

# CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31st December, 2009.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

## I. CODE PROVISIONS

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices																																								
<b>A.</b>	<b>DIRECTORS</b>																																										
<b>A.1</b>	<b>THE BOARD</b>  <i>Corporate Governance Principle</i> <i>The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.</i>																																										
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.	√	<ul style="list-style-type: none"> <li>The Board meets regularly and held meetings in March, May, August and November 2009.</li> <li>Details of Directors' attendance records in 2009: <table border="1"> <thead> <tr> <th>Members of the Board</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Executive Directors</b></td> </tr> <tr> <td>LI Tzar Kuoi, Victor (<i>Chairman</i>)</td> <td>4/4</td> </tr> <tr> <td>KAM Hing Lam (<i>Group Managing Director</i>)</td> <td>4/4</td> </tr> <tr> <td>IP Tak Chuen, Edmond</td> <td>4/4</td> </tr> <tr> <td>FOK Kin Ning, Canning</td> <td>4/4</td> </tr> <tr> <td>Andrew John HUNTER</td> <td>4/4</td> </tr> <tr> <td>CHOW WOO Mo Fong, Susan</td> <td>3/4</td> </tr> <tr> <td>Frank John SIXT</td> <td>4/4</td> </tr> <tr> <td>TSO Kai Sum</td> <td>3/4</td> </tr> <tr> <td colspan="2"><b>Independent Non-executive Directors</b></td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>4/4</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>4/4</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td>4/4</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td>4/4</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td>4/4</td> </tr> <tr> <td colspan="2"><b>Non-executive Directors</b></td> </tr> <tr> <td>LEE Pui Ling, Angelina</td> <td>4/4</td> </tr> <tr> <td>Barrie COOK</td> <td>4/4</td> </tr> <tr> <td>George Colin MAGNUS</td> <td>4/4</td> </tr> </tbody> </table> </li> </ul> <p>Note: The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.</p>	Members of the Board	Attendance	<b>Executive Directors</b>		LI Tzar Kuoi, Victor ( <i>Chairman</i> )	4/4	KAM Hing Lam ( <i>Group Managing Director</i> )	4/4	IP Tak Chuen, Edmond	4/4	FOK Kin Ning, Canning	4/4	Andrew John HUNTER	4/4	CHOW WOO Mo Fong, Susan	3/4	Frank John SIXT	4/4	TSO Kai Sum	3/4	<b>Independent Non-executive Directors</b>		CHEONG Ying Chew, Henry	4/4	KWOK Eva Lee	4/4	SNG Sow-mei alias POON Sow Mei	4/4	Colin Stevens RUSSEL	4/4	LAN Hong Tsung, David	4/4	<b>Non-executive Directors</b>		LEE Pui Ling, Angelina	4/4	Barrie COOK	4/4	George Colin MAGNUS	4/4
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A.1.2	All directors are given an opportunity to include matters in the agenda for regular board meetings.	√	<ul style="list-style-type: none"> <li>All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.</li> </ul>																																								
A.1.3	<ul style="list-style-type: none"> <li>At least 14 days notice for regular board meetings</li> <li>Reasonable notice for other board meetings</li> </ul>	√ √	<ul style="list-style-type: none"> <li>Regular Board meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Directors adequate time to plan their schedules to attend the meetings.</li> <li>At least 14 days formal notice would be given before each regular meeting.</li> <li>According to the Company's Bye-laws, any Director may waive notice of any meeting.</li> </ul>																																								
A.1.4	All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	√	<ul style="list-style-type: none"> <li>Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed.</li> <li>Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.</li> </ul>																																								

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A.1.5	<ul style="list-style-type: none"> <li>– Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting.</li> <li>– Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.</li> </ul>	<ul style="list-style-type: none"> <li>√</li> <li>√</li> </ul>	<ul style="list-style-type: none"> <li>• The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings.</li> <li>• Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members within a reasonable time (generally within 14 days) after each Board and Board Committee meeting.</li> <li>• Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.</li> </ul>
A.1.6	<ul style="list-style-type: none"> <li>– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached.</li> <li>– Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting</li> </ul>	<ul style="list-style-type: none"> <li>√</li> <li>√</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached.</li> <li>• Directors are given an opportunity to comment on draft Board minutes.</li> <li>• Final version of Board minutes is placed on record within a reasonable time after the Board meeting.</li> </ul>
A.1.7	<ul style="list-style-type: none"> <li>– A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense</li> <li>– The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the company.</li> </ul>	<ul style="list-style-type: none"> <li>√</li> <li>√</li> </ul>	<ul style="list-style-type: none"> <li>• Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.</li> </ul>
A.1.8	<ul style="list-style-type: none"> <li>– If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.</li> <li>– Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.</li> </ul>	<ul style="list-style-type: none"> <li>√</li> <li>√</li> </ul>	<ul style="list-style-type: none"> <li>• Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted.</li> <li>• Director must declare his/her interest in the matters to be passed in the resolution, if applicable.</li> <li>• If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.</li> </ul>
<b>A.2</b>	<b>CHAIRMAN AND CHIEF EXECUTIVE OFFICER</b>		
	<p><i>Corporate Governance Principle</i>  <i>There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.</i></p>		
A.2.1	<ul style="list-style-type: none"> <li>– Separate roles of chairman and chief executive officer not to be performed by the same individual</li> <li>– Division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.</li> </ul>	<ul style="list-style-type: none"> <li>√</li> <li>√</li> </ul>	<ul style="list-style-type: none"> <li>• The positions of the Chairman of the Board and the Group Managing Director are currently held by separate individuals.</li> <li>• The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management.</li> <li>• The Group Managing Director, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.</li> </ul>

