



WING ON COMPANY INTERNATIONAL LIMITED
CORPORATE GOVERNANCE PRACTICES CODE

(Incorporating amendments up to 15 April 2009)

CONTENTS

	<u>Page</u>
A. DIRECTORS	
A.1 The Board	1 - 5
A.2 Chairman and Chief Executive Officer	5 - 7
A.3 Board composition	7 - 8
A.4 Appointments, re-election and removal	8 - 10
A.5 Responsibilities of directors	10 - 13
A.6 Supply of and access to information	13
B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT	
B.1 The Level and make-up of remuneration and disclosure	14 - 15
C. ACCOUNTABILITY AND AUDIT	
C.1 Financial reporting	16 - 17
C.2 Internal controls	17
C.3 Audit Committee	17 - 21
D. DELEGATION BY THE BOARD	
D.1 Management functions	21 - 22
D.2 Board Committees	22 - 23
E. COMMUNICATION WITH SHAREHOLDERS	
E.1 Effective communication	23 - 24
E.2 Voting by Poll	24

N.B. *For ease of cross-reference, in so far as practicable or applicable, the format, wordings and paragraph numberings herein correspond to the format, wordings and paragraph numberings in Appendix 14 Code on Corporate Governance Practices of the Listing Rules of The Stock Exchange of Hong Kong Limited. Terms used herein shall have the meaning ascribed thereto in the said Listing Rules save where the context otherwise requires.*

CORPORATE GOVERNANCE PRACTICES CODE

A. DIRECTORS

A.1 The Board

Principle

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Code Provisions

- A.1.1 The Board shall meet regularly and Board meetings shall be held at least four times a year at approximately quarterly intervals. The Company Secretary shall in December of each year schedule and fix the four regular quarterly Board meetings dates for the following year (in April for the Final Results of the preceding year, in June for the first quarter business review, in September for the half-year Interim Results, and in December for the third quarter business review and the Group budget review for the ensuing year) in consultation with all Directors in order to ensure the attendance of a majority of the Directors, in particular the Independent Non-executive Directors, if not all. It is expected that such regular Board meetings will normally involve the active participation, either in person or through other means of communication, of a majority of Directors entitled to be present. Accordingly, a regular Board meeting does not include the practice of obtaining Board consent through the circulation of written resolutions.
- A.1.2 Directors are entitled to include matters in the agenda for regular Board meetings by notifying the Company Secretary of the matters to be included at anytime but preferably 10 days before such regular Board meetings. Directors may still raise such

matters, with the Chairman's permission, at the meetings under the any other business item of the agenda.

- A.1.3 Formal notice of at least 14 days shall be given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice shall be given.
- A.1.4 All Directors shall 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.
- A.1.5 Minutes of Board meetings and meetings of Board Committees shall be kept by the Company Secretary and such minutes shall be open for inspection at any reasonable time during office hours on reasonable notice by any Director.
- A.1.6 Minutes of Board meetings and meetings of Board Committees must record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes of Board meetings shall be sent to all Directors for their comment and records respectively, in both cases within a reasonable time after the Board meeting is held.
- A.1.7 Any Director, upon reasonable request, may seek separate independent professional advice in appropriate circumstances, at the Company's expense in order for the Director concerned to discharge his/her duties to the Company, provided that the following procedures are followed:
 - (a) the Director concerned shall make such request to the Chairman and giving the reasons for such a request;
 - (b) the Chairman shall as soon as practicable after receiving such a request convene an ad hoc committee meeting with at least one Independent Non-executive Director to decide on the request;

- (c) if the ad hoc committee decides to accede to such request, then the Chairman shall forthwith direct the Company Secretary to engage such independent professional at the Company's expense to advise the Director concerned. The Chairman shall also inform all Directors of the ad hoc committee's decision; and
- (d) if the ad hoc committee refuses such request, then the Director concerned may call a Board meeting to review the ad hoc committee's decision and to rule on the request. The Board's decision shall be final and binding.

A.1.8 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 shall not be dealt with by way of circulation or by a committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting shall be held. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction shall be present at such Board meeting.

In accordance with Bye-Law 98(H) adopted on 9 June 2004, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his associate(s) has/have a materially interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:-

- (i) the giving of any security or indemnity either:-
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries: or

- (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its

subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

A.1.9 The Board may, as it deems fit and appropriate, direct the Company at its own expense to provide insurance cover for its Directors in respect of legal action against them in the discharge of their duties to the Company and/or shareholders.

A.1.10 Board Committees shall adopt, so far as practicable, the principles, procedures and arrangements set out in A.1.1 to A.1.8.

A.2 Chairman and Chief Executive Officer

Principle

There are two key aspects of the management of every issuer - the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provisions

A.2.1 The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual. The division of responsibilities and duties between the Chairman and Chief Executive Officer are as provided hereinbelow.

