

# Corporate Governance Report

## Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Board of Directors of the Company (the "Board") has adopted its own code on corporate governance practices (the "CG Code") which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), also incorporates the local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries (the "Group") and the Company considers that effective corporate governance makes an important contribution to corporate success and to enhancement of shareholders value.

Throughout the year 2005, the Company has complied with the SEHK Code, except for the following:

- Code Provision

Code provision of the SEHK Code	Deviation	Considered reason for deviation
Separation of the role of Chairman and Chief Executive Officer of a listed issuer.	Mr Chee Chen TUNG currently assumes the role of both Chairman and Chief Executive Officer of the Company.	The executive members of the Board currently consist of chief executive officers of its principal divisions and there is effective separation of the roles between chief executives of its principal divisions and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

- Recommended Best Practice
  - a nomination committee has not been established
  - the remuneration of senior management is disclosed in a band
  - the announcement and publication of quarterly operational results instead of financial results

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This report also provides the status of the Company's compliance with Appendix 23 to the Listing Rules as follows:

## **A. BOARD OF DIRECTORS**

### **1. Board Composition**

The Board currently comprises five Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors.

#### *Executive Directors*

Mr Chee Chen TUNG (*Chairman, President and Chief Executive Officer*)

Mr Tsann Rong CHANG (*Vice Chairman*)

Mr Nicholas David SIMS (*Vice President and Chief Financial Officer*)

Mr Philip Yiu Wah CHOW

Mr Alan Lieh Sing TUNG

#### *Non-Executive Director*

Mr Roger KING

#### *Independent Non-Executive Directors*

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Professor Richard Yue Chim WONG

The list of Directors including their name, title and biography are set out on its website at <http://www.ooilgroup.com>.

The Directors other than those with service contracts, have formal letters of appointment, setting out the key terms and conditions of their appointment, and are for a fixed term of three years, renewable or extendable automatically by three years on the expiry of such initial term and every successive period of three years and are subject to re-election by rotation at least once every three years.

The Directors have extensive corporate and strategic planning experience and industry knowledge. All Independent Non-Executive Directors are financially independent from the Group. The Independent Non-Executive Directors bring independent judgment to the Group's strategy and policies through their informed contributions. The Board considers that there is a reasonable balance between executive and non-executive Directors and has provided adequate checks and balances for safeguarding the interests of shareholders and the Group.

The Board has received from each Independent Non-Executive Director a written confirmation of their independence and considers the Independent Non-Executive Directors to be independent of the Group.

During 2005, the Board has complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors, including one with appropriate professional qualifications or accounting or related financial management expertise.

Among the members of the Board, Mr Roger KING is the brother-in-law of Mr Chee Chen TUNG, and Mr Alan Lieh Sing TUNG is the nephew of both Mr Chee Chen TUNG and Mr Roger KING.

The Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Company and directors and officers of its subsidiaries.

## 2. Board Responsibilities

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirement.

The Board has fiduciary duty and statutory responsibility towards the Company and the Group. Other responsibilities include formulation of the Group's overall strategy and policies, setting of corporate and management targets and key operational initiatives, setting of policies on risk management pursuant to the Group's strategic objectives, monitoring and control of operational and financial performance, and approval of budgets and major capital expenditures, major investments, material acquisitions and disposals of assets, corporate or financial restructuring, significant operational financial and management matters.

The Board delegates day-to-day management of the business of the Group to the management of the relevant principal divisions and certain specific responsibilities to six committees (Executive, Audit, Remuneration, Finance, Share and Compliance). The composition and functions of each committee are described below. These committees have specific functions and authority to examine issues and report to the Board with their recommendations, (if appropriate). The final decision rests with the Board, unless otherwise provided for in the terms of reference of the relevant committees.

The Company Secretary provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any Director may request the Company Secretary to organise independent professional advice at the expense of the Company to assist the Directors to effectively discharge their duties to the Company.

## 3. Chairman and Chief Executive Officer

Mr Chee Chen TUNG is the Chairman and the Chief Executive Officer of the Company with the respective roles set out in writing.