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A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	√	<ul style="list-style-type: none"> <li>With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.</li> <li>In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2009. Details of the attendance records of the meetings are as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: right;">Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Chairman</b></td> </tr> <tr> <td>LI Tzar Kuoi, Victor</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2"><b>Independent Non-executive Directors</b></td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>KWOK Eva Lee</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2"><b>Non-executive Directors</b></td> </tr> <tr> <td>LEE Pui Ling, Angelina</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Barrie COOK</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>George Colin MAGNUS</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> <p>Note: The Chairman and the Non-executive Directors (including the Independent Non-executive Directors) may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) in accordance with the Company's Bye-laws.</p> </li> </ul>	Attendance		<b>Chairman</b>		LI Tzar Kuoi, Victor	2/2	<b>Independent Non-executive Directors</b>		CHEONG Ying Chew, Henry	2/2	KWOK Eva Lee	2/2	SNG Sow-mei alias POON Sow Mei	2/2	Colin Stevens RUSSEL	2/2	LAN Hong Tsung, David	2/2	<b>Non-executive Directors</b>		LEE Pui Ling, Angelina	2/2	Barrie COOK	2/2	George Colin MAGNUS	2/2
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A.2.3	The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	√	<ul style="list-style-type: none"> <li>The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings.</li> <li>Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.</li> </ul>																										
<b>A.3</b>	<b>BOARD COMPOSITION</b>																												
	<p><i>Corporate Governance Principle</i>  The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.</p>																												
A.3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the company.	√	<ul style="list-style-type: none"> <li>The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors, is disclosed in all corporate communications.</li> <li>The Board consists of a total of sixteen Directors, comprising eight Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. One of the Executive Directors also acts as Alternate Director to two Executive Directors and two Alternate Directors were appointed. More than one Independent Non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.</li> <li>Details of the composition of the Board are set out on page 154.</li> <li>The Directors' biographical information and the relationships among the Directors are set out on pages 28 to 34.</li> <li>Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.</li> </ul>																										
<b>A.4</b>	<b>APPOINTMENTS, RE-ELECTION AND REMOVAL</b>																												
	<p><i>Corporate Governance Principle</i>  There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.</p>																												

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A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	√	<ul style="list-style-type: none"> <li>All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.</li> </ul>
A.4.2	<ul style="list-style-type: none"> <li>All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.</li> <li>Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>In accordance with the Company's Bye-laws, newly appointed Directors are required to offer themselves for re-election at the next following general meeting (in the case of filling a casual vacancy) or at the next following annual general meeting (in the case of an addition to the existing Board) following their appointment.</li> <li>The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.</li> <li>All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-laws and the Code on CG Practices.</li> <li>The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules.</li> <li>Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</li> </ul>
<b>A.5</b>	<p><b>RESPONSIBILITIES OF DIRECTORS</b></p> <p><i>Corporate Governance Principle</i> Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.</p>		
A.5.1	<ul style="list-style-type: none"> <li>Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary.</li> <li>To ensure that he has a proper understanding of the operations and business of the company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the company</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director of the Company and the business operation of the Company.</li> <li>A package compiled and reviewed by the Company's legal advisers setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. "A Guide on Directors' Duties" (previously known as "Non-statutory Guidelines on Directors' Duties") issued by the Companies Registry of Hong Kong has been forwarded to each Director for his/her information and ready reference.</li> <li>Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.</li> <li>Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to Directors' duties and corporate governance, etc.</li> </ul>
A.5.2	<p>The functions of non-executive directors include:</p> <ul style="list-style-type: none"> <li>bring independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings</li> </ul>	√	<ul style="list-style-type: none"> <li>The Non-executive Directors exercise their independent judgment and advise on the future business direction and strategic plans of the Company.</li> <li>The Non-executive Directors review the financial information and operational performance of the Company on a regular basis.</li> <li>The Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
A.5.2 (Cont'd)	<ul style="list-style-type: none"> <li>– take the lead on potential conflicts of interests</li> <li>– serve on the audit, remuneration, nomination and other governance committees, if invited</li> <li>– scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p>	
A.5.3	Every director should ensure that he can give sufficient time and attention to the affairs of the company and should not accept the appointment if he cannot do so.	√	<ul style="list-style-type: none"> <li>• There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 of Part I above for details of attendance records.</li> <li>• Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise.</li> </ul>
A.5.4	<ul style="list-style-type: none"> <li>– Directors must comply with the Model Code.</li> <li>– Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees.</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p>	<ul style="list-style-type: none"> <li>• The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 31st March, 2004. A revised Model Code has been adopted by the Company to comply with the new requirements set out in Appendix 10 to the Listing Rules effective from 1st April, 2009.</li> <li>• Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31st December, 2009.</li> <li>• Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.</li> </ul>
<b>A.6</b>	<b>SUPPLY OF AND ACCESS TO INFORMATION</b>		
	<p><i>Corporate Governance Principle</i>  Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.</p>		
A.6.1	<ul style="list-style-type: none"> <li>– Send agenda and full board papers to all directors at least 3 days before regular board or board committee meeting</li> <li>– So far as practicable for other board or board committee meetings</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p>	<ul style="list-style-type: none"> <li>• Board/Board Committee papers are circulated not less than three days before the regular Board/Board Committee meetings to enable the Directors/Board Committee members to make informed decisions on matters to be raised at the Board/Board Committee meetings.</li> </ul>
A.6.2	<ul style="list-style-type: none"> <li>– Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions.</li> <li>– The board and each director should have separate and independent access to the company's senior management for making further enquiries where necessary.</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p>	<ul style="list-style-type: none"> <li>• The Company Secretary and the Chief Financial Officer attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate.</li> <li>• Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.</li> </ul>
A.6.3	<ul style="list-style-type: none"> <li>– All directors are entitled to have access to board papers and related materials.</li> <li>– Steps must be taken to respond as promptly and fully as possible to queries raised by directors.</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p>	<ul style="list-style-type: none"> <li>• Please see A.6.1 and A.6.2 of Part I above.</li> </ul>

