

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2012.

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 CG Code has been revised and renamed as the "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012. As this Corporate Governance Report covers the year ended 31 March 2012, unless the otherwise is stated, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code, not the revised Corporate Governance Code.

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 2012, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2. 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 prior to any significant transactions entered into by the senior management team.

A.2 Board Composition

The Board currently comprises seven directors, three 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 2012, the Company has met the Listing Rules requirements of having at least three independent non-executive directors 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 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.

A.3 Chairman and Chief Executive Officer

Code Provision 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.

Following the retirement of Mr. Deacon Te Ken CHIU as an executive director and Chairman of the Board and the appointment of Tan Sri Dato' David CHIU as the Chairman of the Board, 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.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company (except Mr. Kwong Siu LAM) are not appointed for a specific term of office. However, they are subject to retirement by rotation and Shareholders' re-election at annual general meetings in accordance with the Articles. The Board considers that such provision in the Articles meets the objective of the said Code Provision A.4.1.

Pursuant to Code Provision A.4.2, directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Though no proposal was made to the Shareholders for re-election of Mr. Kwong Siu LAM as a director of the Company at the Company's extraordinary general meeting held on 31 October 2011 (being the first general meeting after Mr. LAM's appointment on 8 September 2011), the Company has scheduled to submit such re-election proposal, together with proposals for re-electing other retiring directors, to its Shareholders at the 2012 AGM. This arrangement is made as the Board considers that grouping directors for re-election in the same general meeting will provide a clearer and simpler picture to the Shareholders.

In addition, pursuant to the provisions in the Articles, Mr. Daniel Tat Jung CHIU, Mr. Kwok Wai CHAN and Mr. Kwong Siu LAM shall retire and are eligible to offer themselves for re-election at the 2012 AGM. The Board recommended the re-appointment of the above three retiring directors standing for re-election at the 2012 AGM. The Company's circular, sent together with this annual report, contains detailed information of Mr. Daniel Tat Jung CHIU, Mr. Kwok Wai CHAN and Mr. Kwong Siu LAM as required by the Listing Rules.

To comply with the Code Provision A.5.1 set out in the revised Corporate Governance Code, the Company had set up its Nomination Committee on 16 March 2012. Before that, the Board as a whole took up the responsibility of the Nomination Committee and was responsible for reviewing the composition of the Board, developing and formulating relevant procedures for nomination and appointment of directors, monitoring the succession planning of directors and assessing the independence of independent non-executive directors. During the year ended 31 March 2012, the Board, through its meetings held on the following dates, performed the following works regarding matters relating to the board composition and nomination of directors:

- (i) 27 June 2011 (with the presence of Mr. Deacon Te Ken CHIU, Tan Sri Dato' David CHIU, Mr. Craig Grenfell WILLIAMS, Mr. Kwok Wai CHAN and Mr. Peter Man Kong WONG; and in the absence of Mr. Dennis CHIU, Madam Ching Lan JU CHIU, Mr. Daniel Tat Jung CHIU and Mr. Jian Yin JIANG): 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 for the business of the Group; recommendation of the re-election of the retiring directors standing for re-election at the 2011 annual general meeting of the Company; and assessment of the independence of all the Company's then independent non-executive directors.
- (ii) 5 September 2011 (with the presence of Tan Sri Dato' David CHIU, Mr. Craig Grenfell WILLIAMS, Mr. Kwok Wai CHAN and Mr. Peter Man Kong WONG and in the absence of Mr. Deacon Te Ken CHIU, Mr. Dennis CHIU, Madam Ching Lan JU CHIU, Mr. Daniel Tat Jung CHIU and Mr. Jian Yin JIANG): acceptance of retirement of Mr. Deacon Te Ken CHIU, Madam Ching Lan JU CHIU and Mr. Jian Yin JIANG as directors of the Company; appointment of Mr. Kwong Siu LAM as an independent non-executive director of the Company and a member of the Audit Committee; appointment of Mr. Deacon Te Ken CHIU as the Honorary Chairman of the Company; and appointment of Tan Sri Dato' David CHIU as the Chairman of the Board.

A.5 Board Meetings

A.5.1 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 of a 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 and reliable 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.

