

The Board of Directors (the “Board”) recognises their mission to create value and maximise returns to the shareholders of the Company (the “Shareholders”), while at the same time fulfilling their corporate responsibilities. Accordingly, the Company strives to promote and uphold a balanced and high standard of corporate governance.

The Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited came into effect on 1 January 2005. The Company has put in place corporate governance practices to comply with all the code provisions of the CG Code, except for certain areas of non-compliance which are discussed later in this report, during the year ended 31 March 2006.

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the directors. The Company has made specific and reasonable enquiries of all directors, and is satisfied that they have complied with the Model Code throughout the year ended 31 March 2006.

## Board of Directors

The Board is responsible to the Shareholders and the directors are collectively responsible for formulating the strategic business direction of the Company and its subsidiaries (the “Group”) and setting objectives for management, overseeing performance and assessing the effectiveness of management strategies.

董事會（「董事會」）確認其為本公司股東（「股東」）創造價值及帶來最大回報之使命，同時履行其企業責任。因此，本公司矢志提升及保持平衡及高水準之企業管治。

香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載之企業管治常規守則（「企管守則」）已於二零零五年一月一日起生效。本公司於截至二零零六年三月三十一日止年度，已實施企業管治常規，以符合企管守則條文之所有規定，惟於本報告稍後詳述之若干不符合領域除外。

## 進行證券交易的標準守則

本公司已採納上市規則附錄十所載之上市公司董事進行證券交易的標準守則（「標準守則」），作為董事買賣本公司證券之行為守則。本公司已向全體董事作出特定及合理查詢，並認為彼等已於截至二零零六年三月三十一日止年度內一直遵守標準守則。

## 董事會

董事會須向股東負責，而董事則共同負責制訂本公司及其附屬公司（「本集團」）之業務策略方針、設定管理層目標、監察其表現及評估管理策略的有效性。

## The Directors

Currently, the Board comprises seven directors, including four executive directors and three independent non-executive directors. The biographical details of the directors and the relationship (if any) of the directors with other directors, senior management and substantial shareholders of the Company are set out on pages 6 to 7 of this annual report. The composition of the Board is well balanced with each director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group. All directors are aware of their collective and individual responsibilities to shareholders and have exercised their duties with care, skill and diligence and, thereby, have contributed to the performance of the Group.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of three years commencing on 31 May 2005 and thereafter shall continue from year to year until terminated by either party giving the other party two months' notice in writing. They are also subject to retirement by rotation and re-election according to the Bye-laws of the Company.

The Company has received from each of the independent non-executive directors an annual confirmation of independence as required under the Listing Rules and the Company considers all directors to be independent.

## 董事

目前，董事會由七名董事組成，包括四名執行董事及三名獨立非執行董事，各董事的履歷詳情以及彼等與本公司其他董事、高級管理人員及主要股東的關係（如有）載於本年報第6至7頁。董事會的組合十分均衡，每名董事在本集團業務營運及發展方面均具備豐富的相關知識、經驗及／或專長。全體董事均知悉彼等對股東所須承擔的集體及個人責任，且已謹慎、有技巧及勤勉盡責地履行彼等的職責，因而對本集團的業績作出貢獻。

各獨立非執行董事已與本公司訂立服務合約，自二零零五年五月三十一日起為期三年，其後每年續期，直至訂約雙方向另一方發出兩個月書面通知終止服務合約為止。根據本公司之公司細則，各獨立非執行董事亦須輪席退任及膺選連任。

本公司已接獲各獨立非執行董事根據上市規則的規定就其獨立性作出的年度確認。本公司認為全體董事均為獨立人士。

## Responsibilities of the Board

The Board reviews the performance of the operating divisions against their agreed targets and budgets on a regular basis and also exercises a number of reserved powers, including but not limited to:

- formulating long-term strategies;
- setting objectives for management;
- approving public announcements including the interim and annual financial statements;
- setting dividend and other important policies;
- approving material borrowings and the treasury policy; and
- assessing and committing to major acquisitions, disposals, formation of joint ventures and capital transactions.

The directors are responsible for the preparation of the financial statements of the Company for each financial year and ensuring that these financial statements give a true and fair view of the state of affairs of the Group, its results and cash flows for that period. The directors are also responsible for ensuring that proper accounting records which disclose the financial position of the Group are maintained at all times.

