

# CORPORATE GOVERNANCE REPORT

## *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 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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Throughout the year ended 30 June 2009, the Company has complied with all code provisions set out in the CG Code.

## *Board of Directors*

The Company is managed through the Board which currently comprises of ten Executive Directors (including the Chairman), four Non-Executive Directors and three Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 10 to 15 of this Annual Report.

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 matter 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 Directors.

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, Managing Director, and Mr. Thomas Jefferson WU (the son of Sir Gordon Ying Sheung WU), Co-Managing Director, are responsible for the day-to-day management of the business of the Company. The division of the responsibilities between the Chairman and the Managing Directors has been established and set out clearly 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. At least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-Executive Director a written annual confirmation of independence. All the Independent Non-Executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

In accordance with the Company's Articles of Association, 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. 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 (i) last appointment by the Board, (ii) last election or (iii) last re-election, and shall be eligible for re-election subject to the provisions of the Articles of Association. All Non-Executive Directors and Independent Non-Executive Directors are appointed for a specific term of three years and are subject to retirement from office and re-election at least once every three years.

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 out 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).

In order to facilitate the business development of the Company, Ir. Leo Kwok Kee LEUNG was appointed as a Non-Executive Director of the Company on 1 July 2009. Ir. LEUNG will receive a Director's fees at such rate as from time to time to be approved by the shareholders at the annual general meetings of the Company, currently being HK\$200,000 per annum to be paid by the Company in arrears. Under the service contract between Ir. LEUNG and the Company, he is entitled to receive from the Company an annual emolument of HK\$1,625,000. Ir. LEUNG's emolument is determined with reference to the prevailing market practice, the remuneration policies of the Company and his duties and responsibilities within the Company.

Newly appointed Director(s) 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 two Board Committees comprise, except for the Chairman of the Remuneration Committee, entirely of Independent Non-Executive Directors.

	<b>Audit Committee</b>	<b>Remuneration Committee</b>
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 and their remuneration.</li> <li>• Reviewed the annual financial statements for the year ended 30 June 2008 and the interim financial statements for the six months ended 31 December 2008.</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 the level of Directors' fees for the year.</li> </ul>

# Executive Director

\* Independent Non-Executive Director

### Independent Board Committee

During the year, an Independent Board Committee, comprising Mr. Guy Man Guy WU, Ms. Linda Lai Chuen LOKE and Mr. Lee Yick NAM, was formed to advise the independent shareholders of the Company on the fairness and reasonableness of the terms of the 2008 Amendment Agreements dated 2 September 2008 and the transactions contemplated thereunder in relation to Phases II and III of the Western Delta Route, relevant information is set out under the section headed "Connected Transactions" in the Report of the Directors. At the extraordinary general meeting of the Company held on 13 October 2008 for approving the 2008 Amendment Agreements, all members of the Independent Board Committee were available to answer questions that the shareholders of the Company might have in relation to the 2008 Amendment Agreements and any matters in relation thereto.

### Attendance at Meetings

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings 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	6	2	1	1
<b>Executive Directors</b>				
Sir Gordon Ying Sheung WU GBS, KCMG, FICE (Chairman)	6 out of 6	N/A	N/A	1 out of 1
Mr. Eddie Ping Chang HO (Remuneration Committee Chairman)	5 out of 6	N/A	1 out of 1	1 out of 1
Mr. Thomas Jefferson WU	6 out of 6	N/A	N/A	1 out of 1
Mr. Josiah Chin Lai KWOK	6 out of 6	N/A	N/A	1 out of 1
Mr. Robert Van Jin NIEN	5 out of 6	N/A	N/A	1 out of 1
Mr. Albert Kam Yin YEUNG	6 out of 6	N/A	N/A	1 out of 1
Mr. David Yau-gay LUI	5 out of 6	N/A	N/A	1 out of 1
Mr. Eddie Wing Chuen HO Junior	4 out of 6	N/A	N/A	1 out of 1
Mr. Barry Chung Tat MOK	6 out of 6	N/A	N/A	1 out of 1
Mr. William Wing Lam WONG	6 out of 6	N/A	N/A	1 out of 1
<b>Non-Executive Directors</b>				
Mr. Henry Hin Moh LEE	6 out of 6	N/A	N/A	1 out of 1
Lady WU Ivy Sau Ping KWOK	5 out of 6	N/A	N/A	1 out of 1
Mr. Carmelo Ka Sze LEE	4 out of 6	N/A	N/A	0 out of 1
<b>Independent Non-Executive Directors</b>				
Mr. Guy Man Guy WU	6 out of 6	2 out of 2	N/A	1 out of 1
Ms. Linda Lai Chuen LOKE	6 out of 6	2 out of 2	1 out of 1	1 out of 1
Mr. Lee Yick NAM (Audit Committee Chairman)	6 out of 6	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, share options and share awards which are performance related elements. 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 13 October 2008.

### ***Securities Transactions***

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 enquiry made, all Directors have confirmed that they have 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 Independent Auditor's Report on page 85 of this Annual Report.

### ***External Auditors***

The Company's external auditor is Deloitte Touche Tohmatsu. They are responsible for auditing and forming an independent opinion on the annual financial statements. The independence of the external auditor is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration. 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 31 December 2008 as well as advising on tax compliance and related matters.

Further, pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions as set out under the section headed "Continuing Connected Transactions" in the Report of the Directors.

During the year ended 30 June 2009, 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	5,868
Non-audit services:	
Taxation and advisory services	455
Others	928
	<b>7,251</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 maintains a proactive investor relations approach notwithstanding the financial tsunami and challenging global markets. Through active dialogues with institutional investors and analysts, the Group believes that the investment community will have a better understanding on the Group's corporate strategies, business development and future outlook. Communications in times of turmoil is particularly important as it will help provide comfort to investors.

During the year under review, the Group participated in a number of investor conferences, local and overseas roadshows, regular meetings and teleconferences with fund managers and analysts. These events allow investors to gain updates on the Group's latest developments. Analyst meetings for interim and final results announcements are arranged on a regular basis annually. Through these briefings, analysts and investors can interact with the senior management of the Group.

To ensure investors will have timely access to the recent developments, the Group makes extensive use of its corporate website ([www.hopewellholdings.com](http://www.hopewellholdings.com)) to disseminate information in strict compliance with relevant requirements. Investors can obtain the latest corporate information such as financial data, announcements, press releases, interim and annual reports through the website.

Visibility will continue to be emphasized in the Group's investor relations strategy. Looking ahead, the Group will carry on adopting a proactive and effective communication program with investors, to ensure they are adequately informed about the present and future developments. The objective of enhancing shareholder value remains intact.