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<b>B.</b>	<b>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT</b>										
<b>B.1</b>	<b>THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE</b>										
	<i>Corporate Governance Principle</i> There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.										
B.1.1	Establish a remuneration committee with specific written terms of reference comprising a majority of independent non-executive directors	√	<ul style="list-style-type: none"> <li>In accordance with the Code on CG Practices, the Company has set up a remuneration committee ("Remuneration Committee") with a majority of the members being Independent Non-executive Directors.</li> <li>The Company established its Remuneration Committee on 1st January, 2005.</li> <li>The Remuneration Committee comprises the Chairman of the Board, Mr. Li Tzar Kuoi, Victor (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr. Colin Stevens Russel and Mr. Cheong Ying Chew, Henry.</li> <li>Since the publication of the Company's 2008 annual report in April 2009, meetings of the Remuneration Committee were held in November 2009 and January 2010. Details of the attendance records of the members of the Remuneration Committee are as follows: <table border="1"> <thead> <tr> <th>Members of the Remuneration Committee</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td>LI Tzar Kuoi, Victor (<i>Chairman of the Remuneration Committee</i>)</td> <td>2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td>2/2</td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>2/2</td> </tr> </tbody> </table> </li> </ul> <p>Note: The members of the Remuneration Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws.</p> <ul style="list-style-type: none"> <li>The following is a summary of the work for the Remuneration Committee during the said meetings: <ol style="list-style-type: none"> <li>Review of the remuneration policy for 2009/2010;</li> <li>Review of the remuneration of Non-executive Directors;</li> <li>Review of the annual performance bonus policy; and</li> <li>Approval of remuneration packages of Executive Directors.</li> </ol> </li> </ul>	Members of the Remuneration Committee	Attendance	LI Tzar Kuoi, Victor ( <i>Chairman of the Remuneration Committee</i> )	2/2	Colin Stevens RUSSEL	2/2	CHEONG Ying Chew, Henry	2/2
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Colin Stevens RUSSEL	2/2										
CHEONG Ying Chew, Henry	2/2										
B.1.2	The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	√	<ul style="list-style-type: none"> <li>The Remuneration Committee has consulted the Chairman and/or the Group Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel.</li> <li>The emoluments of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.</li> <li>To enable them to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.</li> <li>The Remuneration Committee is satisfied that there is in place a clear system for determining remuneration, which is reasonable and has been followed consistently in its application.</li> </ul>								
B.1.3	Terms of reference of the remuneration committee should include: <ul style="list-style-type: none"> <li>determine the specific remuneration packages of all executive directors and senior management</li> <li>review and approve performance-based remuneration and the compensation payable on loss or termination of office or appointment</li> <li>ensure that no director or any of his associates is involved in deciding his own remuneration</li> </ul>	√	<ul style="list-style-type: none"> <li>The terms of reference of the Remuneration Committee, which follow closely the requirements of the Code Provisions and have been adopted by the Board, are posted on the Company's website.</li> </ul>								

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
B.1.4	The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	<ul style="list-style-type: none"> <li>The terms of reference of the Remuneration Committee are posted on the Company's website.</li> <li>The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.</li> </ul>
B.1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	<ul style="list-style-type: none"> <li>The Human Resources Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.</li> </ul>
<b>C. ACCOUNTABILITY AND AUDIT</b>			
<b>C.1 FINANCIAL REPORTING</b>			
<p><i>Corporate Governance Principle</i>  <i>The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.</i></p>			
C.1.1	Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	√	<ul style="list-style-type: none"> <li>Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.</li> </ul>
C.1.2	<ul style="list-style-type: none"> <li>The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.</li> <li>There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.</li> <li>Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary.</li> <li>When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report.</li> </ul>	<p>√</p> <p>√</p> <p>√</p> <p>N/A</p>	<ul style="list-style-type: none"> <li>The Directors annually acknowledge in writing their responsibility for preparing the financial statements of the Group.</li> <li>Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code on CG Practices.</li> <li>With the assistance of the Company's Finance and Accounting Department which is under the supervision of the Chief Financial Officer who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.</li> <li>The Directors also ensure the publication of the financial statements of the Group is in a timely manner.</li> <li>The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 51.</li> </ul>
C.1.3	The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	√	<ul style="list-style-type: none"> <li>The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications.</li> <li>The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
<b>C.2</b>	<b>INTERNAL CONTROLS</b>  <i>Corporate Governance Principle</i> <i>The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.</i>		
C.2.1	<ul style="list-style-type: none"> <li>– Directors to review the effectiveness of system of internal control of the company and its subsidiaries at least annually and to report that they have done so in the Corporate Governance Report</li> <li>– The review should cover all material controls, including financial, operational and compliance controls and risk management functions.</li> </ul>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p>	<ul style="list-style-type: none"> <li>• The Board is ultimately responsible for the Group's internal control system and for review of its effectiveness.</li> <li>• The internal control system is designed to help the achievement of business objectives in the following categories:               <ol style="list-style-type: none"> <li>(1) Effectiveness and efficiency of operations which include safeguarding assets against unauthorized user or disposition;</li> <li>(2) Reliability of financial and operational reporting; and</li> <li>(3) Compliance with applicable laws, regulations, and internal policies and procedures.</li> </ol> </li> <li>• The system is formulated to manage risk that may impede the achievement of the Group's business objectives rather than to eliminate that risk, and can only provide reasonable, not absolute, assurance against material errors, losses or fraud. The concept of reasonable assurance recognises that the cost of control procedure should not exceed the expected benefits.</li> </ul> <p><i>Internal Control System</i></p> <ul style="list-style-type: none"> <li>• The Board has overall responsibility for monitoring the operations of the businesses within the Group. Executive Directors and senior officials are appointed to the boards and board committees of all significant operating subsidiaries and associates to attend the board meetings and to oversee the operations. Monitoring activities include the review and approval of business strategies, budgets and plans, and setting of key performance indicators.</li> <li>• There are defined organisational structures and authority to operate various business units is delegated to respective managements within limits set by the Executive Directors.</li> <li>• The Head Office management has established operating and management reporting standards for use by all business units. Each business unit also has its own operating policies and procedures that are tailor-made to specific operational environment.</li> <li>• Individual business unit needs to prepare five-year plans which form the foundation of annual budgets and plans. All these plans/budgets have to be approved by the Executive Directors. Monitoring the actual results against the budgets are done monthly via the Executives' and management meetings at the Group and business unit levels, and appropriate actions are taken, if necessary.</li> <li>• Each business unit has to perform risk assessment half-yearly where the risks associated with achieving the business objectives are identified and analysed. It also includes a review of the control mechanism for each risk and action plan is put in place to address the areas for improvement.</li> <li>• The Chief Executive Officer and Chief Financial Officer of each business unit need to provide a formal half-yearly confirmation to acknowledge review of their control systems and highlight any weaknesses.</li> <li>• The Group Internal Audit, reporting directly to the Audit Committee and the Group Managing Director, performs independent assessment of the internal control systems. Using a risk based methodology, Internal Audit prepares its audit plan in consultation with, but independent of, management, and it is reviewed by the Audit Committee. The audit work focuses on those areas of the Group's activities with greatest perceived risks. Ad hoc review will also be performed on areas of concern identified by the Audit Committee and management. Management of individual business unit will be informed of the areas for improvement, and Internal Audit is responsible for monitoring the corrective actions.</li> <li>• Reports from the external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), on internal controls and relevant financial reporting matters, are presented to the Audit Committee and management.</li> </ul>



