

## **CORPORATE GOVERNANCE PRACTICES**

The Board and the management believe that good and high standard of corporate governance practices are very important for maintaining and promoting investor confidence and for the continued growth of the Group. The Company has made continued efforts to maintain and approve the quality of corporate governance so as to ensure an effective board, sound internal control, and transparency and accountability to its Shareholders.

The Company has applied the principles and complies with the provisions contained in the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Listing Rules throughout the financial year ended 31st March 2010, except for certain deviations of the code provisions in respect of the roles of the Chairman and Chief Executive Officer (“CEO”) of the Company (i.e. A.2.1); and service term of its Non-executive Directors (“NEDs”) (i.e. A.4.1). The considered reasons for the aforesaid deviations will be discussed in the later part of this report.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions in the Company. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31st March 2010.

## **THE BOARD**

The Board, led by the Chairman, is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs.

The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Executive Directors (“EDs”) and the Board Committees of the Company are delegated with the authority to manage the business of the Group in all aspects effectively. With the assistance of the Company Secretary, the Chairman approves Board meeting agendas and ensures that the Directors are properly briefed and timely receive adequate and reliable information on all Board matters.

EDs are responsible for different business and functional divisions of the Group in accordance with their respective areas of expertise. Daily operations and administration are delegated to the management under supervision which is given clear directions as to their powers in particular with respect to the circumstances under which they should report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board currently comprises eight members, of whom three are EDs including the Chairman of the Board, two are NEDs and three are Independent Non-executive Directors (the “INEDs”). More than one third of the Board is INEDs, each of them comes from different business and professional background and at least one of them has accounting or related financial management expertise. The Board has received from each INED an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and continues to consider each of them to be independent up to the date of this annual report (“the AR”).

The Board includes a balanced composition of EDs, NEDs and INEDs so that there is a strong independent element on the Board to exercise independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointment and standards of conduct.

Biographical details of the Directors and the relationship among the Directors are set out on pages 2 and 3 of the AR.

The Board meets regularly and holds at least four regular meetings at approximately quarterly intervals in a year and additional meetings are held as and when significant events or important issues are required to be discussed and resolved. For the financial year 2009/2010, four physical meetings were respectively held in July, October and December of 2009 and March 2010. Details of individual attendance of each Director at the meetings are set forth below:

<b>Directors</b>	<b>Meetings Attended/Held</b>
Executive Directors	
Mr. Cheung Kee Wee (Chairman)	4/4
Mr. Cheung Lin Wee	4/4
Mr. Cheung Ying Wai, Eric	4/4
Non-executive Directors	
Mr. John Ho	2/4
Mr. Ng Kwok Tung	4/4
Independent Non-executive Directors	
Mr. Lam Hon Keung, Keith	1/4
Mr. Chan Woon Kong	4/4
Mr. Soo Hung Leung, Lincoln	4/4

In order to give all Directors adequate time to plan their schedules to attend the meeting, at least fourteen days' formal notice would be given to all Directors before each regular meeting. To enable Directors to make informed decisions on matters to be considered at the Board and Board Committee meetings, board papers and related material are given to the Directors not less than three days before the intended date of a Board or Board Committee meeting.

Directors need to declare their interest in the matters to be passed in the resolution, if applicable. If a substantial shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter will be dealt with pursuant to applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

In addition to the Board meetings, certain issues are dealt with by way of circular written resolutions, so that all Directors can note and comment thereon before the Board's approval on the matters.

Directors are kept informed in a timely manner of any major changes that may affect the Group's business as well as changes in relevant rules and regulations. They have full access to the Company Secretary and key officers of the Company Secretarial Department for relevant information in respect of the Group. They are also able to obtain independent professional advice by written procedure adopted by the Company at the expense of the Company in appropriate circumstances.

## **THE COMPANY SECRETARY**

The Company Secretary is responsible to the Board for ensuring that the procedures and all applicable rules and regulations are strictly and fully complied with and that activities of the Board are running efficiently and effectively by assisting the Chairman to prepare agendas for meetings and by preparing and disseminating Board papers and relevant material to the Directors and Board Committee members in a timely and comprehensive manner.

The Company Secretary attends all Board meetings and advises on corporate governance and statutory compliance, if appropriate. Draft and final versions of minutes of meetings of the Board and the Board Committees are circulated to all Directors concerned for comments and records respectively. All the minutes record in sufficient detail the matters considered and decisions reached by the Board and the Board Committees of the Company and are kept by the Company Secretary, which are open for inspection at any reasonable time on reasonable notice by any Director.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the report of the Directors.