- a. The primary role of the Chairman is to provide leadership to the Board and to ensure that the Board functions effectively in the discharge of its responsibilities. His duties include to:
  - ensure that Directors are briefed and have received accurate, complete, timely and clear information on issues to be discussed at Board meetings;
  - ensure that the Board has considered all key and appropriate issues in a timely manner and that good corporate governance practices and procedures are established, implemented and maintained;
  - approve the agenda drawn up by the Company Secretary for each Board meeting taking into account any matters proposed by other Directors for inclusion in the agenda;
  - encourage Directors to contribute fully and actively in the affairs of the Company and the Group and take lead to ensure that the Board acts in the best interests of the Company and the Group;

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- at least annually to hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the other Executive Directors to facilitate the effective contribution of those Non-Executive Directors and Independent Non-Executive Directors (in particular) and to promote a constructive relationship amongst Executive Directors, Non-Executive Directors and Independent Non-Executive Directors;
  - ensure effective communication with shareholders and that the views of shareholders are communicated to the Board; and
  - attend the annual general meetings and arrange for the chairman of the Audit Committee, or in the absence of the chairman of Audit Committee, other members of the Audit Committee, to be available to answer questions at the annual general meetings.

In case of an equality of votes at any Board meetings, whether on a show of hands or by poll, the Chairman shall be entitled to a second or casting vote.

b. The primary role of the Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and Group business. These duties include to:

- provide leadership and supervise the effective management of the principal divisions of the Group;
- monitor and control the operational and financial performance of the various principal divisions of the Group;
- implement and report to the Board on the adoption of the Company's strategy, policies and objectives by the principal divisions of the Group;
- provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the various principal divisions of the Group; and
- set up programmes for management development and succession planning for the principal divisions of the Group.

#### **4. Board Meetings**

The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and to ensure that applicable rules and regulations regarding the meetings are observed. The final agenda together with the Board papers are distributed to the Directors at least three days before the Board meetings.

During 2005, five Board meetings were held with an average attendance rate of 91.1%. The individual attendance record of each Director is as follows:

Directors	No. of meetings attended	Attendance rate
<i>Executive Directors</i>		
Mr Chee Chen TUNG	5 out of 5	100%
Mr Tsann Rong CHANG	5 out of 5	100%
Mr Nicholas David SIMS	5 out of 5	100%
Mr Philip Yiu Wah CHOW	5 out of 5	100%
Mr Alan Lieh Sing TUNG*	3 out of 3	100%
<i>Non-Executive Director</i>		
Mr Roger KING	5 out of 5	100%
<i>Independent Non-Executive Directors</i>		
Mr Simon MURRAY	3 out of 5	60%
Dr Victor Kwok King FUNG	5 out of 5	100%
Professor Richard Yue Chim WONG	3 out of 5	60%

\* appointed on 1st May 2005

If a Director (who may also be a substantial shareholder of the Company) has a conflict of interest in any matter to be considered by the Board, the Company Secretary shall ensure that such matter is not dealt with by way of written resolution or by a committee (except if that committee was specifically established for such purpose by the Board or by the terms of reference of such committee). If considered appropriate, the Board meeting shall be attended by Independent Non-Executive Directors who have no material interest in the matter. The affected Director shall abstain from voting on any such resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at that Board meeting.

The Company Secretary shall ensure that the procedures and applicable rules and regulations are observed. Copies of all signed minutes of the Board are sent to the Directors for their record.

## 5. Supply of and Access to Information

All Directors have access to Board and Committees papers and other material either from the Company Secretary or Chairman so that they are able to make informed decisions on matters placed before them.

## 6. Nomination of Directors

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

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During 2005, Mr Alan Lieh Sing TUNG, the managing director of Orient Overseas Development Limited, a wholly owned subsidiary of the Company and holding company of the Group's property division, was appointed an Executive Director on 1st May 2005. Mr TUNG's appointment was approved by the Board at the Board meeting held on 10th March 2005.

Each Director shall, after his appointment and semi-annually thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments.

At the annual general meeting of the Company held on 22nd April 2005 (the "2004 AGM"), Mr Chee Chen TUNG, Mr Nicholas David SIMS and Mr Simon MURRAY were re-elected as Directors of the Company. Mr MURRAY has served the Company for more than nine years and was re-elected by a separate shareholders' resolution.

## 7. Board Committees

In addition to the Audit Committee and Remuneration Committee, established in compliance with the Listing Rules, the other committees comprise the Executive Committee, Finance Committee, Share Committee and Compliance Committee. Each Committee has its own defined scope of duties and terms of reference. The Company Secretary shall make available the terms of reference of the committees to any shareholder upon receipt of a request in writing from the shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee. Copies of all signed minutes of the committees are sent to the Directors for their record.

