

## **COMMITMENT TO CORPORATE GOVERNANCE**

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The Company has applied the principles of the Code provisions under the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the year ended 31st December, 2005 ("the year under review"), save for the deviations discussed below.

### **Code Provision**

Code A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

Code A.4.2 specifies that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-law 87 of the Bye-laws of the Company. According to Bye-law 87 of the Company, the Chairman and the Managing Director of the Company are not subject to retirement by rotation. The Board has proposed relevant amendments to be made to the Bye-laws of the Company at the forthcoming annual general meeting.

Under Code C.3.4, the terms of reference of the Audit Committee are required to be made available on request and included on the issuer's website. The terms of reference of the Audit Committee are currently under review and have yet to be posted on the Company's website.

# Corporate Governance Report

## THE BOARD

The Board of Directors has the collective responsibility for leadership and control of the Company. The Board sets strategies for the Company and monitors the performance and activities of the senior management.

The Board held five meetings in 2005, with additional meetings arranged, when required. Other than regular Board meetings, the Directors also meet periodically without management to discuss matters of particular interest. The attendance records of individual Director are as follows:

Name of Directors	Number of board meetings attended
<b>Executive Directors:</b>	
Li Kwok Lung, Alfred Ronald ( <i>Chairman</i> )	5
Sze Sun Sun, Tony ( <i>Deputy Chairman and Managing Director</i> )	5
Chang Tsung Yuan ( <i>Deputy Chairman</i> )	3
Ku Edward Y.	5
Chan Lu Min	4
Ho Ting Seng (appointed on 7th April, 2006)	Nil
<b>Non-executive Directors:</b>	
Li I Nan	5
Chan Ting Chuen	4
<b>Independent Non-executive Directors:</b>	
Cheng Kar Shing	5
Feng Lei Ming	4
Ho Shing Chak	5

Directors who are considered having conflict of interest or material interests in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are being complied with, and advising the Board on compliance matters.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Li Kwok Lung, Alfred Ronald is the Chairman of the Board. Mr. Sze Sun Sun, Tony is the Chief Executive Officer (or Managing Director in the case of this Company). The roles of the Chairman of the Board and the Managing Director are segregated. The Managing Director, supported by the Board members and senior management, is responsible for the day-to-day business operation of the Company.

## **BOARD COMPOSITION**

The Board currently consists of five non-executive Directors and six executive Directors. Three of the non-executive Directors are independent.

The term of the non-executive Directors is not fixed but they are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-law 87 of the Bye-laws of the Company.

The Directors are kept abreast of their responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. Management provides appropriate and sufficient information to Directors and the committee members in a timely manner to keep them apprised of the latest development of the Company.

All Directors are obliged to observe the requirements stipulated in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), as set out in Appendix 10 to the Listing Rules. All Directors have complied with the Model Code throughout the year.

## **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

The Remuneration Committee was set up in December 2005 with specific Terms of Reference which states clearly its authority and duties. It advises the Board on the remuneration of the Directors and senior management of the Company.

The current members of the Remuneration Committee are Mr. Ho Shing Chak, Mr. Cheng Kar Shing and Mr. Feng Lei Ming. In line of good and fair practice, the Committee currently consists of all independent non-executive Directors.

The emoluments of the Directors of the Company are decided by the Board of Directors, as authorised by the shareholders at the annual general meeting, having regard to the operating results of the Company, individual performance and prevailing market conditions. The Company has also adopted a share option scheme as an incentive to Directors and senior management. The Board conducts regular review of its structure, use and composition with particular attention to the skills, knowledge and experience of individual members. The issue of succession planning is also considered at these meetings.

Since the Remuneration Committee has only been established in December last year, no meeting has yet been held. Yet, the Remuneration Committee considers that the existing terms of the employment contracts of the executive Directors and of the senior management, and the independent non-executive Directors are fair and reasonable.

# Corporate Governance Report

## ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the Company for the year under review. As at 31st December, 2005, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the Company to continue as a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Auditor's Report on page 25. The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31st December, 2005 amounted to HK\$1,580,000 and HK\$435,000 respectively.

The Directors have conducted an annual review of the effectiveness of the Group's internal control system. The review includes financial, operational and compliance control and risk management functions.

## AUDIT COMMITTEE

The Company has established an Audit Committee with specific written Terms of Reference. The Terms of Reference of the Audit Committee have included the duties which are set out in the Code Provision C.3.3 of the Code, with appropriate modifications when necessary.

The current members of the Audit Committee are Mr. Cheng Kar Shing, Mr. Feng Lei Ming and Mr. Ho Shing Chak. A total of 2 meetings have been held in the year under review and the individual attendance of members are as follows: –

<b>Name of members</b>	<b>No. of meetings attended</b>
Feng Lei Ming ( <i>Chairman</i> )	2
Cheng Kar Shing	1
Ho Shing Chak	2
Li I Nan	2

The Audit Committee reviewed the 2005 half yearly and full year consolidated financial statements, including the Group's adopted accounting principles and practices, internal controls, and financial reporting matters in conjunction with the external auditors. The Audit Committee endorsed the accounting treatment adopted by the Company and had to the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix 16 of the Listing Rules.

## SHAREHOLDER'S COMMUNICATIONS

The Company continues to enhance communications and relationships with its investors. Designated management personnel maintains regular dialogue with institutional investors and analysts to keep them abreast of the developments of the Company.

To promote effective communication, the Company also maintains a website [www.symphonyholdings.com](http://www.symphonyholdings.com) where information and updates on the business developments and operations, financial information, corporate governance practices and other information are posted.