

The company is committed to fulfilling its responsibilities to shareholders by ensuring that the proper processes for oversight and management of its businesses are in place, in operation and are regularly reviewed.

The Board of Directors has delegated certain authorities to the Executive, Audit, Finance and Remuneration Committees. The day-to-day management of the company's business has been delegated to the chief executive officer who exercises his authority in consultation with the Group Management Committee.

The Board meets regularly to review business development and its members have full access to relevant information both at the meetings and at regular intervals as material information becomes necessary to the exercise of their powers. Within the Board's purview are matters such as financial statements, dividend policy, major financings, investments in new projects and existing assets, risk management strategy, treasury policy and changes in accounting policy.

Attendance at Board Meetings	No. of Meetings Attended	
	2003 (6 meetings in total)	2002 (6 meetings in total)
<b>Members of the executive committee</b>		
The Hon. Michael D Kadoorie (chairman)	5	3
Mr Ian D Boyce (deputy chairman)	5	6
Mr Clement K M Kwok (chief executive officer)	6	6
Mr James S Dickson Leach	5	4
<b>Non-executive directors</b>		
Sir Sidney Gordon	5	2
Mr Ronald J McAulay	1	2
Mr William E Mocatta	5	6
Mr Pierre R Boppe	5	5
<b>Independent non-executive directors</b>		
Dr The Hon. David K P Li	2	4
Mr Robert C S Ng	2	5
Mr Robert W Miller	3	1
<b>Executive directors</b>		
Mr O Mark L Rhys (retired 12/03)	6	6
Mr C Mark Broadley (appointed 11/03)	1 (of 1)	-

In accordance with the Code of Best Practice, the positions of chairman and chief executive officer are segregated and the latter's only relationship with the company and its shareholders is as an employee of the company. Included in the composition of the Board are two family members of the majority shareholder: the chairman, The Hon. Michael D Kadoorie and his brother-in-law, Mr Ronald J McAulay. Several Board members also hold directorships in other businesses with which the majority shareholder is connected. They are: Mr Ian D Boyce, Mr James S Dickson Leach, Sir Sidney Gordon and Mr William E Mocatta.

Directors are not appointed for a fixed term but retire by rotation and may offer themselves for re-election. At the 2004 Annual General Meeting, those directors who are eligible for re-election are: The Hon. Michael D Kadoorie, Messrs Ian D Boyce, Robert C S Ng, C Mark Broadley and Patrick B Paul.

As part of good corporate governance practice, a number of committees has been established. These committees include representation from non-executive and independent directors whose objective views are important in the execution of the control expected in a publicly listed company.

#### Executive committee

The Executive Committee meets formally twice per month and twice per month on an informal basis. The committee is responsible for recommending general policy and direction for the company to the Board and as such, it interacts with the Audit, Finance and Remuneration Committees in respect of their policy submissions.

The appointment of new directors is a function of the Executive Committee. The Executive Committee reviews on a regular basis the need to appoint directors with specific business acumen in appropriate sectors that would further enhance the present skill set, or add expertise in a developing business sector. Nominations of suitable candidates are invited from all directors and nominees are then considered by the Board.

#### Audit committee

The Audit Committee meets at least twice per year to review the accuracy, fairness and completeness of the company's financial statements. The committee's work in examining the scope of internal and external reviews provides a platform for recommending reforms or fine-tuning existing guidelines and for highlighting issues on which the Board may be required to act. In addition, it monitors the systems of internal control and assesses their effectiveness in establishing the group's overall financial position and protection of its assets.

Attendance at Audit Committee	No. of Meetings Attended	
	2003 (2 meetings in total)	2002 (2 meetings in total)
Mr William E Mocatta (committee chairman)	1	2
Mr Ian D Boyce	2	2
Mr Clement K M Kwok	2	2
Mr Robert C S Ng	1	1
Mr James S Dickson Leach	2	1
Mr Pierre R Boppe	-	1 (of 1)

As of February 26, 2004, the composition of the Audit Committee was changed to include only non-executive directors of which the majority is independent; they are Mr Patrick B Paul, committee chairman, Mr Ian D Boyce, and Mr Robert C S Ng.

**Finance committee**

The Finance Committee meets weekly throughout the year to review all aspects of the company's finances, including such items as debt levels, gearing and foreign exchange controls. It exercises the delegated authority granted to it by the Board and reports to the Executive Committee and to the Board as necessary.

**Remuneration committee**

The Remuneration Committee meets regularly to review human resource issues, including competitive terms and conditions of employment, management succession, remuneration and retirement benefits of the chief executive officer and executive directors.

The committee obtains benchmark reports from internal and external sources for evaluation of market forces and the competitive levels of remuneration being offered to executive directors and staff. In order to attract and retain a talented executive level and workforce, the committee weighs compensation, performance-related bonuses and retirement provisions against industry norms and sets parameters on what is fair for the company to support, and competitive within the appropriate markets in which it operates.

Fees and benefits for non-executive directors are evaluated given the pool of qualified candidates, the demand for their services, their potential contribution to the development and oversight of the company, and market practice. A review of fees was conducted in February 2004 by KPMG. The level of fees for non-executive directors had remained constant since 1990.

Attendance at Remuneration Committee	No. of Meetings Attended	
	2003 (2 meetings in total)	2002 (2 meetings in total)
Mr Ian D Boyce (committee chairman)	2	2
Mr Clement K M Kwok	2	1 (of 1)
Sir Sidney Gordon	2	2
Mr William E Mocatta	2	2
Mr C Mark Broadley	1 (of 1)	-
Mr O Mark Rhys	1	-

As of February 26, 2004, the composition of the Remuneration Committee was changed to include only non-executive directors of which the majority is independent; they are Mr Ian D Boyce, committee chairman, Mr Robert W Miller and Mr Patrick B Paul.

#### Internal controls

The company has developed and implemented a Company Management Authority Manual that designates the approvals process by which funds and/or expenses are approved; the executives to whom application should be made for approval and sign-off; and the limits of funding which individuals are authorised to approve before countersignature of a supervisor or committee must be sought. This check-and-balance process provides effective expenditure controls.

#### External auditors

It is important to the group that the independence of its external auditors is not compromised. Contracts for non-audit work to be awarded to the external auditors must, therefore, be pre-approved by the Audit Committee and the scope of work determined to provide only efficiencies of scale and added value, with no adverse effect on actual or perceived independence of the audit work itself. During the year, the company's auditors, KPMG, provided taxation services and other advisory services to the value of HK\$1 million.

#### Code of conduct

The company has a code of conduct, to which employees are signatories, governing the standards of behaviour expected in dealing with colleagues, customers, suppliers, contractors, consultants and professional firms. In addition to the values to which the company expects its staff to adhere in their daily business practices, the code sets out the process for resolution of internal ethical problems that may arise within the workplace. The code is reviewed regularly and benchmarked against emerging mores and standards as the work environment becomes more sophisticated, and as technological advances create new behavioural dynamics.