

The board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. In November 2004, The Stock Exchange of Hong Kong Limited promulgated a new comprehensive Code on Corporate Governance Practices (“the Code”) to implement various corporate governance measures. The board will strive to comply with the Code provisions and adopt other suitable measures to uphold the principles of corporate governance, with particular emphasis on areas such as internal control, fair disclosure and accountability. Such measures will be regularly reviewed and updated to be consistent with the legal and commercial standards.

(A) DIRECTORS AND BOARD PRACTICES

Composition and responsibilities

Currently, the board comprises seven executive directors, one non-executive director and three independent non-executive directors. They are responsible for oversight of the management, businesses, strategic directions and financial performance of the Group. Each board member possesses wide range of experience relevant to the business of the Group and is committed to act bona fide in the interests of the Company and its shareholders as a whole. The biographical details of the directors are set out on pages 62 to 65 of this annual report.

The posts of the Chairman and Managing Director are held by Dr. Cheng Kar Shun, Henry. He is responsible for effective running of the board and formulating business strategies. He also provides leadership for effective running of the Company’s business and implementing the policies devised by the board. The board believes that Dr. Cheng Kar-shun, Henry, in his dual capacity as the Chairman and Managing Director of the Company, can provide strong and consistent leadership for the development of the Group.

Independent non-executive director(s) (“INED”)

INED have a significant role in the board by virtue of their independent judgement and their views carry significant weight in the board’s decisions. On 7th December 2004, Mr. Lee Luen-wai, John was appointed an INED of the Company following the retirement of Mr. Lo Hong-sui as an INED of the Company at the annual general meeting of the Company held on 6th December 2004. Messrs. Cheng Wai-chee, Christopher and Tien Pei-chun, James continue to act as INED of the Company.



In this respect, the Company has complied with rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of sufficient number of INED and is having INED with relevant professional qualifications or accounting or relating financial management expertise. An annual confirmation of independence has been received from each of the INED pursuant to rule 3.13 of the Listing Rules and the Company considers each of the INED to be independent.

Meetings

Six full board meetings were convened in the year under review. All directors are supplied with relevant materials relating to the matters brought before the meetings and have access to professional advices at the Company's expense. All directors have the opportunity to include matters in the agenda for board meetings. Reasonable notices of board meetings are given to the directors and board procedures, which are compliant with the relevant rules and regulations in relation to, amongst other things, disclosure of interests in the matters to be considered at board meetings, are followed.

Committees

The board has set up three committees, namely, the Executive Committee, the Audit Committee and the Remuneration Committee.

The Executive Committee serves as an executive arm of the board in implementing the policies laid down by the board and handling the day-to-day businesses of the Company. They are responsible for considering issues regarding finance, investments, merger and acquisition, corporate governance and corporate communication. Members of the Executive Committee include Dr. Cheng Kar-shun, Henry as Chairman, Messrs. Doo Wai-hoi, William, Cheng Kar-shing, Peter and Chow Yu-chun, Alexander as members. Meetings of the Executive Committee are held frequently as and when required.

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and monitoring the relationship with the Company's auditors. It currently comprises Mr. Cheng Wai-chee, Christopher as Chairman, Messrs. Tien Pei-chun, James and Lee Luen-wai, John, the INED, as members. The Audit Committee met twice during the fiscal years with the attendance of management staff and auditors. Full minutes of meetings are kept and sent to all members of the Committee. Matters raised at the meetings are reported back to the board so that due consideration is given as to the action to be taken.

The Remuneration Committee is responsible for making recommendations with respect to the remuneration of the directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy. Their written terms of reference are in line with the Code provisions. Members of the Remuneration Committee comprise Mr. Cheng Wai-chee, Christopher as Chairman, Messrs. Tien Pei-chun, James, Lee Luen-wai, John and Chow Yu-chun, Alexander as members.

Remuneration

In recognition of their services with the Company, directors are paid directors' fees annually with the approval of the shareholders of the Company. Monthly salaries are also paid to a director commensurable with his duties in the Group. To provide an opportunity for the directors to participate in the equity of the Company as well as to motivate them to optimize their performance, executive directors have been granted share options to subscribe for shares of the Company under the share option schemes of the Company. In addition, all directors are covered by appropriate insurance on directors' liabilities from their risk exposure arising from the management of the Group.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

The board, supported by the accounts department, is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted together with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants and appropriate accounting policies have been used and applied consistently.

The board is responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reliable assurance against material errors, losses or fraud.

An internal audit department has been established to conduct audits of the Company, its subsidiaries, associated companies and jointly controlled entities. The internal audit department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed. The work carried out by the internal audit department will ensure the internal controls are in place and functioning as intended. The internal audit department reports to the board with its findings and makes recommendations to improve the internal control of the Group. The department also sent their reports to the Audit Committee for review and discussion.

During the course of audit performed by the external auditors, they will report on the weaknesses in the Group's internal control and accounting procedures which have come to their notice. Results of their finding and recommendations will be reported to the board through the Audit Committee which will monitor the corrective action to be taken.

Fees for auditing services and non-auditing services amounting to HK\$4,184,000 and HK\$1,324,000 respectively were provided in the Group's consolidated profit and loss account for the year ended 30th June 2005.

(C) COMMUNICATION WITH SHAREHOLDERS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and development. Information relating to the Company's financial results, corporate details, notifiable transactions, property projects and major events are disseminated through publication of interim and annual report, press announcements, circulars, press release and newsletters. These publication can also be obtained from the Company's website. In addition, the Chairman, members of the board and external auditors will attend the annual general meetings of the Company where the directors will answer questions raised by the shareholders on the performance of the Group. The Company also holds press and analysts conferences at least twice a year following the release of interim and full year results announcements at which the executive directors and senior management of the Group are available to answer questions regarding the performance of the Group. The Group has participated in a number of roadshows and meetings with investors and organised a number of site visits during the fiscal year 2005.

