

## *Corporate governance practices*

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board of Directors has set up procedures on corporate governance that comply with the requirements of the Code on Corporate Governance Practices (the "CG-Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year, the Company has complied with all code provisions set out in the CG-Code.

## *Board of Directors*

The Company is managed through the Board of Directors which currently comprises of ten Executive Directors (including the Chairman), three Non-Executive Directors and three Independent Non-Executive Directors. The names of the Directors and their biographical details and the relationship amongst them, if any, are set out on pages 8 to 13 of this Annual Report. At least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matters shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Managing Director.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

Sir Gordon Ying Sheung WU served as Chairman of the Board throughout the year and is responsible for providing leadership and management of the Board. The role of the Chairman is separated from that of the Managing Director. Mr. Eddie Ping Chang HO, the Managing Director, is responsible for the day-to-day management of the business of the Company. The division of the responsibilities between the Chairman and the Managing Director has been established and clearly set out in writing.

Non-Executive Directors and Independent Non-Executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgment. Each of the Independent Non-Executive Directors is required to confirm in writing his/her independence as required by the Listing Rules every year.

All newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election in accordance with the Company's Articles of Association. At the annual general meeting of the Company held on 19th October, 2005, amendments to the Company's Articles of Association were approved by the Company's shareholders pursuant to which every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her last appointment by the Board, election or re-election subject to the provisions of the Articles of Association. All Non-Executive Directors and Independent Non-Executive Directors are appointed for a fixed term of three years and are subject to re-election.

The Board regularly reviews the plans for orderly succession for appointments to the Board and its structure, size and composition. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-Executive Director, the independence requirements set down in the Listing Rules from time to time. Nomination of new Director will normally be made by the Chairman and/or Managing Director and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s). During the year, a new Executive Director, Mr. Barry Chung Tat MOK, was appointed. Newly appointed Directors will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws.

The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers.

### ***Board committees***

The Board has established a Committee of Executive Directors in September 1991 with delegated authority for reviewing and approving the day to day business operations and ordinary and usual course of business of the Company. This committee comprises all the Executive Directors of the Company.

The Company has also established the Audit Committee and the Remuneration Committee to deal with the following specific matters in the interest of all shareholders in an objective manner. Members of these 2 Board Committees comprise, except for the Chairman of the Remuneration Committee, entirely of Independent Non-Executive Directors.

	<b><i>Audit Committee</i></b>	<b><i>Remuneration Committee</i></b>
Year of establishment	1999	2005
Committee members	Mr. Lee Yick NAM* <i>Chairman</i> Ms. Linda Lai Chuen LOKE* Mr. Guy Man Guy WU*	Mr. Eddie Ping Chang HO# <i>Chairman</i> Mr. Lee Yick NAM* Ms. Linda Lai Chuen LOKE*
Major responsibilities and functions	<ul style="list-style-type: none"> <li>• Consider the appointment and independence of external auditors.</li> <li>• Review and supervise the Group's financial reporting process, internal control and compliance.</li> <li>• Review and monitor the interim and annual financial statements before submission to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Assist the Board for development and administration of the policy and procedure on the remuneration of the Directors and senior management of the Company.</li> </ul>
Work performed during the year	<ul style="list-style-type: none"> <li>• Considered and approved the terms of engagement of the external auditors including audit fee.</li> <li>• Reviewed the annual financial statements for the year ended 30th June, 2005 and the interim financial statements for the six months ended 31st December, 2005.</li> <li>• Reviewed the work performed by the Internal Audit Department and the Group's internal control system.</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed and made recommendations to the Board on annual salary adjustment and bonuses.</li> <li>• Determined the remuneration package of a newly appointed Executive Director.</li> <li>• Reviewed the level of Directors' fees for the year.</li> </ul>

# Executive Director

\* Independent Non-Executive Director

### Attendance at meetings

The attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meeting and Annual General Meeting are as follows:

	Number of meetings attended / held			
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Annual General Meeting
Number of meetings held	4	2	1	1
<b>Executive Directors</b>				
Sir Gordon Ying Sheung WU GBS, KCMG, FICE <i>Chairman</i>	4 out of 4	N/A	N/A	1 out of 1
Mr. Eddie Ping Chang HO <i>Remuneration Committee Chairman</i>	4 out of 4	N/A	1 out of 1	1 out of 1
Mr. Josiah Chin Lai KWOK	4 out of 4	N/A	N/A	1 out of 1
Mr. Thomas Jefferson WU	4 out of 4	N/A	N/A	1 out of 1
Mr. Robert Van Jin NIEN	4 out of 4	N/A	N/A	1 out of 1
Mr. Albert Kam Yin YEUNG	4 out of 4	N/A	N/A	1 out of 1
Mr. David Yau-gay LUJ	4 out of 4	N/A	N/A	1 out of 1
Mr. Andy Lee Ming CHEUNG	4 out of 4	N/A	N/A	1 out of 1
Mr. Eddie Wing Chuen HO Junior	4 out of 4	N/A	N/A	1 out of 1
Mr. Barry Chung Tat MOK	4 out of 4	N/A	N/A	1 out of 1
<b>Non-Executive Directors</b>				
Mr. Henry Hin Moh LEE	4 out of 4	N/A	N/A	1 out of 1
Lady Ivy Sau Ping KWOK WU JP	3 out of 4	N/A	N/A	1 out of 1
Mr. Carmelo Ka Sze LEE	4 out of 4	N/A	N/A	1 out of 1
<b>Independent Non-Executive Directors</b>				
Mr. Guy Man Guy WU	4 out of 4	2 out of 2	N/A	1 out of 1
Ms. Linda Lai Chuen LOKE	4 out of 4	2 out of 2	1 out of 1	1 out of 1
Mr. Lee Yick NAM <i>Audit Committee Chairman</i>	4 out of 4	2 out of 2	1 out of 1	1 out of 1

### *Remuneration policy*

The Company recognizes the need to implement a competitive remuneration policy in order to attract, retain and motivate the Directors and senior management to achieve the corporate targets. The remuneration package of the Executive Directors comprises of some fixed elements: basic salary, provident fund contribution and other benefits including insurance cover, as well as bonus and share options which are performance related. No Director is allowed to approve his/her own remuneration.

The fixed elements of the Executive Directors' remuneration are reviewed annually and will take into account the job nature, responsibilities, experience and performance of the individual as well as prevailing market salary practices. Directors' fees for the current financial year had been approved by the shareholders at the last Annual General Meeting of the Company held on 19th October, 2005.

### *Securities transactions*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company's Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiries made, each of the Directors has confirmed that he or she has complied fully with the Model Code throughout the year.

### *Financial reporting*

The Directors recognize the responsibility for preparing the financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The responsibilities of the auditors with respect to the financial reporting are set out in the Report of the Auditors on page 62 of this Annual Report.

### External Auditors

The Company's external auditors are Deloitte Touche Tohmatsu. They are responsible for auditing and forming an independent opinion on the annual financial statements. The independence of the external auditors is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditors as well as approving their terms of engagement including their fees. Apart from the statutory audit of the annual financial statements, Deloitte Touche Tohmatsu was also engaged to perform a review on the interim financial statements of the Company for the six months ended 31st December, 2005 as well as advising on tax compliance and related matters. During the year ended 30th June, 2006, the fees payable by the Group to the external auditors in respect of audit and non-audit services provided by them were as follows:

	<i>HK\$'000</i>
Audit services	4,630
Non-audit services:	
Tax compliance and advisory services	609
Others	–
	<b>5,239</b>

### Internal controls

The Board is of the opinion that a sound internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations and will assist the Board in the management of any failure to achieve business objective.

The Group's internal control procedures include a comprehensive system for reporting information to the division head of each business unit and the Executive Directors.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the Executive Directors. Plans and budgets are reviewed on a quarterly basis to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Different guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each unit and hold periodical meetings with the senior management of each business unit and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. Evaluation of the Group's internal control is independently conducted by the Internal Audit Department on an on-going basis. Internal Audit Department reports to the Audit Committee at least twice every year on significant findings on internal controls.

For the year under review, the Board has through the Audit Committee reviewed the effectiveness of the Group's internal control system.

### *Investor relations*

The Group treasures the relationship with investors and continues to provide a better and more open environment to interact with shareholders and investors through frequent meetings and prompt communications with them.

In 2006, the Group maintained its active role in participating in road shows and investors' conferences. These investor meetings help the financial analysts, fund managers and potential investors better understand the Group's current operations, future planning and strategic developments.

With the post-results announcement and analyst and press presentations as well as general meetings, shareholders and investors can easily acquire timely and accurate information unveiled by the Group and share their views with the Directors.

The Company also welcomes views of investors and shareholders and they can contact the Company's investor relations team, the contact details of which are set out on page 60 of this Annual Report.

The corporate website, [www.hopewellholdings.com](http://www.hopewellholdings.com), is interlinked with that of its listed subsidiary, Hopewell Highway Infrastructure Limited at [www.hopewellhighway.com](http://www.hopewellhighway.com), which provides extensive information of the Group including business activities, corporate announcements, press releases as well as interim and annual reports. The Group will dedicate incessant efforts to maximize the returns to the shareholders and consistently be devoted to maintain the relationship with the investment community.