Chairman's Role

- A.2.2 The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings.
- A.2.3 The Chairman shall be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner. The Chairman may delegate such responsibility to the Company Secretary.
- A.2.4 The Chairman shall provide leadership for the Board. The Chairman shall 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. The Chairman shall 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 the Company Secretary.
- A.2.5 The Chairman shall take responsibility for ensuring that good corporate governance practices and procedures are established and followed. The Chairman may delegate such responsibility to the Company Secretary.
- A.2.6 The Chairman shall 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.
- A.2.7 The Chairman shall at least annually hold meetings with the Non-executive Directors (including Independent Non-executive Directors) either individually or collectively without the Executive Directors present.
- A.2.8 The Chairman shall 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. The Chairman may delegate such responsibility to the Company

Secretary.

A.2.9 The Chairman shall facilitate the effective contribution of Non-executive Directors in particular and ensure constructive relations between Executive and Non-executive Directors.

Chief Executive Officer's Role

A.2.10 The Chief Executive Officer shall be appointed by the Board on such terms as the Board deems fit and appropriate. The responsibilities of the Chief Executive Officer shall be as follows:

- (a) to provide leadership for the management of the Group;
- (b) to manage and oversee the business affairs of the Group;
- (c) to look out for sound investment or business opportunities for the Group;
- (d) to present annual business budgets of the Group as prepared by the responsible financial officers of the Group;
- (e) to implement Board policies applicable to the management, operational matters or strategy of the Group;
- (f) to provide all such information to the Board as is necessary to enable the Board to monitor the performance of the management and the Group;
- (g) to discharge such other duties as may be directed by the Board from time to time.

A.3 Board composition

Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure

that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Code Provisions

A.3.1 The Independent Non-executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Company.

A.3.2 The Board shall have at least three independent Non-executive Directors (or such number as may be required by the Listing Rules from time to time) and, if required by the Listing Rules, they shall at least represent one-third of the Board.

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provisions

A.4.1 Appointment of Directors shall be in accordance with Bye-Law 102 as follows:

- (A) The Company may from time to time in general meeting by Ordinary Resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall

then be eligible for re-election at the meeting but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

(B) The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the number of directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only 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 Board), and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

(Amendment to Bye-Law 102(B) was approved by shareholders at the AGM on 14 June 2006 with the above consequential amendment approved and adopted by the Board on 16 June 2006.)

A.4.2 Retirement by rotation and re-election of Directors shall be in accordance with Bye-Law 99(A) as follows:-

Notwithstanding any other provisions in the Bye-Laws or other terms on which any Director may be appointed or engaged, at each general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation, provided that no director holding office as Chairman or Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire. In any event, every Director (including those appointed for specific terms but excluding those holding office as Chairman or Managing Director) shall be subject to retirement at least once every three years at the annual general meeting of the Company.

The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election.

(Amendment to Bye-Law 99(A) was approved by shareholders at the AGM on 14 June 2006 with the above consequential amendment approved and adopted by the Board on 16 June 2006.)

A.4.3 Removal of Directors shall be in accordance with Bye-Law 104 as follows:

The Company may by Ordinary Resolution remove any Director (including a Managing Director or other Executive Director) before the expiration of his period of office notwithstanding anything in these Bye-Laws or in any agreement between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may elect another person in his stead. Any person so elected shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

A.4.4 The Company shall include in its announcement about a Director's resignation or removal the reasons given by the Director for his resignation (including but not limited to information relating to a relevant Director's disagreement with the Company, if any, and a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders).

A.5 Responsibilities of directors

Principle

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Code Provisions

- A.5.1 The Company Secretary shall provide every newly appointed Director of the Company a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under applicable laws, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.
- A.5.2 The functions of Non-executive Directors shall include, but not be limited, to the following:
- (a) participating in Board meetings of the Company to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
 - (b) taking the lead where potential conflicts of interests arise;
 - (c) serving on the audit, remuneration, and other Board Committees, if invited; and
 - (d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.
- A.5.3 Every Director shall ensure that he/she can give sufficient time and attention to the affairs of the Company and ought not accept

the appointment if he/she cannot do so.

- A.5.4 Directors must comply with their obligations under the Model Code for securities transactions by Directors of listed companies as set out in Appendix 10 of the Listing Rules and, in addition, the Board shall establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company. For this purpose, “relevant employee” includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.
- A.5.5 All Directors are encouraged to 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 shall be responsible for arranging and funding such development programme when necessary or as approved by the Board.
- A.5.6 Each Director shall disclose to the Company at the time of his/her 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 organisations and an indication of the time involved. The Board shall determine for itself how frequently such disclosure ought to be made.
- A.5.7 Non-executive Directors, as equal Board members, ought to give the Board and any committees on which they serve such as the audit or remuneration 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.
- A.5.8 Non-executive Directors are encouraged to make a positive

contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.

