

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance in the interests of shareholders. The corporate governance practices of the Group meet the standards required by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s board of directors (the “Board”) and Board committees overseeing and supervising the management of the business and affairs of the Group meet on a regular basis to ensure that the interests of the Group, as well as its shareholders, are properly protected.

BOARD OF DIRECTORS

The Board is responsible for the management of the Company. Key responsibilities include the formulation of the Group’s overall strategies, the setting of management targets and the supervision of management performance. The Board confines itself to making broad policy decisions and has delegated responsibility for more detailed considerations to the Executive Committee under the leadership of the Chairman.

All directors have full and timely access to all relevant information, including reports from each of the Board committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company.

On August 18, 2005, James Chan and Gan Kim See, Wendy were appointed as executive directors of the Company. As of December 31, 2005, the Board comprised seven executive directors, one non-executive director and four independent non-executive directors. On March 17, 2006, Ronald James Blake resigned as an independent non-executive director of the Company as a result of his new engagement with the Kowloon-Canton Railway Corporation. Biographies of all the current directors are set out on pages 20 to 25 of this annual report. To the best of the Company’s knowledge, there is no financial, business, family or other material/relevant relationship among the members of the Board or between the Chairman and the Chief Executive Officer.

The Board had, at all times during the year ended December 31, 2005, complied with the requirement of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) that there must be at least three independent non-executive directors, one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written confirmation from each independent non-executive director of his independence as required under the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

All directors of the Company are subject to rotation once every three years in accordance with the Company’s Bye-laws. In addition, each of the non-executive directors is appointed for a term of two years from the date of his appointment or re-election.

The posts of Chairman and Chief Executive Officer are held by Li Tzar Kai, Richard and Lee Chi Hong, Robert respectively. The Chairman is responsible for ensuring the effective functioning of the Board, for providing leadership for the Board in setting the corporate goals and objectives of the Company and for ensuring that good corporate governance practices and procedures are established and enforced. The Chief Executive Officer is responsible for the day-to-day management of the Group's business and operations and for ensuring the effective implementation of the Group's strategy.

The directors are responsible for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results of its operations and its cashflows. In preparing the accounts for the year ended December 31, 2005, the directors have selected suitable accounting policies and applied them consistently, and have prepared the accounts on a going concern basis.

EXECUTIVE COMMITTEE

The Executive Committee of the Board operates as a general management committee with overall delegated authority from the Board. This ensures

that decisions can be taken quickly to enable the Group to seize opportunities in the fast-moving business environment. The Executive Committee determines group strategy, reviews trading performance, ensures adequate funding, examines major investments and monitors management performance. The Executive Committee reports through the Chairman to the Board.

Members of the Executive Committee are:

- Li Tzar Kai, Richard (*Chairman*)
- Yuen Tin Fan, Francis (*Deputy Chairman*)
- Lee Chi Hong, Robert
- Alexander Anthony Arena
- Hubert Chak
- Wayne Michael Verge

AUDIT COMMITTEE

The Audit Committee is responsible for ensuring the objectivity and credibility of the Group's financial reporting, and for ensuring that the directors have exercised the care, diligence and skills prescribed by law when presenting results to the shareholders. The committee's authority and duties are set out in written terms of reference.

The Audit Committee reviews the Group's financial statements and internal financial reports, as well as compliance processes and internal control systems, including the internal audit unit. The Audit Committee meets regularly with management and external auditors and reviews their reports.

Members of the Audit Committee are:

- Prof Wong Yue Chim, Richard (*Chairman*)
- Ronald James Blake (resigned on March 17, 2006)
- Cheung Kin Piu, Valiant
- Tsang Link Carl, Brian

During the year ended December 31, 2005, the Audit Committee has met on three occasions and has, amongst other things, performed the following tasks:

- reviewed the financial statements for the year ended December 31, 2004 and the related annual results announcement and auditors' report, with a recommendation to the Board for approval;
- considered and adopted revised terms of reference for the Audit Committee to ensure compliance with the Listing Rules and the U.S. Sarbanes-Oxley Act;

- reviewed the financial statements for the six months ended June 30, 2005 and the related interim results announcement, with a recommendation to the Board for approval;
- reviewed various internal audit reports; and
- reviewed the external auditors' reports to the Audit Committee and their terms of engagement, communications plan and audit plan for the Group for 2005.