## **CHAIRMAN AND CEO**

Under the code provision A.2.1 of the CG Code, the roles of the Chairman and CEO should be separate and should not be performed by the same individual. Mr. Cheung Kee Wee is the Chairman of the Board and there is not a post of CEO in the Company. The roles of the CEO are performed by all the EDs with clear division of responsibilities under the leadership of the Chairman. The Board considers that this arrangement allows contributions from all EDs with different expertise and can ensure the balance of power and authority between the Board and the management of the Group. The Board therefore believes that this structure can enable the Group to make and implement decisions promptly and efficiently and is beneficial to the business prospect of the Group.

## **APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS**

The Company has not established a Nomination Committee. The nomination and selection process of Directors is performed by the Board in accordance with the Company's Articles.

When considering a potential Director who is recommended by the EDs, the Board will take into consideration certain criteria such as the candidate's professional knowledge and experience, integrity and personal skills, possible conflicts of interests and time commitment to the Company. A newly appointed Director will receive reference material of the Company such as interim and annual reports with a view to familiarizing him/her with the business operation of the Company and the corporate structure of the Group. The Directors are also kept informed of the updated legal and other regulatory requirements and the business and governance policies of the Company.

Under the code provision A.4.1 of CG Code, NEDs should be appointed for a specific term and subject to re-election. All the five NEDs of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the AGM in accordance with the Company's Articles.

In accordance with Article 94 of the Company's Articles, a newly appointed Director is subject to re-election by the Shareholders at the next following AGM of the Company after his/her appointment, but shall not be taken into account in determining the Directors who are to retire by rotation and re-election at the AGM in accordance with Article 103(A) of the Company's Articles.

There are eight Directors including five NEDs of the Company for the time being. As one-third of the eight Directors shall retire from office by rotation at each AGM, each of them shall retire at least once every three years. The Board is of the view that the current practice of appointing Directors which include NEDs without specific terms but otherwise subject to retirement by rotation and re-election by the Shareholders at the AGM is reasonable and appropriate to the needs of the Company.

The Company may by an ordinary resolution remove a Director before the expiration of his/her period of office notwithstanding anything in the Company's Articles or in any agreement between the Company and such Director. Special notice is required of a resolution to remove a Director or to appoint somebody in place of a Director so removed at the general meeting at which he/she is removed in accordance with the Companies Ordinance.

During the year ended 31st March 2010, there was no change in the Board composition. The names and biographical details of the Directors who will offer themselves for re-election at the forthcoming AGM of the Company are set out in the circular dated 29th July 2010 to the Shareholders to assist them in making an informed decision on the Directors' elections.

## **REMUNERATION COMMITTEE**

Remuneration Committee of the Company was established in 2005. The Committee consists of three INEDs, namely Messrs Soo Hung Leung, Lincoln (Chairman), Lam Hon Keung, Keith and Chan Woon Kong, and two NEDs, namely Messrs John Ho and Ng Kwok Tung. The Company Secretary of the Company is the secretary of the Committee.

The principal responsibilities of the Remuneration Committee, under its terms of reference which was prepared on terms no less exacting than those set out in the CG Code and adopted in May 2005, is to assist the Board to develop and administer a formal and transparent procedure for setting policy on the remuneration of all the Directors and senior management of the Company. The adopted terms of reference of the Committee are posted on the Company's website.

The Remuneration Committee has met once during the financial year ended 31st March 2010 with the presence of all the members except Mr. Lam Hon Keung, Keith and Mr. John Ho who were absent in the meeting.

During such meeting, the remuneration package of the EDs was reviewed by reference to the Group's performance and profitability as well as the remuneration level of directors in eight selected listed corporations in the industry. It was resolved that the Director's fee of HK\$80,000 per annum for each of the EDs would remain unchanged. Details of the remuneration of Directors are set out in the Note 9 to the financial statements on page 58 of the AR.

## **REMUNERATION OF AUDITOR**

For the year ended 31st March 2010, the remuneration paid and payable to PricewaterhouseCoopers, the Company's external auditor, for audit services to the Group amounted to HK\$399,025 and for non-audit services amounted to HK\$135,000.

## **AUDIT COMMITTEE**

The Audit Committee of the Company was established in 1998 and currently consists of three INEDs, namely Messrs Lam Hon Keung, Keith (Chairman) , Chan Woon Kong and Soo Hung Leung, Lincoln and two NEDs, namely Messrs John Ho and Ng Kwok Tung. The Committee members possess sufficient financial and accounting experience and expertise to discharge their duties. The Company Secretary of the Company acts as the secretary of the Committee.

