

# Corporate Governance

## Code of Best Practice

The Board is supportive of high standards of corporate governance. The Group has complied throughout the financial year with the Code of Best Practice issued by The Stock Exchange of Hong Kong Limited, with the exception that the Independent Non-executive Directors have not been appointed for a specific term and are 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 Bye-laws. The Board, in addition, acknowledges its responsibility for the Group's systems of internal control and has pursued this responsibility through formalised Group financial and legal procedures, the Group's Internal Audit Department and the Audit Committee.

## The Board

The Board currently comprises nine Directors of which three are Independent Non-executive Directors and one is a Non-executive Director. The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. This includes the approval of strategy recommendations and budgets as well as significant operational and financial management matters. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection, at any time during office hours, on reasonable notice, by any Director. Any Director may, in furtherance of his duties, take independent professional advice where necessary and at the expense of the Company. All Directors have access to the Chief Financial Officer and the Company Secretary, whose appointments and removal are matters for the Board as a whole. The Chief Financial Officer and the Company Secretary are responsible to the Board for ensuring that agreed procedures, rules and regulations, as applicable, are observed.

## The Audit Committee

The Audit Committee is comprised of Dr Victor Fung (Chairman), Mr Simon Murray and Prof Richard Wong, Independent Non-executive Directors, and the Chief Financial Officer with the head of the Internal Audit Department as the secretary and the Company Secretary as the assistant secretary of the Committee. The Committee meets not less than twice a year to review the completeness, accuracy and fairness of the half-year and the annual financial statements before submission to the Board, to consider the nature and scope of internal audit programmes and audit reviews and to review the effectiveness of the financial reporting process and internal control system of the Company. The external auditors, the Group Financial Controller and the General Manager - Finance of OOCLL attend the Committee meetings at the invitation of the Committee.

## Internal Control

The Group has an established internal financial control framework which is documented in the form of Group financial and legal procedures, compliance with which is mandatory. Actual operational results are reported against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheet are regularly reviewed and updated. There are also clearly defined procedures for the control of capital and major expenditure commitments and off balance sheet financial instruments, and the supervision, control and review of the investment portfolio. The Group has appointed a Compliance Officer to monitor connected transactions.

## Going Concern

After making due enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.