

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 in order to enhance shareholders' value.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code and has complied with the Code throughout the year ended 31st December, 2005. Deviations from code provisions A.2.1 and A.4.1 of the Code in respect of the separate roles of chairman and chief executive officer and service term of the directors are explained in subsequent sections.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st December, 2005.

### BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance, and maintains effective oversight of the operation. The Board members are fully committed to their roles and have acted in good faith to maximize the shareholders' interest in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to management.

The Board comprises eight Directors including three Executive Directors, two Non-executive Directors, and three Independent Non-executive Directors. The three Independent Non-executive Directors are all professionals from the fields of law, personnel recruitment, and finance and accounting respectively. All the Board members have extensive experience and knowledge in corporate management making significant contributions to the Company's strategic decisions. The diverse background of the Board members ensures that they fully represent the interests of all the shareholders. The biographies of the Directors are presented under the heading "Directors and Senior Management" on pages 15 to 17 of this Annual Report. The Board has delegated certain authorities to the Audit Committee and Remuneration Committee.

To the best knowledge of the Company, there is no financial, business, and family relationship among members of the Board other than the Chairman and the Vice Chairman who are brothers.

## BOARD OF DIRECTORS (Continued)

The Board holds four regular meetings per year and additional meetings are arranged if and when required. During the year, four board meetings were held by the Company and the attendance record of the Board members is as follows:

	Number of Meetings Attended	Attendance
<b>Executive Directors:</b>		
Zen Wei Pao, William ( <i>Chairman</i> )	3	75%
Zen Wei Peu, Derek ( <i>Vice Chairman</i> )	4	100%
Chiu Wai Yee, Anriena	2	100% ( <i>Note 1</i> )
Fong Shiu Leung, Keter	2	100% ( <i>Note 2</i> )
<b>Non-executive Directors:</b>		
Lam Wai Hon, Patrick	3	75%
Cheng Chi Pang, Leslie	3	75%
<b>Independent Non-executive Directors:</b>		
Wong Che Ming, Steve	3	75%
Wan Siu Kau, Samuel	4	100%
Wong Man Chung, Francis	4	100%

*Notes:*

1. Two of the board meetings were held after the appointment of Miss Chiu Wai Yee, Anriena as an Executive Director on 21st June, 2005.
2. Two of the board meetings were held before the resignation of Mr. Fong Shiu Leung, Keter as an Executive Director on 21st June, 2005.

The meeting agenda is set by the Chairman in consultation with the Vice Chairman and other Board members, and to ensure that all key and appropriate issues are discussed by the Board in a timely manner. At least 14 days' notice is given to all Directors and the relevant information is despatched to them at least 3 days before the meeting. All Board members have unrestricted access to information and may seek independent professional advice where appropriate. Minutes of every board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following board meeting.

The Company has arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

### BOARD OF DIRECTORS *(Continued)*

Under the amended Company's Bye-laws which was approved by the shareholders at the annual general meeting held on 13th May, 2005, one-third of directors shall retire by rotation each year. If 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.

### CHAIRMAN AND VICE CHAIRMAN

The Chairman of the Board is Mr. Zen Wei Pao, William and the Vice Chairman is Mr. Zen Wei Peu, Derek. Their duties are clearly set out in writing and are separate. Mr. Zen Wei Pao, William, in addition to his duties as the Chairman of the Company, is also responsible for overseeing the operations of the Group's highway and bio-technology divisions. This constitutes a deviation from the code provision A.2.1 of the Code as part of his duties overlap with those of the Vice Chairman. However, due to the Company's nature of operations, the Company considers that these duties are best served by the Chairman with his knowledge and experience in this area of the Group's operations.

The Company does not at present have any officer with the title "chief executive officer". However, the Vice Chairman carries out the duties of a CEO of the Company and had done so since 1992. He was formally designated the "managing director" of the Company until 1998 when his title was changed to "Vice Chairman". Even though he is not formally designated as CEO of the Company, his duties and responsibilities are segregated from those of the Chairman's.

Since the roles of the Chairman and Vice Chairman are clearly segregated and the Vice Chairman is in practice, the chief executive officer, even though he does not carry that title, the Company does not currently intend to re-designate the Vice Chairman as CEO of the Company.

### NON-EXECUTIVE DIRECTORS

None of the existing Non-executive (including Independent Non-executive) Directors of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Code. However, all the Directors of the Company are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company. As such, the Company 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.

