
Corporate Governance Report

The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "New CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which became effective on 1 January 2005 and in replacement of the Code of Best Practice, as its own code of corporate governance practices. To ensure compliance with the New CG Code, the Board has undertaken to review and propose the necessary amendments to the Bye-laws of the Company to bring the constitution of the Company in alignment with certain provisions of the New CG Code. A Special General Meeting of the Company was held to amend the Bye-laws of the Company so that (i) any director appointed to fill a casual vacancy shall be subject to re-election by Shareholders at the Company's first general meeting after the appointment rather than the Company's next following annual general meeting after the appointment and (ii) every director shall be subject to retirement by rotation at least once every three years and directors holding office as the Chairman of the Board or the Managing Director shall also be subject to retirement by rotation.

Accordingly, in the opinion of the directors, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2005, the Board held six meetings. Proposed board meeting dates for a coming financial year are circulated to the Board of Directors in the preceding year. The attendance of the directors at the board meetings are as follows:

Directors' attendance at Board meetings

Directors	Number of attendance
Mr. Peter, Yang Sze Chen	6/6
Mr. Yeo Chee Tong	6/6
Mr. Tay Siew Choon	4/6
Mr. John Robert Walter	3/6
Mr. Edmund, Cheng Wai Wing	4/6
Mr. Joseph, Lai Ming	6/6
Ms. Alice, Kan Lai Kuen (appointed on 1 April 2005)	4/4
Mr. Kyle Arnold Shaw Jr. (retired on 28 February 2005)	1/1

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

Appropriate insurance cover has been arranged in respect of legal action against its directors.

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

In the Board, the Chairman and CEO are separate persons in order to preserve independence and have a balanced judgement of views. The Board has appointed a Chairman, Mr. Peter, Yang Sze Chen, who has executive responsibilities and provides leadership to the Board so 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, The CEO, Mr. Yeo Chee Tong, is an Executive Director has executive responsibilities over the business directions and operational decisions of the management and performance of the Group. The Board also comprises Independent Non-Executive Directors who bring strong independent judgement, knowledge and experience to the Board. As noted below, all the Audit Committee members are Independent Non-Executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

BOARD COMPOSITION

The Board comprises two Executive Directors, being Mr. Peter, Yang Sze Chen and Mr. Yeo Chee Tong, one Non-Executive Director, being Mr. Tay Siew Choon, and four Independent Non-Executive Directors, being Mr. Edmund, Cheng Wai Wing, Mr. John Robert Walter, Mr. Joseph, Lai Ming and Ms. Alice, Kan Lai Kuen.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the New CG Code for the Board to have at least one-third in number of its members comprising Independent Non-Executive Directors. The biographies of the Directors are set out in pages 10 to 13 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the four Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

APPOINTMENTS, RE-ELECTION AND REMOVAL

Prior to the enforcement of the New CG Code, the Non-Executive Directors of the Company were not appointed for specific terms, but they are subject to retirement and re-election at each annual general meeting of the Company in accordance with Bye-Law 97 of the Company’s Bye-Laws. In view of the enforcement of the New CG Code, the Company has taken steps to ensure the appointment of the Non-Executive Directors were appointed with specific terms and shall be subject to retirement and re-election at least once every three years. A special resolution was passed on 8 December 2005 at a special general meeting held on that date to amend the Bye-Laws to provide that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. On the same date, Bye-Laws 86, 88, and 89 were amended to provide that any Director appointed as an addition to the board or to fill a casual vacancy on the Board shall be subject to re-election by shareholders at the first general meeting after the appointment rather than at the next following annual general meeting after the appointment. Meanwhile, the Chairman of the Board shall also be subject to retirement by rotation as with other directors.

The Board has established a Nomination Committee (the “NC”) in July 2004. The committee was chaired by a Non-Executive Director, Mr. Tay Siew Choon, with another Independent Non-Executive Director, Mr. John Robert Walter, as a member. The primary purpose of the NC is to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Committee identified suitable individual qualified to become board members and makes recommendation to the Board on relevant matters relating to the appointment or re-appointment of directors if necessary, in particular, candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result on the constitution of strong and diverse Board.

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APPOINTMENTS, RE-ELECTION AND REMOVAL *(continued)*

The meetings of the NC shall be held at least once a year or when necessary. One meeting was held in 2005. The attendance of each member is set out as follows:

Directors	Number of attendance
Mr. Tay Siew Choon	1/1
Mr. John Robert Walter	1/1

The NC has reviewed and is of the opinion that the current size and composition of the Board is adequate to facilitate effective decision-making. The NC is also satisfied that the Board comprises directors, who, as a group, provide the core competencies necessary to guide the Group.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer. The Directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Independent Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various board committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda of the meeting is sent to the Directors approximately one month before the meeting and the accompanying board papers are sent in full to all Directors at least 5 days before the intended date of a meeting. Board papers are circulated to the Directors to ensure they have adequate information before the meeting for the ad hoc projects.

