

# Corporate Governance Report

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices as set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

The Company has applied the principles and complied with the CG Code except for certain deviations from CG Code A.4.2 in respect of the service term, rotation and re-election of directors and CG Code A.2.1 in respect of the roles of Chairman and Chief Executive Officer should be separate.

To ensure compliance with the CG Code A.4.2, the Board has undertaken to review and propose the necessary amendments to the Bye-Laws of the Company to bring the constitution of the Company in alignment with certain provisions of the CG Code. Special resolution is proposed in the coming annual general meeting of the Company to amend (i) the existing Bye-law 73 of the Bye-laws to the effect that a Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in opposite manner to that instructed in those proxies; (ii) the existing Bye-law 111(A) of the Bye-laws to the effect that every Director shall retire by rotation at least once every three years; (iii) the existing Bye-law 114 of the Bye-laws to the effect that Directors elected by Shareholders either to fill a causal vacancy or as an additional Director will be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation; (iv) the existing Bye-law 115 of the Bye-laws to the effect that persons appointed by the Directors to fill a causal vacancy on the Board shall hold office only until the next following general meeting of the Company; (v) the existing Bye-law 178 of the Bye-laws to the effect that the requirements to send copies of the full annual report or a

summary financial report shall be deemed to be satisfied where the Company publishes copies of the annual report and, if applicable, a summary financial report on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication); and (vi) the existing Bye-law 197 of the Bye-laws to the effect that the Directors may authorize the destruction of share certificate, dividend mandate, instrument of transfer and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf. In addition, pursuant to the announcement made by the Stock Exchange dated 14 February 2006, certain minor and housekeeping amendments to the Listing Rules came into effect on 1 March 2006, inter alia, permitting the removal of Directors by ordinary resolution. Accordingly, the Directors propose to amend the Bye-laws 108 and 117 of the Bye-laws to ensure compliance with such amendments to the Listing Rules.

CG Code 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. Up to the date of this report, the Group does not have a separate Chairman and Chief Executive Officer and Mr. Ng Chi Ho currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. Going forward, the Group will periodically review the effectiveness of this arrangement and considers appointing an individual as Chief Executive Officer when it thinks appropriate.

Save the abovementioned deviations, none of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for the year under review, in compliance with the code provisions set out in the CG Code.

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## BOARD OF DIRECTORS

The Group's overall management is vested in its board of directors, which now comprises six members, coming from diverse businesses and professional backgrounds. The Board consisted of three executive directors, namely Mr. Ng Chi Ho (Chairman), Mr. Ma Fung On (Deputy Chairman) and Mr. Wong Wai Lik, Lamson and three independent non-executive directors ('INED') Professor Wong Sook Leung, Joshua, Mr. Murase Hiroshi and Mr. Leung Yu Ming, Steven (collectively the 'Directors'). There is no financial, business or family relationship between the Directors. The principal functions of the Board are to supervise the group's business and affairs; to review the Group's financial performance; to review the Group's systems of internal control; to approve the strategic plans, investment and funding decision. For the financial reporting accountability, the Board has the ultimate responsibility for preparing the financial statement. When the Directors are aware of any events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, such events or conditions will be clearly set out and discussed in this Corporate Governance Report.

The role of INED is to bring an independent and objective view to the Board's deliberations and decisions. The Company has received from each of the INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

The Board meets at least four times annually to review business development and overall strategic policies. The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 days notice of a regular board meeting is given to all directors to give them the opportunity to attend. Board papers are dispatched to the directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The attendance record of the Board meeting during the year is as follow:

<b>Number of meetings</b>	<b>4</b>
<b>Name of directors</b>	<b>Meeting attended</b>
Mr. Ng Chi Ho ( <i>Chairman</i> )	4
Mr. Ma Fung On ( <i>Deputy Chairman</i> )	4
Mr. Wong Wai Lik, Lamson	4
Professor Wong Sook Leung, Joshua	4
Mr. Murase Hiroshi	3
Mr. Leung Yu Ming, Steven	3
Mr. Kyle Arnold Shaw, Jr. (resigned on 31 October 2005)	1

## AUDITORS

The financial reporting responsibilities of the auditors are set out on page 34 of this annual report.

