

CORPORATE GOVERNANCE STATEMENT

The board and senior management are committed to maintain a high standard of corporate governance. It is believed that a well-balanced corporate governance system will ensure the Company is run in the best interests of its shareholders and other stakeholders. A brief summary of the corporate governance policies adopted at Tai Fook is set out as below: –

Board of Directors

Full board meeting will be held no less than twice a year and it will be responsible for all the affairs of the Company. The board will involve primarily in setting direction and strategy of the Company.

Audit Committee

The Committee is made up of 3 non-executive directors of the Company and 2 of whom are independent non-executive directors. The Committee will meet no less than twice a year to review all business affairs managed by the executive directors in particular on connected transactions, if any and to review the interim and final financial statements before their submission to the board and the annual general meeting for approval. The authority and duties of the Audit Committee adopt the terms of reference set out in “A Guide For The Formation Of Audit Committee” published by the Hong Kong Society of Accountants.



Tai Fook won the Diamond Award of Best Corporate Governance Disclosure Award 2001 in the Non Hang Seng Index Category organized by the Hong Kong Society of Accountants.

Business Review Committee

The Committee is made up of 2 executive directors and 2 non-executive directors of the Company. The Committee will meet once a month to review the performance of the Group’s businesses and report to the board regularly.

Executive Committee

The Committee is made up of the Chief Executive and the heads of major business divisions of the Company and its subsidiaries. Members of the Committee are appointed by the board. The Committee is duly authorized by the board to manage the day-to-day business of the Company on the board’s behalf. Such authorization may be revoked at the discretion of the board. The Executive Committee meets every week and reports to the board as and when required.



Pride

At Tai Fook, we pride ourselves on quality and integrity.

Credit Committee

The Committee consists of certain executive directors of the Company and its subsidiaries. Members of the Committee are appointed by the Executive Committee. The Committee is charged with the responsibility to approve margin rate of stocks and client credit application. The Committee reports to the Executive Committee as and when required.

Cost Rationalization Committee

The Committee is headed by the Chief Financial Officer and made up of certain senior executives of the Group. Members of the Committee are appointed by the Executive Committee. The objective of the Committee is to rationalize cost structure of the Group and enhance efficiency. The Committee reports to the Executive Committee as and when required.

Ad-hoc Committees

Owing to the complexity of our business, Ad-hoc Committees are formed and members of the committees are appointed by the Executive Committee to deal with special projects, such as IT Steering Committee.

Records

The following is an attendance record of the meetings held by the board and various committees in the financial year and the average attendance rates:

All businesses transacted at the respective meetings are well-documented by minutes which are circulated to the board from time to time.

Annual General Meeting

The annual general meeting provides a forum for direct communication between the board and the Company's shareholders. All shareholders will be given at least 21 days' notice for the annual general meeting. Shareholders' attendance and questioning on the Company's operations or financial information at such meeting are encouraged and welcome.

Department Heads Meeting

The meeting is chaired by the Chief Operating Officer and all departmental heads within the Group meet together every month. The objective of the meeting is to facilitate and strengthen divisional communication and co-operation within the Group.

Internal Controls

To maintain a sound system of internal controls and safeguard our shareholders' investment and the Company's asset at all times, the Company has an independent and objective internal audit and compliance team which critically reviews all critical aspects of the Group's activities and its internal controls. In late October 2001, a suspected internal computer fraud was uncovered

	Number of meetings held in 2001/2002	Average attendance of members
Full Board	2	68%
Audit Committee	2	67%
Business Review Committee	4	100%
Executive Committee	44	94.32%
Credit Committee	4	34%
Cost Rationalization Committee	20	95%
IT Steering Committee	36	95%

during a routine check and the incident was then reported to the police. The police instantly made an arrest to the suspect and eventually charged against him at the District Court in May 2002. Although there was no loss incurred to the Group, an external consultant, PricewaterhouseCoopers, was commissioned to perform an IT and security review so as to strengthen its IT and security environment and prevent any recurrence. The head of Internal Audit and Compliance Division has direct access to the board through the Chief Executive. The Group has maintained a set of up-to-date operation manuals on its major operations. As regards to the code of conduct of registered persons, a set of compliance policies have been published to provide guidance on matters such as employee dealing, ethics and Chinese wall policy, etc.

Risk Management Policies

The Group adopts very stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity and market in all its major operations. Operation manuals have constantly been updated to take into account the changing regulatory environment. The Group has also put in place competent compliance, internal audit and quality assurance teams with their respective aims at detecting systemic risks and recommending policy changes; carrying out checks on statutory compliance and Company's rules and regulations; and implementing ongoing checks and verification of satisfaction rate of Company's prescribed service pledge and standards.

Employee Policies and Remuneration

Employee policies are proposed by Human Resources Division and submitted to the Executive Committee for review and approval. Remuneration of executive directors and granting of share options to employees are reviewed and approved by a committee consisting of independent non-executive directors.

Investor Relations

The Company encourages two way communication with both its institutional and private investors. Extensive information about the Company's activities is laid down in its Annual Report and Interim Report which are sent to shareholders of the Company. The Company maintains regular communication with the media and uses its website to disseminate financial and other information relating to the Group and its business to the public in order to foster effective communication.