A.5.2 Directors' Attendance Records in Board Meetings

The Board has met regularly with a total of 5 Board meetings held during the year ended 31 March 2012 at approximately quarterly intervals for reviewing and discussing on the financial and operating performance and business plan of the Group and related matters. The attendance records of each director at the Board meetings are set out below:

Name of Director	Attendance/ Number of Board Meetings Held
Executive Directors	
Mr. Deacon Te Ken CHIU ⁽ⁱ⁾	1/2
Tan Sri Dato' David CHIU, Chairman and Chief Executive Officer	5/5
Mr. Dennis CHIU	0/5
Mr. Craig Grenfell WILLIAMS	5/5
Non-executive Directors	
Madam Ching Lan JU CHIU ⁽ⁱ⁾	0/2
Mr. Daniel Tat Jung CHIU	1/5
Independent Non-executive Directors	
Mr. Jian Yin JIANG ⁽ⁱ⁾	0/2
Mr. Kwok Wai CHAN	4/5
Mr. Peter Man Kong WONG	5/5
Mr. Kwong Siu LAM ⁽ⁱⁱ⁾	3/3

Notes:

- (i) Mr. Deacon Te Ken CHIU, Madam Ching Lan JU CHIU and Mr. Jian Yin JIANG retired as the directors of the Company at the conclusion of the Company's annual general meeting held on 8 September 2011. Before their retirement, there were a total of 2 Board meetings held during the year ended 31 March 2012.
- (ii) Mr. Kwong Siu LAM was appointed as an independent non-executive director of the Company on 8 September 2011. Subsequent to his appointment, there were a total of 3 Board meetings held during the year ended 31 March 2012.

A.6 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 2012.

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.

B. BOARD COMMITTEES

As at 31 March 2012, 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) 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 in section A.5.1 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. Dennis CHIU, Mr. Craig Grenfell WILLIAMS, Mr. Chris Cheong Thard HOONG, Mr. Denny Chi Hing CHAN 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 2012, 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 2011, 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 2011 and the related accounting principles and practices adopted by the Company;
- Review and discussion of financial reporting and internal control system of the Group; and
- Discussion and recommendation of the re-appointment of external auditor.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of the foregoing two Audit Committee meetings are set out below:

Name of Audit Committee Member	Attendance/ Number of Audit Committee Meetings Held
Mr. Kwok Wai CHAN, <i>Chairman</i>	2/2
Mr. Peter Man Kong WONG	2/2
Mr. Jian Yin JIANG ⁽ⁱ⁾	0/1
Mr. Kwong Siu LAM ⁽ⁱⁱ⁾	1/1

Notes:

- (i) Mr. Jian Yin JIANG ceased to be a member of the Audit Committee following his retirement as an independent non-executive director at the conclusion of the Company's annual general meeting held on 8 September 2011. One Audit Committee meeting was held up to his retirement.
- (ii) Mr. Kwong Siu LAM was appointed as a member of the Audit Committee on 8 September 2011. Subsequent to his appointment, there was one Audit Committee meeting held during the year ended 31 March 2012.

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 requirement of having a majority of the members being independent non-executive directors as set out in the CG Code has been met by the Company.

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. In accordance with the CG Code, no director or any of his/her associates should be involved in determining his/her own remuneration.

During the year ended 31 March 2012, the Remuneration Committee had met once to discuss about the overall remuneration of the senior management. The attendance records of the foregoing Remuneration Committee meeting are set out below:

Name of Remuneration Committee Member	Attendance/ Number of Remuneration Committee Meeting Held
Mr. Kwok Wai CHAN, <i>Chairman</i>	1/1
Tan Sri Dato' David CHIU	1/1
Mr. Peter Man Kong WONG	1/1

B.4 Nomination Committee

The Nomination Committee was established on 16 March 2012 in compliance with the Code Provision A.5.1 set out in the revised Corporate Governance Code. Tan Sri Dato' David CHIU was appointed as the chairman while Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM were appointed as the members of the Nomination Committee.

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.

Subsequent to the setting up of the Nomination Committee on 16 March 2012, no Nomination Committee meeting was held during the year ended 31 March 2012.

C. DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

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 have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2012.

Deloitte Touche Tohmatsu, the auditor of the Company, has acknowledged its reporting responsibilities in the auditor's report on the Company's financial statements for the year ended 31 March 2012.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. AUDITOR'S REMUNERATION

The remuneration paid to the external auditor in respect of audit services provided to the Company for the year ended 31 March 2012 amounted to HK\$11,569,000.

E. 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 2012, the Board has conducted a review of the effectiveness of the internal control system of the Company.

F. 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, 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. Investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

Shareholders of the Company are encouraged to attend general meeting 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.

G. SHAREHOLDER RIGHTS

As one of the measures 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 rights of shareholders for proposing resolutions are contained in the Articles.

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) and the Company (www.fecil.com.hk) after each shareholders' meeting.