## 董事會的職責

董事會定期按照各營運部門議定的目標及財務預算，檢討各營運部門的表現，並且行使多項保留權力，包括但不限於：

- 制定長期策略；
- 設定管理層目標；
- 批准公佈，包括中期及年度財務報表；
- 制定股息及其他重要政策；
- 批准重大借貸及庫務政策；及
- 評估及進行主要收購、出售事項、組成合資企業及訂立資本交易。

董事負責編製本公司於各財政年度的財務報表，並確保該等財務報表真實及公平反映本集團的財務狀況、其於該期間的業績及現金流量。董事亦負責確保時刻備存妥善有關披露本集團財務狀況的會計紀錄。

## Board Meetings

Board meetings are scheduled in advance to facilitate maximum attendance by directors. The meeting agenda is set after consulting with members of the Board. The Company held ten meetings during the year ended 31 March 2006 and individual attendance of each director is set out below.

## 董事會

董事會會議舉行時間須提早訂定，以爭取最多董事出席。會議議程經諮詢董事會成員後制定。截至二零零六年三月三十一日止年度，本公司召開了十次會議，各董事個別出席會議的情況詳述如下。

### Members of the Board

### Number of Board meetings attended 出席董事會 會議次數

#### 董事會成員

#### Executive directors:

##### 執行董事：

Lai Yiu Keung ( <i>Chairman and Managing Director</i> ) 黎耀強 (主席兼董事總經理)	10/10
Chung Lai Ha 鍾麗霞	8/10
Kwok Chong, Anthony 郭昶	10/10
Lai Man Kon (appointed on 24 May 2005) 黎文幹 (於二零零五年五月二十四日獲委任)	7/7
Lai Chi Kin (resigned on 24 May 2005) 賴志堅 (於二零零五年五月二十四日辭任)	2/3

#### Non-executive directors:

##### 非執行董事：

Sun Zheng Quan (resigned on 20 April 2005) 孫政權 (於二零零五年四月二十四日辭任)	0/2
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#### Independent non-executive directors:

##### 獨立非執行董事：

Li Mow Ming, Sonny (appointed on 31 May 2005) 李茂銘 (於二零零五年五月三十一日獲委任)	5/6
Chan Kwok Kay (appointed on 31 May 2005) 陳國基 (於二零零五年五月三十一日獲委任)	5/6
Ng Wai Hung (appointed on 31 May 2005) 吳偉鴻 (於二零零五年五月三十一日獲委任)	6/6
Ho John (resigned on 31 May 2005) 何約翰 (於二零零五年五月三十一日辭任)	2/4
Ling Kam Tong, Victor (resigned on 31 May 2005) 凌錦棠 (於二零零五年五月三十一日辭任)	2/4
Lo Chi Hang, Lonnie (resigned on 31 May 2005) 盧志恒 (於二零零五年五月三十一日辭任)	2/4

## Nomination, Appointments and Re-election of Directors

The Company has fixed the term of appointment for non-executive directors. Moreover, they are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

During the year, Mr Lai Man Kon was nominated and appointed by the Board as an executive director of the Company and Mr Li Mow Ming, Sonny, Mr Chan Kwok Kay and Mr Ng Wai Hung were nominated and appointed by the Board as independent non-executive directors of the Company. All independent non-executive directors were appointed and have service contracts with the Company for a term of three years and are also subject to retirement by rotation and re-election. All directors appointed during the year to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment. Accordingly, these four directors retired and were re-elected by the Shareholders at the annual general meeting of the Company held on 16 September 2005.

## Audit Committee

Currently, the Audit Committee comprises three independent non-executive directors, namely, Mr Li Mow Ming, Sonny (Chairman), Mr Chan Kwok Kay and Mr Ng Wai Hung. The written terms of reference for the Audit Committee, which are available on the Company's website [www.hycomm-wireless.com](http://www.hycomm-wireless.com), were first adopted in 1999 and subsequently revised in 2005 to comply with the provisions of the CG Code.

The Audit Committee is responsible for reviewing the Group's financial information, overseeing the Group's financial reporting systems and internal control procedures, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

## 提名、委任及重選董事

本公司有固定任期委任非執行董事。此外，非執行董事亦須根據公司細則在本公司股東週年大會上輪席退任及膺選連任。

於本年內，黎文幹先生獲董事會提名並委任為本公司執行董事，而李茂銘先生、陳國基先生及吳偉鴻先生均獲董事會提名並委任為本公司獨立非執行董事。全體獨立非執行董事均獲委任，並已與本公司訂立服務合約，為期三年，亦須輪席退任及膺選連任。所有於本年內為填補臨時空缺而獲委任之董事均須在接受委任後的首次股東大會上接受股東選舉。因此，該四名董事在本公司於二零零五年九月十六日召開的股東週年大會上退任並獲股東膺選連任。

