

# CORPORATE GOVERNANCE REPORT

The Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability and ensuring the application of these principles and practices within the Group and thereby, enhancing shareholders value and benefiting our stakeholders at large.

The Company has, throughout the year under review, complied with the code provisions (“Code Provisions”) as set out in the Corporate Governance Code, Appendix 14 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) except for the following deviations:

- A.4.1 — Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company’s Bye-laws.
- A.4.2 — The Chairman and the Group Managing Director are not, while holding such office, subject to retirement by rotation or taken into account in determining the number of Directors to retire in each year. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in these roles and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

The Board is pleased to present the key corporate governance principles and practices followed by the Company during the year.

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																		
A A.1	<p><b>DIRECTORS</b></p> <p><b>The Board</b></p> <p><b>Code Principle</b></p> <p>The Board should assume responsibility for leadership and control of the issuer; and be responsible for directing and supervising the company’s affairs. The Board should take decisions objectively in the best interests of the issuer, and should regularly review the contribution required from a director to perform his responsibilities to the Company.</p>																				
A.1.1	<ul style="list-style-type: none"> <li>• Regular board meetings at least four times a year.</li> </ul>		<ul style="list-style-type: none"> <li>• The Board held 4 regular meetings during the year.</li> <li>• Details of Directors’ attendance records are set out below:</li> </ul> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (<i>Chairman</i>)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Chung Chong, Eddie (<i>Group Managing Director</i>)</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td>Wong Kai Chung, Kevin</td> <td style="text-align: right;">4/4</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th style="text-align: left;"><u>Non-executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> <tr> <td>Lucas A.M. Laureys</td> <td style="text-align: right;">2/4</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">3/4</td> </tr> </tbody> </table>	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu ( <i>Chairman</i> )	4/4	Wong Chung Chong, Eddie ( <i>Group Managing Director</i> )	4/4	Wong Kai Chi, Kenneth	4/4	Wong Kai Chung, Kevin	4/4	 		<u>Non-executive Directors</u>	<u>Attendance</u>	Lucas A.M. Laureys	2/4	Herman Van de Velde	3/4
<u>Executive Directors</u>	<u>Attendance</u>																				
Fung Wai Yiu ( <i>Chairman</i> )	4/4																				
Wong Chung Chong, Eddie ( <i>Group Managing Director</i> )	4/4																				
Wong Kai Chi, Kenneth	4/4																				
Wong Kai Chung, Kevin	4/4																				
<u>Non-executive Directors</u>	<u>Attendance</u>																				
Lucas A.M. Laureys	2/4																				
Herman Van de Velde	3/4																				

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company												
			<p><i>Independent</i></p> <table> <thead> <tr> <th><i>Non-executive Directors</i></th> <th><i>Attendance</i></th> </tr> </thead> <tbody> <tr> <td>Marvin Bienenfeld</td> <td>2/4</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td>4/4</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td>4/4</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td>4/4</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td>3/4</td> </tr> </tbody> </table> <p>* Mr. Wong Chung Chong, Eddie is the father of Mr. Wong Kai Chi, Kenneth and Mr. Wong Kai Chung, Kevin. Mr. Wong Kai Chi, Kenneth is the elder brother of Mr. Wong Kai Chung, Kevin.</p>	<i>Non-executive Directors</i>	<i>Attendance</i>	Marvin Bienenfeld	2/4	Chow Yu Chun, Alexander	4/4	Leung Churk Yin, Jeanny	4/4	Leung Ying Wah, Lambert	4/4	Lin Sun Mo, Willy	3/4
<i>Non-executive Directors</i>	<i>Attendance</i>														
Marvin Bienenfeld	2/4														
Chow Yu Chun, Alexander	4/4														
Leung Churk Yin, Jeanny	4/4														
Leung Ying Wah, Lambert	4/4														
Lin Sun Mo, Willy	3/4														
A.1.2	<ul style="list-style-type: none"> <li>All directors be given an opportunity to include matters in the agenda for regular board meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Regular Board meetings are scheduled at least 3 months in advance to give Directors the opportunity to include matters in the agenda.</li> </ul>												
A.1.3	<ul style="list-style-type: none"> <li>Notice of at least 14 days be given for regular board meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>At least 14 days formal notice is given before each regular meeting.</li> </ul>												
A.1.4	<ul style="list-style-type: none"> <li>Minutes of board meetings and board committee meetings should be kept by a duly appointed secretary of the meeting and open for inspection by directors.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company Secretary is responsible for taking minutes of Board meetings and Board Committee meetings. Such minutes are open for inspection by Directors.</li> </ul>												
A.1.5	<ul style="list-style-type: none"> <li>Minutes should record in sufficient detail the matters considered and decisions reached.</li> <li>Draft and final version of minutes should be sent to all directors for comments within a reasonable time.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Minutes recorded in sufficient detail matters considered and decisions reached.</li> <li>Directors are given an opportunity to comment on draft Board minutes which are sent to Directors within a reasonable time (generally within 14 days) of the relevant meeting.</li> <li>The signed Board minutes are placed on record after the same have been reviewed and agreed amongst the Board members.</li> </ul>												

