plans and annual budgets, major funding proposals, key funding and investment proposals;
- oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- approve the nominations of directors and appointment of key personnel; and
- assume responsibility for corporate governance.

1.1.3 The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at Board meetings and circulation of minutes of Board meetings to the management.

1.1.4 The Board has adopted a set of guidelines on matters that requires its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board’s approval include, among others, all matters of strategic importance, corporate governance practices, legal and regulatory compliance, internal control and risk management, corporate strategy, operating and capital budgets, statutory financial reports, changes in Board members, major transactions and investment commitments and remuneration policy of directors and senior management, financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. Apart from matters that specifically require the Board’s approval – such as the issue of shares, dividend distributions and other returns to shareholders – the Board approves transactions exceeding certain threshold limit, while delegating authority for transactions below those limits to Executive Committee so as to facilitate operational efficiency.

1.1.5 The Board meets regularly. In addition to at least 4 scheduled meetings each year, it meets as and when warranted by particular circumstances. Apart from the consents obtained through circulation of written resolutions of all Board members, the Board had met 5 times during the financial year ended March 31, 2006. Meetings via telephone or video-conference are permitted under the Bye-Laws of the Company. A record of the directors' attendance at Board meetings during the financial year ended March 31, 2006 is set out as follows:

	No. of Meeting Attended/ No. of Meeting (note 1)
<b>Executive Director</b>	
Raymond Chan	5/5
Alain Jacques Gilbert Li (note 2)	3/4
Chan Pau Shiu Yeng, Shirley	5/5
Giuseppe Finocchiaro (note 3)	1/3
<b>Non-Executive Director</b>	
Jack William Edouard Heuer (note 4)	2/3
Lo Kai Yiu, Anthony	5/5
Kao Ying Lun	3/5
Jack Schmuckli	4/5
Kenichi Ohmae	1/5
Woo Chia Wei	5/5
Yoram (Jerry) Wind	5/5

Notes:

1. No. of meeting attended/No. of meeting refer to meetings attended/held while the director was in office.
2. Resigned on November 11, 2005.
3. Removed on October 7, 2005.
4. Retired on August 26, 2005.

1.1.6 To maximise the effectiveness of the Board and to encourage active participation and contribution from Board members, the Board has established executive committee, audit committee, nomination committee and remuneration committee with specific and clear written terms of reference to assist in the execution of their duties. The terms of reference of each of the Board committees are reviewed from time to time, as are the committees' structure and memberships. A further description of each of these committees is set out below. Board committees report to the Board on their works and findings. They adopt as far as practicable, the principles, procedures and arrangements of the Board in relation to scheduling and conduct of meetings, notice of meetings and inclusion of agenda items, recording and availability of minutes.

- 1.1.7 During the year, the Board delegated the responsibilities to enhance the Group's corporate governance standards for compliance of the CG Code to an ad-hoc corporate governance committee. The tasks of this committee was to identify measures to be taken to ensure good corporate governance practices and procedures were established as far as compliance with the CG Code is concerned. The committee was dissolved after its tasks had been accomplished.
- 1.1.8 The company secretary attends all Board/Board committees meetings. All Directors have access to the company secretary who is responsible for ensuring that Board/Board committees procedures are observed and advising the Board/Board committees on compliance matters.
- 1.1.9 To address the competing time commitments of directors who sit on multiple boards, Board/Board committees meetings dates are scheduled well in advance at the beginning of every calendar year. Notices of regular Board/Board committees meetings are given at least 14 days before the meeting date. For all other Board/Board committees meetings, reasonable notices are given.
- 1.1.10 All directors were given the opportunities to include matters to be discussed in the agenda of Board/Board committees meetings. The company secretary is delegated with the responsibility to prepare these agendas and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda.
- 1.1.11 Other than in exceptional circumstances, an agenda accompanied by detailed board papers (prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, including but not limited to, background or explanatory information relating to matters to be brought before the Board and internal financial information such as quarterly management accounts, forecasts and budgets with material variance between projections and actual results explained) are circulated to all directors in a timely manner and at least three days before the date of scheduled meeting.
- 1.1.12 Minutes of Board/Board committees meetings are recorded in detail the matters considered by the participants of such meetings and decisions reached, including concerns raised by directors or dissenting views expressed. Draft minutes are circulated to relevant directors/committee members within a reasonable time after the meetings are held for comments and before being approved by the Board/Board committees and taken as the true records of the proceedings of such meetings at the immediate following meetings. They are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director.
- 1.1.13 Directors are provided in a timely manner with complete, adequate explanation and information about the Company and its subsidiaries, its activities, performances and its projects particularly including any significant variances from a planned course of actions to enable them to make an informed decision or assessment of Group's performance, position and prospects and to discharge their duties and responsibilities. In the case when the directors have queries, they are provided with the names and contact details of the Group's senior management for separate and independent access to them and they are able to obtain more information than is volunteered by the management. Senior management are from time to time brought into formal and informal contact with the Board at Board meetings and other events.

