

As early as 2000, corporate governance has already been part of the corporate value of the Company. Over the years, the Company has developed sound governance and disclosures practices as part of its ethical corporate culture with a view for transparency to the investing public. This sets the standards in the way the Group goes about its business.

BOARD AND BOARD PRACTICES

The objectives of the management structures within the Group, headed by the Board and led by the Chairman, are to deliver sustainable value to Shareholders.

The Chairman provides leadership to and oversees the effective functioning of the Board. With support of the Managing Director and the Company Secretary, the Chairman approves Board meeting agenda, and ensures Directors have proper briefing, and timely receive adequate and reliable information, on all Board matters.

The role of the Chairman is separate from that of the Managing Director, and different persons hold the separate offices. Managing Director heads the management and focuses on the day-to-day operations of the Group.

Led by the Chairman, the Board sets the strategy and policies for the Group, approves the annual budget and business plan presented by management for the achievement of the strategic objectives, evaluates performance, and oversees management. The Board confines itself to making strategic and broad policy decisions, delegating responsibility for more detailed considerations to the Executive Board under the leadership of the Chairman, and implementation to the Managing Director.

The Board comprises 6 executive Directors (including the Chairman and the Managing Director), and 7 non-executive Directors (of whom 5 were independent non-executive Directors). Biographical details of the Directors are set out on pages 41 to 42 of this annual report. Non-executive Directors do not participate in the daily business management of the Company but constructively challenge and help develop proposals on the Group's business strategy. Non-executive Directors are appointed for a term of 3 years.

Each of Sir David Akers-Jones, Dr. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Dr. Charles Cheung Wai Bun, and Mr. Robert George Nield has provided confirmation of his independence to the Company. The Board considers that all of them met the requirements of the independence guidelines in Rule 3.13 of the Listing Rules. One of the independent non-executive Directors has appropriate accounting professional qualification, and the rest possess appropriate business skills and financial management experience.

In accordance with the requirements of the Bye-laws and the corporate governance practices of the Company, Mr. Eddie Hui Ki On and Mr. William Lo Chi Chung (both executive Directors) as well as Sir David Akers-Jones and Dr. Leo Lee Tung Hai (both independent non-executive Directors) will retire by rotation but offer themselves for re-election, respectively as executive Directors and independent non-executive Directors, at the forthcoming annual general meeting of the Company. None of the Directors who are proposed for re-election has a service contract with the Company that is not terminable by the Company within 1 year without payment of compensation (other than statutory compensation).

Under the Chairman's leadership, the Board is regularly reviewing its succession and nomination policy to ensure that there is a balance of expertise, skill, and experience appropriate for the business and long-term development of the Group. The criteria for selecting and recommending candidates for directorship include their experience and expertise in particular field, and their understanding and familiarity with the business and activities of the Group with which they will be concerned.

The Company has a set of comprehensive induction materials for newly appointed Directors. The Company also regularly updates Directors on compliance developments, and has directors & officers insurance in place against risks and exposure arising from the Group's business and activities.

The Board schedules regular meetings in advance, at least 4 times a year at approximately quarterly intervals to give Directors opportunity to attend. The Company Secretary circulates Board agenda and papers at least 3 days in advance. Both the Qualified Accountant and the Company Secretary attend Board meetings to answer queries and assist Directors thereat. The Company Secretary keeps and circulates copy of Board minutes to all Directors. All Directors have full and timely access to relevant information, and are entitled to independent professional advice if found necessary. In between scheduled Board meetings, the executive Directors receive information from management on the activities and developments in the Group's business. The Board had 4 meetings in 2005 (79% average attendance rate).

