

## Corporate Governance Report

The Board opined that the Company has complied with the code provision set out in the Code of Corporate Governance Practice (the "CG Code") as stipulated in Appendix 14 of the Rules Governing the Listing of Securities On The Stock Exchange of Hong Kong Limited ("Listing Rules") during the reporting year except on the deviations noted below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, the Company does not have a separate Chairman and Chief Executive and Mr. Ng Cheung Shing, the founder of the Group, holds both positions. The Board believes that vesting the roles of both chairman and chief executive in the same individual provides the Group with strong and consistent leadership and allows for more effective and efficient planning and execution of long-term business strategies.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation in accordance with the provisions of the bye-laws of the Company. The Company therefore considers that sufficient measures have been taken to ensure that its corporate governance practices are similar to those provided in the CG Code and is currently taking measures to revise the terms of appointment of all the non-executive directors to better comply with the CG Code.

### THE BOARD COMPOSITION

The Board comprises three executive directors and three independent non-executive directors:

#### **Executive directors:**

Ng Cheung Shing (*Chairman and Chief Executive Officer*)

Leung King San, Sunny

Ma Mok Hoi

#### **Independent non-executive directors**

Ha Shu Tong

Lee Kwok On, Matthew

Ting Leung Huel, Stephen

One-third of the directors shall retire from office at every annual general meeting and all directors (including non-executive directors) are subject to retirement by rotation once every three year in accordance with the Company's bye-laws and the CG Code.

# Corporate Governance Report

The directors' biographical information is set out in the "Biographies of Directors and Senior Management" section on pages 8 to 10.

## PRINCIPAL FUNCTIONS

The Board has the ultimate decision on the Group's overall strategy, annual budget, annual and interim results, appointment or retirement of directors, significant contracts and transactions as well as other significant policy and financial matters. The Board has delegated the daily operations and administration to the Company's management.

Every director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. In addition, every director has separate and independent access to the Company's senior management to facilitate them to make informed decisions. All directors, in the discharge of their duties, are allowed to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

In order to achieve a high standard of corporate governance, the Board held four regularly meetings at approximately quarterly interval and two additional meetings during the year 2005 to discuss the overall strategy as well as the operation and financial performance of the Group. Attendance of each director at the Board meetings is set out below:

	<b>Number of Board meetings Attended/Eligible to attend</b>
<b>Executive directors:</b>	
Ng Cheung Shing	6/6
Leung King San, Sunny	6/6
Ma Mok Hoi	6/6
<b>Independent non-executive directors:</b>	
Ha Shu Tong	5/6
Lee Kwok On, Matthew	6/6
Ting Leung Huel, Stephen	6/6

## BOARD COMMITTEES

To strengthen the functions of the Board, there are three Board Committees namely, the Audit Committee and the Remuneration Committee and the Nomination Committee formed under the Board, with each performing different functions.

# Corporate Governance Report

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 22 September 2004 and comprises of three independent non-executive directors, namely, Ha Shu Tong, Lee Kwok On, Matthew, and Ting Leung Huel, Stephen and two executive directors namely, Ng Cheung Shing and Leung King San, Sunny. Currently, Mr. Ha is the Chairman of the Remuneration Committee.

The primary function of the Remuneration Committee include:

- to review and recommend to the Board, in consultation the chairman and chief executive officer, the remuneration policy and packages of the directors and senior management;
- to review and recommend the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and recommend the compensation payable to executive directors and senior management in connection with any loss of termination of their office or appointment;
- to review and recommend compensation arrangements relating to dismissal or removal of directors for misconduct; and
- to ensure that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least once every year. Two meetings were convened during the year and all the committee members attended.

## AUDIT COMMITTEE

The Audit Committee was established on 24 April 1999 and during the reporting period, the three independent non-executive directors, namely, Ha Shu Tong, Lee Kwok On, Matthew, and Ting Leung Huel, Stephen are the members of the committee and Mr. Ting is currently the Chairman of the Audit Committee.

The principal duties and roles of the Audit Committee include:

- to consider and recommend to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditors;

## Corporate Governance Report

- to review and monitor the external auditors' independence and objectivity;
- to develop and implement policy on the engagement of external auditors to supply non-audit services;
- to review the financial information of the Group, which includes, annual report and interim report;
- to review the Group's financial controls, internal controls and risk management systems; and
- to review the external auditors' management letters and management's response.

During the year, the Audit Committee meets two times and all the members of Audit Committee attended both meetings.

### NOMINATION COMMITTEE

The Nomination Committee was established on 22 September 2004 and comprises of the three independent non-executive directors, namely, Ha Shu Tong, Lee Kwok On, Matthew, and Ting Leung Huel, Stephen and two executive directors namely, Ng Cheung Shing and Leung King San, Sunny. Currently, Mr. Ha is the Chairman of the Nomination Committee.

The primary functions of the Nomination Committee include:

- to develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board;
- to recommend the appointment and re-appointment of directors; and
- to review the independence of each director, and to ensure that the Board comprises at least one-third independent directors.

The Nomination Committee shall meet at least once every year. One meeting was convened during the year and all the committee members attended.

# Corporate Governance Report

## AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's independent auditors amounted HK\$1,128,000 in respect of audit services. There have been no non-audit services rendered by the Company's independent auditors during the year.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Based on a specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the year.

To comply with CG Code A.5.4, the Company has also adopted the Model Code as its code of conduct for dealings in securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

## COMMUNICATION WITH SHAREHOLDER

Information of the Company and the Group are delivered to its shareholders through a number of channels, which includes annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available for on the Company's website.

## ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The reporting responsibilities of the Company's independent auditors are set out in the Report of Auditors on page 25.