

### **CORPORATE GOVERNANCE PRACTICES**

The management of the Company believes that well-balanced corporate governance practices enable the Company to better manage its business risks, and thereby create long-term value for the stakeholders. As such, the Company is committed to maintaining a high standard of corporate governance.

In December 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) promulgated a new Code on Corporate Governance Practices (the “CGP Code”) which replaced the Code of Best Practice (“Code of Best Practice”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Except for those relating to internal controls which apply to accounting periods commencing on or after 1 July 2005, the CGP Code is applicable to accounting periods commencing on or after 1 January 2005. On the other hand, the Code of Best Practice remains applicable to the financial period commencing before 1 January 2005.

Throughout the 18-month period from 1 January 2004 to 30 June 2005 (the “Relevant Period”), the Company complied with the Code of Best Practice, except that the non-executive directors and independent non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s articles of association.

In order for the Company to comply with the CGP Code in relation to the code provision requiring every director to be retired by rotation at least once every three years, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Company’s articles of association.

### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted its own code of conduct regarding securities transactions by directors and employees who are likely to be in possession of unpublished price sensitive information of the Company on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules.

Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the Relevant Period.

## BOARD OF DIRECTORS

The Board of Directors (“Board”) of the Company collectively oversee the management of the business and affairs of the Company and its subsidiaries (the “Group”) with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board currently comprises five executive directors, two non-executive directors and three independent non-executive directors whose biographical details are set out on pages 21 to 24 of this annual report. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to the Listing Rules and the Company considers the independent non-executive directors to be fully independent.

All directors have separate and independent access to senior management and the Company Secretary at all times and they are entitled to have full access to Board papers and related materials. Directors are invited to put forward agenda items for Board meetings. Agenda and accompanying Board papers are circulated not less than 3 days before Board meetings to ensure that the directors have sufficient time to review the documents.

The attendances of the Board and Committee meetings for the Relevant Period are as follows:

Name of directors	Attendance records						
	Board Meetings				Audit Committee Meetings		
	29/3/04	23/4/04	21/9/04	14/3/05	21/4/04	15/9/04	9/3/05
Mr. Chan Ki <sup>(1)</sup>	√	x	N/A	N/A	N/A	N/A	N/A
Mr. Chan Wai Keung, Ringo <sup>(1)</sup>	√	x	N/A	N/A	N/A	N/A	N/A
Dr. Cheng Kar Shun, Henry <sup>(2)</sup>	√	x	√	√	N/A	N/A	N/A
Mr. Cheng Ming Fun, Paul, JP <sup>(3)</sup>	N/A	N/A	√	x	N/A	√	√
Mr. Chow Yu Chun, Alexander <sup>(4)</sup>	N/A	N/A	√	√	N/A	N/A	N/A
Mr. Doo Wai Hoi, William, JP <sup>(4)</sup>	N/A	N/A	√	√	N/A	N/A	N/A
Mr. Ho Hau Chong, Norman	√	√	√	x	N/A	N/A	N/A
Mr. Hui Chiu Chung, JP <sup>(5)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Kwong Che Keung, Gordon <sup>(4)</sup>	N/A	N/A	√	√	N/A	√	√
Mr. Lo Lin Kwong <sup>(1)</sup>	√	x	N/A	N/A	N/A	N/A	N/A
Mr. Lo Lin Shing, Simon <sup>(6)</sup>	√	√	√	√	N/A	N/A	N/A
Mr. To Hin Tsun, Gerald <sup>(7)</sup>	√	√	√	√	√	N/A	N/A
Dr. Wai Fung Man, Norman <sup>(4)</sup>	N/A	N/A	√	√	N/A	N/A	N/A
Mr. Wei Chi Kuan, Kenny	√	x	√	x	√	√	x
Mr. Yu Ansheng, Ben <sup>(1)</sup>	√	√	N/A	N/A	N/A	N/A	N/A
Mr. Zhao Rui <sup>(1)</sup>	x	x	N/A	N/A	N/A	N/A	N/A
<b>Number of directors present:</b>	9	4	10	7	2	3	2

*Notes:*

- (1) Resigned on 6 July 2004.
- (2) Re-designated from non-executive director to executive director and chairman on 6 July 2004.
- (3) Appointed on 28 July 2004 and resigned on 6 April 2005.
- (4) Appointed on 6 July 2004.
- (5) Appointed on 6 April 2005.
- (6) Re-designated from executive director and chairman to non-executive director on 6 July 2004.
- (7) Re-designated from independent non-executive director to executive director on 6 July 2004.