Code Ref.	Code Provisions	Compliance	Corporate Governance Practices												
C.2.1 (Cont'd)			<p><i>Controls on Price-sensitive Information</i></p> <ul style="list-style-type: none"> <li>Regarding the procedures and internal controls for handling and dissemination of price-sensitive information, the Group: <ol style="list-style-type: none"> <li>is well aware of its obligations under the Listing Rules to announce any information that is considered to be price-sensitive;</li> <li>makes reference to the "Guide on Disclosure of Price-sensitive Information" issued by the Stock Exchange in 2002;</li> <li>has implemented policy and procedure which strictly prohibit unauthorised use of confidential and sensitive information, and has communicated to all staff; and</li> <li>requires that only Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs.</li> </ol> </li> </ul> <p><i>Effectiveness of Internal Control System</i></p> <ul style="list-style-type: none"> <li>The Board, through the Audit Committee of the Company, has conducted an annual review of the effectiveness of the internal control system operating in the Group and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the Code on CG Practices.</li> </ul>												
C.2.2	The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget.	√	<ul style="list-style-type: none"> <li>The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in March 2010 and noted that the Company has been in compliance with the Code Provision for the year 2009. Please also refer to the Code Provision C.3.3 of Part I.</li> </ul>												
<b>C.3</b>	<b>AUDIT COMMITTEE</b>														
	<p><i>Corporate Governance Principle</i></p> <p><i>The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.</i></p>														
C.3.1	<ul style="list-style-type: none"> <li>Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting.</li> <li>Draft and final versions of minutes for all members of the audit committee to comment and to keep records within a reasonable time after the meeting</li> </ul>	<p>√</p> <p>√</p>	<ul style="list-style-type: none"> <li>Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting.</li> <li>Audit Committee meetings were held in March and August 2009. Details of the attendance records of the members of the Audit Committee are as follows: <table border="1"> <thead> <tr> <th>Members of the Audit Committee</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td>Colin Stevens RUSSEL (<i>Chairman of the Audit Committee</i>)</td> <td>2/2</td> </tr> <tr> <td>CHEONG Ying Chew, Henry</td> <td>2/2</td> </tr> <tr> <td>KWOK Eva Lee</td> <td>2/2</td> </tr> <tr> <td>SNG Sow-mei alias POON Sow Mei</td> <td>2/2</td> </tr> <tr> <td>LAN Hong Tsung, David</td> <td>2/2</td> </tr> </tbody> </table> </li> </ul> <p>Note: The members of the Audit Committee may attend meetings in person, by phone or through other means of electronic communication or by their alternates (if applicable) in accordance with the Company's Bye-laws.</p> <ul style="list-style-type: none"> <li>The following is a summary of the work of the Audit Committee during 2009: <ol style="list-style-type: none"> <li>Review of the financial reports for 2008 annual results and 2009 interim results;</li> <li>Review of the findings and recommendations of the Group Internal Audit on the work of various divisions/departments and related companies;</li> <li>Review of the effectiveness of the internal control system;</li> <li>Review of the external auditor's audit findings;</li> <li>Review of the auditor's remuneration;</li> <li>Review of risks of different business units and analysis thereof provided by the relevant business units; and</li> <li>Review of the control mechanisms for such risks and advising on action plans for improvement of the situations.</li> </ol> </li> <li>After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee was of the view that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 2nd March, 2010 that the system of internal controls was adequate and effective.</li> </ul>	Members of the Audit Committee	Attendance	Colin Stevens RUSSEL ( <i>Chairman of the Audit Committee</i> )	2/2	CHEONG Ying Chew, Henry	2/2	KWOK Eva Lee	2/2	SNG Sow-mei alias POON Sow Mei	2/2	LAN Hong Tsung, David	2/2
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## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.1 (Cont'd)			<ul style="list-style-type: none"> <li>On 2nd March, 2010, the Audit Committee met to review the Group's 2009 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the 2009 Annual Report complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31st December, 2009.</li> <li>The Audit Committee also recommended to the Board the re-appointment of Deloitte as the Company's external auditor for 2010 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2010 annual general meeting.</li> <li>The Group's Annual Report for the year ended 31st December, 2009 has been reviewed by the Audit Committee.</li> </ul>
C.3.2	A former partner of existing auditing firm shall not act as a member of the committee for 1 year after he ceases to be a partner of or to have any financial interest in, the firm, whichever is the later.	√	<ul style="list-style-type: none"> <li>No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.</li> </ul>
C.3.3	<p>Terms of reference of the audit committee should include:</p> <ul style="list-style-type: none"> <li>– recommendation to the board on the appointment and removal of external auditor and approval of their terms of engagement</li> <li>– review and monitor external auditor's independence and effectiveness of audit process</li> <li>– review of financial information of the company</li> <li>– oversight of the company's financial reporting system and internal control procedures, 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</li> </ul>	√	<ul style="list-style-type: none"> <li>The terms of reference of the Audit Committee, which follow closely the requirements of the Code Provisions and have been modified from time to time and adopted by the Board are posted on the Company's website.</li> </ul>
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	√	<ul style="list-style-type: none"> <li>The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the Audit Committee in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.</li> <li>In accordance with the requirements of the Code on CG Practices, the terms of reference of the Audit Committee were revised from time to time in terms substantially the same as the provisions set out in the Code on CG Practices. The latest version of the terms of reference of the Audit Committee are available on the Company's website.</li> <li>The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. Regular meetings have been held by the Audit Committee since its establishment.</li> <li>The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. The Audit Committee held two meetings in 2009.</li> </ul>

