

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Directors" or the "Board") and management of the Company (together with its subsidiaries, the "Group") are committed to principles of good corporate governance in safeguarding the interests of the shareholders and enhancing shareholders' value.

Additional Measures

As part of the Company's dedication to good corporate governance, the Company has adopted additional measures exceeded the Code Provisions (as defined below) since 2006, highlights of such measures are:

1. FEES AND EMOLUMENTS

Fees' and emoluments' entitlement of the two executive directors of the Company shall not exceed in aggregate an amount of HK\$8,000,000 per annum.

2. GENERAL MANDATE

The Company is committed to propose to the shareholders at annual general meetings to issue and allot new shares up to 10% of the issued share capital of the Company. The Company is also committed not to issue any shares pursuant to the general mandate at a discount of more than 12% to the benchmarked price (as defined in Rule 13.36(5) of the Listing Rules), unless approved by an independent board committee.

3. CONNECTED TRANSACTIONS

The Company will ensure that the aggregate of all connected transactions over any 12-month period not exceeding HK\$500 million unless approved by the independent shareholders.

4. INDEPENDENT NON-EXECUTIVE DIRECTORS

The number of Independent Non-executive Directors of the Company will not be less than 50% of the total number of Directors of the Company.

Details of the above corporate governance measures were included in this corporate governance report and also set out in the announcement of the Company dated 28th April, 2006.

企業管治報告

企業管治常規

本公司(連同其附屬公司,「本集團」)董事會(「董事」或「董事會」)及管理層堅守良好的企業管治守則,以保障股東權益及提升股東價值。

額外措施

作為本公司恪守良好企業管治之一部分,本公司自二零零六年起已另行採納超出守則條文(定義見下文)之額外措施。該等措施概要如下:

1. 袍金及酬金

本公司兩名執行董事之袍金及酬金每年總額不會超過8,000,000港元。

2. 一般授權

本公司承諾會於股東週年大會向股東提議發行及配發數目為本公司已發行股本10%之新股。本公司亦承諾不會根據一般授權以較股份基準價格折讓12%以上之折讓價(定義見上市規則第13.36(5)條)發行股份(除非得到獨立董事委員會批准)。

3. 關連交易

除非獲獨立股東批准,本公司將確保關連交易總額於任何十二個月期間不會超過500,000,000港元。

4. 獨立非執行董事

本公司獨立非執行董事數目不會少於本公司董事總人數50%。

上述企業管治措施之詳情已載於本企業管治報告內,且亦載於本公司日期為二零零六年四月二十八日之公布內。

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES (cont'd)

Throughout the year ended 31st December, 2007 (the "Year"), the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") and complied with the code provisions (the "Code Provisions") and certain recommended best practices (the "Best Practices") set out in the Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviation:-

Deviation

Chairman and Chief Executive Officer

Mr. Joseph Lau, Luen-hung ("Mr. Joseph Lau"), acts as both the chairman (the "Chairman") and chief executive officer (the "CEO") of the Company since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises two Executive Directors, one Non-executive Director and three Independent Non-executive Directors (the "INEDs" or "INED"), with INEDs representing 50% of the Board, which is higher than the Best Practices. Such a high percentage of INEDs in the Board could ensure their views carry significant weight and it reflects a strong independence element in the composition of the Board. At present, the Board also believes that under the leadership of Mr. Joseph Lau as the Chairman and CEO, the Board's decision could be made effectively and it is beneficial to the management and development of the Group's businesses. The Board would still consider segregation of the roles of Chairman and CEO if and when appropriate.

Enhancement in the year

Retirement by Rotation and Specific Term of Office

To ensure better compliance with the Code, relevant amendments to the Company's Bye-laws were approved by shareholders at the annual general meeting held on 15th May, 2007 to provide that no Director (save for the executive chairman and any managing director) shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Directors' appointment or re-election, whichever is longer, without submitting himself/herself for re-election at the annual general meeting of the shareholders. As a result, Directors (save for the executive chairman and any managing director) shall retire by rotation at least once every three years and a specific term of office has been fixed for appointment of Directors (save for the executive chairman and any managing director).

