



## CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining a high standard of corporate governance practices and policies to enhance greater transparency and accountability and in the interests of the Shareholders. The Company has all along applied the principles in and complied with, to the extent as practicable, the CG Code.

Throughout the year ended 31 December 2008 and up to the date of this report, the Company has complied with the code provisions, and to certain extent the recommended best practices, set out in the CG Code.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a Code of Conduct on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2008.

### **BOARD OF DIRECTORS**

The Board is responsible for overseeing the overall strategies, supervision of the management and affairs as well as monitoring of the overall operation and performance of the Group, with the objective of enhancing and promoting the success of the Group.

The Board delegated certain authority and responsibility to the management of the Group. In addition, the Board has also delegated various responsibilities to several Board committees.

#### **Board composition**

As at the date of this report and throughout 2008, the Board comprises seven members. Four are Executive Directors and three are Independent Non-executive Directors. Their biographical details and respective relationships with other Directors and senior management of the Group are set out on pages 32 to 38 and whose respective interests in the Company are set out on page 42 of this annual report. Save as disclosed therein, there is no financial, business, family or other material/ relevant relationship among the Directors.

The composition of the Board ensures the existence of a strong independence element on it and has met the recommended practice under the CG Code for the Board to have at least one-third in number of its members being Independent Non-executive Directors.



## Corporate Governance Report

### Appointment, re-election and removal of Directors

Pursuant to articles 109 and 110 of the Company's articles of association, a person may be appointed as a member of the Board at any time either by the Shareholders in a general meeting or by the Board. Director so appointed must retire at the next general meeting after his appointment, and shall not be taken into account in determining the number of Directors who are to retire by rotation at that next annual general meeting.

Pursuant to article 106 of the Company's articles of association and the CG Code, no less than one-third of the Directors for the time being shall retire from office by rotation at each AGM provided that every director shall be subject to retirement by rotation at least once every three years. Retiring directors shall be eligible for re-election.

Pursuant to article 112 of the Company's articles of association, the Company may remove any Director by an ordinary resolution at a general meeting.

#### *Executive Directors:*

All Executive Directors possess the qualifications and extensive experiences in their respective areas of responsibility and most of them have been working for the Group for many years. Under the Executive Chairman's leadership, Executive Directors are able to maintain the success of the Group's business by effective and efficient strategic decision making and control. The four Executive Directors are:

Mr. Tang Hsiang Chien (*Honourary Founding Chairman*)

Mr. Tang Chung Yen, Tom (*Executive Chairman and Group Managing Director*)

Ms. Tang Ying Ming, Mai (*Vice Chairman*)

Mr. Chung Tai Keung, Canice (*Chief Executive Officer*)



## Corporate Governance Report

### *Independent Non-executive Directors:*

All Independent Non-executive Directors have appropriate professional qualifications with different expertise in accounting, finance, legislation and industry sector. Their mix of experience, and their independent view on matters of the Group provide constructive comments and suggestions to the Board, contributing to the proper functioning of the Board and safeguarding the interests of the Shareholders and the Company as a whole. The three Independent Non-executive Directors are:

Mr. Lee, Eugene  
 Mr. Leung Kwan Yuen, Andrew  
 Dr. Li Ka Cheung, Eric

The Company has received from each of the Independent Non-executive Directors a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and is satisfied of their independence.

### **Board practices**

It is the practice of the Board that the Board has four scheduled meetings a year at approximately quarterly interval and meets as and when required to discuss the overall strategy implementation as well as the performance of the Group. Members of the Board have full access to relevant information at the meetings.

During the year, the Board held 4 meetings. The attendance of the Directors at the meetings is set out as follows:

	<b>Attendance</b>	
<i>Executive Directors</i>		
Mr. Tang Chung Yen, Tom (Executive Chairman and Group Managing Director)	50%	2/4
Mr. Tang Hsiang Chien	75%	3/4
Ms. Tang Ying Ming, Mai	100%	4/4
Mr. Chung Tai Keung, Canice	100%	4/4
<i>Independent Non-executive Directors</i>		
Mr. Lee, Eugene	100%	4/4
Mr. Leung Kwan Yuen, Andrew	75%	3/4
Dr. Li Ka Cheung, Eric	75%	3/4

## Corporate Governance Report

All Directors are given an opportunity to include matters in the agenda for Board meetings. Formal notice of at least fourteen days is given for a regular Board meeting. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary, as far as possible, attends all Board/committee meetings to advise on corporate governance and statutory compliance when necessary.

Detailed minutes of the Board and its committees are kept by the Company Secretary and are circulated to the Directors and are open for inspection by the Directors.

Each Director was provided with a package of orientation materials setting out the duties and responsibilities of Directors under Listing Rules, related ordinance and relevant regulatory requirements of Hong Kong when he or she was appointed.