The operation of the Audit Committee is guided by its written terms of reference which follow the requirements of the CG Code and the guidelines published by the Hong Kong Institute of Certified Public Accountants. They have been modified from time to time and adopted by the Board. The terms of reference, which were revised and adopted in January 2009, are posted on the Company's website.

The major duties of the Audit Committee set out in its terms of reference include:—

1. recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approval of their terms of engagement;
2. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standard;
3. monitoring the integrity of financial statements of the Company and the Company's AR and financial statements, interim report and quarterly report (if applicable), and reviewing significant financial reporting judgements contained in them;
4. oversight of the Company's financial controls, internal control and risk management systems; and
5. reviewing the financial information of the Company.

During the financial year ended 31st March 2010, two meetings of the Audit Committee with the presence of all the members were held in July and December of 2009 respectively with the external auditor of the Company for discussion and review of the reporting of financial and other information to the Shareholders (including the 2008/2009 final results and 2009/2010 interim results of the Company before they were submitted to the Board for approval), the accounting principles and practices adopted by the Group and the issue on internal control of the Company. The Committee also keeps under review the independence of the external auditor of the Company.

The financial statements of the Company for the year ended 31st March 2010 were reviewed and discussed by the Audit Committee together with the external auditor of the Company at a meeting held in mid July 2010.

## **ACCOUNTABILITY AND AUDIT**

The Board was provided with explanation and information by the management of the Company, so that Directors have an informed assessment of the financial and other information of the Company put before the Board for approval.

All the Directors have acknowledged their responsibilities for preparing and reviewing the Company's financial statements and ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2010 and of the profit and cash flows of the Group for the year then ended. In preparing the Company's financial statements for the year ended 31st March 2010, the Board has selected suitable accounting policies and principles generally accepted in Hong Kong and applied them consistently, has made prudent and reasonable judgements and estimates, and has prepared the financial statements on a going concern basis. The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the "Independent Auditor's Report" on pages 30 and 31 of the AR.



The Board's endeavors to ensure a balanced, clear and understandable assessment of the Group's position and prospects extend to annual and interim reports, other price-sensitive announcements and financial disclosures of the Company required under the Listing Rules and other applicable rules, and to report to regulators as well as to information required to be disclosed pursuant to statutory requirements. Accordingly, due authorization will be made on the publication of relevant announcements and reports as and when the occasion arises.

## **INTERNAL CONTROL**

The Board acknowledges its responsibility in maintaining effective and sound internal control system for the Group to safeguard the Group's assets and protect the interest of the Shareholders. 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.

The Board has conducted an annual review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board considers that the Company has adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Based on the results of the review, the Board has concluded that the Group's overall system of internal control has been effectively exercised during the year. The Group will continue to improve its system of internal control.

## **COMMUNICATION WITH THE SHAREHOLDERS**

The Company's AGM is one of the principal communication channels between the Company and the Shareholders as it provides a forum for the Shareholders to raise questions and comments and exchange views with the Board.

At the 2009 AGM of the Company, respective Chairmen of the Board, the Audit Committee and the Remuneration Committee of the Company were present and available to answer questions raised by the Shareholders at the meeting. A separate resolution was proposed at the AGM on each substantially separate issue, such as the re-election of individual Directors.

The Company has other means of communication with the Shareholders, including the publication of annual and interim reports, circulars, announcements and availability of updated and key information about the Group on the Company's website. The Shareholders or any interested parties can also contact the Company by sending e-mail to [enquiry@wahha.com](mailto:enquiry@wahha.com).

The Company arranges for the notice to the Shareholders to be sent out in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. It is proposed that the 2010 AGM of the Company will be held on Wednesday, 15th September 2010 at 12:00 noon. Notice of the AGM will be published and dispatched to the Shareholders in late July 2010.

## **VOTING BY POLL**

The Company regularly informs the Shareholders of the procedures for voting by poll and ensures that it complies with the requirements about voting by poll as contained in the Listing Rules and the Company's Articles.

Since 2005, the Shareholders were given an explanation of the rights and procedures for demanding and conducting a poll in accordance with Article 74 of the Company's Articles at the commencement of each AGM of the Company.

Pursuant to the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll which became effective in January 2009. The Chairman of the 2010 AGM will therefore put each of the resolutions to be proposed at the meeting to be voted by way of a poll pursuant to Article 74 of the Company's Articles.

Save as disclosed above, the Company has complied with all the code provisions as set out in the CG Code throughout the financial year ended 31st March 2010.