Directors' attendance in Board and other meetings of the Company in 2005

	Shareholders		Independent		
	Board Meeting	Audit Committee	Annual/Special General Meeting	Ad Hoc Board Committee	Board Committee
Number of Meetings	(4)	(2)	(2)	(5)	(1)
Executive Directors					
Lui Che Woo (Chairman) ¹	2/4	N/A	0/2	N/A	N/A
Francis Lui Yiu Tung (Managing Director) ²	4/4	N/A	2/2	N/A	N/A
Lennon Lun Tsan Kau (Deputy Managing Director)	4/4	N/A	2/2	5/5	N/A
Eddie Hui Ki On	4/4	N/A	2/2	5/5	PAT
William Lo Chi Chung	4/4	N/A	2/2	PAT	PAT
Paddy Tang Lui Wai Yu ³	4/4	N/A	2/2	N/A	N/A
Non-executive Directors					
Michael Leung Man Kin ⁴	4/4	1/1	2/2	2/5	N/A
Philip Wong Kin Hang ⁵	2/4	0/1	0/2	N/A	N/A
Independent Non-executive Directors					
Sir David Akers-Jones	3/4	N/A	1/2	N/A	1/1
Alex Wu Shu Chih ⁶	N/A	N/A	N/A	N/A	N/A
Leo Lee Tung Hai	3/4	N/A	2/2	N/A	1/1
Robin Chan Yau Hing	0/4	N/A	1/2	N/A	1/1
Charles Cheung Wai Bun	4/4	2/2	2/2	N/A	N/A
Robert George Nield	3/4	2/2	1/2	N/A	1/1
Total	41/52	5/6	19/26	12/15	4/4
Average attendance rate	79%	83%	73%	80%	100%

¹ Dr. Lui Che Woo is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

² Mr. Francis Lui Yiu Tung is the son of Dr. Lui Che Woo, and the younger brother of Ms. Paddy Tang Lui Wai Yu.

³ Ms. Paddy Tang Lui Wai Yu is the daughter of Dr. Lui Che Woo, and the elder sister of Mr. Francis Lui Yiu Tung.

⁴ Mr. Michael Leung Man Kin was appointed as audit committee member on 3rd March 2005.

⁵ Dr. Philip Wong Kin Hang resigned as audit committee member on 3rd March 2005.

⁶ Dr. Alex Wu Shu Chih passed away on 9th January 2005.

PAT: Attendance not required but nevertheless participated in the meeting.

MODEL CODE ON SECURITIES TRANSACTIONS

The Board has adopted a code for transactions in the Company's securities by Directors and their connected persons ("Model Code") that complies with Appendix 10 of the Listing Rules. Following a specific enquiry, each Director has confirmed he or she has complied with the Model Code throughout the year.

Other than the connected transaction and continuing connected transactions disclosed in the Report of the Directors, none of the Directors had, during the year or at the end of the year, a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiaries.

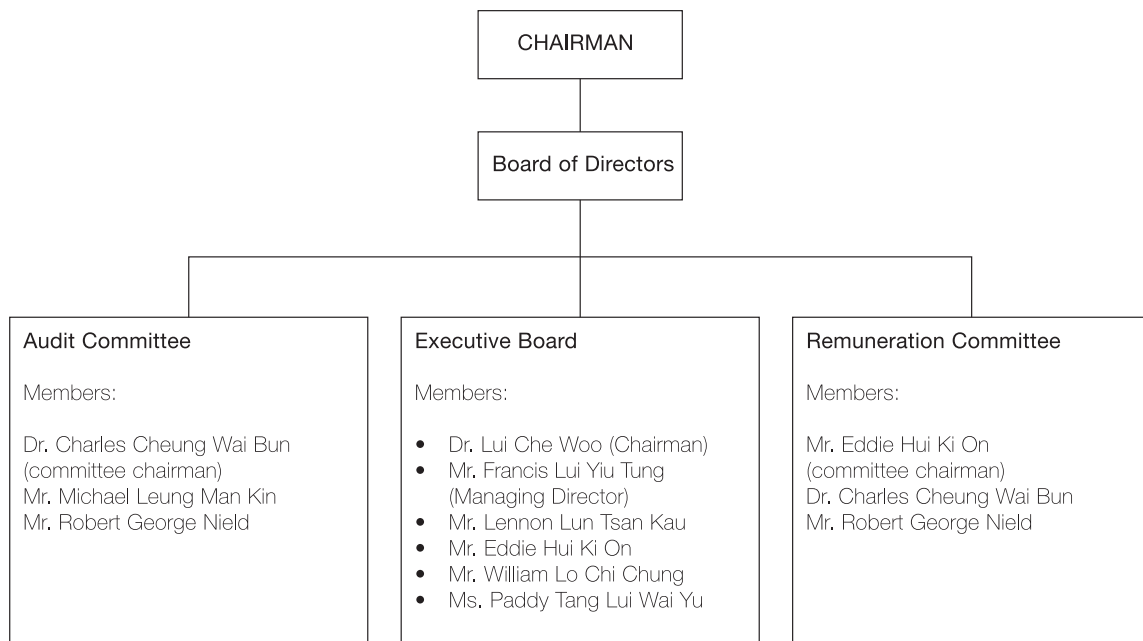
The Company has also adopted written guidelines — on no less exacting terms than the Model Code — for transactions in the Company’s securities by certain of its employees.