企業管治報告

企業管治常規(續)

截至二零零七年十二月三十一日止年度(「本年度」)全年,本公司已應用香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)附錄十四《企業管治常規守則》(「常規守則」)之原則及遵守常規守則之守則條文(「守則條文」)及若干建議最佳常規(「最佳常規」),惟以下偏離事項除外:-

偏離事項

主席及行政總裁

劉鑾雄先生(「劉鑾雄先生」)自二零零六年十二月起同時出任本公司主席(「主席」)及行政總裁(「行政總裁」)之職。董事會認為此架構將不會損害董事會的權力及權限之平衡。董事會目前由兩名執行董事、一名非執行董事及三名獨立非執行董事(「獨立非執行董事」)組成,獨立非執行董事人數佔董事會之50%,較最佳常規所規定者為高。由獨立非執行董事佔董事會人數之大多數可確保彼等之意見具重大影響力,並反映董事會成員擁有相當之獨立元素。目前,董事會亦相信劉鑾雄先生作為主席及行政總裁之領導下,董事會將可有效作出決策,對本集團之業務管理及發展均為有利。董事會仍會於適當時考慮將主席及行政總裁之角色分立。

年內改善

輪席告退及特定任期

為更有效遵守常規守則,股東已於二零零七年五月十五日舉行之股東週年大會上批准修訂本公司之公司細則,規定董事(除執行主席及任何董事總經理外)在未於股東週年大會上獲得股東重選之情況下,出任董事職位之持續期間不得超過三年或獲委任或重選連任後超逾三次股東週年大會,兩者以較長期間為準。此修訂致使董事(除執行主席及任何董事總經理外)須最少每三年輪席告退一次,並從而為董事(除執行主席及任何董事總經理外)制定了特定任期。

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES (cont'd)

Enhancement in the year (cont'd)

Retirement by Rotation and Specific Term of Office (cont'd)

However, according to the Private Act for incorporating the Company as an exempted company under the laws of Bermuda in 1989, it is stipulated that the executive chairman and any managing director should not be required to retire by rotation. As the Company is bound by the provisions of the Private Act, the Bye-laws cannot be amended to fully reflect the requirements of the Code. In order to comply with the Code Provisions, the Chairman and CEO of the Company is willing to voluntarily retire from his directorship at future annual general meetings of the Company at least once every three years, and being eligible, will offer himself for re-election at the relevant annual general meetings. Mr. Joseph Lau is willing to retire voluntarily at the forthcoming annual general meeting and being eligible, offer himself for re-election.

Every Director will therefore retire either by rotation under the Bye-laws or voluntarily at least once every three years and will subject himself/herself to the absolute and free choice of the shareholders for re-election at the annual general meetings.

THE BOARD

Board Composition

The Board comprises two Executive Directors and four Non-executive Directors. The Directors' biographies are available on the Company's website. The relationship among the Board members are set out in the Profiles of Directors and Senior Executives of this annual report. Save as disclosed in the Profiles of Directors, there is no financial, business, family or other material/relevant relationship among the Directors.

Under Rule 3.10(1) of the Listing Rules, the board of directors of a listed company must include at least three independent non-executive directors. The Best Practices recommend that at least one-third of the directors should be independent non-executive directors.

企業管治報告

企業管治常規(續)

年內改善(續)

輪席告退及特定任期(續)

然而，根據百慕達法例於一九八九年註冊成立本公司為獲豁免公司的私人法案規定，執行主席及任何董事總經理均毋須輪席告退。本公司在該私人法案的約束下，未能將公司細則作出修訂以全面反映常規守則之要求。為遵守守則條文，主席及行政總裁願意最少每三年於本公司往後之股東週年大會上自願退任董事職務一次，惟符合資格並願於相關股東週年大會上膺選連任。劉鑾雄先生願意於即將舉行的股東週年大會上退任董事，且合資格並願意膺選連任。

因此，每名董事將會根據公司細則或自願最少每三年輪席告退一次，並將於股東週年大會上由股東全權自由決定其能否連任。

董事會

董事會之組成

董事會包括兩名執行董事及四名非執行董事。董事之簡介可在本公司網頁瀏覽。董事會成員之間的關係，載於本年報「董事及高級行政人員簡介」一項內。除董事簡介一項所披露者外，董事會成員之間並無財務、業務、家族或其他重大／相關關係。

根據上市規則第3.10(1)條的規定，上市公司之董事會必須包括最少三名獨立非執行董事。最佳常規建議最少三分之一的董事，必須為獨立非執行董事。

Corporate Governance Report

THE BOARD (cont'd)

Board Composition (cont'd)

The Company considers that it is important for the Board to include a balanced composition of Executive Directors, Non-executive Directors and INEDs, so that there is a strong independent element on the Board which can effectively exercise independent judgment on the actions of the Company. The Board currently comprises two Executive Directors, one Non-executive Director and three INEDs, with INEDs representing 50% of the Board, which is higher than the Best Practices. The Company is committed that the number of INEDs will not be less than 50% of the total number of the directors and the minimum number of independent non-executive directors required by Rule 3.10(1) of the Listing Rules. In the event that the number of INEDs falls below 50% of the total number of Directors, the Company will take remedial action and fulfill the requirements set out above within 14 days.

The Non-executive Directors with diversified expertise, skills and experience play an important role on formulating strategy and ensuring that the Board maintains high standards of corporate governance as well as taking the lead where potential conflict of interests arise. The Board has received from each INED a written annual confirmation of their independence and satisfied that their independence up to the date of this report is in accordance with the Listing Rules.