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	<ul style="list-style-type: none"> <li>The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditor for 2010.</li> <li>For the year ended 31st December, 2009, the external auditor of the Company received approximately HK\$5.5 million for annual audit service, approximately HK\$1 million for audit-related services rendered in connection with preparation of regulatory report of a subsidiary.</li> </ul>
C.3.6	The audit committee should be provided with sufficient resources to discharge its duties.	√	<ul style="list-style-type: none"> <li>The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.</li> </ul>
<b>D. DELEGATION BY THE BOARD</b>			
<b>D.1 MANAGEMENT FUNCTIONS</b>			
<p><i>Corporate Governance Principle</i>  <i>The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.</i></p>			
D.1.1	When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the company.	√	<ul style="list-style-type: none"> <li>Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise.</li> <li>Please refer to the Management Structure Chart set out on page 144.</li> <li>For matters or transactions of a material nature, the same will be referred to the Board for approval.</li> <li>For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.</li> </ul>
D.1.2	Formalise functions reserved to the board and those delegated to management and to review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the company.	√	<ul style="list-style-type: none"> <li>The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature.</li> <li>Under the leadership of the Group Managing Director, management is responsible for the day-to-day operations of the Group.</li> </ul>
<b>D.2 BOARD COMMITTEES</b>			
<p><i>Corporate Governance Principle</i>  <i>Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.</i></p>			
D.2.1	Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	√	<ul style="list-style-type: none"> <li>Three Board Committees, namely, Audit Committee, Remuneration Committee and Executive Committee, have been established with specific terms of reference.</li> </ul>
D.2.2	The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	√	<ul style="list-style-type: none"> <li>Board Committees report to the Board of their decisions and recommendations at the Board meetings.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices
<b>E.</b>	<b>COMMUNICATION WITH SHAREHOLDERS</b>		
<b>E.1</b>	<b>EFFECTIVE COMMUNICATION</b>		
	<p><i>Corporate Governance Principle</i>  <i>The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.</i></p>		
E.1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	√	<ul style="list-style-type: none"> <li>Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual directors.</li> </ul>
E.1.2	<ul style="list-style-type: none"> <li>The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.</li> <li>The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.</li> </ul>	√	<ul style="list-style-type: none"> <li>In 2009, the Chairman of the Board, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the annual general meeting and were available to answer questions.</li> <li>The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) regular press conferences and briefing meetings with analysts are arranged from time to time to update interested parties on the performance of the Group; (vi) the Company's Branch Share Registrar deal with shareholders for share registration and related matters; and (vii) Corporate Affairs Department of the Company handles enquiries from shareholders, and investors generally.</li> </ul>
E.1.3	The company should arrange for the notice to shareholders to be sent in the case of annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	√	<ul style="list-style-type: none"> <li>The Company's notice to shareholders for the 2009 annual general meeting of the Company was sent at least 20 clear business days before the meeting.</li> </ul>
<b>E.2</b>	<b>VOTING BY POLL</b>		
	<p><i>Corporate Governance Principle</i>  <i>The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i></p>		
E.2.1	The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	√	<ul style="list-style-type: none"> <li>At the 2009 annual general meeting, the Chairman of the meeting explained the detailed procedures for conducting a poll, and answered questions from shareholders.</li> <li>At the 2009 annual general meeting, the Chairman of the meeting exercised his power under the Bye-laws of the Company to put each resolution set out in the notice to be voted by way of a poll.</li> <li>Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the annual general meeting.</li> <li>Since the Company's 2003 annual general meeting, all the resolutions put to vote at the Company's general meetings were taken by poll.</li> <li>Poll results were announced at the adjourned meeting and were posted on the websites of the Company and the Stock Exchange.</li> </ul>

## II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<b>A.</b>	<b>DIRECTORS</b>		
<b>A.1</b>	<b>THE BOARD</b> <i>Corporate Governance Principle</i> <i>The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.</i>		
A.1.9	Arrange appropriate insurance cover in respect of legal action against the directors	C	<ul style="list-style-type: none"> <li>The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since its listing in 1996 including the year 2009/2010.</li> </ul>
A.1.10	<p>Board committees should adopt, so far as practicable, the principles, procedures and arrangements set out in A.1.1 to A.1.8.</p> <p>A.1.1 Regular board meetings should be held at least four times a year involving active participation, either in person or through other electronic means of communication, of majority of directors.</p> <p>A.1.2 All directors are given an opportunity to include matters in the agenda for regular board meetings.</p> <p>A.1.3 – At least 14 days notice for regular board meetings – Reasonable notice for other board meetings</p> <p>A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.</p> <p>A.1.5 – Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting. – Such minutes should be open for inspection at any reasonable time on reasonable notice by any director.</p>	<p>E</p> <p>C</p> <p>C</p> <p>C</p> <p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> <li>The Company has an Audit Committee, a Remuneration Committee and an Executive Committee.</li> <li>Based on available data and information, the Company is not satisfied that quarterly review by the Audit Committee would bring meaningful benefit to the shareholders. Meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors were held two times a year at which ample opportunity was provided for reflection of their views and comments to the Board.</li> <li>Apart from the Audit Committee, the Company has a Remuneration Committee. The principal responsibility of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of its Directors and senior management, which, in line with normal market practice, are only subject to review on an annual basis. It is therefore not necessary for the Remuneration Committee to have four meetings a year as recommended.</li> <li>The Remuneration Committee held two meetings in respect of the year of 2009. The Meeting held in November 2009 was to provide the Remuneration Committee with an overview of the job market conditions and trends for the year, and the meeting held in January 2010 was to review, consider and endorse the remuneration packages proposed for the Executive Directors of the Company.</li> <li>All members of the Board Committees are consulted as to whether they may want to include any matter in the agenda before the agenda for each Board Committee meeting is issued.</li> <li>Regular Board Committee meetings in a particular year are usually scheduled towards the end of the immediately preceding year to give all Board Committee members adequate time to plan their schedules to attend the meetings.</li> <li>At least 14 days formal notice would be given before each Board Committee meeting.</li> <li>According to the Company's Bye-laws, the Board Committee member may waive notice of the relevant Board Committee meeting.</li> <li>Board Committee members have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board Committees for ensuring that Board Committee procedures, and all applicable rules and regulations, are followed.</li> <li>The Company Secretary prepares minutes/written resolutions and keeps records of substantive matters discussed and decisions resolved at Board Committee meetings.</li> <li>Board Committee minutes/written resolutions are sent to all Board Committee members within a reasonable time (generally within 14 days) after each Board Committee meeting.</li> <li>Board Committee minutes/written resolutions are available for inspection by Board Committee members.</li> </ul>