### Access for supporting

The Directors may have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable regulations and rules, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. When it is required, the Board provides separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Appropriate insurance cover has been arranged in respect of legal action arising from the business of the Group against its Directors.

## EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Executive Chairman and Chief Executive Officer of the Company are held by separate individuals to maintain and preserve independence and an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

The Executive Chairman provides leadership to the Board so that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Executive Chairman has delegated the responsibility for drawing up the notice and agenda for each Board meeting to the Company Secretary.

The Chief Executive Officer is responsible for the formulation of business directions and operational decisions of the management and performance of the Group. The Chief Executive Officer, together with the other Executive Directors and management team, is responsible for the implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.



## Corporate Governance Report

### BOARD COMMITTEES

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by four Board committees, namely Executive Committee, Nomination Committee, Remuneration Committee and Audit Committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board. The detailed terms of reference of the four committees can be found on the Company's website at [www.meadvillegroup.com](http://www.meadvillegroup.com). All of these committees are provided with sufficient resources to discharge their duties.

#### Executive committee

The Executive Committee was established on 28 March 2007 with written terms of reference adopted on the same date. The Executive Committee currently comprises four members. The Chairman of the Executive Committee is Mr. Tang Chung Yen, Tom and the other members are Mr. Tang Hsiang Chien, Ms. Tang Ying Ming, Mai and Mr. Chung Tai Keung, Canice. All of the committee members are Executive Directors.

The Executive Committee has been delegated with powers from the Board to deal with the day-to-day management of the Group.

The Executive Committee held 3 meetings during the year ended 31 December 2008 to review, discuss and deal with the operational matters of the Group.

#### Nomination committee

The Nomination Committee was established on 12 January 2007 with written terms of reference adopted on the same date. The Nomination Committee currently comprises five members. The Chairman of the Nomination Committee is Mr. Leung Kwan Yuen, Andrew and the other members are Mr. Lee, Eugene, Dr. Li Ka Cheung, Eric, Ms. Tang Ying Ming, Mai and Mr. Chung Tai Keung, Canice. Three out of the five committee members are the Independent Non-executive Directors.

The major responsibilities of the Nomination Committee are as follows:

- to consider the selection criteria of Directors, and develop procedures for the sourcing and selection of members of the Board;
- to identify and nominate candidates to fill casual vacancies of Directors for the Board's approval;
- to review the structure, size and composition of the Board on a regular basis, considering, inter alia, the skills, knowledge, length of service, the breadth of expertise of the Board as a whole, and make recommendations to the Board regarding any proposed changes;

## Corporate Governance Report

- to assess the independence of Independent Non-executive Directors; and
- to make recommendations to the Board on relevant matters relating to the succession planning for Directors, in particular the Chairman, the Vice Chairman and the Managing Director.

In considering the appointment of new Director, the Nomination Committee may make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, and etc.

The Nomination Committee did not hold any meeting during the year ended 31 December 2008.

### Remuneration committee

The Remuneration Committee was established on 12 January 2007 with written terms of reference adopted on the same date. The Remuneration Committee currently comprises five members. The Chairman of the Remuneration Committee is Dr. Li Ka Cheung, Eric and the other members are Mr. Lee, Eugene, Mr. Leung Kwan Yuen, Andrew, Ms. Tang Ying Ming, Mai and Mr. Chung Tai Keung, Canice. Three out of the five committee members are the Independent Non-executive Directors.

The terms of reference of the Remuneration Committee are summarised as follows:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to have the delegated responsibility to determine, review and make recommendations to the Board the specific remuneration packages of all Executive Directors and senior management base on the time commitment, responsibilities, qualifications, experience, duties, performance of individual and the Company, prevailing market conditions and remuneration benchmark with comparable companies;
- to review and approve compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate;



## Corporate Governance Report

- to ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration and that, as regards the remuneration of a non-executive Director who is a member of the Committee, his/her remuneration should be determined by the other members of the Committee;
- to consider the granting of share options to Directors pursuant to any share option scheme adopted by the Company;
- to review and make recommendations to the Board regarding the pension arrangements for Directors and senior management; and
- to review and report to the Board on any suspected irregularities in the reimbursement of unreasonable out-of-pocket expenses of Directors and senior management.

### Remuneration policy of the Group

The remuneration policy of the Group is designed to ensure that remuneration offered to the Directors and/or employees is appropriate for the corresponding duties performed, sufficiently compensated for the effort and time dedicated to the affairs of the Group, and competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds and share options granted (if any) under the share option schemes of the Company. Details of the share option schemes of the Company are set out on pages 44 to 45 of this annual report.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, duties, performance of the Directors and the Company, prevailing market conditions and remuneration benchmark with directors of listed companies with similar size and industry nature. They include incentive bonus primarily based on the results of the Group and share options granted (if any) under the share option schemes of the Company. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, or any of his associates and executive, is involved in deciding his own emoluments.