To enhance the Directors' consciousness on the importance of the directors' duties under common law and to comply with the requirement of the Companies Registry, a "Non-statutory Guidelines on Directors' Duties" in which the general principles a director should follow in the performance of his/her functions and exercise of his/her powers has been distributed to the Directors.

Board Meeting

The Board meets regularly throughout the Year to discuss the overall strategy, the operational and financial performance of the Group. Four regular Board meetings were held during the Year with advance notice of not less than 14 days were served upon each Director. Individual attendance of each Director is indicated in the table appeared on next page. All accompanying Board papers were sent to the Directors in a timely manner and at least 3 days before the Board meetings. Adequate explanation and information were given to the Directors by the management to facilitate the Directors in decision-making. Each Director has to declare interest and abstain from voting on any Board resolution in which he/she or any of his/her associates has a material interest in accordance with the Bye-laws of the Company.

企業管治報告

董事會 (續)

董事會之組成 (續)

本公司認為董事會內之執行董事、非執行董事及獨立非執行董事之組成比例維持均衡實屬重要，以使董事會有充足之獨立元素，可對本公司之行動作出有效獨立判斷。董事會現由兩名執行董事、一名非執行董事及三名獨立非執行董事組成，而獨立非執行董事之人數佔董事會50%，較最佳常規為高。本公司承諾獨立非執行董事之人數，將不少於董事總人數之50%及上市規則第3.10(1)條所規定之獨立非執行董事最低人數。倘獨立非執行董事之人數低於董事總人數之50%，本公司將於十四日內作出糾正，並符合有關規定。

擁有不同專門知識、技巧及經驗之非執行董事在擬定策略方面擔當重要角色，彼等並確保董事會維持高水平企業管治及於出現潛在利益衝突時起牽頭作用。董事會已接獲各獨立非執行董事根據上市規則規定確認彼等獨立性之年度確認書，並滿意截至本報告日期為止彼等之獨立性。

為提高董事對彼等於普通法下有關董事責任之意識，及遵守公司註冊處之規定，本公司已向董事發布「有關董事責任的非法定指引」，當中載有董事於履行其職能及行使其權力時須遵守之一般原則。

董事會會議

董事會於年內定期開會商討本集團整體策略、營運及財務表現。本公司於本年度內共舉行四次定期董事會會議，並於舉行會議前向各董事發出最少十四日之通知。各董事之個別出席記錄載於下頁附表。所有相關會議文件均已於會議前至少三日及時送呈各董事。管理層向董事提交充足解釋及資料，以便董事作出決策。各董事須根據本公司之公司細則，於其或其任何聯繫人士擁有重大權益之任何董事會決議案，申報其權益並放棄投票。

Corporate Governance Report

企業管治報告

THE BOARD (cont'd)

董事會(續)

Board Meeting (cont'd)

董事會會議(續)

Attendance Records of Board Meetings 董事會會議出席記錄		
		Attendance 出席率
Executive Directors	執行董事	
Mr. Joseph Lau, Luen-hung (Chairman and Chief Executive Officer)	劉鑾雄先生 (主席兼行政總裁)	4/4
Mr. Lau, Ming-wai	劉鳴煒先生	4/4
Non-executive Director	非執行董事	
Ms. Amy Lau, Yuk-wai	劉玉慧女士	4/4
Independent Non-executive Directors	獨立非執行董事	
Mr. Chan, Kwok-wai	陳國偉先生	4/4
Mr. Cheng, Kwee	鍾貴先生	3/4
Ms. Phillis Loh, Lai-ping	羅麗萍女士	4/4
Average attendance rate	平均出席率	96%
Dates of meeting	開會日期	14/03/2007 26/06/2007 03/08/2007 26/11/2007

The agenda of each Board meeting is set by the Chairman in consultation with members of the Board such that they are given an opportunity to include agenda items. On an on-going basis, senior executive(s) provides the Directors with operational and financial reports of the Group's performance, position and prospects. All the Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner. Draft and executed Board minutes were sent in good time to all the Directors for their comment and records respectively. Minutes of the Board meetings recorded in sufficient details were kept by the Company Secretary. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

為給予董事會成員擬定董事會會議商討事項之機會，董事會會議之議程會於主席諮詢董事會成員後訂定。高級行政人員持續就本集團之表現、狀況及展望向董事呈其營運及財務報告。本公司及時向所有董事匯報並簡報任何會影響本集團業務之重大轉變及資料。董事會會議記錄之初稿及定稿已分別盡快送呈各董事以供彼等提供意見及保存記錄。公司秘書負責保存載有詳盡細節之董事會會議記錄。董事可為履行職責而尋求獨立專業意見，費用由本公司支付，而本公司亦鼓勵董事獨立接觸並諮詢本公司之高級管理層。

Corporate Governance Report

THE BOARD (cont'd)

Board and Management Functions

The functions reserved to the Board are basically provided in the Bye-laws of the Company and the Board from time to time delegates the functions to the senior management whenever required. In short, the Board has reserved for its decision on matters relating to the Group's strategy, major acquisitions and disposals, major capital expenditure, annual and interim results, Directors' appointment and other significant financial and operational issues.

