

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system.

The Company has adopted the code provisions set out in the Code in Corporate Governance Practices (the "Code") listed in Appendix 14 of the Listing Rules as its own code, and has complied the Code throughout the accounting year ended 31 December 2005, except for Code Provision A.4.1 and A.4.2 of which the deviation will be explained in the following section.

## BOARD OF DIRECTORS

The Board is bound to manage the Group in a responsible and effective manner, with an objective of enhancing shareholders' value. The Board members are fully committed to their roles and duties to maximize the shareholders' interest, and have aligned the Group's goals and directions with the prevailing economic and market conditions. The Board has delegated the day-to-day management and operation of the Group's business to management.

The Board, led by the Chairman, currently consists of 10 members. Among them, 5 are Executive Directors, 2 are Non-executive Directors and 3 are Independent Non-executive Directors. The Independent Non-executive Directors are professionals from the field of law, engineering and accounting. The extensive experience and knowledge of the Board members contribute significantly to corporate development. The Directors' biographical information is set out under the heading "Directors and Senior Management" on pages 31 to 32. The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

To illustrate the attention given by the Board to the Company's affairs, we set out below details of the Directors' attendance at the Board meetings during the year.

<b>Date of Board Meeting</b>	<b>Total no. of Directors</b>	<b>No. of Directors Present</b>	<b>Attendance Rate</b>
25 January 2005	10	10	100%
1 April 2005	10	9	90%
29 July 2005	10	9	90%
25 November 2005	10	7	70%
Average			87.5%

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<b>Directors</b>	<b>No. of Board Meeting Attended/Held in 2005</b>	<b>Attendance %</b>
<b>Executive Directors</b>		
Zen Wei Pao, William	4/4	100%
Ko Yuk Bing	3/4	75%
Chan Kam Hung	4/4	100%
Fong Shiu Leung, Keter	4/4	100%
Zen Wei Peu, Derek	4/4	100%
<b>Non-executive Directors</b>		
Hu Aimin	2/4	50%
Zhang Yijun	3/4	75%
<b>Independent Non-executive Directors</b>		
Chan Hing Chiu, Vincent	3/4	75%
Chow Shiu Kee, Stephen	4/4	100%
Lau Sai Yung	4/4	100%

At least 14 days' advance notice is given to all Directors and the relevant information is despatched to them at least 3 days before the meeting. Senior management who are responsible for the preparation of the Board papers are usually invited to present and to take any questions or address queries that the Board members may have. All Board members have unrestricted access to information and may seek independent professional advice where appropriate. Minutes of the Board meeting are kept by the Company Secretary and copies thereof are despatched to all Directors.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board is responsible for the appointment and removal of Directors.

The Company's Bye-laws were amended on 13 May 2005 to provide that at each annual general meeting, one-third of the Directors shall retire from office by rotation. If the number of Board members is not a multiple of three, then the number nearest to but not less than one-third shall retire by rotation. Retired Directors are eligible for re-election at each annual general meeting. No Director has a term of appointment longer than three years.

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Non-executive Directors (including Independent Non-executive) of the Company do not have a specific term of appointment. This constitutes a deviation from the Code Provision A.4.1. However, all the Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company, accordingly, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice are no less exacting than those provided in the Code.

The Chairman of the Board and the Managing Director of the Company were not subject to retirement by rotation. This constitutes a deviation from the Code Provision A.4.2 of the Code. To comply with the code provision, relevant amendment to Bye-laws of the Company was approved by the shareholders at the annual general meeting held on 13 May 2005 whereby the Chairman of the Board and the Managing Director of the Company are now subject to retirement by rotation.

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.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)**

The roles of the Chairman of the Board and the CEO are separate and are held by different individuals to ensure their independent responsibility and accountability. Their roles and duties are published on the Company's website.

The Chairman of the Board, Mr. Zen Wei Pao, William, is responsible for overseeing the functioning of the Board and ensuring the establishment of strategic direction of the Group. With the assistance of Executive Directors and Company Secretary, he ensures that good corporate governance practices are established.