Employees' remuneration packages are determined with reference to the responsibilities, qualifications and experience, duties and performance of individuals as well as prevailing market compensation packages. The packages are reviewed annually and as required from time to time. The Group also continuously spends resources in training, retention and recruitment programs, and encouraging staff for self development and improvements. The Group keeps monitoring and evaluating the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies by establishing a measurable benchmark.

## Corporate Governance Report

### Directors' and the five highest paid individuals' emoluments

The Directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in note 8 to the financial statements.

The contributions to pension scheme of Directors for the year are disclosed in note 8 to the financial statements.

The Remuneration Committee held 2 meetings during the year ended 31 December 2008. The meetings were held to recommend the remuneration package for the Executive Directors and senior management of the Group and to review the amount of bonus payable to Executive Directors and senior management of the Group. The attendance of the members at the meetings is set out as follow:

Members		Attendance
Dr. Li Ka Cheung, Eric ( <i>Chairman</i> )	100%	2/2
Mr. Lee, Eugene	100%	2/2
Mr. Leung Kwan Yuen, Andrew	100%	2/2
Ms. Tang Ying Ming, Mai	100%	2/2
Mr. Chung Tai Keung, Canice	100%	2/2

### Audit committee

The Audit Committee was established on 12 January 2007 with written terms of reference adopted on the same date. The Audit Committee comprises three Independent Non-executive Directors. The Chairman of the Audit Committee is Mr. Lee, Eugene and the other members are Mr. Leung Kwan Yuen, Andrew and Dr. Li Ka Cheung, Eric.

The major duties of the Audit Committee are summarised as follows:

- to serve as a focal point for communication between other Directors, the external auditors and the internal auditors of the Company;
- to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group;
- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor;





## Corporate Governance Report

- to review questions of resignation or dismissal of the external auditors;
- to review the Group's financial and accounting policies and practices; and
- to monitor integrity of financial statements of the Company, the Company's annual and interim reports and financial statements.

During the year ended 31 December 2008, the Audit Committee held 5 meetings, most of which are held with the Vice President of Group Finance and the external auditors. The work performed by the Audit Committee during the year includes the following:

- reviewing the accounting principles and practices adopted by the Group and other financial reporting matters;
- reviewing and commenting on the 2007 annual report and 2008 interim report (including the consolidated financial statements contained therein) of the Company;
- discussing with the external auditors on significant findings from their audit and reviewing of the Group's financial statements and related issues;
- discussing the Company's corporate governance practices;
- discussing the Group's internal audit plan with the SPAD;
- discussing the effectiveness of the systems of internal controls throughout the Group, including financial and operational controls; and
- considering and making recommendation to the Board on the engagement of external auditors and the estimated audit fee.

The attendance of the members at the meetings is set out as follows:

<b>Members</b>	<b>Attendance</b>	
Mr. Lee, Eugene ( <i>Chairman</i> )	100%	5/5
Mr. Leung Kwan Yuen, Andrew	100%	5/5
Dr. Li Ka Cheung, Eric	100%	5/5



## Corporate Governance Report

### ACCOUNTABILITY AND AUDIT

The Board is committed to high standard of financial reporting, regular internal control review and annual audit.

#### Financial reporting

The Directors are responsible for overseeing the preparation of the annual consolidated financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Group for the year. In preparing the consolidated financial statements for the year ended 31 December 2008, the Directors have:

- adopted the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;
- made judgements and estimates that are prudent and reasonable, and ensured that the consolidated financial statements are prepared on a going concern basis; and
- ensured that the consolidated financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules, the Companies Law (2007 Revision) of the Cayman Islands and the applicable accounting standards.

The Board recognises that high quality corporate reporting is important in enhancing the relationship between the Company and its stakeholders. The Board aims at presenting a balanced, clear and comprehensible vision of the performance, position and prospects of the Group in the corporate communications.

The annual results of the Group for the year ended 31 December 2008 have also been reviewed by the Audit Committee.

#### Internal controls

The Board recognises the importance of a sound and effective system of internal controls and risk management processes, and its overall responsibility for the integrity and reliability of the Group's financial reporting. A sound and effective system of internal controls is designed to safeguard the shareholders' interests, protect the Group's assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and monitor compliance of applicable laws, rules and regulations. Internal control provides reasonable, but not absolute, assurance against material misstatement or loss. It helps to manage rather than eliminates risks of failure in operational systems and achievement of the Group's business objectives.