A.6 Supply of and access to information

Principle

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 an issuer.

Code Provisions

- A.6.1 In respect of regular Board meetings, an agenda and accompanying Board papers shall be sent in full to all Directors in a timely manner and at least 7 days before the intended date of a Board or Board Committee meeting. For other non-regular or ad hoc Board meetings, an agenda and accompanying Board papers shall be sent as soon as possible to all Directors once such meeting has been called.
- A.6.2 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. The information supplied must be complete and reliable. Where any Director requires more information than is volunteered by management, he/she is entitled to make further enquiries where necessary. The Board and each Director is entitled to have separate and independent access to the Company's senior management.
- A.6.3 All Directors are entitled to have access to Board papers and related materials. Such papers and related materials shall be prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it. Where queries are raised by Directors, steps must be taken to respond as promptly and fully as possible.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The Level and make-up of remuneration and disclosure

Principle

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

Code Provisions

- B.1.1 The Company shall establish a Remuneration Committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the Remuneration Committee shall comprise of Independent Non-executive Directors.
- B.1.2 The Remuneration Committee shall 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.
- B.1.3 The terms of reference of the Remuneration Committee are as follows:
- (a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- (b) to have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- (f) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

B.1.4 The Remuneration Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board.

B.1.5 The Remuneration Committee will be provided with sufficient resources to discharge its duties.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions

- C.1.1 Management shall 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.
- C.1.2 The Directors shall acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there shall be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the Company will continue in business, the Directors shall prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. 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 shall be clearly and prominently set out and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information so as to enable investors to understand the severity and significance of the matters at hand. To the extent that it is reasonable and appropriate, the Company may refer to the other relevant parts of the annual report. Any such references shall be clear and unambiguous and the Corporate Governance Report ought not only contain a cross-reference without any discussion of the matter.
- 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.

C.2 Internal controls

Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Code Provisions

C.2.1 The Directors shall at least annually conduct a review of the effectiveness of the system of internal control of the Company and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review shall cover all material controls, including financial, operational and compliance controls and risk management functions.

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.

C.3 Audit Committee

Principle

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. The audit committee established by an issuer

pursuant to the Listing Rules should have clear terms of reference.

Code Provisions

C.3.1 Full minutes of Audit Committee meetings shall be kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

C.3.2 A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Company's audit committee for a period of 1 year commencing on the date of his ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is the later.

C.3.3 The terms of reference of the Audit Committee shall include at least the following duties:-

Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of an

external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

(d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, and half-year report before submission to the Board, the Audit Committee shall focus particularly on: -

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from audit;
- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards; and
- (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(e) In regard to (d) above:-

- (i) members of the Audit Committee must liaise with the Company's Board of Directors, senior management and the Company's qualified Chief Accountant and the Audit Committee must meet, at least once a year, with the Company's auditors; and
- (ii) the Audit Committee shall consider any significant or

unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified Chief Accountant or auditors;

Oversight of the Company's financial reporting system and internal control procedures

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in this Code Provision; and

(n) to consider other topics, as defined by the Board.

C.3.4 The Audit Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board.

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 shall 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.

C.3.6 The Audit Committee shall be provided with sufficient resources to discharge its duties.

D. DELEGATION BY THE BOARD

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Code Provisions

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 must report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

D.1.2 The Company shall formalise the functions reserved to the Board and those delegated to management. It ought to review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company. For the time being, the following matters must have the Board's prior approval before the management is to commit on behalf of the Group:

- (a) any capital expenditure in excess of HK\$50 million;
- (b) any disposal or acquisition of property for a value in excess of HK\$50 million;
- (c) any additional investment (on an at cost basis) in quoted or unquoted shares, mutual or other investment funds, debt or equity securities which would bring the Group's total investment exposure in these investment areas to exceed 10% of the Company's net asset value as disclosed in the latest audited financial year end statements;
- (d) any new investment outside the ordinary business activities of the Group in excess of HK\$50 million;
- (e) any matter where conflict of interest of a material nature may arise with any substantial shareholder of the Company or any Director;
- (f) any other matter which, under the Bye-Laws, Listing Rules or applicable laws, must require Board approval.

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Code Provisions

- D.2.1 Where Board Committees are established to deal with matters, the Board shall prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.
- D.2.2 The terms of reference of Board Committees shall 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).

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Principle

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.

Code Provisions

- E.1.1 In respect of each substantially separate issue at a general meeting, a separate resolution shall be proposed by the Chairman of that meeting.
- E.1.2 The Chairman of the Board shall attend the annual general meeting and arrange for the Chairmen of the Audit, and Remuneration Committees or in the absence of the Chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The Chairman of the Independent Board Committee (if any) shall 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.

E.1.3 The Company should arrange for the notice to shareholders to be sent in the case of annual general meetings 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.

E.2 Voting by Poll

Principle

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Code Provisions

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.

- End -

(Updated on 15 April 2009)