### a. Executive Committee

The Executive Committee currently comprises Mr Chee Chen TUNG (Chairman), Mr Tsann Rong CHANG, Mr Nicholas David SIMS and Mr Philip Yiu Wah CHOW with Ms Lammy LEE, as the secretary of the Executive Committee.

The Executive Committee operates as an executive management committee under the direct authority of the Board. Its primary duties include to:

- formulate strategy and policies and to set corporate and management targets and operational initiatives and policies on risk management for the principal divisions of the Group and plans and operational directions for the Group;
- monitor, control and manage operational and financial performance and the business affairs of the principal divisions of the Group;
- review, discuss and approve (if appropriate) (i) press announcements, circulars and other documents (including price sensitive and financial information) required to be disclosed pursuant to Listing Rules, regulatory or statutory requirements; (ii) submissions from the Finance Committee, the Share Committee and the Compliance Committee and, if appropriate, to recommend to the Board for consideration and approval;
- approve capital expenditure for a specified amount; and to
- liaise and consult with, advise and make recommendations to its subsidiaries and make such decisions with regard thereto as the Executive Committee shall in its absolute discretion think fit, and refer such matters as it thinks fit to the Board of the Company for consideration, approval and/or ratification, if necessary.

During 2005, fifteen meetings were held by the Executive Committee with an average attendance rate of 96.65%. The individual attendance record of each member of the Executive Committee is as follows:

Members	No. of meetings attended	Attendance rate
Mr Chee Chen TUNG	15 out of 15	100%
Mr Tsann Rong CHANG	13 out of 15	86.66%
Mr Nicholas David SIMS	15 out of 15	100%
Mr Philip Yiu Wah CHOW	15 out of 15	100%

**b. Audit Committee**

The Audit Committee currently comprises three members, all of whom are Independent Non-Executive Directors, namely, Dr Victor Kwok King FUNG (chairman), Mr Simon MURRAY and Professor Richard Yuen Chim WONG with Mr Vincent FUNG, the Head of Internal Audit as the secretary and Ms Lammy LEE as the assistant secretary of the Audit Committee.

The primary duties of the Audit Committee include to:

- make recommendation to the Board on the appointment and removal of external auditors and to assess their independence and performance;
- review the effectiveness of financial reporting processes and internal control systems of the Group and to monitor the integrity thereof;
- review the completeness, accuracy and fairness of the Company's financial statements before submission to the Board;
- consider the nature and scope of internal audit programmes and audit reviews;
- ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosure; and to
- establish procedures for and to monitor, receive, retain and handle complaints received by the Company regarding accounting, internal controls or auditing matters.

During 2005, two meetings were held by the Audit Committee with an average attendance rate of 83.33%. The individual attendance record of each member of the Audit Committee is as follows:

Members	No. of meetings attended	Attendance rate
Mr Simon MURRAY	1 out of 2	50%
Dr Victor Kwok King FUNG	2 out of 2	100%
Professor Richard Yue Chim WONG	2 out of 2	100%

The external auditors, the Chief Financial Officer, the Group Financial Controller, the General Manager – Finance of Orient Overseas Container Line Limited also attend the Audit Committee meetings at the invitation of the Audit Committee.

During 2005, the work performed by the Audit Committee included:

- (i) the review of the annual accounts for 2004 with a recommendation to the Board for approval;
- (ii) the review of significant audit and accounting issues arising from the external auditors' statutory audit of the annual accounts for 2004 including issues arising from the review of the interim accounts for 2005;
- (iii) the review of the interim accounts for 2005 with a recommendation to the Board for approval;
- (iv) the review of the external auditors' audit strategy and approach;
- (v) the review of the Internal Audit Department's annual audit objectives and areas of coverage;
- (vi) the review of the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group;
- (vii) the review of the impact of the new and revised accounting standards on the Company;
- (viii) the review of the effectiveness of the internal control systems;
- (ix) the review of the revised terms of reference of the Audit Committee to conform with the SEHK Code; and
- (x) the review of the continuing connected transactions prior to the review and confirmation by the Independent Non-Executive Directors, as required under the conditions of the waiver granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").



**c. Remuneration Committee**

The Remuneration Committee currently comprises Mr Chee Chen TUNG (Chairman) and two (2) Independent Non-Executive Directors of the Company, Dr Victor Kwok King FUNG and Professor Richard Yue Chim WONG, with Ms Lammy LEE, as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

- establish and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including performance-based bonus scheme;
- review from time to time and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including the performance-based bonus scheme; and to
- review and recommend for the Board's consideration remuneration packages and compensation arrangements for loss of office of Executive Directors and senior management of the Company.