## Corporate Governance Report

The Board conducts regular review on the adequacy and effectiveness of the system of internal controls. Further, the SPAD is delegated with the responsibility for conducting independent review on the Group's system of internal controls based on risk-based audit approach. According to the annual internal audit plan, SPAD reviews the management's control regarding reliability of financial information, operations and procedures of various departments through systematic internal audit procedures to ensure that the internal controls are effective and in compliance with applicable laws and regulations. During the course of internal audit, SPAD has unrestricted access to all departments, assets, records and personnel of the Group.

The head of SPAD has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. The head of SPAD attends the Audit Committee meetings and has the right to bring appropriate matters identified during the course of the risk assessment and internal audits to the attention of the Audit Committee. This reporting structure allows the SPAD to maintain its independence and to have direct access to all members of the Board.

For formulating annual internal audit plan for 2008, SPAD conducted a systematic assessment of risk exposure, which consisted of quantitative analysis of various financial and non-financial data, and qualitative analysis of information from structured questionnaires and interviews. The analysis results were scored in terms of likelihood and impact, and the key risks prioritised in the annual internal audit plan. SPAD ensured the annual audit assignments covered all identified high-risk areas within the Group, typically over a two-year cycle. The scope and frequencies of audit reviews were determined according to risk assessment. In addition to its routine audit schedule, SPAD was assigned to conduct projects and investigation works on areas of concern identified by management and/or Audit Committee from time to time. The annual internal audit plan was reassessed during the year to ensure that adequate resources were deployed and the plan's objectives were met.

During the year ended 31 December 2008, SPAD executed the internal audit assignments as per the annual internal audit plan. These assignments included but not limited to:

- conducting comprehensive audits of sales and receivables, purchases and payables, inventory and fixed assets management of various manufacturing operations of the Group;
- conducting comprehensive audits of cash and operational management of various sales offices and investment holding companies of the Group; and
- conducting special reviews and investigations of areas of concern identified by the Board and the management.



## Corporate Governance Report

On completion of the internal audits, if there was found any control deficiency and/or non-compliance, the findings and corresponding recommendations were discussed and agreed with related department heads. Details of the internal audit findings and the agreed improvement actions plan were documented in the internal audit reports, and were also copied to Chief Executive Officer, Chief Operating Officer and Vice President of Group Finance for their attention. Implementation of recommendations was followed up in due course. The significant internal audit findings and improvement actions plan were reported directly to the Audit Committee on a quarterly basis for its consideration, and the Audit Committee would make its recommendation to the Board on the effectiveness of the internal controls relating to the Group's business operations.

The Board, through the Audit Committee, has reviewed the effectiveness of the system of internal controls of the Group and is not aware of any major issues of concern, and appropriate measures have been taken to address areas identified for improvement.

### External auditor

The Company's external auditor is PricewaterhouseCoopers. The Audit Committee is mandated to ensure continuing auditor's objectivity and safeguarding independence of the auditor. Up to the date of this report, the Audit Committee has considered and made recommendation to the Board on the engagement of PricewaterhouseCoopers as auditor of the Company in respect of the financial statement for the year ended 31 December 2008 and the corresponding audit fees estimation.

The remuneration paid or payable by the Company to PricewaterhouseCoopers in respect of their audit and other non-audit services for the year ended 31 December 2008 were as follows:

<b>Nature of services</b>	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Audit services	<b>4,900</b>	4,200
Reporting accountants in relation to the major transaction acquisitions	–	3,000
Non-audit services in relation to the major transaction acquisitions	–	3,343
Other non-audit services*	<b>1,450</b>	663

\* Other non-audit services mainly included review of interim financial information, certain agreed-upon procedures and taxation-related services.



## Corporate Governance Report

### CORPORATE COMMUNICATION

The Company has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its stakeholders, including, inter alia, the general public, analysts, the institutional and individual shareholders. The main features of the system are that:

- the Company maintains a corporate website [www.meadvillegroup.com](http://www.meadvillegroup.com) on which comprehensive information about the Group, including Directors and management profile, products and services provided, financial reports, public announcements, circulars and news of the Group, are disclosed. Shareholders can obtain corporate communication electronically via the Company's website;
- the Company establishes and maintains different communication channels with its stakeholders through annual reports, interim reports and press releases;
- AGM provides a useful forum for the Shareholders to exchange views with the Board. The Executive Chairman of the Board as well as the Chairmen of the Audit, Nomination, and Remuneration Committees and members of these committees are available to answer questions raised by the Shareholders;
- separate resolutions are proposed at general meetings for each substantial issue, including the election of individual Directors;
- details of the proposed resolutions are included in a circular to the shareholders despatched prior to the date of the relevant general meeting; and
- all resolutions put to the vote of the general meetings will be taken by poll. The poll results will be published on Stock Exchange's website: [www.hkexnews.com.hk](http://www.hkexnews.com.hk) and on the Company's website: [www.meadvillegroup.com](http://www.meadvillegroup.com).