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.1.6	<ul style="list-style-type: none"> <li>Agreed procedure for directors to seek independent professional advice at the company's expense.</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 if the Company Secretary considers that such seeking of advice is necessary and appropriate.</li> </ul>
A.1.7	<ul style="list-style-type: none"> <li>If a substantial shareholder or a director has a conflict of interest in a material matter, a physical board meeting be held.</li> <li>Independent non-executive directors who have no material interest in the transaction be present at such meeting.</li> </ul>	✓	<ul style="list-style-type: none"> <li>There is a prescribed list of matters reserved for Board decision which includes approval of material connected transactions and matters involving a conflict of interest for a substantial shareholder or Director.</li> <li>Such matters are considered at a full Board meeting. The Company's Bye-laws provide for voting and quorum requirements conforming with Code Provisions.</li> </ul>
A.1.8	<ul style="list-style-type: none"> <li>Appropriate insurance cover in respect of legal action against directors.</li> </ul>	✓	<ul style="list-style-type: none"> <li>There is in place appropriate insurance covering Directors' and Officers' liability.</li> </ul>
A.2	<p><b>Chairman and Chief Executive Code Principle</b></p> <p>There should be a clear division of responsibilities between the Chairman and the Chief Executive of the issuer to ensure a balance of power and authority.</p>		
A.2.1	<ul style="list-style-type: none"> <li>Roles of chairman and chief executive should be separated and performed by separate individuals.</li> <li>Division of responsibilities between chairman and chief executive should be clearly established and set out in writing.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The positions of the Chairman and the Group Managing Director are held by separate individuals.</li> <li>The Chairman focuses on Group strategic and Board issues. The Group Managing Director has overall Chief Executive responsibility for Group operations and development generally.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.2.2	<ul style="list-style-type: none"> <li>The chairman should ensure that all directors are properly briefed on issues arising at board meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chairman, with the support of the Group Managing Director and the Company Secretary, has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities.</li> <li>Board meetings are structured to encourage open discussion and frank debate.</li> </ul>
A.2.3	<ul style="list-style-type: none"> <li>The chairman should be responsible for ensuring that directors receive adequate information, which is accurate, clear, complete and reliable in a timely manner.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Board papers are normally sent to Directors at least three days before Board meetings.</li> </ul>
A.2.4 to A.2.9	<p>Important roles for chairman including:</p> <ul style="list-style-type: none"> <li>Drawing up and approving agenda for each board meeting.</li> <li>Ensuring establishment of good corporate governance practices and procedures.</li> <li>Encouraging all directors to make a full and active contribution to Board affairs, voice their concerns with different views and ensure the board decisions fairly reflected board consensus.</li> <li>Holding meeting with non-executive directors and promoting a culture of openness and debate by facilitating effective contribution of non-executive directors.</li> <li>Ensuring effective communication between the Board and shareholders.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chairman, together with the Company Secretary, draws up agenda for each Board meeting after consultation with the relevant parties. The Chairman will also include in the agenda any matters proposed by other Directors.</li> <li>The Chairman plays a key role in driving corporate governance development and a leading role in the corporate governance function held by the Board.</li> <li>A Board calendar of meeting dates is normally planned prior to the beginning of a fiscal year. All Directors take active interest in Company affairs and participated in Board meetings with open debates for contribution to the Company.</li> <li>The Chairman meets with Non-executive Directors (including Independent Non-executive Directors) at least annually. They participate in Board meetings with open debates and bring independent judgments and constructive comments to the Board.</li> <li>General meetings are held at least once a year in which the Chairman and the Group Managing Director are present to answer any questions from shareholders. At the 2012 annual general meeting, the Chairman, the Group Managing Director and the other majority Board members were present to answer questions from shareholders. Shareholders can also access the Company's latest information by visiting the Company's website (<a href="http://www.topformbras.com">www.topformbras.com</a>). The Company has also set up procedures where shareholders can send enquiries and concerns to the Board and such procedures and other policies concerning shareholders communication and shareholders' rights of the Company are available for review on the Company's website.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.3	<p><b>Board Composition</b></p> <p><b>Code Principle</b></p> <p>The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer and shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgments can effectively be exercised.</p>		
A.3.1	<ul style="list-style-type: none"> <li>Independent non-executive directors should be identified in all corporate communications that disclose the names of directors.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The composition of the Board represents a well balanced mixture of skills and experience appropriate for the requirements of the business of the Company.</li> <li>Review of the Board composition is made regularly by the nomination committee.</li> <li>The composition of the Board by category is disclosed in all corporate communications and the updated biographical details of the Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management" and on the website of the Company (<a href="http://www.topformbras.com">www.topformbras.com</a>).</li> </ul>