During 2005, two meetings were held by the Remuneration Committee with an average attendance rate of 83.33%. The individual attendance record of each member of the Remuneration Committee is as follows:

<b>Members</b>	<b>No. of meetings attended</b>	<b>Attendance rate</b>
Mr Chee Chen TUNG	1 out of 2	50%
Dr Victor Kwok King FUNG	2 out of 2	100%
Professor Richard Yue Chim WONG	2 out of 2	100%

During 2005, a consultant was appointed to advise the Remuneration Committee in relation to the Executive Directors' emolument arrangements with the objective of developing a fair and competitive compensation package and maintaining a high degree of motivation for the benefit of the Company and its subsidiaries.

The Board accepted the recommendations of the Remuneration Committee that the emoluments of the Executive Directors of the Company for 2005 shall continue to be comprised of their respective remunerations as determined by reference to market terms, their individual experience, duties and responsibilities within the Company and its subsidiaries (if applicable) and the Executive Directors also participate in a performance-based discretionary bonus scheme determined by reference to the Company's and the individual's performance. No Director is involved in determining his own remuneration.

**d. Finance Committee**

The Finance Committee currently comprises Mr Tsann Rong CHANG (Chairman), Mr Nicholas David SIMS and Mr Philip Yiu Wah CHOW with Ms Lammy LEE, as the secretary of the Finance Committee.

The primary duties of the Finance Committee include to:

- assist in the financial requirements of the Group including financing, refinancing, leasing, purchase and sale of vessels, properties, equipment and the financing of the business operations of the Group;
- report to the Board on its decisions, and any matters in respect of which it considers that action is needed, and its recommendations as to the steps to be taken; and to
- discuss and review the disclosure obligations of the Company on financial, accounting or related issues on compliance with the Listing Rules and refer transactions with their recommendations to the Executive Committee of the Company, for its approval.

During 2005, nine meetings were held by the Finance Committee with an average attendance rate of 92.59%. The individual attendance record of each member of the Finance Committee is as follows:-

<b>Members</b>	<b>No. of meetings attended</b>	<b>Attendance rate</b>
Mr Tsann Rong CHANG	9 out of 9	100%
Mr Nicholas David SIMS	8 out of 9	88.88%
Mr Philip Yiu Wah CHOW	8 out of 9	88.88%

**e. Share Committee**

The Share Committee currently comprises Mr Tsann Rong CHANG (Chairman), Mr Nicholas David SIMS and Mr Philip Yiu Wah CHOW with Ms Lammy LEE, as the secretary of the Share Committee.

The primary duties of the Share Committee include to:

- deal with and grant approval on the removal of the ordinary shares of the Company from the Principal Register in Bermuda to the Branch Register in Hong Kong or vice versa;
- deal with share transactions including, but not limited to, share repurchases, the issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and the placement of the Company's shares;
- give authorisation to the Company's Principal Registrar and Branch Registrar to issue share certificates to shareholders who have reported loss of share certificates and in connection with the above share transactions; and to
- discuss and review the disclosure obligations of the Company on share transactions and compliance with the Listing Rules.

No meeting was held by the Share Committee in the year 2005.

**f. Compliance Committee**

The Compliance Committee currently comprises Ms Lammy LEE (Chairperson), Mr Nicholas David SIMS, Mr Kit Man FUNG and Mr Vincent FUNG.

The primary duties of the Compliance Committee is to ensure the Company's and its subsidiaries' compliance with disclosure obligation pursuant to the Listing Rules on notifiable transactions, connected transactions and continuing connected transactions; advance to an entity, financial assistance and guarantees to affiliated companies of the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules and corporate governance compliance and reporting pursuant to Appendix 14 and Appendix 23 to the Listing Rules.

During the year 2005, three meetings were held by the Compliance Committee with an average attendance rate of 88.89%. The individual attendance record of each member of the Compliance Committee is as follows:

<b>Members</b>	<b>No. of meetings attended</b>	<b>Attendance rate</b>
Ms Lammy LEE	3 out of 3	100%
Mr Nicholas David SIMS	2 out of 3	66.67%
Mr Kit Man FUNG	3 out of 3	100%
Mr Vincent FUNG	3 out of 3	100%

**8. Securities Transactions by Directors**

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company's own code and the Model Code for the year ended 31st December 2005.

