

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Board”) of Meadville Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) recognizes the importance of corporate governance practice to a listed company. The Company is committed to ensure high standards of corporate governance in the interest of the shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). In addition to the mandatory Code, the Board will also continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in Appendix 14 to the Listing Rules whenever suitable and appropriate.

As the Company was listed on 2 February 2007 (the “Listing Date”), the Company was not required to comply with the requirements under the Code or the continuing obligations requirements of a listed company pursuant to the Listing Rules for the year ended 31 December 2006. The Company has applied the principles and complied with all the applicable code provisions set out in the Code since the Listing Date.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding directors’ securities transactions adopted by the Company since the Listing Date.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises four executive directors and three independent non-executive directors.

The composition of the Board’s members is as follows:

### Executive Directors

Mr Tang Hsiang Chien	Honourary Founding Chairman
Mr Tang Chung Yen, Tom	Executive Chairman and Group Managing Director
Mr Chung Tai Keung, Canice	Chief Executive Officer
Ms Tang Ying Ming, Mai	Chief Financial Officer

### **Independent Non-executive Directors**

Mr Lee, Eugene

Mr Leung Kwan Yuen, Andrew

Dr Li Ka Cheung, Eric

The Board sets directions and formulates overall strategies of the Group, monitors its overall performance and maintains effective supervision over the management running the Group through relevant committees of the Board in a sound and efficient manner.

The independent non-executive directors have been appointed for a specific term of service. They are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company.

The Board will have four scheduled meetings a year and meet at other times as and when required to review business strategies and financial and operating performance.

Mr Tang Hsiang Chien is the father of Mr Tang Chung Yen, Tom and Ms Tang Ying Ming, Mai. Save as disclosed above, during the year, none of the other Directors has or maintained any financial, business, family or other material, relevant relationship with any of the other Directors.

### **THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The Executive Chairman is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner while the Chief Executive Officer is responsible for running the Group's business and the implementation of the approved strategies of the Group.

### **DELEGATION BY THE BOARD**

The Board has set up three Board committees, namely Audit Committee, Nomination Committee and Remuneration Committee on 12 January 2007, each chaired by different independent non-executive director, as well as an Executive Committee on 28 March 2007 chaired by the Executive Chairman of the Company.

### **Audit Committee**

The Audit Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board of directors. The Audit Committee comprises three independent non-executive directors, namely Mr Lee, Eugene, Mr Leung Kwan Yuen, Andrew and Dr Li Ka Cheung, Eric. Mr Lee, Eugene is the chairman of the Audit Committee and possesses financial management expertise. The Audit Committee meeting will be held at least twice a year.

The major duties and responsibilities of the Audit Committee include review of the effectiveness of the Group's financial reporting processes and internal control system. The duties of the Audit Committee also include review of the scope and nature of the audit carried out by the Company's auditors. The Group's annual results for the year ended 31 December 2006 have been reviewed by the Audit Committee at the Audit Committee meetings held on 23 and 28 March 2007 with all committee members present at the meetings.

The Audit Committee shall meet with external auditors at least annually in the absence of the management of the Company to discuss any issues from the audit and any other matters the external auditors may wish to raise.

The Directors acknowledge their responsibilities for the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The statement issued by the auditors of the Company regarding its reporting responsibilities was set out in detail in the Report of Auditors on pages 31 and 32.

#### **Nomination Committee**

The Nomination Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises Mr Leung Kwan Yuen, Andrew as chairman, Dr Li Ka Cheung, Eric, Mr Lee, Eugene, Mr Chung Tai Keung, Canice, and Ms Tang Ying Ming, Mai. The Nomination Committee meeting will be held at least once a year.

The primary duties of the Nomination Committee include making recommendations to the Board on appointment of directors and review of the structure, size and composition of the Board on a regular basis. A meeting of the Nomination Committee was held on 28 March 2007 with four committee members present at the meeting.

#### **Remuneration Committee**

The Remuneration Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board of directors. The Remuneration Committee comprises Dr Li Ka Cheung, Eric as chairman, Mr Leung Kwan Yuen, Andrew, Mr Lee, Eugene, Mr Chung Tai Keung, Canice, and Ms Tang Ying Ming, Mai. The Remuneration Committee meeting will be held at least once a year.

The primary duties of the Remuneration Committee include review of and recommendations to the Board on the remuneration structure for all directors and senior management of the Group. A meeting of the Nomination Committee was held on 28 March 2007 with all committee members present at the meeting.

#### **Executive Committee**

The Executive Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board of directors. The Executive Committee comprises all the Executive Directors, namely, Mr Tang Chung Yen, Tom as chairman, Mr Tang Hsiang Chien, Mr Chung Tai Keung, Canice, and Ms Tang Ying Ming, Mai.

The primary duties of the Executive Committee include supervision of day-to-day management of the Group. The Executive Committee may meet together for the dispatch of business from time to time as they think fit.

### **Management Function**

The Company's articles of association set out matters which are specifically reserved to the Board for its decision. The management team meet together regularly to review and discuss with executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management in carrying out the directions and strategies set by the Board correctly and appropriately.

### **AUDITORS' REMUNERATION**

During the year ended 31 December 2006, the fees paid and payable to the auditors in respect of audit and non-audit services provided by the auditors of the Company, PricewaterhouseCoopers, were as follows:

<b>Nature of services</b>	<b>Amount (HK\$'000)</b>
Audit services	2,100
Non-audit services	508
Reporting accountants in relation to the listing	7,000