A.3.2	<ul style="list-style-type: none"> <li>Maintain on the website an updated list of directors identifying their role and function and whether they are independent non-executive directors.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Biographies and designations of Directors are set out in annual reports under the section headed "Biographical Details of Directors and Senior Management" and also published on the Company's website and are updated periodically. A list of names of Directors and their roles and functions is also published on the HKExnews website (<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>) and the Company's website.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.4	<p><b>Appointments, Re-election and Removal</b></p> <p><b>Code Principle</b></p> <p>These 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.4.1	<ul style="list-style-type: none"> <li>Non-executive directors should be appointed for a specific term and subject to re-election.</li> </ul>	<i>Deviation explained</i>	<ul style="list-style-type: none"> <li>Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at least once every three years in accordance with the Company's Bye-laws.</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 next general meeting after their appointment.</li> </ul>	✓	<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 general meeting following their appointment.</li> </ul>
	<ul style="list-style-type: none"> <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>	<i>Deviation explained</i>	<ul style="list-style-type: none"> <li>Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if the number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office. The Chairman and the Group Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.</li> </ul> <p>In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in the roles of Chairman and Group Managing Director and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.</p>
A.4.3	<ul style="list-style-type: none"> <li>Election of an independent non-executive director serving more than nine years. Include reason why considered to be independent and why should be re-elected.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company strongly supports the principle of Board independence.</li> <li>None of the Independent Non-executive Directors retiring and offering for re-election at the forthcoming annual general meeting has served the Board as an independent non-executive director for more than nine years.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																										
A.5	<b>Nomination Committee</b>																												
A.5.1 to A.5.3	<ul style="list-style-type: none"> <li>The Company should establish a nomination committee which is chaired by the Chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. Written terms of reference specifying its authority and duties should be published on Stock Exchange's and the Company's website.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company established a Nomination Committee in February 2012, comprising Fung Wai Yiu as Chairman, and other directors namely Wong Chung Chong, Eddie, Herman Van de Velde, Marvin Bienenfeld, Chow Yu Chun, Alexander, Leung Churk Yin, Jeanny, Leung Ying Wah, Lambert and Lin Sun Mo, Willy, representing a majority of Independent Non-executive Directors.</li> <li>Written terms of reference which follows closely the requirements of the Code Provisions have been adopted by the Board and are available for review on HKExnews website and the Company's website.</li> <li>During the year under review, an executive committee comprising six senior executives of the Company has been formed, its functions include the formulation and execution of the Group's strategic developments and business plans. The Nomination Committee had held a meeting to discuss and assessed each individual executive's competence and professional experiences and agreed for its formation.</li> <li>Details of their attendance records at the meeting are set out below: <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (Chairman)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Wong Chung Chong, Eddie (Group Managing Director)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2"><u>Non-executive Directors</u></td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2"><u>Independent Non-executive Directors</u></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">1/1</td> </tr> </tbody> </table> </li> </ul>	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu (Chairman)	1/1	Wong Chung Chong, Eddie (Group Managing Director)	1/1	 		<u>Non-executive Directors</u>		Herman Van de Velde	1/1	 		<u>Independent Non-executive Directors</u>		Marvin Bienenfeld	1/1	Chow Yu Chun, Alexander	1/1	Leung Churk Yin, Jeanny	1/1	Leung Ying Wah, Lambert	1/1	Lin Sun Mo, Willy	1/1
<u>Executive Directors</u>	<u>Attendance</u>																												
Fung Wai Yiu (Chairman)	1/1																												
Wong Chung Chong, Eddie (Group Managing Director)	1/1																												
<u>Non-executive Directors</u>																													
Herman Van de Velde	1/1																												
<u>Independent Non-executive Directors</u>																													
Marvin Bienenfeld	1/1																												
Chow Yu Chun, Alexander	1/1																												
Leung Churk Yin, Jeanny	1/1																												
Leung Ying Wah, Lambert	1/1																												
Lin Sun Mo, Willy	1/1																												
A.5.4	<ul style="list-style-type: none"> <li>Nomination Committee should be provided with sufficient resources to perform its duties and should seek independent professional advice at the issuer's expense where necessary.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Committee is authorized by the Board to seek outside legal or other independent professional advice where necessary. It may also secure the attendance of outsiders with relevant experience if it considers appropriate.</li> </ul>																										