All members of the Audit Committee are independent non-executive directors. Committee members possess diversified professional experience including that of accounting and finance.

NOMINATION COMMITTEE

The Nomination Committee is responsible for ensuring that there are fair and transparent procedures for the appointment of directors to the Board. The committee's authority and duties are set out in written terms of reference which specify, amongst other things, that it must comprise at least three members, the majority of whom are independent non-executive directors.

Members of the Nomination Committee are:

- Ronald James Blake (*Chairman*) (resigned on March 17, 2006)
- Li Tzar Kai, Richard
- Cheung Kin Piu, Valiant
- Prof Wong Yue Chim, Richard

During the year ended December 31, 2005, the Nomination Committee has met on two occasions and has, amongst other things, performed the following tasks:

- considered and recommended the appointment of two executive directors to the Board;
- considered and recommended to the Board that non-executive directors should be appointed for a term of two years from the date of his appointment or re-election; and
- considered and adopted revised terms of reference for the Nomination Committee to ensure compliance with the Listing Rules.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for ensuring that there are formal and transparent procedures for developing and overseeing the

Company's policies on the remuneration of its executive directors and senior management. In addition, the committee provides supervision over the administration of the Company's share option scheme. The committee's authority and duties are set out in written terms of reference which specify, amongst other things, that it must comprise at least three members, the majority of whom are independent non-executive directors.

Members of the Remuneration Committee are:

- Cheung Kin Piu, Valiant (*Chairman*)
- Yuen Tin Fan, Francis
- Ronald James Blake (resigned on March 17, 2006)
- Prof Wong Yue Chim, Richard

During the year ended December 31, 2005, the Remuneration Committee has met on one occasion and has, amongst other things, performed the following tasks:

- reviewed the terms of the share option scheme of the Company adopted in 2005;
- reviewed the remuneration of executive directors; and
- considered and adopted revised terms of reference for the Remuneration Committee to ensure compliance with the Listing Rules.

ATTENDANCE AT MEETINGS

All directors actively participate in the Company's business. The attendance record of Board meetings and Board Committee meetings held during the year ended December 31, 2005 is set out below:

Directors	Meetings Attended/Held			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Executive directors				
Li Tzar Kai, Richard	4/4	—	2/2	—
Yuen Tin Fan, Francis	4/4	—	—	0/1*
Lee Chi Hong, Robert	4/4	—	—	—
Alexander Anthony Arena	4/4	—	—	—
Hubert Chak	4/4	—	—	—
James Chan	1/1	—	—	—
Gan Kim See, Wendy	1/1	—	—	—
Non-executive director				
Dr Allan Zeman	3/4	—	—	—
Independent non-executive directors				
Ronald James Blake**	4/4	3/3	2/2	1/1
Cheung Kin Piu, Valiant	4/4	3/3	2/2	1/1
Tsang Link Carl, Brian	3/4	3/3	—	—
Prof Wong Yue Chim, Richard	3/4	3/3	2/2	1/1

* Yuen Tin Fan, Francis was appointed as a member of the Remuneration Committee after the meeting had been held.

** Ronald James Blake resigned as an independent non-executive director with effect from March 17, 2006.

INTERNAL CONTROLS

The directors are responsible for the internal control policy and procedures of the Group and for reviewing their effectiveness. Procedures have been designed to safeguard assets against unauthorised use or disposition, for maintaining proper accounting records and ensuring the reliability of financial information used within the business or for publication. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses or fraud. The Board has considered, and is satisfied with the effectiveness of all material controls in the Group's internal control system, including financial, operational and compliance controls and risk management functions.