1.1.14 The Board and Board committees are provided with sufficient resources to properly discharge their duties including access to independent professional advisers under agreed procedures, if necessary, at the expense of the Company.

1.1.15 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by holding a Board meeting or a meeting of a Board committee set up for that purpose pursuant to a resolution passed in a Board meeting. Any directors or any of their associates who have material interests in a matter proposed by the Board, the directors concerned will not be counted in the quorum present at the Board meeting. The Board will take into account the exceptions to the general voting prohibition, as set out in the Listing Rules in considering whether a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board. If the relevant exceptions apply, such Board/Board committees meeting need not be held.

1.1.16 The Group has arranged appropriate directors' and officers' liability insurance cover to indemnify directors of the Group against all costs, charges, losses, expenses and liabilities incurred by the directors in the execution and discharge of his/her duties or in relation thereto.

## 1.2 Board Composition

1.2.1 The Board currently comprises eight<sup>1</sup> directors, of whom two are executive directors, one is non-executive director and five are independent non-executive directors. The size of the Board is conducive to effective discussion and decision-making and has an appropriate balance of independent directors to exercise independent judgement. The non-executive directors are of sufficient caliber and number for their views to carry weight.

1.2.2 The attributes, skills and expertise among the existing directors are considered appropriate to effectively lead and control the Group, taking into account the scope and nature of its operations. The directors have a mix of core competencies in areas such as accounting and finance, business and management, industry knowledge and marketing strategies. The experience and qualifications of directors and senior management are set out in the "Directors and Senior Management" section on page 25 to page 29 of this annual report.

1.2.3 Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors. They are expressly identified as such in all corporate communications that disclose the names of the directors of the Company. The functions of non-executive directors include, but not limited to:

- participating in Board meetings to bring in independent judgment to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- taking the lead where potential conflicts of interests arise;
- serving on board committees, if invited; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

<sup>1</sup> Effective from November 11, 2005

1.2.4 In assessing the independence of the directors, the Board has examined the different relationships identified under the Listing Rules that might impair the directors' independence and objectivity. The Board considers that all of the independent non-executive directors are independent and is satisfied of the directors' ability to act with independent judgement. Each of the independent directors has provided to the Company an annual confirmation of independence required by the Listing Rules.

1.2.5 Details of the membership of the Board (including the independent non-executive directors) and roles and functions of directors are posted on the Company's website and such information is updated whenever there are changes.

### 1.3 Appointment, Re-election and Removal

1.3.1 Appointment of new directors is a matter for consideration by the nomination committee. It reviews the profiles of the candidates and makes recommendations to the Board on the appointment, re-nomination and retirement of directors.

1.3.2 At each annual general meeting ("AGM"), one-third of the directors are required to retire from office. The directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. New directors appointed by the Board during the year shall retire and submit themselves for re-election at the AGM immediately following their appointments. The new directors shall not be taken into account in determining the number of directors who are to retire by rotation at that AGM. Mr. Jack Schmuckli and Mr. Kao Ying Lun, being the longest in the office, and Mrs. Chan Pau Shiu Yeng, Shirley, being the second longest in office chosen by lot, will retire at the forthcoming AGM. All retiring directors are eligible for re-election.

1.3.3 Mr. Lo Kai Yiu, Anthony has served as independent non-executive director for more than nine years. He is neither connected with any connected persons of the Group nor does he have any material interest in the Group's business activities. The Board considers Mr. Lo's long directorship services had not influenced his ability and willingness to exercise his judgement independently which takes into account the best interests of the Group. He has shown independency and objectivity in the performance of his obligations as an independent non-executive director of the Company. The Board considers him to remain independent with reference to all the guidance factors for assessing independence as set out in Rule 3.13 of the Listing Rules. Mr. Lo has over all these years developed deep insights into the Group's business and operations. The Board recognises Mr. Lo's contribution and considers retaining his services as independent non-executive director would be in the best interest of the Group.