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## 9. Share Interests of Directors and Senior Management

### a) Directors

Directors' interests in the shares of the Company are set out on pages 73 and 74 in this annual report.

### b) Senior Management's Share Interests

As at 31st December 2005, the senior management of the Company had the following interests in the shares of the Company:

Name	Number of shares interested
Mr Ted Ching Yu WANG	110,000
Mr Moustapha Cheng-Lung TING	—
Mr Peter Pan Shih LENG	—
Mr Allan Tak Sing WONG	150,500
Mr Kenneth Ching Kang CHIH	—

## 10. Emoluments of Directors and Senior Management

### a) Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2005 are set out on page 115 of this annual report.

### b) Emoluments of Senior Management

The emoluments of the senior management of the Company for the year ended 31st December 2005 are set out below:

Emoluments bands (US\$)	No. of individual(s)
1,346,001-1,410,000 (HK\$10,500,001-HK\$11,000,000)	1
1,474,001-1,538,000 (HK\$11,500,001-HK\$12,000,000)	1
1,602,501-1,666,600 (HK\$12,500,001-HK\$13,000,000)	2
1,923,001-1,987,100 (HK\$15,000,001-HK\$15,500,000)	1
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## B. ACCOUNTABILITY AND AUDIT

### 1. External Auditors

PricewaterhouseCoopers have been re-appointed as the Company's external auditor by shareholders at the 2004 AGM until the conclusion of the next annual general meeting.

The fee in respect of audit and non-audit services provided by the external auditors to the Company for the year ended 31st December 2005 is set out on page 118 note 11 to the consolidated accounts of this annual report.

### 2. Directors' and Auditors' acknowledgement

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31st December 2005.

Messrs PricewaterhouseCoopers, the auditors of the Company, acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31st December 2005.

### 3. Internal Controls

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts reviews on the effectiveness of these systems at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management of the Company and principal divisions and review of significant issues arising from internal and external audits. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to maintain proper accounting records, for the reliability of financial information used within the business or for publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

The Board has established the following measures to provide effective internal controls:

- A distinct organisational structure for each principal division with defined authority responsibilities and control/measures.
- An annual budget for each principal division allocating resources in accordance with identified and prioritised business opportunities. The annual budget for each principal division is approved by the Board on an annual basis.
- A comprehensive management accounting system for each principal division to provide financial and operational performance indicators to the relevant management, and financial information for reporting and disclosure purpose. Actual operational results are measured against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheets are regularly reviewed and updated. Variances to budget are analysed and explained and appropriate action taken, if necessary.
- Systems and procedures are in place to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Committee and the management of the respective principal divisions.
- Clearly defined procedures are in place for the control of capital and major expenditure commitments, off-balance sheet financial instruments and the supervision, control and review of the investment portfolio.
- The Internal Audit Department performs independent reviews of the risks and controls identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

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The internal audit function, which is centrally controlled, monitors compliance with policies and standards as well as the effectiveness of internal control structures across the Company and the Group. Using a risk-based approach, the Internal Audit Department plans its internal audit schedules annually in consultation with, but independent of, management of the Company and the principal divisions. Independent reviews of different financial, business and functional operations and activities are conducted with audit resources being focused on higher risk areas. Ad hoc reviews are also conducted on areas of concern identified by the Audit Committee and management of the Company and the principal divisions. The management of the Company and the relevant principal divisions including the affected subsidiary are notified of the deficiencies noted for rectification, and the Internal Audit Department follows up with the implementation of audit recommendations. Significant internal control weaknesses are brought to the attention of the Audit Committee.

To preserve the independence of the internal audit function, the Head of Internal Audit reports functionally to the Audit Committee whose chairman is an Independent Non-Executive Director who has direct access to the Board. No suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations have been brought to the Board's attention to cause the Board believe that the systems of internal control are inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the SEHK Code for the year ended 31st December 2005.

The Company has implemented the following procedures and internal controls for the handling and dissemination of price sensitive information:

- a) it monitors any price sensitive information and makes appropriate announcement as required by the Listing Rules;
- b) it conduct its affairs by reference to the "Guide on disclosure of price-sensitive information" issued by the Stock Exchange;
- c) it has established procedures for handling external affairs about the Group; and
- d) it has established guidelines to be followed by senior management and employees in dealing with confidential and insider information.