On top of daily business operation, senior management is responsible for the preparation of annual and interim consolidated financial statements for the Board's approval, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal control and sound risk management practices and is required to report to the Board and obtain its prior approval in important matters at all times. Notwithstanding the delegation, the Directors acknowledge that it is the responsibility of the Board for preparing the financial statements, which give a true and fair view of the financial results of the Group.

Directors' Insurance

The Company has arranged appropriate liability insurance to indemnify its the Group's directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

The Board has established the following committees with clear written terms of reference which are of no less exacting terms than those set out in the Code: Audit Committee and Remuneration Committee.

Audit Committee

Composition and Role

The Audit Committee was formed to review the Group's corporate governance, financial reporting, internal control, risk management and make relevant recommendations to the Board. The Audit Committee is made up of three INEDs, namely Mr. Chan, Kwok-wai, Mr. Cheng, Kwee and Ms. Phillis Loh, Lai-ping and chaired by Mr. Chan, Kwok-wai. One of the committee members possesses appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

企業管治報告

董事會 (續)

董事會及管理層功能

本公司之公司細則基本上已訂明董事會之職能，董事會不時按需要將職能委以高級管理層。簡而言之，董事會在有關本集團策略、主要收購及出售、重大資本開支、年度及中期業績、委任董事及其他重大財務和營運事宜上保留決策權。

除日常業務營運外，高級管理層亦負責編製年度及中期綜合財務報表供董事會批准、執行董事會採納之業務策略及措施、執行妥善之內部監控系統及穩健之風險管理程序，並在任何情況下均須就重大事項向董事會匯報和取得其事先批准。儘管作出委託，董事確認，編製真實且公平地反映本集團財務業績之財務報表乃董事會之責任。

董事保險

本公司已就賠償本集團董事因公司事務所產生之責任安排合適之責任保險。保險責任範圍每年予以檢討。

董事委員會

董事會成立以下委員會：審核委員會及薪酬委員會，其清晰的書面職權範圍之條款不遜於常規守則所載。

審核委員會

組成及職能

本公司成立審核委員會以審閱本集團之企業管治、財務報告、內部監控及風險管理，以及向董事會作出相關建議。審核委員會由三名獨立非執行董事(即陳國偉先生、鍾貴先生及羅麗萍女士，其中陳國偉先生為主席)組成，其中一名成員按上市規則要求擁有適當的專業資格、會計或相關金融管理專業知識。

Corporate Governance Report

BOARD COMMITTEES (cont'd)

Audit Committee Meetings

The Audit Committee met two times during 2007, on 12th March and 2nd August. All members and senior executive(s) of the Company attended both meetings with the Company's external auditors (the "Independent Auditors") presented at the meeting of 12th March, 2007 to review their audit findings, the accounting principles and practices adopted by the Group, the requirements of the Listing Rules and statutory compliance, and to discuss auditing, internal control, risk management and financial reporting matters (including the interim and annual accounts for the six months ended 30th June, 2007 and for the year ended 31st December, 2007 respectively before recommending them to the Board for approval). All accompanying meeting papers were sent to the members in a timely manner and at least 3 days before the meetings. Draft and executed meeting minutes were sent in good time to all the members for their comment and records respectively. Minutes of meetings recorded in sufficient details were kept by the Company Secretary. Sufficient resources had been given to the Audit Committee to allow it to discharge its duties and the senior management were co-opted to join the meetings of the Audit Committee to explain the financial and business conditions of the Company to the committee members from time to time.

Independent Auditors

In order to enhance independent reporting by Independent Auditors, INEDs hold meeting(s) with the Independent Auditors without the presence of the Executive Directors. In addition, the engagement partner of the Independent Auditors is subject to periodical rotation, and the nature and ratio of annual fees to Independent Auditors for non-audit services and for audit services are subject to scrutiny by the Audit Committee. A policy of non-audit services from Independent Auditors was established. The Audit Committee considers whether there are clear efficiencies and value-added benefits to the Company from that work being undertaken by the Independent Auditors; whether there is adverse effect on the independence of their audit work or the perception of such independence; the nature of the non-audit services envisaged to be provided by the Independent Auditors; and the related fee levels individually and in aggregate relative to the audit fees. In addition, a policy restricting the employment of employees or former employees of Independent Auditors as senior executives or for financial positions with the Group has also been in place.

