

## Corporate Governance Practices

The Company is dedicated to maintaining the highest standard of corporate governance as it believes that corporate governance practices are fundamental to the smooth and effective operation of a company and can enhance shareholders' value and safeguard shareholders' interests.

Throughout the year, the Company has complied with all mandatory code provisions in the Code on Corporate Governance Practices ("Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for the deviation from Code Provision A.4.1 which is explained below.

## Board of Directors


The primary responsibility of the Board are to set the long-term objectives and plans, formulate corporate strategies, oversee management, evaluate the performance and is directly accountable to the shareholders and responsible for preparing the financial statements.

As at 31 December, 2006, the Board comprised ten Directors including five Executive Directors, two Non-executive Directors and three Independent Non-executive Directors whose biographical details are set out in the "Directors and Senior Management" section of this Annual Report.

During the year, the full Board met regularly. In addition to this, special Board meetings were held whenever major issues were encountered and Board resolutions were required. The attendance of individual Directors at the Board meetings and two other Board Committees (the Audit and the Remuneration Committees) is set out below:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting
<b>Executive Directors</b>			
Zen Wei Pao, William	7/7	—	3/3
Ko Yuk Bing	7/7	—	—
Chan Kam Hung	7/7	—	—
Fong Shiu Fong, Keter	7/7	—	—
Zen Wei Peu, Derek	6/7	—	—
<b>Non-executive Directors</b>			
Hu Aimin	3/7	—	—
Zhang Yijun	7/7	—	—
<b>Independent Non-executive Directors</b>			
Chan Hing Chiu, Vincent	7/7	3/3	3/3
Chow Shiu Kee, Stephen	7/7	3/3	3/3
Lau Sai Yung	7/7	3/3	3/3

At least 14 days of notice of full Board meetings was given to all Directors, and all Directors were given the opportunity to include matters for discussion in the agenda. An agenda and meeting materials were sent in full to all Directors at least 3 days before every full Board meeting to ensure that they can give sufficient time and attention to the affairs of the Company.



All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of Board meetings and Board committee meetings. Such minutes are open for inspection by Directors.

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. None of the Non-executive Directors and Independent Non-executive Directors of the Company is appointed by a specific term. However, in accordance with the Bye-law 87 of the Company's Bye-laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation. The Company considers that this corporate governance practice is no less exacting than those provided in the Code.

Pursuant to the requirement in the Listing Rules, the Company has received written confirmation from all Independent Non-executive Director of their independence. The Company considers them to be independent.

## **Chairman and Chief Executive Officer**

The roles of the Chairman and the CEO are separately held by Mr. Zen Wei Pao, William and Mr. Ko Yuk Bing respectively. The separate roles ensure their independent responsibility and accountability. The Chairman is responsible for overseeing the functioning of the Board and ensuring the establishment of strategic direction of the Group while the CEO is responsible for implementing the Board's approved strategies and policies and the day-to-day operations.

## **Board Committees**

The Board has delegated responsibility to the executive management of the Company including implementation of the decisions of the Board, organisation of the day-to-day operation and management, monitoring operating budget, supervision of capital and human resources. In addition, The Board has appointed the following two Board Committees to oversee particular aspects of the Company's affairs:

### **Remuneration Committee**

The Remuneration Committee was formed in 2005. During the year ended 31st Decemember, 2006, the members were Messrs. Chan Hing Chiu, Vincent (Chairman of the Remuneration Committee), Zen Wei Pao, William, Chow Shiu Kee, Stephen and Lau Sai Yung.

The main responsibilities of the Remuneration Committee are to support and advise the Board regarding the Company's remuneration policy, and the formulation and review of the specific remuneration packages of Executive Directors (excluding the Chairman of the Board) and senior management staff and the determination of their remuneration packages.

The Remuneration Committee held three meetings during the year. The attendance rate was 100%.

In 2006, the Remuneration Committee approved the remuneration packages and bonuses of Executive Directors and senior management and the granting of share options to them. They also reviewed the level of pay-rise and discretionary bonus for the general staff.

## Audit Committee

The Audit Committee was formed in 1998. During the year ended 31st December, 2006, the members were Messrs. Lau Sai Yung (Chairman of the Audit Committee), Chan Hing Chiu, Vincent and Chow Shiu Kee, Stephen, all of whom were Independent Non-executive Directors.

The main responsibilities of the Audit Committee are to review the financial statements and the auditor's reports and monitor the integrity of the financial statements. It also assists the Board to oversee internal control structure, risk management system and internal and external audit functions.

The Audit Committee held three meetings during the year. The attendance rate was 100%.

In 2006, the Audit Committee reviewed the published financial statements, determined the remuneration of external auditors, and with the assistance of professionals, assessed the internal control and risk management systems of the Company.

During the year, the Audit Committee met with the external auditors twice without the presence of any Executive Directors.

## Internal Control

The Board has responsibility to maintain sound and effective internal control system to safeguard the Company's assets and shareholders' interest.

The internal control system comprises a defined organizational structure and comprehensive policies and standard. Responsibilities of each business and operational unit are defined to ensure effective check and balance.

During 2006, the Audit Committee discussed with the Group's internal and external auditors regarding their audit work and the results thereof. The Committee also reviewed the internal auditors' reports on the effectiveness of the internal controls in the business operations. Based on these evaluations, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and that there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

The Audit Committee took the discussions and reviews into consideration in making recommendation to the Board for approval of the consolidated financial statements.

## Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the accounts of the Group and ensuring that the preparation of the accounts of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

## Auditors' Remuneration

During 2006, the Company engaged Deloitte Touche Tohmatsu to perform audit and tax and consultancy services. They incurred HK\$2,505,000 as audit services fee and approximately HK\$5,500,000 as tax and consultancy services fee.

## **Directors' Securities Transaction**

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as its code. All Directors have confirmed following specific enquiry that they have complied with the Model Code throughout the year ended 31 December, 2006.

## **Communication with shareholders**

The Board endeavours to communicate with shareholders through annual and other general meetings directly.

The Board is committed to providing clear and full information of the Group to shareholders through the publication of announcements, circulars, interim and annual reports. Updated information of the Group is also available to shareholders through the Company's website.

Shareholders are encouraged to attend general meeting of the Company at which the Chairman and Directors are available to answer shareholders' questions.

## **Investors relations**

The Company emphasizes the relations with investors. It maintains an open dialogue with institutional shareholders, fund managers, analysts and the media through regular and timely public disclosures on the Company's latest developments. During the year, in addition to the press release and announcements, the Company held various non-deal road shows in Hong Kong, Singapore and United Kingdom to meet with analysts and fund managers. It helped enhance the transparency of the Company to existing and potential investors.