## 審核委員會

目前，審核委員會由三名獨立非執行董事組成，包括李茂銘先生（主席）、陳國基先生及吳偉鴻先生。審核委員會之書面職權範圍（詳情可瀏覽本公司網站 [www.hycomm-wireless.com](http://www.hycomm-wireless.com)）於一九九九年獲首度採納，其後於二零零五年作出修訂以符合企管守則的規定。

審核委員會負責審閱本集團的財務資料、監管本集團的財務報告系統及內部控制程序、就委任、重新委任及罷免外聘核數師向董事會提供意見，以及批准外聘核數師的酬金及聘用條款。

# Corporate Governance Report 企業管治報告

The primary duties of the Audit Committee include reviewing and advising on the accounting principles and practices adopted by the Group together with overseeing the auditing, financial reporting process and internal control systems of the Group, including reviews of the Group's interim and annual reports.

The Audit Committee held two meetings during the year ended 31 March 2006 to review the final results for the year ended 31 March 2005 with the external auditors and the interim results for the six months ended 30 September 2005 before recommending them to the Board for approval. Individual meeting attendance records for each member of the Audit Committee are set out below.

審核委員會的主要職責包括審閱本集團採納的會計原則及實務準則並就此提供意見，以及監管本集團的審核、財務報告過程及內部控制系統，包括審閱本集團的中期報告及年度報告。

審核委員會於截至二零零六年三月三十一日止年度舉行兩次會議，以與外聘核數師審閱截至二零零五年三月三十一日止年度之末期業績及截至二零零五年九月三十日止六個月之中期業績，然後才向董事會推薦該等業績以供批准。審核委員會各成員個別出席會議的情況詳述如下。

## Member of the Audit Committee

審核委員會成員

## Number of Committee

meetings attended

出席委員會會議次數

Li Mow Ming, Sonny (appointed on 31 May 2005) 李茂銘（於二零零五年五月三十一日獲委任）	2/2
Chan Kwok Kay (appointed on 31 May 2005) 陳國基（於二零零五年五月三十一日獲委任）	2/2
Ng Wai Hung (appointed on 31 May 2005) 吳偉鴻（於二零零五年五月三十一日獲委任）	2/2
Ho John (resigned on 31 May 2005) 何約翰（於二零零五年五月三十一日辭任）	0/0
Ling Kam Tong, Victor (resigned on 31 May 2005) 盧志恒（於二零零五年五月三十一日辭任）	0/0
Lo Chi Hang, Lonnie (resigned on 31 May 2005) 凌錦棠（於二零零五年五月三十一日辭任）	0/0

## Deviations from the Code on Corporate Governance Practices

The Company has complied with the CG Code except for the deviations as set out below.

CG code provision A.2.1 states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not separate the roles of chairman and managing director and Mr Lai Yiu Keung currently holds both positions. The Board is of the opinion that the combination of the roles of chairman and managing director can ensure the efficient formulation and implementation of the Company's strategies to identify and follow-up on business opportunities. Such arrangement is also deemed to enable the Company to meet the rapidly changing business environment which necessitates prompt and efficient decision-making.

CG code provision A.4.2 states that every director, including those appointed for specific terms, should be subject to retirement by rotation at least once every three years. According to the Company's Bye-Laws, at every annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that no director holding the office as chairman and/or managing director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire. The Board is in the opinion that the continuity of office of the chairman and managing director provides the Group with strong and consistent leadership and smoothes the operations of the Group.

## 偏離企業管治常規守則

本公司已遵守企管守則，惟下述之偏離則除外。

企管守則之守則條文 A.2.1 項：主席與行政總裁的角色應予分開，並不應由一人同時兼任。本公司並沒有區分主席與董事總經理角色及現時由黎耀強先生出任此兩職位。董事會認為合併主席與董事總經理的角色能有效及迅速地確保本公司識別及跟進商業機遇的策略之有效形成與實施。此等安排被視為可使本公司應付有需要作出快捷而有效決策的迅速改變營商環境。

企管守則之守則條文 A.4.2 項：每名董事（包括有指定任期的董事）應輪席退任，至少每三年一次。根據本公司之公司細則，在每年的股東週年大會上，當其時的董事人數計三分之一董事（或倘數目並非三之倍數，則為最接近但不超過三分之一之數目）須輪席退任，惟主席及／或董事總經理職務者無須輪流卸任或作為計算退任董事人數之內，董事會認為主席或董事總經理任期之連續性可給予本集團強而穩定的領導及暢順本集團之營運。

CG code provision B.1.1 states that companies should establish remuneration committees with specific terms of reference which deal clearly with its authority and duties and a majority of the members of the remuneration committee should be independent non-executive directors. The Board is in the opinion that establishment of a remuneration committee as required by this provision does not really benefit the Group after due consideration of the size of the Group and the associated costs involved.

