



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of corporate governance and has adopted measures to ensure that an adequate standard of corporate governance is maintained. The Board believes that an adequate standard of corporate governance is important and constructive in balancing the interests of different stakeholders and in upholding accountability and transparency.

The Company has adopted the code provisions as set out in the Code of Corporate Governance Practices (“the CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (“The Exchange”) as its own code of corporate governance practices. In the opinion of the Board, the Company has complied with the requirements of the code provisions of the CG Code.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“the Model Code”) of the Listing Rules. All the directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

## BOARD OF DIRECTORS

Set out below is a summary of the compositions of the Board and its various committees, together with the number of meetings held and the attendance records of individual members during the year:

	Board Meetings attended/ held	Audit Committee Member	Meetings attended/ held	Remuneration Committee Member	Meetings attended/ held	Nomination Committee Member	Meetings attended/ held
<i>Executive</i>							
Mr Rustom Ming Yu HO	3/4	No	–	No	–	Yes	0/1
Mr John Ming Tak HO	4/4	No	–	Yes	1/1	Chairman	1/1
<i>Non-executive</i>							
Mr Chui Yi CHIU	1/4	No	–	No	–	No	–
<i>Independent Non-executive</i>							
Mr Lawrence Kam Kee YU	3/4	Yes	2/2	Chairman	1/1	Yes	1/1
Mr David Hon To YU	4/4	Chairman	2/2	Yes	1/1	Yes	1/1
Mr Hsu Chou WU	3/4	Yes	1/2	No	–	Yes	0/1

Mr John Ming Tak HO is a brother of Mr Rustom Ming Yu HO.



## Corporate Governance Report *(Cont'd)*

The Board is responsible for strategic and policy decisions related to the long term development of the Group, whilst the management is delegated with operating decisions related to the normal day to day operations of the Group. It is the responsibility of the Board to prepare the financial statements of the Company and the consolidated financial statements of the Group.

### **CHAIRMAN AND MANAGING DIRECTOR**

Mr Rustom Ming Yu HO is the Chairman of the Group and Mr John Ming Tak HO the Managing Director. The roles of the Chairman and Managing Director are segregated and are not exercised by the same individual. The division of responsibilities between the Chairman and the Managing Director has been clearly established and set out in writing.

### **NON-EXECUTIVE DIRECTORS**

The Group's non-executive directors are appointed for terms of three years, subject to provisions in the Articles of the Company, the Listing Rules, the Companies Ordinance and any other relevant regulations.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board is of the opinion that all independent non-executive directors are independent.

### **REMUNERATION COMMITTEE**

It is the Group's policy to maintain a level of remuneration competitive enough to attract, retain and motivate directors and senior management to run and development the Group's businesses with a view to maximizing the long-term profitability of the Group. Remuneration of individual directors is determined with reference to the prevailing market rates, the responsibilities undertaken, the time committed and the calibre of the director.

The Group established a Remuneration Committee in April 2005 with specific written Terms of Reference which deal clearly with its authority and duties. The major responsibilities of the Remuneration Committee include making recommendations to the Board regarding the Group's remuneration policy, and formulating and reviewing the specific remuneration packages of all directors of the Group.

During the year, the Remuneration Committee considered the desirability of introducing into the Group a more structured performance-based remuneration system and the pros and cons of some of such systems. The Committee also reviewed and approved the remuneration packages of executive directors for the year. Further details of the directors' remuneration are set out in note 12 to the consolidated financial statements.



## Corporate Governance Report *(Cont'd)*

### **NOMINATION COMMITTEE**

The Group established a Nomination Committee in April 2005 with specific written Terms of Reference which deal clearly with its authority and duties. The major responsibilities of the Nomination Committee include reviewing and approving all new appointments of directors and senior management of the Group, and monitoring the overall adequacy of the Board's composition.

During the year, the Nomination Committee reviewed the adequacy of the composition of the existing Board. The Committee also approved the appointment of Mr Patrick Kwok Wai POON as a new director of the Company, after carefully reviewing the qualifications and experience of Mr Poon. Mr Poon has been a senior member of the Group's management since 1997. The appointment of Mr Poon was proposed by the Managing Director.

### **AUDITORS' REMUNERATION**

The remuneration paid by the Company to its auditors, PricewaterhouseCoopers, during the year amounted to HK\$798,371, the whole of which was incurred exclusively for the audit services provided by PricewaterhouseCoopers.

### **AUDIT COMMITTEE**

The major responsibilities of the Audit Committee include reviewing the Group's annual and interim reports before submitting to the Board, and meeting with the external auditors to discuss any issue that the external auditors or the Committee members may wish to bring out.

During the year, the Audit Committee reviewed the Group's 2004 annual and 2005 interim reports, discussed and revised its Terms of Reference, and made recommendations on possible improvements on the Group's documentation of its internal control procedures.

The Group's consolidated financial statements for the year ended 31st December, 2005 have been reviewed by the Audit Committee.