The CEO, Mr. Ko Yuk Bing, is responsible for managing the Group's businesses, implementing the Board's approved strategies and policies and the day-to-day operations.

## **BOARD COMMITTEES**

There are two Committees established by the Board, the Remuneration Committee and the Audit Committee. Their terms of reference are published on the Company's website.

### **REMUNERATION COMMITTEE**

The Remuneration Committee was established in January 2005. It comprises four members, three of whom are Independent Non-executive Directors, namely Mr. Chan Hing Chiu, Vincent (Chairman of the Remuneration Committee), Mr. Chow Shiu Kee, Stephen and Mr. Lau Sai Yung, and the Chairman of the Board, Mr. Zen Wei Pao, William.

The Remuneration Committee is responsible for determination of specific remuneration packages of all Executive Directors (except the Chairman of the Board) and senior management, including benefits-in-kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee shall consult with the Chairman of the Board and CEO on its proposals and recommendations. The Remuneration Committee shall consider factors such as salaries paid by comparable companies; time commitment, responsibilities of the individuals; employment conditions; and prevailing market conditions.

The remuneration of the Chairman of the Board is determined by the Board and procedures have been established that no Director is involved in deciding his own remuneration.

In 2005, the Remuneration Committee held 4 meetings with attendance rate of 100%.

During 2005, the Remuneration Committee reviewed and approved the remuneration packages of certain Executive Directors and senior management, and approved the granting of staff options. Information relating to the remuneration of each Director for 2005 is set out in note 11 to the consolidated financial statements.

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## AUDIT COMMITTEE

The Audit Committee was established in 1998 and is accountable to the Board. It comprises three members who are Independent Non-executive Directors, namely Mr. Lau Sai Yung (Chairman of the Audit Committee), Mr. Chow Shiu Kee, Stephen and Mr. Chan Hing Chiu, Vincent.

The Audit Committee reviews and discusses with management and the external auditors about the accounting principles and policies adopted by the Group, the interim and annual financial statements, the scope of audit, and the assessment of the Group's internal controls.

The Audit Committee held 3 meetings in 2005 with attendance rate of 100%.

During 2005, the Audit Committee reviewed the external audit fees, discussed with the external auditors the nature and scope of the audit, reviewed the interim and annual financial statements; and reviewed the external auditors' management letter and management's responses. Members of the Audit Committee had met with external auditors directly without the presence of any Executive Directors.

For the year ended 31 December 2005, amounts of HK\$1,815,000 and HK\$21,000 were paid to Deloitte Touche Tohmatsu for their statutory audit service, and tax and consultancy services respectively.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group and ensure the preparation of the financial statements of the Group is 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.

As at 31 December 2005, the Directors, to the best of their knowledge, information and belief, having made all reasonable enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognizes its responsibility for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests.

Internal control, including a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorized use, maintain proper accounting records for the provision of reliable financial information for internal use or for publication. The system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Management maintains and monitors the system of controls on an ongoing basis.

During 2005, based on the evaluations made by management and external auditors, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. 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 year ended 31 December 2005.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with provisions of the Model Code.

## COMMUNICATION WITH SHAREHOLDERS

The Group discloses relevant information to shareholders through the Group's annual report and financial statements, the interim report, periodic company announcements as well as the Annual General Meeting ("AGM"). The status and progress of each project are presented under the section of "Management Discussion and Analysis - Project Review" of the annual reports to facilitate the shareholders' understanding of the Company's activities. The AGM allows the Directors to meet and communicate with shareholders.

The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations and are all posted on the Company's website at [www.roadking.com.hk](http://www.roadking.com.hk).

## COMPLIANCE

The Company realizes the importance of corporate governance. The Board shall ensure from time to time to comply with the Code, to increase its accountability and transparency and to achieve a high standard of corporate governance.