During the year ended 31 March 2006, the fee paid or payable to the auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

	HK\$'000
Audit services	1,250
Non-audit services	
– taxation services	141
– others	230

## AUDIT COMMITTEE

The Audit Committee comprises three INEDs. The Chairman of the Audit Committee is Professor Wong Sook Leung, Joshua. The meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meetings may also be held by the Committee from time to time to discuss special projects or other issues which the Committee considers necessary.

**AUDIT COMMITTEE** *(Continued)*

The main duties of the Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors;
- To discuss with the external auditors the nature and scope of the audit;
- To review the half-year and annual financial statements before submission to the Board;
- To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss;
- To review the external auditors' management letter and the management's response;
- To review the Group's internal control system;
- To consider the major findings of any internal investigation and the management's response;
- To consider other matters, as defined or assigned by the Board from time to time.

The attendance record of the Audit Committee meetings during the year is as follows:

<b>Number of meeting</b>	<b>2</b>
<b>Member of Audit Committee</b>	<b>Meeting attended</b>
Professor Wong Sook Leung, Joshua	2
Mr. Murase Hiroshi	2
Mr. Leung Yu Ming, Steven	2

During the year, the Audit Committee reviewed the fiscal year 2005 annual report and fiscal year 2006 interim report, reviewed and discussed the financial results and internal control system of the group, conducted discussions with the external auditors on financial reporting, compliance, and reported all relevant matters to the Board.

The Audit Committee has also reviewed the fiscal year 2006 annual report in a meeting held on 21 July 2006.

**REMUNERATION COMMITTEE**

The Remuneration Committee comprises three INEDs and is currently chaired by Professor Wong Sook Leung, Joshua. No director or senior executive will be involved in any discussion in connection with his or her own remuneration. The meeting of the Remuneration Committee shall normally be held not less than once a year.

The Committee's principal responsibilities are reviewing remuneration packages of directors and senior management and make recommendations to the Board on the remuneration structure. It also reviews and guides the formulation of the Group's performance related pay schemes. Term of reference which described the authority and duties of the Remuneration Committee was adopted by the Board on August 2005 and the contents of which are in compliance with the Code Provisions of the CG Code.

The attendance record of the Remuneration Committee meeting during the year is as follow:

<b>Number of meeting</b>	<b>1</b>
<b>Member of the</b>	<b>Meeting attended</b>
<b>Remuneration Committee</b>	
Professor Wong Sook Leung, Joshua	1
Mr. Murase Hiroshi	1
Mr. Leung Yu Ming, Steven	1

**NOMINATION COMMITTEE**

The Nomination Committee comprises three INEDs and is currently chaired by Professor Wong Sook Leung, Joshua. The meeting of the Nomination Committee shall normally be held not less than once a year. The Committee will identify qualified candidates to fill the Board membership whenever such vacancy arises. It will nominate such candidates for the Board to consider, and regularly review the composition of the Board as well as make suggestions as to any change that may be required.

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## NOMINATION COMMITTEE *(Continued)*

The attendance record of the Nomination Committee meeting is as follow:

<b>Number of meeting</b>	<b>1</b>
<b>Member of the</b>	
<b>Nomination Committee</b>	<b>Meeting attended</b>
Professor Wong Sook Leung, Joshua	1
Mr. Murase Hiroshi	1
Mr. Leung Yu Ming, Steven	1

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Group made specific enquiry of all directors as to whether they complied with the required standard set out in the Model Code (Appendix 10 of the Listing Rules) regarding their securities transactions. It was confirmed that there was full compliance. The relevant employee who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code.

## INVESTOR RELATIONS

The Board recognizes the importance of maintaining effective communications with shareholders. In order to develop and maintain continuing relationship with the shareholders of the Company, the Company established various channels to facilitate and enhance communication:

- (i) the annual general meeting provides a forum for the shareholders of the Company to raise comments and exchange views with the Board,
- (ii) the company makes sure its website [www.suga.com.hk](http://www.suga.com.hk) contains the most current information, including annual reports, interim reports, announcements and press releases,
- (iii) the management of the Group continually conducts meetings with investors or analysts and provides them with up-to-date and comprehensive information regarding the Company's development.