



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

Sino Prosper Holdings Limited ("Company") is committed to maintaining high standards of corporate governance practices required of publicly listed companies in Hong Kong. The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board ("Board") of directors ("Directors") of the Company periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save and except as hereinafter mentioned, the Company has complied with the Code for the year ended 31 March 2006 and has taken the following actions in order to achieve compliance with the Code:

*(I) CODE PROVISION A.2.1*

Pursuant to code provision A.2.1 of the Code, the roles of chairman and chief executive officer of listed issuers should be separate and should not be performed by the same individual. Prior to 19 July 2005, the Company has not appointed any individual to the post of chief executive officer and the responsibilities of the chief executive officer have been performed by the executive Directors, including the Chairman. To ensure compliance with the Code and an effective operation of the Board, Mr. Tang Yan Tian has been appointed as the Chief Executive Officer ("CEO") of the Group on 19 July 2005

while the respective written terms of scope and responsibilities of each of the Chairman and CEO have been adopted.

*(II) CODE PROVISION B.1.1*

Pursuant to code provision B.1.1 of the Code, listed issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. To ensure compliance with the Code, the remuneration committee has been established by the Board on 18 July 2005 and its terms of reference have been prepared in accordance with the requirements of the Code.

*(III) CODE PROVISION A.4.1*

Pursuant to code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive and independent non-executive Directors are not appointed for specific terms as required, but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association ("Articles") of the Company. In order to ensure compliance with the Code, the Company will arrange to fix the terms of offices of each of the non-executive and independent non-executive Directors, subject to earlier determination and the re-election and rotational requirements in accordance with the Articles.

## Corporate Governance Report *(continued)*

### (IV) *CODE PROVISION A.4.2*

Pursuant to code provision A.4.2 of the Code, all directors of a listed company appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their respective appointments. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Nevertheless, the existing article 108(A) of the Articles, which provides for the rotational requirements of the Directors, stipulate that, among other matters, the Chairman is not subject to retirement by rotation at annual general meetings of the Company. As such, Mr. Leung Ngai Man, the Chairman of the Company, has not retired from his office as a Director since his appointment in 2001. To ensure compliance with the Code, a special resolution will be proposed to amend the relevant provisions of the Articles at the forthcoming annual general meeting of the Company so that the Articles will be consistent with code provision A.4.2 of the Code. Mr. Leung will also voluntarily retire from his office as a Director at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as a Director at the forthcoming annual general meeting.

### (V) *CODE PROVISION B.1.3(b)*

Pursuant to code provision B.1.3(b) of the Code, the Remuneration Committee should have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior

management and make recommendations to the Board of the remuneration of non-executive directors. However, for the year ended 31 March 2006, a salaried executive Director was appointed and his remuneration was mutually agreed between the Chairman of the Board and that executive Director. To ensure compliance with the Code, Remuneration Committee meeting will be held to determine remuneration packages of that executive Director and any newly appointed Directors in the future.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that all the Directors had complied with the required standard set out in the Model Code for the year ended 31 March 2006.



## Corporate Governance Report *(continued)*

### BOARD OF DIRECTORS

The composition of the Board for the year ended 31 March 2006 and up to the date of this annual report was as follows:

#### **Executive Directors**

Mr. Leung Ngai Man (*Chairman*)

Mr. Tang Yan Tian (*Chief Executive Officer*)  
(appointed on 19 July 2005)

Mr. Yeung Kit

Mr. Wong Wa Tak

#### **Non-executive Director**

Mr. Gao Shi Kui (appointed on 23 June 2006)

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

Mr. Cai Wei Lun

Mr. Chan Sing Fai

Dr. Leung Wai Cheung

The biographical details of the Directors are set out on pages 9 to 10 of this Annual Report. The Board possesses a balance of skill and experience which is appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive Directors in the Board meetings facilitate the maintenance of good corporate governance practices. A balanced composition of executive, non-executive and independent non-executive Directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board

regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the three independent non-executive Directors to be independent.

As at the date of this annual report, there is no financial relationship between any of the Directors, nor is there any business, family or other material or relevant relationships among the members of the Board.