The Board will review the corporate governance status of the Company from time to time and will make any necessary change to comply with the CG Code as and when considered appropriate.

## External Auditors

For the year ended 31 March 2006, the total remuneration for audit services provided by the external auditors, namely Kennic L. H. Lui & Co. Ltd., amounted to approximately HK\$443,000. The audit fee was approved by the Board and the Audit Committee.

The amount of remuneration for permissible non-audit services paid to the external auditors during the year ended 31 March 2006 (including any entity under the common control, ownership or management of the auditors) amounted to approximately HK\$199,000.

The non-audit services mainly comprised advice on improvements to the internal control systems of the Group and a review of the implementation thereof. The Audit Committee was briefed in respect of such non-audit services and related fees and was satisfied that such services did not (in terms of the nature of services and the amount of fees charged) affect the independence of the external auditors.

The re-appointment of Kennic L. H. Lui & Co. Ltd. as auditors of the Company has been recommended by the Audit Committee and endorsed by the Board and is subject to approval by the Shareholders at the forthcoming annual general meeting.

企管守則之守則條文 B.1.1 項：本公司應設立具有特定成文權責範圍的薪酬委員會，有關權責範圍應清楚說明委員會的權限及職責及薪酬委員會之大部分成員應為獨立非執行董事。經仔細考慮本集團之規模及所牽涉之成本後，董事會認為根據此條文規定成立之薪酬委員會對本集團並無實質得益。

董事會將不時檢討本公司的企業管治情況，並將於適當時間作出任何必需變動以符合企管守則。

## 外聘核數師

截至二零零六年三月三十一日止年度，就外聘核數師呂禮恒會計師事務所有限公司所提供的審核服務之酬金總額約為港幣 443,000 元，而審核費用已獲董事會及審核委員會批准。

就許可非審核服務在二零零六年三月三十一日止年度內所支付外聘核數師（包括受核數師共同控制、擁有或管理之任何實體）的酬金數額約為港幣 199,000 元。

非審核服務主要包括就改善本集團內部控制系統提供意見及檢討其實行。審核委員會已獲概述有關非審核服務及相關費用，並認為該等服務（就其服務性質及所收費用金額而言）並無影響外聘核數師的獨立性。

審核委員會已建議並獲董事會同意再次委任呂禮恒會計師事務所有限公司為本公司核數師，惟有關委任須待股東在即將舉行的股東週年大會上作出批准，方可作實。



## Internal Controls

The Board acknowledges its responsibility in ensuring sound and effective internal control systems for the Group are in place to safeguard the assets of the Company at all times. The system of internal controls aims to help in achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for the provision of reliable financial information. It is also recognised that the systems are to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being pursued.

Management have conducted regular reviews during the year on the effectiveness of the internal control systems covering all material controls in the areas of financial, operational and compliance including coverage on the risk management functions as well as physical asset and information systems security. The management also reported to the Audit Committee two times during the year in respect of key findings identified. The Audit Committee in turn reports all material issues and recommendation, if any, to the Board.

The external auditors were appointed in 2004 to review and document the internal control systems of the Group. Certain relevant recommendations made by the external auditors have been implemented by the Group in stages together with subsequent improvements, if any, made by the Board to further enhance internal control policies, procedures and practices.

## 內部控制

董事會知悉其有責任確保本集團設有良好及有效的內部控制系統，以時刻保障本公司的資產。內部控制系統旨在幫助本集團達致業務目標、保障資產及備存妥善會計紀錄以提供可靠的財務資料，同時亦確認該系統旨在於追求營運目標時，乃提供合理但非絕對保證財務報表中不出現嚴重不實陳述或資產損失，並管理而非杜絕失敗風險。

管理層已於本年內定期就覆蓋財務、營運及合規監控範疇的所有重大控制之內部控制系統之有效性進行檢討，包括涵蓋風險管理功能以及實物資產及資訊系統保安的範疇。管理層亦於本年內兩度向審核委員會報告有關其所辨認的主要發現。審核委員會轉而向董事會報告所有重要事宜及推薦意見（如有）。

外聘核數師於二零零四年獲委任，以審核本集團的內部控制系統及就此提供文件證明。外聘核數師作出的若干相關推薦意見已正由本集團分階段實行，其後並由董事會作出改善措施（如有）以進一步提升內部控制政策、程序及實務。