

The Group is committed to ensuring high standards of corporate governance in the interests of the shareholders and devotes considerable effort to maintaining high level of business ethics and corporate governance practices.

BOARD OF DIRECTORS

The Board oversees the management, businesses, strategic directions and financial performance of the Group. The Board currently comprises a total of 7 directors, with 3 executive directors, 1 non-executive director and 3 independent non-executive directors. The Board believes that the balance between executive and non-executive directors is reasonable and adequate to provide checks and balance that safeguard the interests of shareholders and the Group.

AUDIT COMMITTEE

The Group established its Audit Committee in March 1999. The Audit Committee comprises Mr Lee Hon Ying, John (the Chairman of the Audit Committee), Dr Chan Kin Man, Mr Peh Jefferson Tun Lu who are all independent non-executive directors of the Company.

The main responsibilities of the Audit Committee are to oversee the accounting and financial reporting processes of the Group and the audits of the Group's financial statements on behalf of the Board of Directors.

The Audit Committee is also directly responsible for the appointment, compensation, retention and oversight of the work of the Group's independent auditors (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Group.

The Audit Committee shall meet at least twice a year. The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities as required by law, including the authority to engage independent counsel and other advisors as the Audit Committee deems necessary to carry out its duties.

REMUNERATION COMMITTEE

The Group's Remuneration Committee was established in August 2001. The Remuneration Committee now comprises 6 members with three independent non-executive directors, the non-executive director, the finance director and the director of human resources and training. The Remuneration Committee's main responsibilities are set out as follows:-

- (a) to make recommendations to the Board on the Group'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;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights, short and long term incentives and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-executive Directors;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the 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 otherwise fair and not excessive for the Group;
- (e) 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 otherwise reasonable and appropriate; and
- (f) to ensure that no director or any of his associates is involved in deciding his own remuneration.

CORPORATE GOVERNANCE

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board, supported by the Finance Department, is responsible for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standard in Hong Kong have been adopted and the Group has complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently.

COMPANY POLICIES

The Group has adopted a number of company policies to ensure good corporate governance practices and high standard of business conducts and ethics of the Group, including Company Policy and Procedure, Code of Business Conduct and Ethics and departmental charters. The Group will conduct and review regularly an evaluation of the adequacy of these Company policies.

INTERNAL AUDIT

The Internal Audit Department plays a major role in support of and in collaboration with the Group's management, in monitoring the internal control of the Group. The Internal Audit Department has unrestricted access to information that facilitates its reviews on the Group's network of risk management and internal control processes.

U.S. SARBANES - OXLEY ACT 2002

As the Company is listed on the Nasdaq National Market in the U.S., it is also bound by the provisions of the U.S. Sarbanes - Oxley Act 2002, which is a legislation seeking to enhance the transparency and accountability of companies in the areas of corporate governance and financial reporting.

The Group has been, and will continue its process of, reviewing its internal control systems and practices and implementing new requirements under this legislation in line with applicable compliance dates.

INVESTOR RELATION

The Group is committed to fostering productive and long-term relationships with shareholders and investors through open and prompt communication. The Group adopts a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting allows the directors to meet and communicate with shareholders. Various channels are established to facilitate transparency. Our corporate website which contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group enable shareholders and investors to have timely and updated information of the Group.