### BOARD MEETINGS

Regular Board meetings are held at least four times a year, at approximately quarterly intervals to discuss and formulate the overall strategies of the Group, to approve annual and interim results, as well as to review the business operation and the internal control system of the Group. The meeting schedule will be fixed at the beginning of each year. Apart from these regular Board meetings, the Board will meet on other occasions when a board-level decision on a particular matter is required, such as material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the power to oversee the daily management of the Group's business to senior management under the supervision of the Board.

## Corporate Governance Report *(continued)*

For the year ended 31 March 2006, six Board meetings were held and the individual attendance of Directors is set out below:-

<b>Executive Directors</b>	<b>Attendance</b>
Mr. Leung Ngai Man	6/6
Mr. Tang Yan Tian	1/6
Mr. Yeung Kit	6/6
Mr. Wong Wa Tak	4/6
<b>Independent Non-executive Directors</b>	
Mr. Cai Wei Lun	2/6
Mr. Chan Sing Fai	3/6
Dr. Leung Wai Cheung	3/6

The Directors attended Board meetings in person or through electronic means in accordance with the Articles.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The segregation of roles of the Chairman and the CEO has been in place. The Chairman is Mr. Leung Ngai Man while the CEO is Mr. Tang Yan Tian. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman is primarily responsible for overseeing the operation of the Board, while the CEO is mainly responsible for managing the day-to-day operations of the Company.

### NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the Code, the non-executive directors of the listed issuers should be appointed for a specific term, subject to re-election.

Currently, the non-executive Director and three independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles, and their appointment will be reviewed when they are due for re-election. To ensure compliance with the Code, the Company will fix the terms of office of each of the non-executive and independent non-executive Directors as aforesaid.

The amendments to the Articles will also be proposed at the forthcoming annual general meeting so as to ensure the Articles are up to date and in line with, among other matters, the rotational and re-election requirements of the Code.

### NOMINATION OF DIRECTORS

The Board has not set up a nomination committee.

The Board is empowered under the Articles to appoint any person as a Director either to fill a casual vacancy or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate for directorship. A newly appointed Director appointed by the Board must retire and be re-elected at the first general meeting after his appointment.

The Chairman of the Board is responsible for nominating any suitable person to join the Board if considered necessary, such nomination will have to be approved by the Board.

## Corporate Governance Report *(continued)*

### REMUNERATION COMMITTEE

The Board set up the Remuneration Committee on 18 July 2005. Its terms of reference were prepared in accordance with the provisions set out in the Code. The roles and functions of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his/her associates should be involved in any decisions as to his/her own remuneration.

The members of the Remuneration Committee are as follows:-

Chan Sing Fai	Chairman ( <i>Independent non-executive Director</i> )
Cai Wei Lun	Member ( <i>Independent non-executive Director</i> )
Dr. Leung Wai Cheung	Member ( <i>Independent non-executive Director</i> )
Mr. Leung Ngai Man	Member ( <i>Chairman and Executive Director</i> )
Mr. Yeung Kit	Member ( <i>Executive Director</i> )

For the year ended 31 March 2006, no Remuneration Committee meeting was held.

### AUDIT COMMITTEE

The Audit Committee was established with specific written terms of reference which are not less than the code provisions set out in the Code. The Audit Committee is responsible for reviewing and supervising the financial reporting processes and internal control system of the Group and providing advice on the financial and accounting policies and practices of the Group and ensuring the Group's financial statements and auditors' reports present a true and balanced assessment of the Group's financial position.

During the year ended 31 March 2006, two audit committee meetings were held and the individual attendance of its members is set out below:-

#### **Independent non-executive Directors**

Mr. Chan Sing Fai ( <i>Chairman</i> )	2/2
Mr. Cai Wei Lun	2/2
Dr. Leung Wai Cheung	2/2

During the aforesaid meetings, members of the audit committee reviewed the financial results and reports of the Company, the audit committee had also held a meeting with the auditors during the year.

### AUDITORS' REMUNERATION

During the year, the Group has not engaged any non-audit services from the auditors ("Auditors") to the Group and the auditing services provided by the Auditors were charged at about HK\$400,000.



## Corporate Governance Report *(continued)*

### ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts for the year ended 31 March 2006 which were prepared in accordance with statutory requirements and applicable accounting standards. The Auditors acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 March 2006.

There were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the year ended 31 March 2006.

### INTERNAL CONTROLS

The Board has conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.