1.3.4 Non-executive directors are appointed for a fixed term of three years and are subject to retirement by rotation and re-election by shareholders at AGM in accordance with the Company's Bye-Laws.

1.3.5 The names and biographical details of the directors who will offer themselves for election or re-election at the next AGM are set out in the circular to shareholders to assist shareholders in making an informed decision on their elections.

1.3.6 Newly appointed directors of the Company will receive induction and reference materials to enable him/her to familiarise with Group's history, mission, business operations and board and company policies. Each director is briefed and updated from time to time to ensure that he/she has a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements and the governance policies of the Company.

## 1.4 Chairman and Chief Executive Officer

1.4.1 Dr. Raymond Chan assumes the role of both the chairman and the chief executive officer of the Company. While serving as the chairman responsible for the proceedings of the Board, Dr. Chan also bears executive responsibility for the Group's businesses. He ensures that:

- the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board in a timely manner;
- good corporate governance practices and procedures are established and encourages all directors to make full and active participation to the affairs of the Group; and
- the Board acts in the best interests of the Group. He also attends to the formulation and successful implementation of group policies, the development of strategic operating plans to reflect the longer-term objectives and priorities established by the Board and is directly accountable to the Board for the operating performance of the Group. With the assistance of the management, Dr. Chan ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results against plans and budgets, taking remedial actions when necessary and advising the Board of significant development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

1.4.2 The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the CG Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision-making for the following reasons:

- the non-executive directors form the majority of the Board of which five out of a total of six<sup>2</sup> are independent; and
- through discussions with the chairman and among themselves during board meetings and beyond on pertinent issues affecting the affairs and businesses of the Group, these independent directors challenge the proposals and directions of the management, thus enabling the Board to benefit from the objective judgment.

1.4.3 Dr. Chan is one of the founders and a substantial shareholder of the Group and has considerable industry experience. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board, and in particular the non-executive directors, can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management. He is also motivated to contribute to the growth and profitability of the Group.

1.4.4 Other than regular board meetings, the chairman from time to time meets with individual non-executive directors (including independent non-executive directors) without the executive directors or management present to discuss matters of particular interest. The chairman invites non-executive directors to present topics which they are specialised in to the executive directors and management to ensure constructive relations among them.

<sup>2</sup> Effective from August 26, 2005

1.5 Board Committee

1.5.1 Executive Committee (“EC”)

1.5.1.1 An EC of the Board has been established and comprises of all executive directors. The quorum necessary for transaction of business is two.

1.5.1.2 The EC meets as and when required to oversee the day-to-day management of the Group and has all the general powers of the Board except those matters specifically reserved for the Board.

1.5.1.3 The principal duties of EC include:

- to manage the business and investments by overseeing the Group’s operations, projects, assets and liabilities, budgets, compliance obligations and financial performance in accordance with the policies and directives of the Board;
- to make recommendations to the Board as to the Group’s overall policies, strategies and financial objectives in the development of its business and to ensure their implementation and execution; and
- to provide leadership to staff and management and to nominate key personnel and ensure appropriate levels of authority are delegated to them.

1.5.1.4 Nine meetings of the EC were held during the year ended March 31, 2006. All resolutions approved by the EC are reported to the Board at quarterly Board meetings. A record of the directors’ attendance at EC meetings during the financial year ended March 31, 2006 is set out as follows:

	No. of Meeting Attended/ No. of Meeting (note 1)
<b>Members of EC</b>	
Raymond Chan	6/9
Alain Jacques Gilbert Li (note 2)	3/5
Chan Pau Shiu Yeng, Shirley	9/9
Giuseppe Finocchiaro (note 3)	0/4

Notes:

1. No. of meeting attended/No. of meeting refer to meetings attended/held while the director was in office.
2. Resigned on November 11, 2005.
3. Removed on October 7, 2005.

## 1.5.2 Nomination Committee (“NC”)

1.5.2.1 The NC has been established and comprises of a majority of independent non-executive directors, which meets at least once a year. It is chaired by Mr. Jack Schmuckli and comprises two other members, namely Mr. Kao Ying Lun and Mrs. Chan Pau Shiu Yeng, Shirley. All NC members, with the exception of Mrs. Chan Pau Shiu Yeng, Shirley, are independent non-executive directors. The quorum necessary for the transaction of business is two.