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.5.5	<ul style="list-style-type: none"> <li>A proposal for election of an individual as independent non-executive director at the general meeting, the issuer should include in a circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reason why such individual to be considered as independent.</li> </ul>	✓	<ul style="list-style-type: none"> <li>No appointment of independent non-executive director during the year under review.</li> </ul>
A.6	<p><b>Responsibilities of Directors</b> <b>Code Principle</b> All directors (including non-executive directors) are required to keep abreast of their responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.</p>		
A.6.1	<ul style="list-style-type: none"> <li>Every newly appointed director should receive a comprehensive, formal induction to ensure that he has a proper understanding of the issuer's operations and business; his responsibilities under the listing rules, applicable regulatory requirements, business and governance policies of the issuer.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chairman and Company Secretary will usually brief the newly appointed Director for the duties and responsibilities he/she may perform as a Director of the Company and other regulatory requirements he/she may observe.</li> <li>Directors are provided at quarterly Board meetings with comprehensive reports on the management's strategic plans, updates on business, financial objectives, plans and actions.</li> <li>The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.</li> </ul> <p>Memos or emails are issued from time to time to keep Directors up to date with changes in Listing Rules and other regulations relevant to Directors in the discharge of their duties.</p>
A.6.2	<ul style="list-style-type: none"> <li>Function of non-executive directors include:                             <ul style="list-style-type: none"> <li>participate in board meetings and bring an independent judgment to the board</li> <li>take the lead where potential conflicts of interest arise</li> <li>serve on board committees if invited</li> <li>scrutinise the issuer's performance</li> </ul> </li> </ul>	✓	<ul style="list-style-type: none"> <li>Non-executive Directors participated actively in the affairs of the Company by attending the Board meetings and Board committee meetings and would be able to give independent advice and judgement on matters being discussed. If considered necessary, they will seek guidance and direction from the Chairman and the Group Managing Director on the future business direction and strategic plans so as to gain a comprehensive understanding of the business of the Company to exercise their independent judgment.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> <li>Non-executive Directors review the financial information and operational performance of the Group on a regular basis.</li> <li>The Audit Committee of the Company is wholly comprised of Independent Non-executive Directors. The Compensation Committee is wholly comprised of Non-executive Directors, with the majority being Independent Non-executive Directors. The Nomination Committee and Corporate Governance Function are comprised of all categories of Directors, with the majority being Independent Non-executive Directors.</li> </ul>
A.6.3	<ul style="list-style-type: none"> <li>Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.</li> </ul>	✓	<ul style="list-style-type: none"> <li>There was satisfactory attendance for Board and Board Committee meetings during the year.</li> </ul> <p>Please refer to A.1.1, A.5.1, B.1.2 and C.3.4 for details.</p>
