

# CORPORATE GOVERNANCE REPORT

The Group recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability.

The Company has complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the year ended 31 December 2006, only with deviations from code provision A.4.1, C.3.4 and E.1.2 of the CG Code.

## CODE PROVISION

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and are subject to re-election. Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with Bye-law 87 of the existing Bye-laws of the Company (the "**Bye-laws**").

Under code provision C.3.4 of the CG Code, 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.

Under code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. The Chairman did not attend the annual general meeting held on 24 May 2006 due to other commitments. However, Mr. Sze Sun Sun Tony, Deputy Chairman and Managing Director of the Company took the chair pursuant to the Bye-laws.

## BOARD OF DIRECTORS

The primary role of the Board of Directors of the Company (the "**Board**") is to protect and enhance long-term shareholder value. It focuses on the Group's overall strategic policy, monitors performance and offers proper supervision for effective management.

The daily management, administration and operations of the Company are delegated to the Managing Director and senior management of the Company. The delegated functions and work tasks are periodically reviewed.

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 Managing Director are segregated to reinforce their independence, accountability and responsibility. The Chairman provides leadership. The Managing Director focuses on managing the Company and its subsidiaries.

The Board consists of 11 directors (including the Chairman of the Board), amongst which 6 of them are executive directors and the remaining 5 are non-executive directors of whom 3 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 the Bye-laws. The non-executive directors come from diverse business and professional backgrounds, bringing in valuable expertise and experience that promotes the best interests of the Group and all shareholders. The Company has received confirmation from each independent non-executive director about his independence as set out in Rule 3.13 of the Listing Rules and considers each of them independent.

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During the year, the Board conducted a total of 6 meetings. Management provided appropriate and sufficient information to directors in a timely manner to keep them abreast of the latest developments of the Company. The attendance record of the individual director is:

<b>Directors</b>	<b>No. of meetings attended</b>
<i>Executive Director</i>	
Li Kwok Lung Alfred Ronald ( <i>Chairman</i> )	5
Sze Sun Sun Tony ( <i>Deputy Chairman and Managing Director</i> )	6
Chang Tsung Yuan ( <i>Deputy Chairman</i> )	3
Ku Edward Y.	4
Chan Lu Min	3
Ho Ting Seng	3
<i>Non-executive Director</i>	
Li I Nan	3
Chan Ting Chuen	3
<i>Independent Non-executive Director</i>	
Cheng Kar Shing	3
Feng Lei Ming	4
Ho Shing Chak	4

All directors have full, timely and direct access to the services and advice of the Company Secretary.

All directors have complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") as set out in Appendix 10 to the Listing Rules.

## RENUMERATION COMMITTEE

The Remuneration Committee was set up for the purpose of advising the Board on the remuneration of directors and senior management. Remuneration package is performance-based and the recommended remuneration package comprises of salaries, bonuses and share options. The Remuneration Committee consists of 3 members, all of whom are independent non-executive directors. The current members are Mr. Ho Shing Chak, Mr. Cheng Kar Shing and Mr. Feng Lei Ming. The Remuneration Committee met in April 2007 and considered that the packages of the executive directors were fair and reasonable, taking into account business performance, market practices and competitive market conditions.

<b>Members</b>	<b>No. of meetings attended</b>
Ho Shing Chak	1
Feng Lei Ming	1
Cheng Kar Shing	0

Non-executive directors are compensated with the aim to fairly represent their efforts and time dedicated to the Board.

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## AUDIT COMMITTEE

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

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

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

The Audit Committee reviewed the interim and annual results of the Group for the year ended 31 December 2006 as well as the accounting principles and practices adopted by the Group, internal controls and financial reporting matters in conjunction with the external auditors, internal auditor and senior management also attended the meetings to answer any questions raised by the Audit Committee. The Audit Committee is provided with sufficient resources to discharge its duties.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of the financial statements of the Company for the year ended 31 December 2006 which give a true and fair view of the state of financial affairs of the Company.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have reviewed the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Group.

## NOMINATION OF DIRECTORS

The Company has not established a nomination committee but will constantly review and consider whether such committee is required. All new appointments and re-appointments of directors to the Board are subject to approval of the Board.

## AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the external auditors of the Company Messrs. Deloitte Touche Tohmatsu for audit services and non-audit services is HK\$1,684,000 and HK\$460,000 respectively.

## SHAREHOLDERS' COMMUNICATION

The Board recognises the importance of maintaining two-way communication with its shareholders. Designated management personnel meets regularly with research analysts and institutional investors on an on-going basis and provide them with up-to-date and comprehensive information about the corporate developments of the Company. In addition, the Company also utilises its website ([www.symphonyholdings.com](http://www.symphonyholdings.com)) as a channel to provide updated information in a timely manner in order to strengthen the communication with both the public and shareholders.