

# CORPORATE GOVERNANCE REPORT

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2013.

## CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company recognizes the importance of maintaining good corporate governance practices. The Board sets policies and implements corporate governance practices appropriate to the conduct of the Group's business.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the code provisions (the "Code Provisions"), set out in the CG Code, during the year ended 31 March 2013, except for the deviations from Code Provisions A.2.1 and A.6.7. Key corporate governance principles and practices of the Company as well as details of the foregoing deviations of Code Provisions are summarized below.

## A. THE BOARD

### A.1 RESPONSIBILITIES AND DELEGATION

The Board is responsible for the management and control of the business and affairs of the Group, and oversees the Group's business strategic direction and performance, with the objectives of promoting the success of the Group and enhancing Shareholder value. Directors carry out their duties in good faith and in the interests of the Company and its Shareholders. They have access to relevant information as well as the advice and services of the Company Secretary and senior management. They are also able to seek independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision on all major policy, strategy, financial and risk management and control matters. The day-to-day management, administration and operations of the Group are delegated to the Executive Committee and senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board or Executive Committee prior to any significant transactions entered into by the senior management team.

### A.2 BOARD COMPOSITION

The Board currently comprises nine Directors, five of whom are Executive Directors, one is Non-executive Director and three are Independent Non-executive Directors. The composition of the Board is set out in the "Corporate Information" section of this annual report. The respective profiles of the current Directors and the relationship among them are disclosed in the "Profile of Directors and Senior Management" section of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications of the Company.

Throughout the year ended 31 March 2013, the Company has met the Listing Rules requirements of having at least three Independent Non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise. In addition, the Company has received from each of the three Independent Non-executive Directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them are independent.

The composition of the Board reflects the necessary balance of skills and experience appropriate to the requirements of the business of the Group and to the exercising of independent judgement. All Directors bring a wide range of valuable business and financial expertise, experiences and professionalism to the Board for its effective functioning. Independent Non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### A.3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, Tan Sri Dato' David CHIU assumes the roles of both the Chairman and Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Group.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

### A.4 APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles.

Each Director, including the Independent Non-executive Directors, is engaged for a term of 3 years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Articles.

In accordance with clauses 106 and 107 of the Articles, Mr. Dennis CHIU (Executive Director) and Mr. Peter Man Kong WONG (Independent Non-executive Director) shall retire by rotation at the 2013 AGM; whereas according to clause 112 of the Articles, Mr. Chris Cheong Thard HOONG and Mr. Denny Chi Hing CHAN, who were appointed by the Board as Executive Directors on 31 August 2012, shall hold office until the 2013 AGM.

In accordance with the second part of clause 115(B) of the Articles, a Director appointed as an Executive Chairman or as Managing Director or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors. In order to uphold good corporate governance practices, Tan Sri Dato' David CHIU, the Chairman of the Board, voluntarily retires from his office and offers himself for re-election at the 2013 AGM notwithstanding that he is not required to do so by clause 115(B) of the Articles.

The Board recommended the re-appointment of the above five retiring Directors standing for re-election at the 2013 AGM. The Company's circular, sent together with this annual report, contains detailed information of the above retiring Directors, as required by the Listing Rules.

### A.5 TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed Director receives comprehensive introduction on the first occasion of his appointment so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their study and reference.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 March 2013, the Company has provided (i) reading materials on regulatory updates to all its Directors, namely, Tan Sri Dato' David CHIU, Mr. Chris Cheong Thard HOONG, Mr. Denny Chi Hing CHAN, Mr. Dennis CHIU, Mr. Craig Grenfell WILLIAMS, Mr. Daniel Tat Jung CHIU, Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM; and (ii) regular briefing to its Directors on corporate governance and updates on the Listing Rules amendments and Securities and Futures Ordinance. Besides, Mr. Denny Chi Hing CHAN, Mr. Kwok Wai CHAN and Mr. Kwong Siu LAM attended other seminars and training sessions arranged by other professional firms/institutions.