企業管治報告

董事委員會(續)

審核委員會會議

審核委員會於二零零七年三月十二日及八月二日共舉行兩次會議。全體審核委員會成員及本公司之高級行政人員均有出席該兩次會議，而本公司之外聘核數師(「獨立核數師」)出席了於二零零七年三月十二日舉行之會議，共同檢閱其審核結果、本集團所採納之會計原則與常規及遵守上市規則及法規規定之情況，並討論審核、內部監控、風險管理及財務報告之事宜(包括在建議給董事會批准前先分別討論截至二零零七年六月三十日止六個月及截至二零零七年十二月三十一日止年度之中期和年度賬目)。所有相關會議文件均已於會議前至少三日及時送呈各成員。會議記錄之初稿及定稿亦已分別盡快送呈各成員以供彼等提供意見及保存記錄。公司秘書負責保存載有詳盡細節之會議記錄。本公司已給予審核委員會充足資源，以讓其履行職責，而高級管理層亦獲邀出席審核委員會會議，不時向委員會成員解釋本公司之財務及業務狀況。

獨立核數師

為確保獨立核數師能作出獨立報告，獨立非執行董事在執行董事不在場下與獨立核數師舉行會議。此外，負責本公司核數工作的獨立核數師合夥人將定期輪換，審核委員會亦會監管獨立核數師每年就非核數及核數服務所收之酬金性質和比例。有關獨立核數師為本公司提供非核數服務之政策已訂立。審核委員會會考慮獨立核數師受聘從事之工作會否為本公司帶來明確的效益和增值作用、有否對其審計工作的獨立性或獨立形象構成負面影響、被視為由獨立核數師提供之非核數服務之性質以及個別費用之水平及總計費用相對於核數費用之水平。此外，本公司亦採納一套禁止聘用獨立核數師僱員或前僱員出任本集團高級行政人員或財務職位之措施。

Corporate Governance Report

BOARD COMMITTEES (cont'd)

Independent Auditors (cont'd)

During the Year, the Independent Auditors provided audit services for auditing the consolidated financial statements of the Group for the year ended 31st December, 2007 at a fee of HK\$2,000,000. Engagement agreement with the Independent Auditors had been reviewed by the Audit Committee and approved by the Board. The Independent Auditors did not provide any non-audit services to the Group during the Year.

Prior to the commencement of the audit of accounts of the Group, the Audit Committee had reviewed the Independent Auditors' independence and objectivity as required under the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, reviewed the terms of their engagement and discussed with them the nature and scope of the audit and reporting obligations.

The Audit Committee is satisfied with the findings of their review of the process and effectiveness, independence and objectivity of the Independent Auditors.

Remuneration Committee

Composition, Role and Meetings

The Remuneration Committee comprises all INEDs, namely Mr. Chan, Kwok-wai, Mr. Cheng, Kwee and Ms. Phillis Loh, Lai-ping. Mr. Chan, Kwok-wai acts as the chairman. It is responsible for approval and annual review of the remuneration policy for all Directors and senior executives. It would consult the Chairman and CEO on the remuneration proposals whenever it thinks fit. The Remuneration Committee held two meetings in 2007, on 12th March and 2nd August (with 100% attendance rate), to review and approve the Directors' and senior executives' remuneration as well as to recommend to the Board the annual remuneration of INEDs for the Year. Professional advice and sufficient resources support will be given to the Remuneration Committee whenever it considers necessary in order to discharge its duties. Draft and executed meeting minutes were sent in good time to all the members for their comment and records respectively. Minutes of meetings recorded in sufficient details were kept by the Company Secretary.

企業管治報告

董事委員會(續)

獨立核數師(續)

本年度內，獨立核數師為本集團提供核數服務以審核本集團截至二零零七年十二月三十一日止年度之綜合財務報表，收取了2,000,000港元之費用。審核委員會已審閱獨立核數師之聘任協議，並獲董事會批准。獨立核數師於本年度內並未向本集團提供任何非核數服務。

於審核本集團賬目前，審核委員會已根據由香港會計師公會頒布之會計師專業操守守則檢討獨立核數師之獨立和客觀性。審核委員會亦檢討他們的審核範圍以及與他們討論核數和報告責任的性質和範圍。

審核委員會滿意其就獨立核數師之程序、效率、獨立性及客觀性所作之檢討結果。

薪酬委員會

組成、職能及會議

薪酬委員會的成員包括所有獨立非執行董事，即陳國偉先生、鍾貴先生及羅麗萍女士。陳國偉先生出任主席。薪酬委員會負責批准及每年檢討所有董事及高級行政人員之薪酬政策，並將其認為合適之薪酬建議，諮詢主席及行政總裁。薪酬委員會於二零零七年三月十二日及八月二日舉行共兩次會議(出席率為100%)以檢討及批准董事及高級行政人員於本年度之薪酬，及向董事會就獨立非執行董事於本年度之全年薪酬提出建議。本公司將於薪酬委員會有需要時向其提供專業意見及充足資源，以協助其履行職責。會議記錄之初稿及定稿已分別盡快送呈各成員以供彼等提供意見及保存記錄。公司秘書負責保存載有詳盡細節之會議記錄。