## CORPORATE GOVERNANCE REPORT

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.1.10 (Cont'd)	<p>A.1.6</p> <ul style="list-style-type: none"> <li>– Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached.</li> <li>– Draft and final versions of board minutes for all directors to comment and to keep records within a reasonable time after the board meeting</li> </ul> <p>A.1.7</p> <ul style="list-style-type: none"> <li>– A procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the company's expense</li> <li>– The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her duties to the company.</li> </ul> <p>A.1.8</p> <ul style="list-style-type: none"> <li>– If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held.</li> <li>– Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.</li> </ul>	<p>C</p> <p>C</p> <p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> <li>• The minutes of the Board Committees record in sufficient detail the matters considered by the Board Committees and decisions reached.</li> <li>• Board Committee members are given an opportunity to comment on the draft Board Committee minutes.</li> <li>• Final version of Board Committee minutes is placed on record within a reasonable time after the Board Committee meeting.</li> <li>• Board Committee members have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Board Committee member.</li> <li>• Board Committee members must declare his/her interest in the matters to be considered by the Board Committee, if applicable.</li> <li>• In case of conflict of interests, relevant Directors will refrain from voting. Mr. Victor Li, the Chairman of the Board, is also the Chairman of the Remuneration Committee. He refrained from voting at decisions made in respect of his own remuneration package.</li> <li>• The Company has an Executive Committee which comprises Executive Directors and certain senior management of the Company. The major function of the Executive Committee is to review the ongoing operations of the Group and consider potential acquisition opportunities. In the event that conflict of interest was to arise in respect of a substantial shareholder or a director, the matter will be referred to the Board, ensuring the involvement of Independent Non-executive Directors, for consideration and decision.</li> </ul>
<b>A.2</b>	<p><b>CHAIRMAN AND CHIEF EXECUTIVE OFFICER</b></p> <p><i>Corporate Governance Principle</i>  <i>There should be a clear division of responsibilities between the Chairman and the Group Managing Director of the Company to ensure a balance of power and authority.</i></p>		
A.2.4	<ul style="list-style-type: none"> <li>– Chairman is to provide leadership for the board.</li> <li>– The chairman should ensure that the board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner.</li> <li>– The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate such responsibility to a designated director or the company secretary.</li> </ul>	<p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> <li>• The Chairman of the Board is an Executive Director who is responsible for the leadership and effective running of the Board.</li> <li>• The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management.</li> <li>• The Board meets regularly and held meetings in March, May, August and November 2009.</li> <li>• With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues on a timely manner.</li> <li>• The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.</li> </ul>

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.5	The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	C	<ul style="list-style-type: none"> <li>The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.</li> </ul>
A.2.6	The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the company.	C	<ul style="list-style-type: none"> <li>Please refer to A.2.4 and A.2.5 of Part II above for the details.</li> </ul>
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	<ul style="list-style-type: none"> <li>In addition to regular Board meetings, the Chairman had meetings with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and November 2009. Please refer to A.2.2 of Part I above for details of attendance records.</li> </ul>
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.	C	<ul style="list-style-type: none"> <li>The Company establishes different communication channels with shareholders and investors as set out in E.1.2 of Part I above.</li> </ul>
A.2.9	The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	C	<ul style="list-style-type: none"> <li>Please refer to A.2.4 and A.2.5 of Part II above for the details.</li> </ul>
<b>A.3</b>	<b>BOARD COMPOSITION</b>  <i>Corporate Governance Principle</i> <i>The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.</i>		
A.3.2	The company should appoint independent non-executive directors representing at least one-third of the board.	E	<ul style="list-style-type: none"> <li>The Board consists of a total of sixteen Directors, comprising eight Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. One of the Executive Directors also acts as Alternate Director to two Executive Directors and two Alternate Directors were appointed. Half of the Board, therefore is made up of Non-executive Directors with the number of Independent Non-executive Directors exceeding the minimum number required under the Listing Rules. The Company considers that it has complied with the spirit and the intention of the Code on CG Practices and that the addition of one more Independent Non-executive Director would not make any significant difference. The Company also considers that there is a sufficiently independent element on the Board to provide the Company and its shareholders with fair and independent advice.</li> </ul>
A.3.3	The company should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	C  E	<ul style="list-style-type: none"> <li>The Company maintains on its website an updated list of its Directors together with their biographical information, and identifies whether they are independent non-executive directors. The Company has also posted on its website the Terms of Reference of the Board Committees to enable the shareholders to understand the role played by those Independent Non-executive Directors who serve on the relevant Board Committees.</li> <li>The Company is of the view that Executive Directors are collectively in charge of the overall executive functions of the Group as a team for the purposes of efficiency and effectiveness, and hence it is neither appropriate nor meaningful to identify on its website the role and function of its individual Executive Directors.</li> </ul>