### A.6 BOARD MEETINGS

#### **A.6.1 Board Practices and Conduct of Meetings**

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given for each regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Board papers together with appropriate information are usually sent to the Directors at least 3 days before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Financial Officer and Company Secretary and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### A.6.2 Directors' Attendance Records

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2013 are set out below:

Name of Director	Board	Attendance/Number of Meetings				
		Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Tan Sri Dato' David CHIU	5/5	N/A	3/3	2/2	1/1	0/2
Mr. Chris Cheong Thard HOONG <sup>(Note)</sup>	2/2	N/A	N/A	N/A	–	–
Mr. Denny Chi Hing CHAN <sup>(Note)</sup>	2/2	N/A	N/A	N/A	–	–
Mr. Dennis CHIU	5/5	N/A	N/A	N/A	0/1	0/2
Mr. Craig Grenfell WILLIAMS	5/5	N/A	N/A	N/A	0/1	0/2
Mr. Daniel Tat Jung CHIU	0/5	N/A	N/A	N/A	0/1	0/2
Mr. Kwok Wai CHAN	5/5	2/2	3/3	2/2	1/1	0/2
Mr. Peter Man Kong WONG	4/5	2/2	2/3	1/2	0/1	2/2
Mr. Kwong Siu LAM	5/5	1/2	N/A	2/2	1/1	2/2

Note: Mr. Chris Cheong Thard HOONG and Mr. Denny Chi Hing CHAN were appointed as Executive Directors on 31 August 2012 after the conclusion of the annual general meeting held on the same date. Subsequent to their appointments, there were a total of 2 Board meetings held during the year ended 31 March 2013.

In addition, the Chairman of the Board also held meeting with the Independent Non-executive Directors without the presence of Executive Directors during the year.

### A.7 MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions in the Company. All the Directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2013.

The Company has also applied the principles of the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the principles of the Model Code by the Group's employees has been noted by the Company.

The Company has been notifying Directors and relevant employees, if any, of the prohibitions on dealings in the securities of the Company according to the Model Code, whenever black-out periods arise. In addition, the Company requires Directors and relevant employees to copy their notifications of intended dealings to the Company Secretary as well as one designated Director for receiving such notifications.

### A.8 CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code Provision D.3.1 of the CG Code.

During the year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices in response to the implementation of the CG Code, (ii) reviewed and monitored the training and continuous professional development of Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### B. BOARD COMMITTEES

As at 31 March 2013, the Board has established 4 Board committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the Company's website (except for the written terms of reference of the Executive Committee). All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of the Board Committees follow in line with, so far as applicable, those of the Board meetings set out above.

Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

#### B.1 EXECUTIVE COMMITTEE

The Executive Committee currently comprises 6 members, namely, Tan Sri Dato' David CHIU, Mr. Chris Cheong Thard HOONG, Mr. Denny Chi Hing CHAN, Mr. Dennis CHIU, Mr. Craig Grenfell WILLIAMS and Mr. Boswell Wai Hung CHEUNG. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Company and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

#### B.2 AUDIT COMMITTEE

The Audit Committee currently comprises 3 members, being the 3 Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM. The chairman of the Audit Committee is Mr. Kwok Wai CHAN who possesses the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The principal duties of the Audit Committee include monitoring the Group's financial reporting system, reviewing financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditor in matters within the terms of reference of the Audit Committee.

During the year ended 31 March 2013, the Audit Committee had met twice and performed the following major works:

- Review and discussion of the annual financial statements and annual results for the year ended 31 March 2012, the related accounting principles and practices adopted by the Company and the relevant audit findings;
- Review and discussion of the interim financial statements and interim results for the six months ended 30 September 2012 and the related accounting principles and practices adopted by the Company;
- Review and discussion of financial reporting and internal control system of the Group;
- Discussion and recommendation of the re-appointment of external auditor; and
- Review of the arrangements for employees to raise concerns about possible improprieties.