DIRECTORS’ RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which shall give a true and fair view of the results and performance of the Group. Having made appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future, and that, for this reason, it is appropriate to adopt the going concern basis in preparing its financial statements. With the assistance of the finance department who is under the supervision of the Qualified Accountant, the Directors ensure that the financial statements of the Group are being prepared, and published in a timely manner, in accordance with the applicable accounting standards and statutory requirements. The Directors’ statements of responsibility for the financial statements should be read in conjunction with — but distinguished from — the Auditors’ Report on page 53, which acknowledges the reporting responsibilities of the external auditors.

BOARD COMMITTEES

Under the Board there are the Executive Board, the Audit Committee, and the Remuneration Committee. The Audit Committee and the Remuneration Committee have specific terms of reference along the lines as required by the mandatory requirements (“code provisions”) of Appendix 14 of the Listing Rules.



EXECUTIVE BOARD

The Board has clear guidelines, in writing, on the authority delegated to the Executive Board. They stipulate that the Board retains to itself authority on annual budgets and accounts, dividends, share capital, derivative transactions, connected transactions and transactions requiring shareholders approval, and certain financing, acquisitions, disposals and operation issues above predetermined thresholds.

The Executive Board meets regularly and operates as a general management committee under the direct authority of the Board. Within the parameter of authority delegated by the Board, the Executive Board sees to the implementation of Group strategy set by the Board, monitors the Group's investment and trading performance, funding and finance requirements, and reviews management performance. The Executive Board reports through the Chairman, or the Managing Director if the Chairman is away from Hong Kong, to the Board. The Executive Board sub-delegates day-to-day administration details to members charged with specific operation tasks under the leadership of the Managing Director.

AUDIT COMMITTEE

The Audit Committee has been part of the Company's corporate governance set-up since 1999. The Audit Committee is accountable to the Board and assists the Board in ensuring an effective system for meeting its external financial reporting obligations and internal control and compliance.

The Audit Committee comprises 2 independent non-executive Directors (Dr. Charles Cheung Wai Bun (committee chairman) and Mr. Robert George Nield) and 1 non-executive Director (Mr. Michael Leung Man Kin), who possess the accounting professional skills and other business experience in discharge of their duties.

The Audit Committee's duties and authority are set out in written terms of reference, which requires it to oversee the relationship with the Company's external auditors (currently, PricewaterhouseCoopers ("PwC")), to review the Group's interim results and annual financial statements, and to review the scope, extent and effectiveness of the Group's financial reporting and internal control system, in accordance with the code provisions requirements. The Audit Committee has access to senior management and PwC, and may engage other professional advisers if necessary. The Board revised the Audit Committee's terms of reference on 14th September 2005 to bring them in line with the code provision requirements. The Company has made available the revised terms of reference for Shareholders.

The Audit Committee reports on its activities to the Board, at least twice a year. In 2005, the Audit Committee met twice, first in February 2005 to review the Group's 2004 final results and audited financial statements, and in September 2005 to review the Group's 2005 interim results and unaudited financial statements before they were submitted to the Board. The Audit Committee also considered PwC's reports on the scope and outcome of their independent review of the Group's 2005 interim results and on their annual audit of the Group's consolidated financial statements. Average attendance of Audit Committee meeting by members is 83% for 2005. Representatives of PwC, the Qualified Accountant, and the Company Secretary attended Audit Committee meetings to assist on any queries that members might have. The Company Secretary is the secretary to the Audit Committee, who helps organize agenda papers as well as keep on record and circulate afterwards Committee minutes.

The Audit Committee has reviewed with management the effectiveness of the Group's internal control and risk management system. Starting 2006, in line with the code provision requirements in this regard, the Audit Committee will be tasked to assist the Board to review and evaluate the internal control environment and risk assessment process of the Group, and the way in which the Group's business and control risks are managed when it makes its recommendation to the Board for approval of the consolidated financial statements of the Company for the year.

The Group's policy on external auditors is to ensure that the Company benefits in a cost effective manner from the cumulative knowledge and experience of its auditor whilst also ensuring that the auditor maintains the necessary degree of independence and objectivity. The Audit Committee recommends to the Board on the retention of external auditors, and reviews their fees on audit services.