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Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.4	<p><b>APPOINTMENTS, RE-ELECTION AND REMOVAL</b></p> <p><i>Corporate Governance Principle</i> There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.</p>		
A.4.3	<ul style="list-style-type: none"> <li>– If an independent non-executive director serves more than 9 years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders.</li> <li>– The board should set out to shareholders in the papers accompanying a resolution to elect such an independent non-executive director the reasons they believe that the individual continues to be independent and why he should be re-elected.</li> </ul>	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> <li>• Each Independent Non-executive Director who was subject to retirement by rotation was appointed by a separate resolution in the Company's annual general meeting. Each Independent Non-executive Director who was eligible for re-election at the annual general meeting had made a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company had expressed the view in its circular that each Independent Non-executive Director who was eligible for re-election had met the independence guidelines set out in Rule 3.13 of the Listing Rules and was independent in accordance with the terms of the guidelines. While in accordance with the recommended best practices, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected, as their relevant credentials have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.</li> </ul>
A.4.4 – A.4.8	<ul style="list-style-type: none"> <li>– The company should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive directors.</li> <li>– The nomination committee should be established with specific written terms of reference which deal clearly with the committee's authority and duties.</li> <li>– It is recommended that the nomination committee should discharge the following duties:               <ol style="list-style-type: none"> <li>(a) review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes;</li> <li>(b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships;</li> <li>(c) assess the independence of independent non-executive directors; and</li> <li>(d) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.</li> </ol> </li> </ul>	E	<ul style="list-style-type: none"> <li>• The Company does not have a nomination committee. The Board as a whole is responsible for the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board) and shall then be eligible for re-election at the same general meeting.</li> <li>• At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Group Managing Director.</li> <li>• Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the existing Board. The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision.</li> <li>• The Board as a whole is responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</li> </ul>



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A.4.4 – A.4.8 (Cont'd)	<ul style="list-style-type: none"> <li>– The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board.</li> <li>– The nomination committee should be provided with sufficient resources to discharge its duties.</li> <li>– Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.</li> </ul>		<ul style="list-style-type: none"> <li>• Please refer to A.4.3 of Part II above for the details.</li> </ul>
<p><b>A.5 RESPONSIBILITIES OF DIRECTORS</b></p> <p><i>Corporate Governance Principle</i> Every Director is required to keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.</p>			
A.5.5	All directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to help ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding a suitable development programme.	C	<ul style="list-style-type: none"> <li>• The Company regularly reminds all Directors of their functions and responsibilities. Through regular Board meetings and the circulation of written resolutions, memos and board papers, all Directors are kept abreast of the conduct, business activities and development of the Company.</li> <li>• A package compiled and reviewed by the Company's legal advisers setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. A revised information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. "A Guide on Directors' Duties" (previously known as "Non-statutory Guidelines on Directors' Duties") issued by the Companies Registry of Hong Kong has been forwarded to each Director for his/her information and ready reference.</li> <li>• Memos are issued from time to time to keep Directors up to date with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.</li> <li>• Seminars are organised from time to time at which distinguished professionals are invited to present to the Directors on subjects relating to Directors' duties and corporate governance, etc.</li> </ul>
A.5.6	Each director should disclose to the company at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisation and an indication of the time involved. The board should determine for itself how frequently such disclosure should be made.	C	<ul style="list-style-type: none"> <li>• The Directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.</li> </ul>

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Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.7	Non-executive directors, as equal board members, should give the board and any committees on which they serve such as the audit, remuneration or nomination committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	C	<ul style="list-style-type: none"> <li>There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I above for details of attendance records.</li> <li>Extent of participation and contribution should be viewed both quantitatively and qualitatively.</li> </ul>
A.5.8	Non-executive directors should make a positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.	C	<ul style="list-style-type: none"> <li>There is satisfactory attendance at Board meetings, Board Committee meetings, the meetings between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) and the general meeting during the year. Please refer to A.1.1, A.2.2, B.1.1 and C.3.1 of Part I above for details of attendance records.</li> </ul>
<b>A.6</b>	<b>SUPPLY OF AND ACCESS TO INFORMATION</b>		
	<p><i>Corporate Governance Principle</i> Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.</p>		
	There is no recommended best practice under Section A.6 in the Code on CG practices.		
<b>B.</b>	<b>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT</b>		
<b>B.1</b>	<b>THE LEVEL AND MAKE-UP OF REMUNERATION AND DISCLOSURE</b>		
	<p><i>Corporate Governance Principle</i> There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.</p>		
B.1.6	A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	C	<ul style="list-style-type: none"> <li>A significant proportion of Executive Directors' remuneration has been structured so as to link rewards to corporate and individual performance in 2009. Please refer to note 36 in the Notes to the Financial Statements for details of discretionary bonus.</li> </ul>
B.1.7	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports and accounts.	E	<ul style="list-style-type: none"> <li>The remuneration payable to senior management represents only a small portion of the turnover or profits of the Company. As a matter of practice, disclosing details of the remuneration payable to senior management on an individual basis does not bring significant benefits or provide useful information to the shareholders.</li> </ul>
B.1.8	Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	N/A	<ul style="list-style-type: none"> <li>The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.</li> </ul>
<b>C.</b>	<b>ACCOUNTABILITY AND AUDIT</b>		
<b>C.1</b>	<b>FINANCIAL REPORTING</b>		
	<p><i>Corporate Governance Principle</i> The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.</p>		

