

## CODE ON CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the “Code”) was introduced to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) which was in force for accounting periods commencing on or after 1st January, 2005 with the exceptions in respect of the code provision C.2 on internal controls and the disclosure requirements in the Corporate Governance Report relating to the internal control which took effect for accounting periods commencing on or after 1st July, 2005. Appropriate actions were duly taken by the Directors including the amendments made to the Company’s Bye-laws to the effect that every director should be subject to retirement by rotation at least once every three years, to put the Company in compliance of code provisions in the Code. The Board of the Company had adopted its own code on corporate governance practices which incorporates all the code provisions in this newly promulgated Code.

The Company had applied the principles of the said Code and its own code since their adoption, with an exception of code provisions A.2.1 and A.4.1 as stated herein, in order to protect and enhance the benefits of shareholders. Following sustained development and growth of the Company, the Board and its executive management will continue to monitor the governance policies to ensure that such policies meet the general rules and standards.

## BOARD OF DIRECTORS

The Board serving the important function of guiding the management, currently comprises three executive Directors, namely Mr. Cheng Yung Pun (Chairman), Mr. Yu Sui Chuen and Ms. Cheng Wing See, Nathalie and three independent non-executive Directors (“INEDs”) required under Rule 3.10(1) of the Listing Rules, namely Mr. Au-Yeung Tsan Pong, Davie, Mr. Fung Ka Choi and Mr. Wong Chu Fung, who represent half of the Board and include one with appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules. Save as Ms. Cheng is the daughter of Mr. Cheng, there is no financial, business, family or other material/relevant relationship between the Directors. The Company considers that the Board has the necessary skills and experience appropriate for discharging its duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company and each of the INEDs has made an annual confirmation that he complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all the three INEDs to be independent under these independence criteria and are capable to effectively exercise independent judgment.

The Directors as aforesaid, accompanied by their respective biographical details, are listed in the section “Directors’ Profile” in this annual report and that the INEDs are expressly identified in all of the Company’s publication such as circular, announcement or relevant corporate communications in which the names of Directors of the Company are disclosed.

The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders’ value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organisation of the Company for implementing the Board’s decision. During the year under review, the Board has reviewed, inter alia, the performance of the Group and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31st December, 2004 and for the six months ended 30th June, 2005 respectively; approved the change of principal place of address of the Company in Hong Kong; reviewed and confirmed the exercise of convertible notes; reviewed internal controls taken by the Group; and reviewed the amendments to the Bye-laws.



## **BOARD OF DIRECTORS** *(continued)*

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or videoconference. Any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director or their respective associates has a conflict of interest except the written resolutions of the Company regarding the exercise of convertible notes by Leading Highway and issuance of conversion shares by the Company were passed. However, they were properly approved as the interested party has declared his interest and has been abstained from voting. The Board held a total of four board meetings during the year under review. The attendance record of each Director at the board meetings is disclosed below in this report.

In the board meetings, sufficient fourteen-day notices for regular board meetings and notice in reasonable days for non-regular board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner before the appointed date of the board meetings and at least 3 days before the regular board meetings. Sufficient information was also supplied by the management to the Board to enable it to make decisions, which are made in the best interests of the Company.

## **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

In compliance with the code provision A.4.2 in the Code, the amendments to the Company's Bye-laws were passed in the 2005 annual general meeting of the Company held on 5th May, 2005. The Company's Bye-laws was amended to the effect that every Director should be subject to retirement by rotation at least once every three years. In accordance with the Bye-laws of the Company, at the first general meeting after the newly appointed Directors their appointment and that one-third of the Directors should be subject to retirement and re-election every year. Though none of the existing non-executive (including independent non-executive) Directors of the Company is appointed for a specific term, the Company still considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code as all Directors are subject to retirement provisions under the newly amended Company's Bye-laws.

In considering the nomination of a new director, the Board will take into account the qualification, in particular any qualification as required in the Listing Rules, ability, working experience, leadership and professional ethics of the candidates. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable to nomination of a new director. Furthermore, as the Board is responsible for selection and approval of candidates for appointment as directors to the Board, the Company has not established a Nomination Committee for the time being.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

One of the executive Directors assumes the role of Chief Executive Officer. In the opinion of the Board, the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies though it is a deviation to the code provision A.2.1.

Chairman of the Board is appointed by the Board and his role is governed by the Chairman Mandate (containing the minimum prescribed duties) and stated in the Company's own code on corporate governance practices. His responsibility is for the leadership and effective running of the Board, ensuring that all keys and appropriate issues are discussed by the Board in a timely and constructive manner and ensure that directors receive adequate information, which must be complete and reliable, in a timely manner.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company had adopted a code of conduct for securities transactions by directors and relevant employees on terms no less exacting than the required standard contained in the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company has obtained confirmation from all Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by directors and relevant employees adopted by the Company.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The financial statements of the Company for the year ended 31st December, 2005 have been reviewed by the Audit Committee and audited by the external auditors, Messrs. Deloitte Touche Tohmatsu. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 in a timely manner.