### **C. COMMUNICATION WITH SHAREHOLDERS**

The Company attaches great importance to communications with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management. The Chairman of the Board and the chairman of the Audit Committee, or in their absence, another member of the relevant committee, are available at the annual general meetings to answer questions from shareholders on the business of the Group. A separate resolution is proposed by the Chairman in respect of each issue at the general meeting.

The most recent shareholders' meeting was the 2004 AGM held at the Renaissance Harbour View Hotel, Wanchai, Hong Kong, at which the following resolutions were passed with the voting results as follows:

	Resolutions	Ordinary/Special	Number of votes by poll (%)	
			For	Against
1.	To adopt the audited financial statements for the financial year ended 31st December 2004.	Ordinary	439,525,701 (99.9973%)	12,000 (0.0027%)
2.	To declare the final dividend.	Ordinary	441,107,254 (99.9973%)	12,000 (0.0027%)
3.	To allot and issue bonus shares.	Ordinary	441,948,101 (99.9973%)	12,000 (0.0027%)
4(a)(i).	To re-elect Mr Chee Chen TUNG as a Director.	Ordinary	440,381,901 (99.6499%)	1,547,200 (0.3501%)
4(a)(ii).	To re-elect Mr Nicholas David SIMS as a Director.	Ordinary	440,376,717 (99.6499%)	1,547,200 (0.3501%)
4(a)(iii).	To re-elect Mr Simon Murray as an Independent Non-Executive Director.	Ordinary	440,376,717 (99.6499%)	1,547,200 (0.3501%)
4(b).	To authorise the Board to fix the remuneration of Directors.	Ordinary	440,470,701 (99.6700%)	1,458,400 (0.3300%)
5.	To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company.	Ordinary	440,764,101 (99.7109%)	1,278,000 (0.2891%)
6(a).	To grant a general mandate to Directors to issue additional shares in the Company.	Ordinary	396,393,826 (89.6425%)	45,800,474 (10.3575%)
6(b).	To grant a general mandate to Directors to repurchase shares of the Company.	Ordinary	441,891,501 (99.9659%)	150,600 (0.0341%)
6(c).	To extend the general mandate to issue shares of the Company.	Ordinary	441,931,100 (99.9952%)	21,000 (0.0048%)
7.	To amend the Bye-laws of the Company.	Special	442,030,088 (99.9973%)	12,012 (0.0027%)

Shareholders who wish to put forward proposals at shareholders' meetings or who have enquiries to put to the Board of the Company may write to the Company Secretary at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The procedures for shareholders to convene a special general meeting are available on our website or on request to the Company Secretary in writing.

## D. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communication with its investors. The Company's investor relations team maintains regular dialogue with institutional investors, analysts and fund managers to keep them abreast of the Group's development.

Shareholders, investors and members of the public are able to access up-to-date corporate information and events related to the Group on the Company's website.

### 1. Significant changes in Bye-laws

The Bye-laws of the Company were amended and approved by shareholders at the 2004 AGM to align them with the changes of the Listing Rules. Except for the above, there were no significant changes to the Company's Bye-laws.

### 2. Shareholdings Information

As at 31st December 2005:

Authorised share capital: US\$205,000,000, comprising 900,000,000 ordinary shares of US\$0.1 each, 65,000,000 convertible redeemable preferred shares of US\$1 each and 50,000,000 redeemable preferred shares of US\$1 each.

Issued and fully-paid up capital: US\$62,579,329.7 comprising 625,793,297 ordinary shares of US\$0.1 each.

Details of shareholding of the ordinary shares of the Company by category as at 31st December 2005 are as follows:

Category	Number of shareholders	Shareholders % of total	Number of shares
Corporate	40	3.66%	613,506,813
Untraceable Shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.09%	2,740
Individual	1,051	96.25%	12,283,744
Total	1,092	100.00%	625,793,297

Details of shareholding of the ordinary shares of the Company by range as at 31st December 2005 are as follows:-

Number of Shares held	Number of shareholders	Shareholders % of total
1-10,000	980	89.75%
10,001-100,000	88	8.06%
100,001-1,000,000	15	1.37%
1,000,001 or above	9	0.82%
Total	1,092	100.00%

### 3. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of its public float exceeds 25% as at 31st December 2005.

### 4. Financial Calendar

Important dates for the coming financial year are set out on page 49 of this annual report.