## REMUNERATION OF DIRECTORS

The Remuneration Committee was established in June 2005 with specific written terms of reference which delineates its authority and duties. The chairman of the Remuneration Committee is Mr. Wan Siu Kau, Samuel, an Independent Non-executive Director and other members including Dr. Wong Che Ming, Steve, Messrs. Wong Man Chung, Francis, Zen Wei Pao, William and Zen Wei Peu, Derek, the majority being Independent Non-executive Directors.

The Remuneration Committee meets at least twice a year and additional meetings are held as the work of the Remuneration Committee demands.

The role and function of the Remuneration Committee include the determination of specific remuneration packages of all Executive Directors 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 consider factors such as salaries paid by comparable companies, time commitment, and responsibilities of the Directors, employment conditions, and prevailing market conditions.

During 2005, the Remuneration Committee reviewed and approved the remuneration packages of the Executive Directors, including the newly appointed Executive Director, and senior management. No member can determinate his or her own remuneration.

The terms of reference of the Remuneration Committee is published on the Company's website.

During the year, the Remuneration Committee held two meetings and the attendance record of the Remuneration Committee members is as follows:

	Number of Meetings Attended	Attendance
<b>Remuneration Committee members:</b>		
Wan Siu Kau, Samuel ( <i>Committee Chairman</i> )	2	100%
Wong Che Ming, Steve	2	100%
Wong Man Chung, Francis	2	100%
Zen Wei Pao, William	2	100%
Zen Wei Peu, Derek	2	100%

### NOMINATION OF DIRECTORS

The appointment and removal of Directors is considered and determined by the Board of Directors. The Board must consider every nominated director's knowledge, experience and his/her possible contribution to the Company before his/her appointment as a Director of the Company. In June 2005, Miss Chiu Wai Yee, Anriena was appointed as an Executive Director with unanimous approval by Directors.

According to Bye-law 87 of the Bye-laws of the Company then in effect before 13th May, 2005, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting provided that the Chairman of the Board and/or the Managing Director of the Company shall not be subject to retirement by rotation. The directors to retire by rotation shall include any director who wishes to retire and not to offer himself for re-election, or those who have been longest in office since their last re-election or appointment or those who were appointed by the Board to fill casual vacancy. However, as between persons who became or were last re-elected directors on the same day, those to retire shall be determined by lot (unless they otherwise agree among themselves). As the Chairman of the Board is not subject to retirement by rotation under the Bye-laws of the Company, this constitutes a deviation from the code provision A.4.2 of the Code. Nevertheless, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall be eligible for re-election.

To comply with the code provision A.4.2 of the Code, the relevant amendment to Bye-law 87 of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of Company held on 13th May, 2005.

### AUDIT COMMITTEE

The Audit Committee was established in 1998. It currently comprises three Independent Non-executive Directors and its chairman has the appropriate professional qualifications and related financial management experience. The Audit Committee meets at least twice a year to review and discuss with management (including Qualified Accountant and Group's Financial Controller) 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.

During the year, the Audit Committee considered the external auditors' projected audit fee, discussed with the external auditors about the accounting principles and policies adopted by the Group, reviewed the interim and annual financial statements, the scope of audit and assessed the Group's internal control system. The members of the Audit Committee had met with external auditors directly with no Executive Director present.

## AUDIT COMMITTEE (Continued)

The terms of reference of the Audit Committee is published on the Company's website.

During the year, the Audit Committee held four meetings and the attendance record of the Audit Committee members is as follows:

	Number of Meetings Attended	Attendance
<b>Audit Committee members:</b>		
Wong Man Chung, Francis ( <i>Committee Chairman</i> )	4	100%
Wong Che Ming, Steve	4	100%
Wan Siu Kau, Samuel	4	100%

## AUDITORS' REMUNERATION

During the year, Messrs. Deloitte Touche Tohmatsu provided statutory audit services amounted to approximately HK\$3,000,000, and tax and consulting services amounted to HK\$1,036,400.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group, is set out on page 40 in the Auditors' Report forming part of this Annual Report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, 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.

### INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises 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 the achievement of 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 designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. For the year under review, no irregularity or material weakness was noted within any function or process. The Audit Committee and the external auditors were satisfied that the internal control system has functioned as intended.

### COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognised the importance of good communications with all shareholders. The Company communicates with its shareholders through the publication of interim report and annual report in accordance with the Listing Rules. The business status and progress of each line of business are presented under "Business Review" section of the interim report and annual report to expand shareholders' understanding of the Company's activities.

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

The Company welcomes shareholders to attend the general meetings and express their views. The Chairman of the Board as well as other Board members together with the external auditors are available to answer shareholders' questions.

### COMPLIANCE

The Company realises 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.