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The position of the Chairman and the Chief Executive Officer of the Company are held by separate individuals to ensure a clear distinction between their responsibilities by means of segregation of duties.

The principal responsibilities of the Chairman, Dr. Cheng Kar Shun, Henry, include:

- (a) providing leadership for the Board;
- (b) approving and monitoring the overall strategies and policies of the Group;
- (c) ensuring that the Board works effectively, discharges its responsibilities and discusses all key issues in a timely manner;
- (d) ensuring all directors are properly briefed on matters to be discussed at Board meetings and providing them with opportunities to express their views at the meetings;
- (e) ensuring all directors receive adequate, complete and reliable information in a timely manner; and
- (f) ensuring Board meetings and general meetings are properly convened and held in accordance with the Company's articles of association and other applicable rules and regulations.

On the other hand, the Chief Executive Officer, Dr. Wai Fung Man, Norman, is responsible for:

- (a) providing leadership for the management;
- (b) assuming full accountability to the Board for the day-to-day operations of the Group;
- (c) implementing the strategies and policies adopted by the Board;
- (d) providing all such information to the Board as is necessary to enable the Board to perform its works effectively;
- (e) establishing and maintaining proper internal controls and systems as well as disclosure controls and procedures; and
- (f) discharging such duties and authority as may be delegated by the Board.

#### **NON-EXECUTIVE DIRECTORS**

The role of the non-executive directors is to enhance independence and objectivity of the Board's deliberations and decisions.

There is no specific term for the appointment of non-executive directors of the Company. As mentioned in the section headed "CORPORATE GOVERNANCE PRACTICES" above, the non-executive directors (including independent non-executive directors) are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

#### **REMUNERATION OF DIRECTORS**

The emoluments of the directors are determined by reference to the skill, knowledge and experience of the respective directors and their involvement in the Company's affairs as well as the prevailing market conditions. Share options may also be granted to the directors as long-term incentive or rewards for their continuous contributions to the Group.

Pursuant to the CGP Code, the Company has established a Remuneration Committee with written terms of reference on 28 June 2005. Members of the Remuneration Committee are the Chief Executive Officer, Dr. Wai Fung Man, Norman (Chairman of the Remuneration Committee), and two independent non-executive directors, namely, Mr. Hui Chiu Chung, JP and Mr. Wei Chi Kuan, Kenny.

The principal responsibilities of the Remuneration Committee include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of directors and senior management.

No meeting of the Remuneration Committee was held during the Relevant Period.

### NOMINATION OF DIRECTORS

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience.

### AUDITORS' REMUNERATION

During the year ended 30 June 2005, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors of the Company were as follows:

<b>Nature of services</b>	<b>Amount</b> <i>HK\$'000</i>
Audit services	1,182
Non-audit services	
(i) Tax services	78
(ii) Other	284

### AUDIT COMMITTEE

The Audit Committee was established in May 1999 and has written terms of reference. The Audit Committee currently comprises the three independent non-executive directors, namely, Mr. Kwong Che Keung, Gordon (Chairman of the Audit Committee), Mr. Hui Chiu Chung, JP and Mr. Wei Chi Kuan, Kenny.

The Audit Committee is responsible for providing independent review of the effectiveness of the financial reporting process and internal control system of the Group. The Audit Committee will report its findings and make recommendations to the Board for consideration at board meetings.

During the Relevant Period, the Audit Committee met three times together with the Chief Executive Officer and the management of the Company. Details of the attendance records are set out in the section headed “BOARD OF DIRECTORS” above.

In fulfilling its responsibilities, the Audit Committee had performed the following major duties during the Relevant Period:

- (i) review of the draft first interim, second interim and annual financial statements and the related draft results announcement;
- (ii) review of the change in financial year end date;
- (iii) review of the change in accounting standards and assessment of potential impacts on the Group’s financial statements;
- (iv) review of the results of external audit and discuss with the external auditors and the management on any significant findings and issues;
- (v) review of the continuing connected transactions and comment on the fairness and reasonableness of the transactions; and
- (vi) review of the adequacy and effectiveness of the Group’s internal control system and discuss with the Board and management of the Company on the findings.

#### **DIRECTORS’ RESPONSIBILITY ON THE ACCOUNTS**

The directors of the Company acknowledge their responsibility for preparing the accounts for the Relevant Period, which were prepared in accordance with statutory requirements and applicable accounting standards.

The reporting responsibilities of the external auditors on the accounts are set out in the “REPORT OF THE AUDITORS” on page 42.