1.5.2.2 The terms of reference of the NC are posted on the Company’s website. The principal functions of the NC include:

- to make recommendations to the Board on all new appointments or re-appointments of directors, the establishment of a succession plan for directors, in particular the chairman and chief executive officer and the composition of the Board;
- to identify and nominate qualified individuals, subject to the approval of the Board, to be additional directors or to fill vacancy in the Board as and when they arise;
- to review on an annual basis the Board structure, size and composition and the independent element of the Board;
- to develop the criteria for selection of directors; and
- to assess the independence of independent non-executive directors.

1.5.2.3 The chairman of the NC will report to the Board on its proceedings and recommendations after each meeting.

1.5.2.4 No NC meeting was held during the year ended March 31, 2006.

## 1.5.3 Remuneration Committee (“RC”)

1.5.3.1 The RC is established, comprising a majority of independent non-executive directors, which meets at least once a year. It is chaired by Mr. Jack Schmuckli and comprises two other members, namely Mr. Kao Ying Lun and Mrs. Chan Pau Shiu Yeng, Shirley. All RC members, with the exception of Mrs. Chan Pau Shiu Yeng, Shirley, are independent non-executive directors. The quorum necessary for the transaction of business shall be two.

1.5.3.2 The terms of reference of the RC are posted on the Company’s website. The RC consults the chairman and chief executive officer about its proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary. The principal functions include:

- to recommend to the Board on the Company’s policies and structure for the remuneration of the directors and senior management of the Group;
- to determine the remuneration packages of all executive directors and senior management; and
- to review and approve their performance-based remuneration.



1.5.3.3 The chairman of the RC will report to the Board on its proceedings and recommendations, where appropriate, to the Board for its consideration and/or approval.

1.5.3.4 The RC met twice during the year ended March 31, 2006. In accordance with its terms of reference, the RC reviewed and recommended for the Board’s approval the revision of the directors’ fees policy, the adoption of the Group’s executive remuneration policy and the grant of share options to directors and the management of the Group during the year. A record of the directors’ attendance at RC meetings during the financial year ended March 31, 2006 is set out as follows:

	No. of Meeting Attended/ No. of Meeting
<b>Members of RC</b>	
Jack Schmuckli	2/2
Kao Ying Lun	2/2
Chan Pau Shiu Yeng, Shirley	1/2

1.5.3.5 A general description of the Group’s emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the directors are disclosed in the section of “Operations Review” from page 10 to page 22 of this annual report.

1.5.4 Audit Committee (“AC”)

1.5.4.1 The AC consists of three members, namely Mr. Lo Kai Yiu, Anthony (Chairman), Mr. Kao Ying Lun and Mr. Jack Schmuckli, all of whom are independent non-executive directors. The Board is of the opinion that the members of the AC have sufficient accounting and financial management expertise or experience to discharge their duties.

1.5.4.2 The operations of the AC are regulated by its terms of reference which have been approved by the Board and is subject to review by the Board from time to time. The terms of reference of the AC are posted on the Company’s website. The major duties of AC include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of that auditor;
- to review and monitor external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;

- to monitor integrity of financial statements, annual and interim reports and to review significant financial reporting judgement contained in them. In this regard, in reviewing the quarterly, interim and annual financial statements and the annual and the interim reports before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards;
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- to review the Group's financial controls, internal control and risk management systems;
- to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system;
- to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;
- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised;
- to review the Group's financial and accounting policies and practices; and
- to report to the Board on matters set out above and to consider other topics, as defined by the Board.

1.5.4.3 The AC has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to and cooperation of the management. It has been provided with reasonable resources to discharge its duties properly. In the course of reviewing the Group's financial information, the AC members liaise closely with the Board and the Group Financial Controller to gather relevant information. At least once a year, the AC meets the external auditors.

1.5.4.4 The AC had met four times to review the quarterly, interim and annual results of the Group during the year ended March 31, 2006. A record of the directors' attendance at AC meetings during the financial year ended March 31, 2006 is set out as follows:

	No. of Meeting Attended/ No. of Meeting (note 1)
<b>Members of AC</b>	
Lo Kai Yiu, Anthony	4/4
Kao Ying Lun	4/4
Jack William Edouard Heuer (note 2)	2/2
Jack Schmuckli (note 3)	2/2

Notes:

1. No. of meeting attended/No. of meeting refer to meetings attended/held while the director was in office.
2. Retired on August 26, 2005.
3. Appointed as a member of the AC on August 26, 2005.