The remuneration paid to PwC for the last two years is disclosed in note 9 to the 2005 Financial Statements. Upon its review in meeting in March 2006, the Audit Committee is satisfied with PwC's independence and objectivity and the effectiveness of the audit process, and has recommended to the Board that PwC be re-appointed as Auditors at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

Set up in December 2005, the Remuneration Committee comprises 3 members of whom 2 are independent non-executive Directors (viz. Dr. Charles Cheung Wai Bun and Mr. Robert George Nield). Mr. Eddie Hui Ki On (executive Director) is the Remuneration Committee chairman. The Company has made available the terms of reference of the Remuneration Committee to Shareholders.

The Remuneration Committee assists the Board in its objective to attract, retain, and motivate people of the highest caliber that is needed to develop, shape, and execute strategy across the Group's diverse business operations. The Remuneration Committee assists in developing and administering a fair and transparent procedure for setting policy on remuneration of Directors and senior management of the Group. No Director is involved in deciding his own remuneration.

The terms of reference require the Remuneration Committee to meet at least once each year. If necessary, the Remuneration Committee may meet more than once any time during the year to discuss and consider remuneration-related matters. Following each meeting, the Remuneration Committee reports back to the Board on its recommendation. The Company Secretary is the secretary to the Remuneration Committee and attends to organize the meeting as well as the documentation before and afterwards.

Before the setting up of the Remuneration Committee, in 2005, the Board met twice when remuneration-related matters were discussed: (i) in March 2005, on increase of fees paid to Directors for the year ended 31st December 2004 from HK\$50,000 to HK\$80,000 per year for each Director, and similarly, fees for Directors serving on Audit Committee from HK\$20,000 to HK\$80,000, to reflect increased responsibilities and work loads occasioned by recent development in corporate governance requirements, and (ii) in September 2005, on grant of share options to Directors and eligible employees to recognize performance and retain key talent.

The Remuneration Committee met on 24th March 2006, and all members attended. Assisted by the Group Head Human Resources, the Committee reviewed relevant remuneration data and market conditions, in addition to individual performance in relation to the executive Directors under review and profitability of the Group. The Remuneration Committee noted that the executive Directors constituted the senior management as they are under direct responsibilities and perform most of the major functions of the business of the Group. Details of Directors' emoluments and five highest-paid employees of the Group for financial year 2005 appear at notes 11 and 12 to the 2005 Financial Statements.

The Board endorsed the Remuneration Committee's fees proposals for approval by Shareholders at the 2006 Annual General Meeting.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders is always of high priority. Every year, upon announcing results, the Company has briefings with the investment community, and the executive Directors also have regular dialogue with institutional investors. In addition to sending annual reports, interim reports, circulars and notices to Shareholders, the Company also makes these materials, which contain extensive information about the Group's activities, timely available for access by shareholders at both the Stock Exchange's and the

Company's own websites. The Company has an executive Director specifically charged with investors relationship. The Company responds to enquires from Shareholders, investors, and individuals on matters relating to their shareholdings and the business of the Company in an informative and timely manner.

The Company encourages its Shareholders to attend the annual general meetings and all its other shareholders meetings to discuss progress. The Chairman and Directors are available there to answer Shareholders' questions on the Group's business. All substantive resolutions at annual general meeting of the Company, insofar as the Listing Rules require, will be decided on a poll, which the Company's Branch Share Registrars in Hong Kong will conduct and which results the Company will publish in newspaper. The Chairman (and chairman of any shareholders meeting) will ensure that in all circulars to Shareholders, the Company will set out in full the procedures for and shareholders' rights in demanding voting by poll, and that in all the Company's Shareholders meetings, all efforts will be made to ensure compliance with the requirements of Rules 13.39(3) and (4) of the Listing Rules.

COMPLIANCE WITH APPENDIX 14

The 2005 Interim Report mentioned a deviation from code provision A.4.2., and the fact that the Chairman did not attend the annual general meeting of the Company held on 28th April 2005 as he had other unexpected engagement. Upon review of the circumstances, the Board concluded that there is no need at this stage to amend Bye-law 189(viii) as, in substance, the spirit of code provision A.4.2 has been upheld, since in practice (except for the case of the Chairman and the Managing Director) over one-third of the Directors do retire by rotation every 3 years. Besides, it is not in the best interest of the Group to have the Chairman and Managing Director in compulsory retirement every 3 years as their profound knowledge of the Group's widespread geographical business, vision, and leadership has always been a considerable benefit to and is an asset of the Company. Any risk of entrenchment is balanced by the fact that the Company has a strong, diversified, and well-represented Board, with over half of its members being non-executive and nearly 40% independent non-executive Directors. Other than these, for the accounting year covered by this 2005 Annual Report, the Company has complied with all the code provisions.