### **REMUNERATION COMMITTEE**

The Board has established a Remuneration Committee comprising three INEDs, namely Mr. Au-Yeung Tsan Pong, Davie, Mr. Fung Ka Choi and Mr. Wong Chu Fung, appointed by the Board and is chaired by Mr. Au-Yeung Tsan Pong, Davie, which meets at least once a year.

The principal duties of Remuneration Committee include formulation of the remuneration policy; review and recommending to the Board the annual remuneration; make recommendation to the Board of the remuneration of non-executive Directors; and determination of the remuneration of the executive Director and members of the Senior Management. The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The specific terms of reference of the Remuneration Committee (containing the minimum prescribed duties) are adopted and which are available on request or on the website: [www.wahnamintl.com](http://www.wahnamintl.com).

The Remuneration Committee consults the Chairman about the proposal relating to the remuneration of other executive Directors and can access to professional advice where necessary. No Directors and chief executives can determine his own remuneration. During the year under review, the Remuneration Committee has held one meeting for review the remuneration package of the Directors. Minutes of Remuneration Committee Meeting are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the meeting 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 attendance record of the committee members at the meeting of the Remuneration Committee, on a name basis, is disclosed below in this report.



## AUDIT COMMITTEE

The Audit Committee, comprising three INEDs, namely Mr. Au-Yeung Tsan Pong, Davie, Mr. Fung Ka Choi and Mr. Wong Chu Fung, appointed by the Board who have extensive experience in legal and financial matters, meets at least two times a year and is chaired by Mr. Au-Yeung Tsan Pong, Davie. One member is the qualified accountant. None of the Audit Committee members are members of the former or existing auditors of the Company.

The principal responsibilities of the Audit Committee are, inter alia, to review the appointment of external auditors on an annual basis including a review of the audit scope and approval of the audit fees; to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors; to meet the external auditors to discuss issues and reservations (if any) arising from the interim review and final audit, and any matters the auditors suggest to discuss; to review the Group's internal control system; to review the annual and interim report and quarterly result (if any) prior to the approval by the Board in accordance with the accounting policies and practices and relevant accounting standards, the Listing Rules and the legal requirements; to serve as a focal point for communication between other Directors and the external auditors in respect of the duties relating to financial and other reporting, internal controls, external audit, and such other matters as the Board determines from time to time; to consider major findings of internal review and management's response and ensure proper arrangement in place for the fair and independent review of such concerns and appropriate follow up action; to devise a framework for the type and authorisation of non-audit services provided by the external auditors.

During the year under review, the Audit Committee had held two meetings for reviewing interim and annual reports respectively before submission to the Board in accordance with the accounting policies and practices, relevant accounting standards, the Listing Rules and the legal requirements; reviewing the external auditors' engagement letter; discussing issues during the audits of external auditors. The external auditors and the senior executives are invited to attend the meeting for annual financial statements. Minutes of Audit Committee Meeting are kept by a duly appointed secretary of the meetings. Draft and final versions of minutes of the meeting are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meetings. The attendance record of the committee members meetings of the Audit Committee, on a name basis, is disclosed below in this report.

The Audit Committee discharged their duties in accordance with their terms of reference. These specific terms of reference are available on request or on the website: [www.wahnamintl.com](http://www.wahnamintl.com).

The table as below summarised the attendance record of each Director at the meetings of Board, Audit Committee and Remuneration Committee:

### Attendance Record of individual Directors at meetings in 2005

|                                    | Board | Attendance Rate | Audit Committee | Attendance Rate | Remuneration Committee | Attendance Rate |
|------------------------------------|-------|-----------------|-----------------|-----------------|------------------------|-----------------|
| <b>Number of Meetings</b>          | 4     |                 | 2               |                 | 1                      |                 |
| <b>Executive Directors</b>         |       |                 |                 |                 |                        |                 |
| Cheng Yung Pun ( <i>Chairman</i> ) | 4     | 100%            | N/A             | N/A             | N/A                    | N/A             |
| Yu Sui Chuen                       | 4     | 100%            | N/A             | N/A             | N/A                    | N/A             |
| Cheng Wing See, Nathalie           | 4     | 100%            | N/A             | N/A             | N/A                    | N/A             |
| <b>INEDs</b>                       |       |                 |                 |                 |                        |                 |
| Au-Yeung Tsan Pong, Davie          | 4     | 100%            | 2               | 100%            | 1                      | 100%            |
| Fung Ka Choi                       | 4     | 100%            | 2               | 100%            | 1                      | 100%            |
| Wong Chu Fung                      | 4     | 100%            | 2               | 100%            | 1                      | 100%            |

### **AUDITORS' REMUNERATION**

During the year, the auditors of the Company, Messrs. Deloitte Touche Tohmatsu received approximately HK\$351,000 for statutory audit services. No payments for non-audit services to the auditors were made during the year.

### **INTERNAL CONTROL**

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. The management throughout the Group maintains and monitors the internal control system on an on-going basis.

### **COMMUNICATION WITH SHAREHOLDERS**

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as Chairman of the Audit and Remuneration Committees and members of the Committees are pleased to answer shareholders' questions.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors.

Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes relevant details of the proposed resolutions including biographies of each candidates standing for re-election. The results of the poll are published in the newspapers and on the website of the Stock Exchange, [www.hkex.com.hk](http://www.hkex.com.hk).