

Corporate Governance

Code of Best Practice

The Board is committed to high standards of corporate governance. Throughout 2004, the Group has complied the provisions of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on the Code of Best Practice.

Appendix 14 to the Listing Rules was substantially revised during 2004. The new provisions of Appendix 14 will apply for subsequent reporting periods.

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 the following eight Directors:

Executive Directors

Mr Chee Chen TUNG (Chairman)

Mr Tsann-Rong CHANG

Mr Nicholas David SIMS

Mr Philip Yiu Wah CHOW

Non-executive Director

Mr Roger KING

Independent Non-executive Directors

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Prof Richard Yue Chim WONG

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 currently comprises three Independent Non-executive Directors, namely, Dr Victor Kwok King FUNG (Chairman), Mr Simon MURRAY and Prof Richard Yue Chim WONG with the head of Internal Audit Department as the secretary and the Company Secretary as the assistant secretary of the Committee.

The principal duties of the Audit Committee include:

- make recommendation to the Board on the appointment and removal of external auditors and assessment of their independence and performance;
- review the effectiveness of financial reporting process and internal control systems of the Group and to monitor the integrity thereof;
- review the completeness, accuracy and fairness of the Company's financial statements of the Company before submission to the Board;
- consider the nature and scope of internal audit programmes and audit reviews; and
- ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosure.

The Committee meets not less than twice a year. The external auditors, the Group Financial Controller and the General Manager - Finance of OOCL attend the Committee meetings at the invitation of the Committee.

The Remuneration Committee

The Remuneration Committee, established on 10th March 2005, comprises Mr Chee Chen TUNG (Chairman), Dr Victor Kwok King FUNG and Prof Richard Yue Chim WONG with the Company Secretary as the secretary of the Committee.

The principal duties of the Remuneration Committee include:

- make recommendation on the establishment of the Company's policy and structure for all remuneration of Directors, senior management and employees;
- review and recommendation on remuneration packages and compensation arrangements for loss of office of all Executive Directors and senior management; and
- review of performance-based remuneration policy for the Group.

The Committee shall meet not less than once a year.

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.

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the Model Code in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein.

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.