

# Corporate Governance

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders by maximizing returns. Details of the Group's investor relations initiatives and the recognition it has received for good management and corporate governance are set out under Investor Relations on page 88.

## Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of shareholders and the public. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year under review, except that the Chairman of the Company did not attend the 2010 annual general meeting of the Company due to other commitment.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate governance practices to ensure compliance.

## Board of Directors

### Composition

The Board currently has 18 Directors – seven Executive Directors, seven Non-Executive Directors and four Independent Non-Executive Directors. Further details of the composition of the Board are set out on page 2.

Madam Kwong Siu-hing (the Chairman and a Non-Executive Director) and Mr. Lo Chiu-chun, Clement (a Non-Executive Director), who would be retiring from office by rotation at the forthcoming annual general meeting of the Company to be held on 8 December 2011 (the "2011 AGM"), have informed the Company that they will not seek re-election as Directors. Accordingly, the number of Directors in the Board shall be 16 and five of them are Non-Executive Directors.

All Directors give sufficient time and attention to the Group's affairs. The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

In compliance with Rule 3.10 of the Listing Rules, the Company currently has four Independent Non-Executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. No Independent Non-Executive Director has served the Company for more than nine years.

The Company has received from each Independent Non-Executive Director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all Independent Non-Executive Directors are independent. Notwithstanding Dr. Fung Kwok-lun, William's previous directorship in HSBC Holdings plc ("HSBC Holdings") until 28 May 2010 and his current directorship in The Hongkong and Shanghai Banking Corporation Limited, both being the associates of HSBC Trustee (C.I.) Limited ("HSBC Trustee") which in turn is a substantial shareholder of the Company holding certain shares of the Company as a trustee of certain trusts (the "Trusts"), the Company is of the view that Dr. Fung meets the independence guidelines since HSBC Trustee did not take instructions from HSBC Holdings and Dr. Fung cannot control the decision making process of HSBC Trustee, in relation to the exercise of the voting rights in respect of the shares in the Company held under the Trusts.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors.

Madam Kwong Siu-hing is the mother of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, who are brothers. Also Madam Kwong is the sister of Mr. Kwong Chun. Besides, Sir Po-shing Woo is the father of Mr. Woo Ka-biu, Jackson, an Alternate Director of the Company. Save as disclosed above, there are no family or other material relationships among members of the Board.

## Board Meetings

The full Board met in person on four regular occasions during the year ended 30 June 2011. The Directors discussed and approved overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters at the Board meetings. Business and operational matters are delegated to the management.

At least 14 days' notice of all regular Board meetings is given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. An agenda and accompanying Board papers are sent to all Directors at least three days in advance of every regular Board meeting or committee meeting.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed. He also keeps detailed minutes of each meeting, which are available to all Directors for inspection.

The attendance record of the Board meetings held during the year ended 30 June 2011 is set out below:

Directors	Meetings attended/Total
<b>Executive Directors</b>	
Kwok Ping-kwong, Thomas	4/4
Kwok Ping-luen, Raymond	4/4
Chan Kai-ming	4/4
Chan Kui-yuen, Thomas	4/4
Kwong Chun	4/4
Wong Chik-wing, Mike	4/4
Chan Kwok-wai, Patrick	4/4
<b>Non-Executive Directors</b>	
Kwong Siu-hing	2/4
Lee Shau-kee	3/4
Kwok Ping-sheung, Walter	0/4
Woo Po-shing	2/4
Kwan Cheuk-yin, William	3/4
Lo Chiu-chun, Clement	2/4
Wong Yick-kam, Michael	4/4

## Directors

## Meetings attended/Total

### Independent Non-Executive Directors

Yip Dicky Peter	4/4
Wong Yue-chim, Richard	2/4
Li Ka-cheung, Eric	4/4
Fung Kwok-lun, William	3/4

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible.

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in a physical meeting, as opposed to being dealt with by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. Board committees, namely the Executive, Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in Board meetings for committee meetings.

## Chairman

Madam Kwong Siu-hing serves as the Chairman of the Board. The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings.

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are the Vice Chairmen and Managing Directors of the Company. The roles of the Chairman and the Managing Directors are separate and performed by separate individuals.

On 15 September 2011, the Board has appointed Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond as joint Chairmen of the Company, such appointment to take effect from the close of the 2011 AGM after the passing of the special resolution on the proposed amendments to the

articles of association of the Company (the “Articles”). Both Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond have been serving the Group for over 30 years, and for the past 20 years, they have been acting jointly as Vice Chairmen and Managing Directors, with clearly defined roles and responsibilities between them. The Board is of the view that the appointment of Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond as joint Chairmen of the Company is a natural extension of the existing leadership for the Board and the management, and will be beneficial to the Group’s long-term business development. Both Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond will continue to serve as Managing Directors and Executive Directors of the Company following their appointment as joint Chairmen.

### Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Newly appointed Director would receive an induction package covering the Group’s businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors’ knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

### Compliance with Model Code

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct for Directors in their dealings in the Company’s securities. Having made specific enquiry with Directors, all Directors confirmed that they fully complied with the Model Code during the year ended 30 June 2011.

### Executive Committee

The Executive Committee was established in 1977 and consists of all Executive Directors as members.

The Executive Committee meets regularly and is primarily responsible for formulating business policies, making decisions on key business issues and policies, facilitating

the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters which arise between regularly scheduled Board meetings.