The external auditor was invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of each Committee member at the Audit Committee meetings held during the year ended 31 March 2013 are set out in section A.6.2 above.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### B.3 REMUNERATION COMMITTEE

The Remuneration Committee currently comprises 3 members, being 1 Executive Director, namely Tan Sri Dato' David CHIU, and 2 Independent Non-executive Directors, namely Mr. Kwok Wai CHAN and Mr. Peter Man Kong WONG. The chairman of the Remuneration Committee is Mr. Kwok Wai CHAN. Accordingly, the majority of the members are Independent Non-executive Directors.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the overall remuneration of the directors and the senior management (i.e. the model described in the Code Provision B.1.2(c)(ii) is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

During the year under review, the Remuneration Committee has performed the following major works:

- Review the remuneration packages of the Executive Directors and senior management and make recommendation to the Board;
- Consider the remuneration packages of Mr. Chris Cheong Thard HOONG and Mr. Denny Chi Hing CHAN upon their appointment as the Executive Directors; and
- Consider the grant of share options of the Company.

The attendance records of each Committee member at the Remuneration Committee meetings held during the year ended 31 March 2013 are set out in section A.6.2 above.

Details of the remuneration of each of the Directors of the Company for the year ended 31 March 2013 are set out in note 15 to the consolidated financial statements.

### B.4 NOMINATION COMMITTEE

The Nomination Committee currently comprises 4 members, being 1 Executive Director, namely Tan Sri Dato' David CHIU, and 3 Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM. The chairman of the Nomination Committee is Tan Sri Dato' David CHIU. Accordingly, the majority of the members are Independent Non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to make relevant recommendation to the Board; to consider the retirement and re-election of the Directors of the Company and to make relevant recommendation to the Board; and to assess the independence of Independent Non-executive Directors of the Company.

During the year under review, the Nomination Committee has performed the following major works:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;
- Recommendation of the re-appointment of those Directors standing for re-election at the 2012 annual general meeting of the Company;
- Assessment of the independence of all the Independent Non-executive Directors of the Company; and

## CORPORATE GOVERNANCE REPORT (CONTINUED)

- Appointment of Mr. Chris Cheong Thard HOONG and Mr. Denny Chi Hing CHAN as the Executive Directors.

The attendance records of each Committee member at the Nomination Committee meetings held during the year ended 31 March 2013 are set out in section A.6.2 above.

### C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Company's Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Company's Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

### D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of Shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year ended 31 March 2013, the Board has conducted a review of the effectiveness of the internal control system of the Company.

### E. COMPANY SECRETARY

During the year ended 31 March 2013, Mr. Boswell Wai Hung CHEUNG, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. CHEUNG are set out in the section headed "Profile of Directors and Senior Management" in this annual report.

### F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities for the Company's financial statements for the year ended 31 March 2013 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditor in respect of audit services and non-audit services for the year ended 31 March 2013 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable HK\$
Audit services – audit fee for the year ended 31 March 2013	10,774,000
Non-audit services – interim review, tax and other services	4,367,000
<b>TOTAL:</b>	<b>15,141,000</b>

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### G. COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make the best investment decision.

Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports, interim reports and other corporate communications. In addition, the Company maintains a website at [www.fecil.com.hk](http://www.fecil.com.hk), as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 16/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong  
(For the attention of the Chief Financial Officer)  
Fax: (852) 2815 0412

In addition, Shareholders are encouraged to attend general meetings of the Company, which provide a valuable forum for dialogue and interaction with the management. Board and Board Committee members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by Shareholders.

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to their unavoidable business engagement, the Non-executive Director and one of the Independent Non-executive Directors were unable to attend the extraordinary general meetings held on 20 July 2012 and the annual general meeting held on 31 August 2012.

### H. SHAREHOLDER RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual directors, for Shareholders' consideration and voting. Besides, the Shareholders may convene an extraordinary general meeting or put forward proposals at Shareholders' meetings pursuant to the Articles as follows:

- (i) Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to convene an extraordinary general meeting by sending a written requisition to the Board at the Company's principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.
- (ii) If a Shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's registered office or principal place of business in Hong Kong. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.



---

## CORPORATE GOVERNANCE REPORT (CONTINUED)

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of Shareholders.

All resolutions put forward at Shareholders' meetings will be voted by way of poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.fecil.com.hk](http://www.fecil.com.hk)) after each Shareholders' meeting.