The Management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by the Management, each director has separate and independent access to the issuer's senior management to make further enquires if necessary.

All Directors are entitled to have unlimited access to the board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

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REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a remuneration committee, the Executive Resources and Compensation Committee (“ERCC”) in August 2003. Its terms of reference are summarized as follows:

- i) To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company for approval by the Board;
- ii) To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and the senior management; and
- iii) To administer and make determinations with regard to the Company’s share option scheme.

The chairman of the ERCC is a Non-Executive Director, Mr. Tay Siew Choon and the remaining member is an Independent Non-Executive Director, Mr. John Robert Walter. The attendance of each member is set out as follows:

Directors	Number of attendance
Mr. Tay Siew Choon	1/1
Mr. John Robert Walter	1/1

The ERCC annually sets out its recommendation on the remuneration package of the Executive Directors. For the financial year ended 31 December 2005, the ERCC has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2003. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus to rewards to the participants who contribute to the success of the Group’s operations.

Apart from the share option scheme, the Group and the holding company, SNP Corporation Ltd, have adopted Share Award Schemes and Performance Share Scheme respectively for the Executive Directors and the senior management, giving incentives to retain them and attracting suitable personnel for further development of the Group.

Details of the amount of Directors emoluments are set out in note 11 to the accounts and details of the 2003 Share Option Scheme are set out in the Report of Director and note 30 to the accounts.

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ACCOUNTABILITY AND AUDIT

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly results, interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and understandable assessment of the Group's, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

Since September 2003, the Company publishes its quarterly results within one month after the end of the relevant quarter in order to enhance high level of corporate transparency.

INTERNAL CONTROLS

Through the Company's internal audit functions, the directors conduct a review of the effectiveness of the system of internal control of the Company which cover all material controls, including financial, operational and compliance controls and risks management functions. The reports and findings prepared by the internal audit team will be circulated to the Audit Committee and the external auditors for reference. If necessary, the internal audit team will present their findings and the prospective audit plan at the Audit Committee meeting for its approval.

The Board monitors its internal control systems through a programme of internal audits. The internal audit functions set up by the holding company, SNP Corporation Ltd., reviews the major operational and financial control of the Group on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit function reports to the Chairman of the Audit Committee.

The CEO will periodically present the updated long term strategies and objectives of the Group at the Board meeting. This is to ensure all directors are aware of the targets the Group achieves. The Chief Executive Officer will also present the coming year budget summary to the Board for approval at the board meeting held in October each year.

At the quarterly intervals, the CEO will present the quarterly results to the Board. Variances analysis between the actual performances and the budget targets are explained in the meeting. This helps the Board to monitor the Group's business operations and to amend the targets when required.

AUDIT COMMITTEE

The Audit Committee currently comprises all three Independent Non-Executive Directors of the Company, Mr. John Robert Walter as the Chairman and Mr. Edmund, Cheng Wai Wing and Mr. Joseph Lai as the members, who among themselves possess a wealth of management experience in the accounting profession, commercial and printing sectors.

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Directors' attendance at Audit Committee meetings

Directors	Number of attendance
Mr. John Robert Walter (Chairman of the Audit Committee)	3/3
Mr. Edmund, Cheng Wai Wing	3/3
Mr. Joseph, Lai Ming	3/3
Mr. Kyle Arnold Shaw Jr. (retired on 28 February 2005)	1/1

Full minutes of audit committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The Audit Committee reviews the quarterly results, interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's quarterly results, interim and annual reports.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable <i>HK\$'000</i>
Audit services	1,755
Non-audit services:	
Due diligence on acquisition of a subsidiary	1,380
Rights Issue	200
Taxation services	33
Review on connected parties transactions	10
	3,378

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the Management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the Management include the preparation of quarterly results, interim and annual reports and announcements for board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

BOARD COMMITTEE

The Board Committees are the Audit Committee, Executive Resources and Compensation Committee and the Nomination Committee. In addition to these Committees, the Company has also established the Executive Committee which approves investment plans of certain capital sizes. The Chairman of the Executive Committee is Mr. Tay Siew Choon and the members include Mr. Peter, Yang Sze Chen, Mr. Yeo Chee Tong and Mr. John Robert Walter.

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COMMUNICATIONS WITH SHAREHOLDERS

In respect of each substantially separate issue at a general meeting, a separate resolution has been proposed by the Chairman of that meeting.

The Chairman of the board has attended at the annual general meeting to be available to answer questions at the meeting.

VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. In accordance to Bye-Law 67 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- i) the chairman;
- ii) at least three shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting;
- iii) any shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the rights to vote at the meeting; or
- iv) a shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Company should count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The issuer should ensure that votes cast are properly counted and recorded.

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

- i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and
- ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.