Corporate Governance Report

BOARD COMMITTEES (cont'd)

Remuneration Policy for Executive Directors

The primary goal of the remuneration policy on executive packages is to enable the Company to retain and motivate Executive Directors by linking their compensation with performance as measured against corporate objectives. In determining guidelines for each compensation element, the Company refers to remuneration surveys conducted by independent external consultants on companies operating in similar business. Under the policy, a director is not allowed to approve his own remuneration.

The Listing Rules require disclosure of the compensation and emolument payable to each director in the accounts and annual reports of listed companies. Save for such disclosure requirements, there are no stipulations on maximum limit of emolument payable to the directors. As part of the policy to be observed by the Company in respect of the determination of the remuneration of the Executive Directors, the Company will, observe that save with the prior approval of an independent board committee comprising only the INEDs, all fees and emoluments paid to Mr. Joseph Lau and Mr. Lau, Ming-wai, who are currently the Executive Directors, and their associates (as defined in Rule 1.01 of the Listing Rules as extended by Rule 14A.11(4) of the Listing Rules), will not exceed in aggregate an amount of HK\$8,000,000 each year, plus any adjustment by reference to the changes in consumer price index published by the Government of the Hong Kong Special Administrative Region. The total emoluments paid to the Executive Directors for the Year were HK\$4,800,000.

Remuneration Policy for Non-executive Directors

The Directors' fees of Non-executive Directors are subject to annual assessment. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at the Company's meetings.

The total Directors' fees paid to the INEDs for the Year were HK\$540,000.

企業管治報告

董事委員會(續)

執行董事薪酬政策

有關執行董事薪酬待遇政策之主要目的乃讓本公司以公司目標為衡量標準，將執行董事之薪酬與表現掛鉤，藉以挽留和激勵執行董事。本公司決定每項薪酬元素之指引時會參考由獨立外部顧問對從事相近業務之公司所進行之薪酬調查。根據政策，董事不可批准其本人之薪酬。

上市規則規定支付予各董事之補償及薪酬須於上市公司賬目及年報中披露。除該等披露規定外，上市規則並無訂明支付予董事之酬金上限。根據本公司在釐定執行董事薪酬時所遵守之政策，除由獨立非執行董事組成之獨立董事委員會預先作出之批准外，本公司將遵守規定支付予劉鑾雄先生及劉鳴煒先生(現時之執行董事)及彼等之聯繫人(定義見上市規則第14A.11(4)條所延伸的上市規則第1.01條)之所有袍金及酬金每年合共將不超過8,000,000港元及連同經參考香港特別行政區政府公布之消費物價指數變動後作出之任何調整。本年度付予執行董事之總酬金為4,800,000港元。

非執行董事之薪酬政策

非執行董事之袍金按年評估。彼等可獲償付就履行職責(包括出席本公司會議)所產生之實付開支。

本年度付予獨立非執行董事之袍金總額為540,000港元。

Corporate Governance Report

BOARD COMMITTEES (cont'd)

Nomination Committee

No Nomination Committee is established. At present, the Board is responsible for the appointment of directors, evaluation of the Board's composition and the management of the Board's succession with reference to certain guidelines. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills as well as time commitments of the Board members. It carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of recruitment firms, whenever necessary. The Board also reviews and recommends the re-appointment of retiring Directors for shareholders' approval at the annual general meetings. The Board shall exercise its power under Bye-law 94 of the Company to appoint additional director(s) whenever the business of the Company requires.

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules (the "Model Code"). All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code and the said code of conduct during the Year. All the relevant employees who, because of office or employment is likely to be in possession of unpublished price sensitive information in relation to the Group or its respective subsidiaries' securities have been requested to follow the code for securities transactions by relevant employees, being guidelines written on no less exacting terms than the Model Code, when dealing in the securities of the Company.

GENERAL MANDATES TO ISSUE SHARES

The Listing Rules provide that if a general mandate to issue and allot shares has been obtained from the shareholders, the directors may issue and allot shares up to 20% of the aggregate nominal amount of the issued share capital of the listed company as at the date of the passing of the relevant resolution. The Listing Rules further provide that in the case of a placing of shares for cash consideration, a listed company may not issue any shares pursuant to the general mandate if the relevant price represents a discount of 20% or more to the benchmarked price of the shares as determined in accordance with Rule 13.36(5) of the Listing Rules (the "Benchmarked Price").