EXTERNAL AUDITORS

During the year ended December 31, 2005, the total remuneration in respect of audit services provided by the Group's external auditors, PricewaterhouseCoopers (which for these purposes include any entity that is under the common control, ownership or management of the audit firm or any entity that a reasonable and

informed third party having knowledge of all relevant information would reasonably conclude as part of the firm nationally or internationally) amounted to HK\$2.3 million. In addition, they also provided non-audit services to the Group at a total remuneration of approximately HK\$1.5 million comprising tax advisory services of approximately HK\$0.2 million and non-statutory review services of approximately HK\$1.3 million.

INTERNAL AUDIT

The Group's internal audit unit provides independent assurance to the Board and management on the adequacy and effectiveness of the internal controls for the Group. The internal audit unit reports directly to the Audit Committee, the Chief Executive Officer and the Chief Financial Officer.

The internal audit unit adopts a risk and control-based audit approach. An annual work plan is formulated in advance and covers major activities and processes of the Group's business and service units. All audit reports are communicated to the Audit Committee and audit issues are tracked and followed up for proper implementation, with progress reported to the Audit Committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for the year ended December 31, 2005, except that the Chairman of the Board was unable to attend the Company's annual general meeting held on May 13, 2005 (which was required under the code provision E.1.2) as he had another engagement that was important to the Company's business.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own Code of Conduct for Securities Transactions by Directors and Senior Management ("PCPD Code") on terms no less exacting than the standard required in the Model Code set out in Appendix 10 to the Listing Rules. All the directors confirmed that they have complied with the required standard set out in the Model Code and the PCPD Code for the year ended December 31, 2005.

INVESTOR RELATIONS

The Company encourages two-way communication with both its institutional and private investors. Extensive information on the Company's activities is provided in the annual and interim reports, which are sent to shareholders. Regular dialogue takes place with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcomed and will be dealt with in an informative and timely manner. Relevant contact information is provided on page 158 of this annual report.

In order to promote effective communication, financial and other information relating to the Group and its business activities is disclosed on the Company's website (www.pcpd.com).

STAFF TRAINING AND DEVELOPMENT

In 2005, the Group continued to enhance and improve the service level of its employees. The Group has provided training courses to its employees or has sponsored its employees to attend courses organised by third parties, with the total training days in 2005 amounting to over 400 days. The training courses aim to assist employees to better comply with the Group's policies and standards and to improve their career prospects within the Group. Such courses included customer services enhancement courses and legal knowledge courses provided by external consultants, anti-corruption seminars jointly organised with the Independent Commission Against Corruption, language proficiency courses, technical refresher courses and training, occupational health and safety training and training for the enhancement of mass awareness on compliance and regulatory issues.

COMMUNITY

The Group participated in, or sponsored, various charitable or community service projects last year. These included the "CyberRun for Rehab" which raised funds for The Hong Kong Society for Rehabilitation and the donation of a painting to the Shanghai Charity Foundation which raised HK\$600,000 at an auction. The Group also organised staff fund-raising activities for the victims of the South-Asia tsunami through the Hong Kong Red Cross South Asia Relief Fund and for the children of Darfur in Sudan through the United Nations Children's Fund.

ENVIRONMENT

The Group is committed to the protection of the environment and seeks to promote environmentally friendly measures in its operations. This includes the adoption of energy-efficient building designs, requirement for the Group's property development contractors to use environmentally friendly and reusable materials to reduce construction waste and to implement an environmental management plan during site operation. The Group's commitment to environmental protection work is widely recognised and various phases of Cyberport have received, amongst others, the following awards: (i) an "Excellent" rating under the Hong Kong Building Environmental Assessment Method (HK-Beam) for new office designs (Version 1/96R); (ii) certification by the Electrical and Mechanical Services Department of compliance with the Code of Practice for Energy Efficiency of Lift and Escalator Installations, Air Conditioning Installations and Lighting Installation; and (iii) an "Excellent Class" indoor air quality certificate issued by the Indoor Air Quality Information Centre.