

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders.

Code of Best Practice and Code on Corporate Governance Practices

The Company's Articles of Association have been amended on 20th May, 2004 to provide that all Directors shall retire on such manner of rotation as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), i.e. once every three years. Prior to such amendment, the Company's Articles of Association provided that one-third of the Directors (including Non-executive Directors) should retire by rotation at the annual general meeting of the Company. The Code of Best Practice set out in Appendix 14 to the Listing Rules which was in force prior to 1st January, 2005 requires that, inter alia, non-executive directors should be appointed for a specific term. Despite the one-third rotational provision under the Company's Articles of Association as aforesaid, the Company has, throughout the year ended 31st December, 2004, complied with the Code of Best Practice.

The Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1st January, 2005. The Company has applied the principles and complied with all code provisions and to certain extent of the recommended best practices of the Code on CG Practices.

Board Composition and Board Practices

The Board of Directors ("Board") of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Listing Rules require every listed issuer to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Board of the Company comprises a total of twenty-one Directors, with nine Executive Directors, four Non-executive Directors and eight Independent Non-executive Directors. More than one-third of the Board is Independent Non-executive Directors and more than one of them have appropriate professional qualifications, or accounting or related financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association and the Code on CG Practices. Review will be made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out on pages 20 to 23.

The positions of the Chairman of the Board ("Chairman") and the Managing Director are held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group's business.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of annual budgets and business plans; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure 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 Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Management is responsible for the day-to-day operations of the Group under the leadership of the Managing Director. The Managing Director, working with the other Executive Directors and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. Apart from regular Board meetings, the Chairman shall hold meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors at least once every year.

The Board meets regularly and held two meetings in March and August 2004 at half yearly intervals with attendance rate of 100%.

	Attendance
Executive Directors	
LI Ka-shing (<i>Chairman</i>)	2/2
LI Tzar Kuoi, Victor (<i>Managing Director and Deputy Chairman</i>)	2/2
George Colin MAGNUS	2/2
KAM Hing Lam	2/2
CHUNG Sun Keung, Davy	2/2
IP Tak Chuen, Edmond	2/2
PAU Yee Wan, Ezra	2/2
WOO Chia Ching, Grace	2/2
CHIU Kwok Hung, Justin	2/2
Non-executive Directors	
LEUNG Siu Hon ⁽¹⁾	2/2
FOK Kin-ning, Canning	2/2
Frank John SIXT	2/2
CHOW Kun Chee, Roland ⁽¹⁾	2/2
Independent Non-executive Directors	
KWOK Tun-li, Stanley	2/2
YEH Yuan Chang, Anthony	2/2
Simon MURRAY ⁽²⁾	2/2
CHOW Nin Mow, Albert ⁽³⁾	2/2
HUNG Siu-lin, Katherine ⁽³⁾	2/2
WONG Yick-ming, Rosanna ⁽⁴⁾	2/2
KWAN Chiu Yin, Robert ⁽⁵⁾	Not applicable
CHEONG Ying Chew, Henry ⁽⁵⁾	Not applicable

Notes:

- (1) Re-designated from an Independent Non-executive Director to a Non-executive Director on 23rd September, 2004.
- (2) Meeting held on 18th March, 2004 was represented by his alternate.
- (3) Re-designated from a Non-executive Director to an Independent Non-executive Director on 29th October, 2004.
- (4) Alternate Director to Mr. Simon Murray.
- (5) Appointed as an Independent Non-executive Director on 23rd September, 2004.

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. Four regular Board meetings at approximately quarterly intervals have been scheduled for 2005. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. A meeting between the Chairman and the Non-executive Directors and Independent Non-executive Directors without the presence of Executive Directors was held in the first quarter in 2005.

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 and the Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings.

Each newly appointed Director is provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Orientation meeting with newly appointed Director will be held for briefing on business and operations of the Company. Updates are provided to Directors when necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

The Company Secretary is responsible to the Board for ensuring that board procedures are followed and for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance ("SFO") and other applicable laws, rules and regulations.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions effective 31st March, 2004. Specific enquiry has been made with all Directors and the Directors have complied with the required standard set out in the Model Code for the period ended 31st December, 2004.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.

Directors’ Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Accounts Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 99.

Auditors’ Remuneration

For the year ended 31st December, 2004, the Auditors of the Company received approximately HK\$4 million for audit service and less than HK\$1 million for tax and consultancy services.

Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee ("Audit Committee") in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised on 1st January, 2005 in terms substantially the same as the provisions set out in the Code on CG Practices. The revised terms of reference of the Audit Committee are available on the Company's website.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company. Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee held two meetings in 2004 with attendance rate of 100%.

The existing Audit Committee of the Company comprises three Independent Non-executive Directors, namely, Mr. Kwan Chiu Yin, Robert (Chairman of the Audit Committee), Mr. Kwok Tun-li, Stanley and Mr. Cheong Ying Chew, Henry.

The Group's annual report for the year ended 31st December, 2004 has been reviewed by the Audit Committee.

Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard 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 ensure compliance with relevant legislation and regulations. The system is designed 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 Group's objectives.

Organisational Structure

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established.

Authority and Control

The relevant Executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments.

Budgetary Control and Financial Reporting

Budgets are prepared and are subject to the approval of the Executive Directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the Executive Directors.

Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

Internal Audit

Internal Audit adopts a risk and control based audit approach. The annual work plan of Internal Audit is reviewed and endorsed by the Audit Committee and the work plan is directed to monitor compliance with internal control procedures focusing on those areas of the Group's activities with the greatest perceived risk.

Remuneration Committee

According to the Code on CG Practices, the Company shall set up a remuneration committee with a majority of the members thereof being independent non-executive directors. The Company established its remuneration committee (“Remuneration Committee”) on 1st January, 2005. The existing Remuneration Committee comprises the Chairman of the Company Mr. Li Ka-shing (Chairman of the Remuneration Committee) and two Independent Non-executive Directors, namely, Mr. Kwok Tun-li, Stanley and Dr. Wong Yick-ming, Rosanna. Meetings of the Remuneration Committee have been scheduled for later this year.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Terms of reference of the Remuneration Committee which have been adopted by the Board are posted on the Company’s website.

The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about their proposals relating to remuneration package and other human resources issues of the Directors and senior management of the Company. The emoluments of Directors are based on the skill, knowledge and involvement in the Company’s affairs of each Director and are determined by reference to the Company’s performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Investor Relations and Communication with Shareholders

The Company establishes different communication channels with shareholders and investors: (i) apart from printed copies of corporate communication, shareholders can select to receive corporate information by electronic means, (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) updated and key information of the Group are available on the website of the Company, (iv) the Company’s website offers communication channel between the Company and its shareholders and investors, (v) regular press conferences and briefing meetings with analysts from investment sectors are set up from time to time on updated performance information of the Group, and (vi) the Company’s Registrars serve the shareholders respecting all share registration matters.