企業管治報告

董事委員會(續)

提名委員會

本公司並無成立提名委員會。現時，董事會參考若干指引，負責董事之委任、對董事會組成進行評估及管理董事會之繼任事宜。該等指引列出董事會成員需具備之適當條件，包括專業知識及行業經驗、個人操守、誠信及個人技能以及所需投入時間。其執行挑選及推薦董事職位候選人之過程包括考慮引薦人選及委託招聘公司(如有需要)。董事會亦就續聘將退任之董事作出檢討及建議，供股東於股東週年大會上批准。董事會將因應本公司業務所需，行使其根據公司細則第94條之權力委任額外董事。

證券交易

本公司已採納一套董事證券交易守則，其條款不遜於與上市規則附錄十《上市發行人董事進行證券交易的標準守則》(「標準守則」)所規定之標準。經本公司作出明確查詢後，所有董事均已確認彼等已於本年度遵守標準守則所規定之標準及前述之交易守則。本公司已要求所有因其職位或崗位而極可能掌握有關本集團或其附屬公司各自之證券之未公布價格敏感資料之有關僱員，於買賣本公司證券時遵守有關僱員進行證券交易之守則(其指導方針不遜於標準守則之條款)。

發行股份之一般授權

上市規則規定，倘獲股東發行及配發股份之一般授權，董事可發行及配發最多佔上市公司於通過有關決議案當日已發行股本面值總額20%之股份。上市規則進一步規定，倘以現金代價配售股份，而有關價格較根據上市規則第13.36(5)條之規定所釐定之股份基準價格(「基準價格」)折讓20%或以上，則上市公司不可根據一般授權發行任何股份。

Corporate Governance Report

GENERAL MANDATES TO ISSUE SHARES (cont'd)

To further safeguard the interests of the shareholders and to ensure that minority shareholders' interests will not be unfairly diluted, the Company will only be seeking a general mandate at the forthcoming annual general meeting of the Company, to issue, allot and deal with further shares representing 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution.

In addition, notwithstanding that the proposal for the general mandate to be granted is unconditional, the Company is committed not to issue any shares under the general mandate if the issue price of the shares represents a discount of more than 12% to the Benchmarked Price, unless approved by an independent board committee.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal control in the Company and reviewing its effectiveness through the Audit Committee. The senior management is responsible to the implementation of such system of internal control. The internal auditors are responsible to review relevant financial, operational and compliance controls and risk management functions and then report their findings and advice to the Audit Committee.

Annual Review

Based on the annual assessment made by the Independent Auditors, the Audit Committee and the Board are satisfied with the effectiveness of the system of internal control of the Group and concluded that:

- (1) the Company has complied with the code provisions on internal control during the Year;
- (2) a framework of prudent and effective controls has been established to identify, evaluate and manage the risks;
- (3) internal control and accounting systems of the Group are efficient and adequate;
- (4) significant risks that may influence the Group have been identified, evaluated and managed through ongoing monitoring process; and
- (5) material transactions are executed with the management's authorization.

企業管治報告

發行股份之一般授權(續)

為進一步維護股東利益及確保少數股東權益不會被不公平地攤薄，本公司只會於本公司應屆股東週年大會上尋求一般授權，以發行、配發及處理佔本公司於通過有關決議案當日已發行股本總面值 10% 之額外股份。

此外，儘管將予授出一般授權之建議為無條件，本公司承諾倘股份之發行價較基準價折讓超過 12%，則不會根據一般授權發行任何股份，除非獲得獨立董事委員會批准。

內部監控

董事會負責維持本公司妥善之內部監控系統及透過審核委員會檢討其效能。高級管理層負責實施此內部監控系統。內部核數師負責檢討相關之財務、營運、監控控制及風險管理功能，然後將檢討結果及建議提交審核委員會。

年度檢討

根據獨立核數師之年度評估，審核委員會及董事會對本集團之內部監控系統效率感滿意，並總結：

- (1) 本公司於本年度內已遵守內部監控之守則條文；
- (2) 本集團已設立審慎及有效之監控框架以識別、評估及管理風險；
- (3) 本集團之內部監控及會計系統屬有效及恰當；
- (4) 本公司已透過持續監察過程識別、評估及管理可能影響本集團之重大風險；及
- (5) 本集團之重大交易已取得管理層授權才執行。

Corporate Governance Report

INTERNAL CONTROL (cont'd)

Internal Audit

Besides, an internal audit function has also been established with the key tasks to:

- (1) review all aspects of the Group's activities and internal control with unrestricted direct access right to any levels of management whenever it considers necessary;
- (2) conduct comprehensive audits of the practices and procedures, income and expenditures, and internal control of all business units of the Group on a regular basis; and
- (3) carry out special reviews and investigations on areas of concern identified by the management for corrective actions.

