



To attract, motivate and retain top quality personnel to join the Group.



# Remuneration Report

The remuneration report covers the remuneration to the Chairman and all directors, both executive and non-executive, and is set out on pages 40 and 42. This Remuneration Report has been reviewed and approved by the Remuneration Committee of the Company.

## 1. INTRODUCTION

2006 was a year of change for the group following the introduction of Amcor as a major shareholder and included a number of significant events. It was also a year in which the Board decided to adopt new policies to set the remuneration package for the Chairman, Executive Directors and Non-Executive Directors systemically and objectively. We are pleased to report that these policies have been set and are to be implemented gradually in the coming years. Below are the key parts of the new remuneration policies.

The revised remuneration policy for the Chairman and Executive Directors has provided an effective framework against which to evaluate and reinforce the performance of both the Chairman and Executive Directors. In a performance-driven organization, the measurement of performance and design of an appropriate incentive system is critical.

Regarding non-executive directors (NED), their role has become more complex and demanding as a result of regulatory change and the increasing part they play in the governance of listed companies. Therefore, it is necessary to revise the remuneration policy and system for the new NEDs so as to fairly reflect their qualifications, professional experience, time spent and workload. After a series of discussions, the revised remuneration policy for NEDs was finally approved by the Board of Directors.

Full details of the Chairman's, Executive Directors' and Non-executive Directors' remuneration are set out in the report that follows.

## 2. REMUNERATION COMMITTEE

In view of the change of management and NED after Amcor became the single largest shareholder, a new remuneration committee was set up in 2006 to review both the remuneration structure and package of the senior management and NEDs.

### Tasks

The committee's tasks are:

- To review and determine, on behalf of the Board of Directors, the broad policies for executive remuneration and to report on those to the shareholders;
- To revise and recommend to the Board, the remuneration system for the NEDs; and
- To monitor the implementation of remuneration policies being applied by the Company.

With the objective to work out a fair and competitive remuneration system to attract, motivate and retain top quality personnel for such important positions, market practice reviews on the remuneration packages of the Chairman, Executive Directors and NEDs was carried out in 2006 which included comparing the present remuneration package of AMVIG personnel against the prevailing market practice in Hong Kong. Related advices and suggestions were then made to the Board of Directors for consideration and approval.

### Constitution and operation

The new Remuneration Committee has 3 members, comprising Mr. Au Yeung Tin Wah, Ellis, Mr. Tay Ah Kee, Keith and Mr. Oh Choon Gan, Eric. They are all independent non-executive directors. The Remuneration Committee is chaired by Mr. Ellis Au Yeung.

The board considers all committee members to be independent.

The committee met two times in the period under review. There was a full attendance record of all members. Following each meeting the Committee reports to the Board on its activities. The Terms of Reference of the Committee is available at Room 1803, 18/F, Li Po Chun Chambers, No. 189 Des Voeux Road Central, Hong Kong.

The committee is accountable to the shareholders through its annual report on executive directors' remuneration. It will consider the views of the shareholders in its future decisions. The committee values its dialogue with major shareholders on remuneration matters.

### 3. REMUNERATION POLICY

The main elements of the Company's remuneration policies are:

- No individual should determine his or her own remuneration.
- Remuneration should be broadly aligned with companies with whom the Company competes for human resources.
- Remuneration should reflect performance, complexity and responsibility so as to attract and retain high calibre individuals.
- Motivate directors to achieve challenging performance levels.
- Align executive rewards with shareholder value.
- Recognise both individual and corporate achievement.

### 4. REMUNERATION PRINCIPLES FOR THE EXECUTIVE DIRECTORS IN 2006

In deciding the remuneration of the Chairman and Executive Directors, a comparison of the remuneration packages of executive directors of some listed companies of similar industries was carried out in 2006. A comprehensive remuneration policy and system was then made and proposed to the Board for their consideration. The committee seeks to ensure tying the remuneration for top management with their performance and the company's operating results by structuring remuneration packages to include both fixed and structuring variable components.

The following key principles guide its policy:

- Policy for the remuneration of executive directors will be determined and regularly reviewed by the remuneration committee which will set the tone for the remuneration of other senior executives.
- The remuneration structure will support and reflect AMVIG's stated purpose to maximize long-term shareholder value.
- The remuneration structure will reflect a fair system of rewards for the participants.
- The remuneration will be based on the fixed compensation, performance bonus and pension arrangement. The performance bonus will be linked to the achievement of demanding performance targets that are independently set and reflect the creation of long-term shareholder value.
- A performance share scheme will be developed in order to align executive and shareholder interests.



- Certain KPIs, which can be quantitative and qualitative, will be set objectively by the management within a framework that is approved by the Remuneration Committee to evaluate the performance of directors.
- Remuneration policy and practices will be as transparent as possible, both for participants and shareholders.

The remuneration package consists of fixed compensation, performance bonus and pension arrangement in which the performance bonus is suggested to play a more significant part in individual rewards as part of the policy to attract, motivate and retain high performing individuals. The three components of Executive Directors' remuneration include:

#### **I. Fixed Compensation**

Fixed compensation includes base salary, allowances and benefits-in-kind. Base salary and allowances are set and reviewed

annually for each director taking into consideration the competitive market position, market practice, and the company's and individual's performance.

#### **II. Annual Incentive Program**

The levels of performance bonus are set by the Remuneration Committee. No Executive Directors serve on the Committee. The annual incentive can be paid in form of performance bonus as determined by the Board.