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.1.4 – C.1.5	<ul style="list-style-type: none"> <li>– The company should announce and publish quarterly financial results within 45 days after the end of the relevant quarter, disclosing such information as would enable shareholders to assess the performance, financial position and prospects of the company. Any such quarterly financial reports should be prepared using the accounting policies applied to the company's half-year and annual accounts.</li> <li>– Once the company decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting for each of the first 3 and 9 months periods of subsequent financial years. Where the company decides not to announce and publish its financial results for a particular quarter, it should publish an announcement to disclose the reason(s) for such decision.</li> </ul>	E	<ul style="list-style-type: none"> <li>• The Company issued half-yearly financial results within 3 months after the end of the relevant period, and annual financial results within 4 months after the end of the relevant year. In addition, all significant and price-sensitive transactions have been announced and disclosed in accordance with the Listing Rules during the year. The shareholders of the Company are therefore able to assess the performance, financial position and prospects of the Company. The Company does not consider it necessary, nor is it in the interests of the Company and its shareholders, to issue quarterly financial results. This would result in incurring costs disproportionate to any additional benefits to the shareholders.</li> <li>• Please refer to C.1.4 of Part II above for the details.</li> </ul>
<p><b>C.2 INTERNAL CONTROLS</b></p> <p><i>Corporate Governance Principle</i>  <i>The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.</i></p>			
C.2.3	<p>The board's annual review should, in particular, consider:</p> <ul style="list-style-type: none"> <li>– the changes since the last annual review in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;</li> <li>– the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance;</li> <li>– the extent and frequency of the communication of the results of the monitoring to the board (or board committee(s)) which enables it to build up a cumulative assessment of the state of control in the company and the effectiveness with which risk is being managed;</li> <li>– the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or conditions; and</li> <li>– the effectiveness of the company's processes relating to financial reporting and Listing Rule compliance.</li> </ul>	<p>C</p> <p>C</p> <p>C</p> <p>C</p>	<p>In the review of the effectiveness of internal control system, the Board, through the Audit Committee, considers:</p> <ul style="list-style-type: none"> <li>• the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment;</li> <li>• the management's ongoing monitoring of risks and the system of internal control, and the work of the internal audit function;</li> <li>• the communication of the monitoring results to the Board that enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness of the risk management;</li> <li>• any incidence of significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and</li> <li>• the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.</li> </ul>

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C.2.4	<p>The company should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the following items:</p> <ul style="list-style-type: none"> <li>– the process that the company has applied for identifying, evaluating and managing the significant risks faced by it;</li> <li>– any additional information to assist understanding of the company's risk management processes and system of internal control;</li> <li>– an acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its effectiveness;</li> <li>– the process that the company has applied in reviewing the effectiveness of the system of internal control; and</li> <li>– the process that the company has applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and accounts.</li> </ul>	<p>C</p> <p>C</p> <p>C</p> <p>C</p> <p>C</p>	<p>In this Corporate Governance Report, the Company, in particular item C.2.1 of Part I above, discloses:</p> <ul style="list-style-type: none"> <li>• the process of identifying, evaluating and managing the significant risks;</li> <li>• any additional information to assist understanding of the risk management processes and internal control system;</li> <li>• an acknowledgement by the Board that it is responsible for the internal control system and for reviewing its effectiveness;</li> <li>• the process applied in reviewing the effectiveness of internal control system; and</li> <li>• the process applied to deal with material internal control aspects of any significant problems disclosed in its Annual Reports and Financial Statements.</li> </ul>
C.2.5	The company should ensure that their disclosures provide meaningful information and do not give a misleading impression.	C	<ul style="list-style-type: none"> <li>• The Company aims to ensure disclosures provide meaningful information and do not give a misleading impression.</li> </ul>
C.2.6	The company without an internal audit function should review the need for one on an annual basis and should disclose the outcome of such review in the company's Corporate Governance Report.	N/A	<ul style="list-style-type: none"> <li>• Please refer to C.2 of Part I above for the details.</li> </ul>
<b>C.3</b>	<p><b>AUDIT COMMITTEE</b></p> <p><i>Corporate Governance Principle</i>  <i>The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.</i></p>		
C.3.7	<p>The terms of reference of the audit committee should also require the audit committee:</p> <ul style="list-style-type: none"> <li>– to review arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and</li> <li>– to act as the key representative body for overseeing the company's relation with the external auditor.</li> </ul>	<p>E</p> <p>C</p>	<ul style="list-style-type: none"> <li>• The Company has issued an employee's handbook to its staff, which contains the mechanism for employees to raise any questions they may have to their department head and to the human resources and administration department for necessary action (whether these relate to their career development or any other grievances and complaints they may have). The Company considers such mechanisms to be sufficient to ensure that there is a channel for employees to have a direct communication with the management of the Company.</li> </ul>

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<b>D.</b>	<b>DELEGATION BY THE BOARD</b>		
<b>D.1</b>	<b>MANAGEMENT FUNCTIONS</b>		
	<i>Corporate Governance Principle</i> <i>The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.</i>		
D.1.3	The company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.	C	<ul style="list-style-type: none"> <li>Please refer to the Management Structure Chart set out on page 144.</li> </ul>
D.1.4	Directors should clearly understand delegation arrangements in place. To that end, the company should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	E	<ul style="list-style-type: none"> <li>It is not the Company's practice to have formal letters of appointment for its Directors. Nevertheless, Directors clearly understand their duties to the Company, to which they are collectively and individually responsible for. In addition, part of these duties relate to fiduciary duties, duties of skill, care and diligence established under common law over a long period of time, and it is not feasible to attempt to formulate these comprehensively in writing. The difficulty in reducing these comprehensively into written form may be inferred by the fact that, currently, directors' duties are set out in non-statutory guidelines issued by the Companies Registry instead of being provided for in the Companies Ordinance. To have a formal letter of appointment may also lead to inflexibility.</li> </ul>
<b>D.2</b>	<b>BOARD COMMITTEES</b>		
	<i>Corporate Governance Principle</i> <i>Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.</i>		
There is no recommended best practice under Section D.2 in the Code on CG Practices.			
<b>E.</b>	<b>COMMUNICATION WITH SHAREHOLDERS</b>		
<b>E.1</b>	<b>EFFECTIVE COMMUNICATION</b>		
	<i>Corporate Governance Principle</i> <i>The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.</i>		
There is no recommended best practice under Section E.1 in the Code on CG Practices.			
<b>E.2</b>	<b>VOTING BY POLL</b>		
	<i>Corporate Governance Principle</i> <i>The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i>		
There is no recommended best practice under Section E.2 in the Code on CG Practices.			

MANAGEMENT STRUCTURE CHART