### Remuneration Committee

The Remuneration Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Mr. Lo Chiu-chun, Clement and Dr. Li Ka-cheung, Eric. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors. Following Mr. Lo Chiu-chun, Clement’s retirement as a Director at the 2011 AGM as mentioned above, he would cease to be a member of the Remuneration Committee. On 15 September 2011, the Board has appointed Mr. Kwan Cheuk-yin, William, a Non-Executive Director, in place of Mr. Lo to act as a member of the Remuneration Committee with effect from 9 December 2011.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the Board, determining the remuneration of Executive Directors and members of senior management and reviewing and making recommendations on compensation-related issues. The Committee consults with the Chairman and/or Vice Chairmen on its proposals and recommendations if necessary, and also has access to professional advice if deemed necessary. The Committee is also provided with sufficient resources enabling it to discharge its duties. The Remuneration Committee’s specific terms of reference are posted on the Company’s website.

The Remuneration Committee held a meeting during the year ended 30 June 2011. The attendance record of each member is set out below:

Committee members	Meeting attended/Total
Wong Yue-chim, Richard	1/1
Lo Chiu-chun, Clement	1/1
Li Ka-cheung, Eric	1/1

The Remuneration Committee reviewed matters relating to the fees and remuneration for Directors and senior management, as well as discussed the Group’s remuneration policy.

## Nomination Committee and Appointment of Directors

The Nomination Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Messrs. Kwan Cheuk-yin, William and Yip Dicky Peter. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to discharge its duties. The Nomination Committee's specific terms of reference are posted on the Company's website.

The Nomination Committee held a meeting during the year ended 30 June 2011. The attendance record of each member is set out below:

Committee members	Meeting attended/Total
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	0/1
Yip Dicky Peter	1/1

The Nomination Committee discussed and reviewed the Board composition of the Company as well as other related matters. In addition, the Committee recommended to the Board for approval of (i) the changes to the structure of the Board to provide for joint chairmanship and (ii) the appointment of joint Chairmen of the Board in place of the current Chairman who will retire at the 2011 AGM, such appointment to take effect from the close of the 2011 AGM after the passing of the special resolution on the proposed amendments to the Articles.

In accordance with the Articles, one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each annual general meeting (the "AGM") and each Director should be subject to retirement by rotation at least once every three years. Non-Executive Directors are subject to a term of approximately two years commencing from the date of the AGM at which they are re-elected and expiring at the AGM to be held two years thereafter, and they shall be eligible for re-election at that AGM upon the expiry of their term of office.

## Audit Committee and Accountability

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. The Directors also acknowledge their responsibility for preparing the accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and other financial disclosures. Management provides all relevant information and records to the Board, giving it the relevant information it needs to discharge these responsibilities.

In compliance with Rule 3.21 of the Listing Rules, an Audit Committee was established in 1999 and is chaired by Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director. Other members of the Committee are Messrs. Yip Dicky Peter and Wong Yick-kam, Michael. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The duties of the Audit Committee include:

- reviewing the financial statements of the Group's annual reports and accounts, and half-yearly reports before submitting them to the Board;
- reviewing the Group's financial control, internal control and risk management systems;

- ensuring that management has fulfilled its duty to establish and maintain an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- considering findings of major investigations of internal control matters;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the auditor to management, and management's response to such questions;
- reporting to the Board on matters relating to the Code; and
- meeting with the external auditor to discuss issues regarding audit if considered necessary (and in the absence of management if appropriate).

The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Audit Committee's specific terms of reference are posted on the Company's website.

The Audit Committee held three meetings during the year ended 30 June 2011. The attendance record of each member is set out below:

Committee members	Meetings attended/Total
Li Ka-cheung, Eric	3/3
Yip Dicky Peter	3/3
Wong Yick-kam, Michael	3/3

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee reviewed the interim and final results of the Group as well as discussed and approved financial and other reports for the year under review. The Committee also reviewed the Group's internal audit activities and discussed audit plans for the year ended 30 June 2011.

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor and ensures that their engagement in other non-audit services will not impair their audit independence or objectivity. An independence confirmation has been obtained from Deloitte Touche Tohmatsu which confirms that for the year ended 30 June 2011 and thereafter to the date of this Annual Report, they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by Deloitte Touche Tohmatsu for the year ended 30 June 2011 amounted to approximately HK\$12 million and HK\$6 million respectively. The non-audit services mainly consist of taxation, review, consultancy and other reporting services.

### Internal Control

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of these systems. The Board conducts regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

The Board conducted a review of the Group's internal control system for the year ended 30 June 2011, including financial, operational and compliance controls, and risk management functions. The Board assesses the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and both internal and external auditor. The annual review also considers the

adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Internal Audit Department follows a risk-and-control-based approach. Different audit areas are assigned risk ratings and an audit plan is formulated in a risk-weighted manner so that priorities and appropriate audit frequency are given to areas with higher risks. The department performs regular financial and operational reviews on the Group. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The Internal Audit Department monitors the follow-up actions agreed upon in response to its recommendations.

### **Delegation by the Board**

The Board directs and approves the Group's overall strategies. Given the diversity and volume of the Group's businesses, responsibilities for execution and daily operations are delegated to the management. The Board gives clear directions as to the powers of the management, and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

All committees have specific terms of reference clearly defining their powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

### **Shareholder Relations**

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. The Company's AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees also attend the AGM to answer questions from shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows the best corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Articles to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the AGM.