

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board regularly reviews the Company’s corporate governance guidelines and developments. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

## BOARD OF DIRECTORS

The Board of the Company comprises:

### Executive Directors:

Lee Tat Hing	(Chairman)
Fung Mei Po	(Vice Chairperson and Chief Executive Officer)
Lee Chun Sing	(Vice Chairman)
Lai Lai Wah	
Lee Pak Tung	
Kwong Bau To	(appointed on 6 September 2005)
Choi Kwok Keung Sanvic	(appointed on 6 September 2005)
Chan Lai Kuen Anita	(appointed on 6 September 2005)
Wat Kwing Cheung Alexander	(resigned on 31 January 2005)

### Non-executive Director:

Cheung Tze Man Edward

### Independent Non-executive Directors:

Hui Chi Kuen Thomas	
Ho Tak Kay	
Tang King Hung	(appointed on 19 April 2006)
Wong Kong Chi	(resigned on 19 April 2006)

The three Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

Madam Fung Mei Po, the Vice Chairperson and Chief Executive Officer, is the wife of Mr. Lee Tat Hing, the Chairman whereas Mr. Lee Chun Sing, the Vice Chairman, is the son of Mr. Lee Tat Hing, the Chairman. Also, Madam Lai Lai Wah, is the wife of Mr. Lee Chun Sing, the Vice Chairman.

During the year, five full board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of board meetings attended in 2005	Attendance rate
Lee Tat Hing	5/5	100%
Fung Mei Po	5/5	100%
Lee Chun Sing	5/5	100%
Lai Lai Wah	5/5	100%
Lee Pak Tung	5/5	100%
Kwong Bau To	2/2	100%
Choi Kwok Keung Sanvic	2/2	100%
Chan Lai Kuen Anita	2/2	100%
Cheung Tze Man Edward	5/5	100%
Wong Kong Chi	5/5	100%
Hui Chi Kuen Thomas	5/5	100%
Ho Tak Kay	5/5	100%

The Board formulates overall strategy of the Company, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Company's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board meeting schedule for a year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board has a defined schedule of matters reserved for the Board decision in various major categories and events.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director who has interests declares his interest and is required to abstain from voting.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Board reviews the extent of this insurance annually.

Composition of the Board, by category of Directors, including names of Chairman, Executive Directors, Independent Non-executive Directors and Non-executive Director is disclosed in all corporate communications.

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## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Lee Tat Hing and Madam Fung Mei Po respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Company in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has fixed a term of 3 years' appointment for Non-executive Director and subject to re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

All directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years.

## REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises the Chairman, a Non-executive Director and three Independent Non-executive Directors.

The Remuneration Committee was formed in September 2005 and meetings shall be held at least once a year. One meeting was held in 2005. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2005	Attendance rate
Lee Tat Hing ( <i>Chairman of remuneration committee</i> )	1/1	100%
Cheung Tze Man Edward	1/1	100%
Wong Kong Chi	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Ho Tak Kay	1/1	100%

The emolument payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 10 (i) to the financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the directors, the Chief Executive Officer and key senior management officers.
2. To review annually the performance of the Executive Directors, the Chief Executive Officer and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments.
3. To ensure that the level of remuneration for Non-executive Director and Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of Company.

4. To review and approve the compensation payable to Executive Directors, the Chief Executive Officer and key senior management officers in connection with any loss or termination of their office or appointment.
5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.
6. To ensure that no director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee are available from the Company Secretary on request.

### ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2005, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

### AUDIT COMMITTEE

The Audit Committee of the Company comprises one Non-executive Director and three Independent Non-executive Directors.

The Audit Committee shall meet at least three times a year. Three meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2005	Attendance rate
Wong Kong Chi (Chairman of audit committee)	3/3	100%
Cheung Tze Man Edward	3/3	100%
Hui Chi Kuen Thomas	3/3	100%
Ho Tak Kay	3/3	100%

During the meetings held in 2005, the Audit Committee had performed the following work:

- (i) reviewed the financial reports for the year ended 31 December 2004 and for the six months ended 30 June 2005;
- (ii) reviewed the effectiveness of internal control system; and
- (iii) discussed with the external auditors the scope of the audit for the year ended 31 December 2005 and reviewed the external auditors' independence.

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## AUDIT COMMITTEE (Continued)

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Company.
2. To discuss with the external auditors the nature and scope of the audit.
3. To review the interim and annual financial statements before submission to the Board.
4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

The terms of reference of the Audit Committee are available from the Company Secretary on request.

## AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	1,780
Non-audit services i.e. taxation	142
	1,922

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit and Remuneration Committees together with the external auditors are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in the newspapers.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Company. The Company has announced its annual and interim results in a timely manner after the end of the relevant periods in 2005, which were before the time limits as laid down in the Listing Rules.

The amendments to the Company's Articles of Association were approved in the 2005 annual general meeting to reflect the changes brought by the new Listing Rules effective on 31 March 2004.