CONNECTED TRANSACTIONS

In accordance with Rule 14A.32(1) of the Listing Rules, a connected transaction on normal commercial terms where each of the percentage ratios (other than the profits ratio) is less than 2.5% is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules. To achieve higher transparency and to limit the transaction amount of connected transactions of the Company, the measures have set out much stricter compliance standards in respect of connected transactions. The Company aggregates the connected transactions entered into with any connected person in any 12-month period and will not enter into any further connected transaction(s) without first obtaining the approval of the independent shareholders of the Company if the aggregate amount of the connected transactions exceeds HK\$500 million, representing approximately 0.75% of the total assets of the Company as at 31st December, 2007, in any such 12-month period.

Connected transactions that have been approved separately by the independent shareholders in compliance with the Listing Rules will not be counted towards the HK\$500 million limit over any 12-month period described above.

企業管治報告

內部監控(續)

內部審核

此外，內部審核部門已經成立，其主要職務為：

- (1) 於其認為有需要時，以無限制直接權力接觸任何管理層，以全面審閱本集團活動及內部監控；
- (2) 定期就本集團之常規及程序、收入和開支，及所有業務單位之內部監控進行綜合檢討；及
- (3) 對管理層所識別關注之範疇進行特別檢討及調查，以作出糾正。

關連交易

根據上市規則第14A.32(1)條，按一般商業條款進行而各份比比例(盈利比率除外)均低於2.5%之關連交易，只須受上市規則第14A.45至14A.47條所載之申報及公告規定所限，並根據上市規則第14A章獲豁免遵守有關獨立股東批准之規定。為達至更高透明度以及為本公司關連交易之交易金額設限，本公司已實施較遵守關連交易標準更嚴格之措施。本公司會綜合計算於任何十二個月期間與任何關連人士訂立之關連交易，倘關連交易之總額超過500,000,000港元(相當於本公司於二零零七年十二月三十一日之總資產約0.75%)時，則在未預先獲得本公司獨立股東之批准前，不可在任何該十二個月期間再訂立任何其他關連交易。

獲獨立股東另行批准以符合上市規則之關連交易，則不受任何十二個月期間不超過500,000,000港元之上限所限制。

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS

The Company acknowledges that general meetings are good communication channel with shareholders that the Directors and the chairman of Board committees are encouraged to attend and to answer questions at the annual general meetings. The Directors, the chairman of the Audit Committee and the Remuneration Committee and also Independent Auditors had attended and were available to answer questions at the 2007 annual general meeting (the "AGM").

Procedures for demanding a poll were set forth in a circular accompanying the notice of the AGM. At the commencement of the AGM, the chairman had explained the procedures for demanding a poll to the shareholders and the shareholders were allowed to raise any question concerning the poll procedures. At the AGM, separate resolutions were proposed by the chairman of the AGM and put forward to the shareholders to vote by poll.

As a channel to promote effective communication, the Company maintains a corporate website (www.chineseestates.com) to disseminate the Group's information. Investor Relations Department is responsible to answer enquiries raised by the investors of the Company and the general public.

For enhancement of proper dissemination of information, all Directors and relevant senior executives of the Company had attended a seminar in relation to price-sensitive information disclosure conducted by a legal firm during the Year. A corporate communications manual which provides guidance for coordinating the disclosure of material information to investors, analysts and media, identifies who may speak on the Company's behalf, and outlines the responsibility for communication with various stakeholder groups has also been in place.

The above corporate governance practices will be reviewed, amended and revoked from time to time as considered necessary by the Board and its committees.

企業管治報告

與股東之溝通

本公司深信股東大會為與股東之良好溝通渠道，並鼓勵董事及董事委員會主席出席股東週年大會及解答有關的問題。董事、審核委員會及薪酬委員會之主席聯同獨立核數師均有出席二零零七年股東週年大會（「該股東週年大會」）以回應垂詢。

要求以投票方式表決之程序載於隨附該股東週年大會通告之通函。開始該股東週年大會後，大會主席已向股東解釋要求以投票方式表決的程序，並容許股東可就表決程序提出發問。於該股東週年大會上，大會主席提呈獨立決議案，並提交股東以投票方式表決。

為提高溝通成效，本公司設有公司網站(www.chineseestates.com)以發放集團資料。投資者關係部門負責回應本公司之投資者和公眾提出之查詢。

為加強發布資料之恰當性，於本年度，所有董事及相關高級行政人員出席了由一家律師事務所主持有關股價敏感資料披露之研討會。此外，本公司亦已製備了一份企業通訊手冊，訂明協調向投資者、分析員及傳媒披露重大資料之指引，確定可代表本公司發言之人士，以及界定與各利益相關團體溝通之責。

董事會及其轄下之委員會不時按需要檢討、修訂及廢除以上企業管治常規。