1.5.4.5 Full minutes of the AC are kept by the company secretary of the Company. Draft and finalised minutes of the AC meetings are circulated to all members of the AC for their comment and records respectively, in both cases within reasonable time after the conclusion of the meetings.

## 1.6 Securities Transactions by Officers

1.6.1 The Company has adopted a Code for Securities Transactions by Officers of the Group (the "Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules.

1.6.2 Having made specific enquiry of all directors, they have confirmed that they fully complied with the required standards set out in both the Model Code and the Code throughout the year ended March 31, 2006.

1.6.3 Officers as defined in the Code who is deemed to be in possession of unpublished price sensitive information in the relation to the Company or its shares are required to prohibit to deal in shares of the Company during the black-out period.

## 2 ACCOUNTABILITY AND AUDIT

### 2.1 Financial Reporting

2.1.1 The Board acknowledges its responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis, with supporting assumptions or qualifications as necessary. In preparing the accounts for the year ended March 31, 2006, the directors have selected suitable accounting policies and applied them consistently and made judgements and estimates that are prudent and reasonable.

2.1.2 Management recognises the importance of providing the Board with appropriate and relevant information on an accurate and timely basis. Quarterly business review and financial reports comparing the Group's actual performance with budget and highlighting major relevant issues are provided to the Board to enable it to make an informed assessment on the Group's performance, position and prospects.

2.1.3 The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's position and prospects to extends to the Group's financial reporting including annual and interim reports, other price-sensitive announcements and 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.

2.1.4 Starting from the financial year 2003, the Company publishes its financial results on a quarterly basis to enhance transparency about its performance and to give financial updates and details of the latest business development of the Group in a timely manner. The Company has announced its annual results within 2 months after financial year end date and announced its interim and quarterly results within 45 days after the end of relevant periods.

### 2.2 Internal Controls

2.2.1 The Board is responsible for the Group's system of internal controls and is committed to managing business risks and maintaining a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets.

2.2.2 The Group's internal control system encompasses its policies, processes, tasks, and other aspects of the Group that taken together:

- facilitate its effective and efficient operation by allowing it to respond appropriately to significant business, operational, financial, compliance and other risks with a view of achieving business objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed;
- help ensure maintenance of proper accounting records for the provision of reliable financial information for internal or external reporting; and
- help ensure compliance with relevant legislation and regulations, and also with internal policies with respect to the conduct of business.

2.2.3 The internal control system is designed to provide reasonable, but not absolute, assurance of no material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

2.2.4 The key procedures that the Board established to provide effective internal controls are as follows:

- A distinct organisation structure exists with defined lines of authority and responsibilities. Division/ Departments Heads are involved in preparing the strategic plan which laid down the corporate strategies to be pursued in the next three years for achieving the annual operating plan and the annual operational and financial targets. Both the strategic plan and the annual operating plan laid down the foundation for the preparation of the annual budget by which resources are allocated in accordance with identified and prioritised business opportunities. The strategic plan has been approved by the Executive Committee subject to annual review. The annual operating plan and annual budget are approved by the Board yearly;
- A comprehensive monthly management reporting system is in place providing financial and operational performance indicators to the management, and the relevant financial information for reporting and disclosure purpose. Variances against budgets are analysed, and explained, and appropriate actions are taken, if necessary, to rectify deficiencies noted; and
- System and procedures are in place to identify, measure, manage and control risks including legal, credit, market, operational, environmental, behavioral and system risks that may have an impact on the Group.

2.2.5 The Group's Internal Audit Department ("IA") performs regular audit reviews of the risks and key controls of the Group. IA plays an important role in monitoring the Group's internal governance, evaluating the quality of the internal control system and informing the Board on a quarterly basis whether a sound internal control system is maintained and operated by the management in compliance with agreed processes and standards. To preserve the independence of the internal audit function, the Head of IA reports directly to the AC on audit matters and to the chief executive officer on administrative matters.

2.2.6 Using a risk-based approach audit, IA plans its internal audit projects annually in consultation with, but independent of, management. The audit methodology and process adopted by IA include understanding and analysing the business, determining risk areas within key processes, analysing and evaluating the process control effectiveness and communicating results and follow up. Independent reviews of different financial, business and functional operations and activities will be conducted with audit resources being focused on higher risk areas. Ad-hoc reviews will also be conducted on areas of concern identified by the AC and the management.