#### **III. Long-term Incentive**

The Executive Directors are recommended to take part in the Long-term Incentive Plan (LTIP). The LTIP will be designed to align the interests of the Executive Directors with those of the shareholders by an award in form of performance shares that is linked with shareholder value.



## 5. REMUNERATION FOR EXECUTIVE DIRECTORS

The remuneration paid to the Executive Directors of the Company is shown below:

For the year ended 31 December 2006	Fees HK\$'000	Salaries and other benefit HK\$'000	Retirement benefit scheme contribution HK\$'000	Total HK\$'000
<b>Executive Directors</b>				
Mr. Chan Chew Keak, Billy <i>(The Chairman)</i>	339	–	–	339
Mr. Li Wei Bo	–	1,834	80	1,914
Mr. Li Shui Dang	–	467	–	467
Mr. Lee Cheuk Yin, Dannis	–	1,150	12	1,162
Mr. Chan Sai Wai	–	2,710	7	2,717
Mr. Ng Sai Kit	–	1,980	7	1,987
Mr. Cheung Chun Ming	–	187	9	196
	339	8,328	115	8,782

For the year ended 31 December 2005	Fees HK\$'000	Salaries and other benefit HK\$'000	Retirement benefit scheme contribution HK\$'000	Total HK\$'000
<b>Executive Directors</b>				
Mr. Chan Chew Keak, Billy	121	–	–	121
Mr. Li Wei Bo <i>(The Chairman)</i>	–	1,714	80	1,794
Mr. Lee Cheuk Yin, Dannis	–	1,150	12	1,162
Mr. Cheung Chun Ming	–	450	22	472
Ms. Zhu Wei Li	–	39	–	39
	121	3,353	114	3,588

## 6. REMUNERATION PRINCIPLES FOR NON-EXECUTIVE DIRECTORS IN 2006

The role of Non-executive Directors has become more complex and demanding - as a result of both regulatory change and the increasing part such directors play in the good governance of listed companies in Hong Kong. The "Guide for Remunerating INEDs" published by The Hong Kong Institute of Directors in 2005 discussed these trends. It concluded that :

- In order to attract qualified persons to undertake appointments, it is crucial to offer fair compensation packages as well as the freedom for INEDs to exercise their functions and fulfill their responsibilities on the board;
- The INED fees can be established by taking an estimation of the time spent on regular events;
- In arriving at a rate for computing time-related INED fees, reference may be made to the rate charged by external professional advisers; and
- Structuring the remuneration for INEDs to incorporate a basic fee plus fees for additional roles and responsibilities, such as the chairmanship or membership of the Audit Committee or other Committees. Such compensation for chairmanship should be balanced against the workload of such position.

By reference to the "Guide for Remunerating INEDs", the methodology adopted is as follows:

- Application of an hourly rate by reference with the average of the partner rates charged by legal and financial advisors in providing professional services to the Company;
- Calculation of the time spent by Non-executive Directors on the Company's affairs (including attendance at Board and Board Committee meetings, reading of papers, site visits etc.). This exercise revealed a significant increase in the time spent by the INEDs in performing their duties on the Board and on Board Committees between 2005 and 2006; and
- An additional fee of about 10% for chairmanship of the Board / Board Committee respectively.



## 7. NON-EXECUTIVE DIRECTORS - REMUNERATION

The fees paid to each of our Non-executive Directors for their services on AMVIG Group and, as applicable, on its Board Committees are set out below. The fees were proposed by the remuneration committee and reviewed by the Board of Directors. It should be noted that there was a significant increase in the levels of Directors' fees in 2006 due to the regulatory change in INED's roles and methodology of fee calculations.

<b>For the year ended 31 December 2006</b>	<b>Fees HK\$'000</b>	<b>Salaries and other benefit HK\$'000</b>	<b>Retirement benefit scheme contribution HK\$'000</b>	<b>Total HK\$'000</b>
<b>Non- Executive Directors</b>				
Mr. David John Cleveland Hodge	255	–	–	255
Mr. Peter Roderick Downing	255	–	–	255
Mr. Tay Ah Kee, Keith	440	–	–	440
Mr. Au Yeung Tin Wah, Ellis	425	–	–	425
Mr. Oh Choon Gan, Eric	424	–	–	424
Mr. Sik Siu Kwan	88	–	–	88
Mr. Ng Pui Cheung, Joseph	88	–	–	88
Mr. Ng Kwai Sang	88	–	–	88
Mr. Chung Kwok Mo, John	68	–	–	68
	2,131	–	–	2,131

<b>For the year ended 31 December 2005</b>	<b>Fees HK\$'000</b>	<b>Salaries and other benefit HK\$'000</b>	<b>Retirement benefit scheme contribution HK\$'000</b>	<b>Total HK\$'000</b>
<b>Non- Executive Directors</b>				
Mr. Sik Siu Kwan	132	–	–	132
Mr. Ng Pui Cheung, Joseph	132	–	–	132
Mr. Ng Kwai Sang	132	–	–	132
Mr. Chung Kwok Mo, John	132	–	–	132
	528	–	–	528



## 8. CONTINUED SCRUTINY AND DISCLOSURE

The Remuneration Committee remains committed to continued scrutiny of remuneration levels, and to high standards of disclosure and transparency to shareholders on such matters.