2.2.7 Division/Department Heads will be notified of the control deficiencies noted for rectification, and IA will follow up with the implementation of audit recommendations on a quarterly basis. Significant internal control weaknesses are brought to the attention of the AC and if necessary to the Board, and to the senior management for remedial actions.

2.2.8 The Board, through the AC, has conducted quarterly reviews of the effectiveness of the Group's system of internal control covering all controls, including financial, operational and compliance controls, and risk management processes. The Board, through the review of the AC, is satisfied that the Group has fully complied with the code provisions on internal controls during the year under review as set forth in the CG Code.

### 2.3 Auditors' remuneration

2.3.1 During the year, the fees paid to Deloitte Touche Tohmatsu, the Company's external auditor for audit services of the Company and its subsidiaries amounted to HK\$5.3 million (2005: HK\$4.2 million) and for non-audit related services, representing mainly taxation services, amounted to HK\$2.0 million (2005: HK\$0.5 million).

## 3 COMMUNICATION WITH SHAREHOLDERS

3.1 The Company strives to convey to shareholders pertinent information in a clear, detailed, timely manner and on a regular basis and to take into consideration their views and inputs, and address shareholders concerns. Their views are communicated to the Board as a whole.

3.2 The Company communicates with its shareholders through the publication of annual and interim reports, quarterly financial results, press announcement and release. All shareholders' communications are also available on the Company's website at [www.idthk.com](http://www.idthk.com) and investor relations portal at [www.irasia.com/listco/hk/idt/](http://www.irasia.com/listco/hk/idt/).

3.3 The AGM provides a useful forum for shareholders to exchange views with the Board. The chairman of the Board as well as chairmen of AC, NC and/or RC, or in their absence, members of the Board committees are available to answer shareholders' questions.

3.4 Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors. In the case of voting at general meetings, except where a poll is demanded, the chairman indicates to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution after it has been dealt with on a show of hands. Votes cast on each resolution at the general meetings are properly counted and recorded.

3.5 Details of the poll voting procedures and rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with this annual report.

3.6 At the commencement of the meeting, the shareholders are provided with an explanation of the procedures for demanding a poll before putting a resolution to the vote on a show of hands and the detailed procedures for conducting a poll and answers on any questions from shareholders whenever voting by way of poll is required. The poll results are published in newspapers, the Stock Exchange's website, the Company's website and [www.irasia.com/listco/hk/idt/](http://www.irasia.com/listco/hk/idt/).

## 4 INVESTOR RELATIONS

4.1 The Board recognised that effective communication to investors is the key to establish investor confidence and attracting new investors. Measures taken by the Group include:

### 4.1.1 Quarterly reporting

The Group has voluntarily adopted quarterly reporting commencing from the financial year April 1, 2003 onwards. This is part of our effort to go beyond the Stock Exchange requirements and make the Group's financial position as transparent as possible to shareholders, potential investors and the general public. Annual and interim reports are prepared and issued to all shareholders within the prescribed period stipulated by the Stock Exchange. All press and results announcement and reports are posted on the Company's website.

### 4.1.2 Media and analysts briefings

Briefings for media are held on the same day immediately after the quarterly, interim and annual results are released via teletext. Briefings for analysts by way of presentation at luncheons, receptions or telephone conferences are organised from time to time. During the briefings, the Group's management provides detailed explanations on the Group's business trends and drivers in respect of the relevant periods and ensures that the financial performance and accounts of the Group are well understood. There is also ample opportunity for the analysts and media to ask questions and interact with the executive directors and senior management. All presentation materials or webcast briefing on the Group's quarterly financial results, announcements and news release are available on the Company's website at [www.idthk.com](http://www.idthk.com) and [www.irasia.com/listco/hk/idt/](http://www.irasia.com/listco/hk/idt/), the investor relations portal.

### 4.1.3 Plant Visit

The Group also arranges factory plant visits for investment professionals to update them on the status of our continuous improvements in production and R&D capabilities.

4.2 The Group regularly releases corporate information such as awards received, product launches and the latest news of the Group's developments on its Company's website at [www.idthk.com](http://www.idthk.com) and investor relations portal at [www.irasia.com/listco/hk/idt/](http://www.irasia.com/listco/hk/idt/). The public are welcome to give their comments and make their enquiries through the Company's website and the management will provide their prompt response.