A.6.4	<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>	✓	<ul style="list-style-type: none"> <li>The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for Directors' dealings in securities of the Company.</li> </ul> <p>Having made specific enquiries, the Company confirmed that each of the Directors has complied with the required standards during the year.</p> <ul style="list-style-type: none"> <li>Employees who are likely to be in possession of unpublished inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																														
A.6.5	<ul style="list-style-type: none"> <li>Directors should participate in continuous professional development, with appropriate emphasis on the roles, functions and duties of a listed company director.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company Secretary has provided all Directors with relevant directors' guides for their discharge of duties and updates on changes of relevant rules and regulations.</li> <li>During the year, the Directors' knowledge and skills are continuously developed and refreshed by reading materials and guidelines or by attending seminars on subjects relating to Director's duties and responsibilities, Corporate Governance Code updates and Disclosure of Insider Information.</li> </ul> <p>Records of the Directors' training during the year under review are as follows:</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><b>Directors</b></th> <th style="text-align: right;"><b>Reading Materials and Guidelines/Seminars</b></th> </tr> </thead> <tbody> <tr> <td colspan="2"><i>Executive Directors</i></td> </tr> <tr> <td>Fung Wai Yiu (Chairman)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Chung Chong, Eddie (Group Managing Director)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chung, Kevin</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"><i>Non-executive Directors</i></td> </tr> <tr> <td>Lucas A.M. Laureys</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"><i>Independent Non-executive Directors</i></td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">✓</td> </tr> </tbody> </table>	<b>Directors</b>	<b>Reading Materials and Guidelines/Seminars</b>	<i>Executive Directors</i>		Fung Wai Yiu (Chairman)	✓	Wong Chung Chong, Eddie (Group Managing Director)	✓	Wong Kai Chi, Kenneth	✓	Wong Kai Chung, Kevin	✓	<i>Non-executive Directors</i>		Lucas A.M. Laureys	✓	Herman Van de Velde	✓	<i>Independent Non-executive Directors</i>		Marvin Bienenfeld	✓	Chow Yu Chun, Alexander	✓	Leung Churk Yin, Jeanny	✓	Leung Ying Wah, Lambert	✓	Lin Sun Mo, Willy	✓
<b>Directors</b>	<b>Reading Materials and Guidelines/Seminars</b>																																
<i>Executive Directors</i>																																	
Fung Wai Yiu (Chairman)	✓																																
Wong Chung Chong, Eddie (Group Managing Director)	✓																																
Wong Kai Chi, Kenneth	✓																																
Wong Kai Chung, Kevin	✓																																
<i>Non-executive Directors</i>																																	
Lucas A.M. Laureys	✓																																
Herman Van de Velde	✓																																
<i>Independent Non-executive Directors</i>																																	
Marvin Bienenfeld	✓																																
Chow Yu Chun, Alexander	✓																																
Leung Churk Yin, Jeanny	✓																																
Leung Ying Wah, Lambert	✓																																
Lin Sun Mo, Willy	✓																																
A.6.6	<ul style="list-style-type: none"> <li>Directors should disclose at the time of appointment (and at subsequent times) all offices held in other public companies and other significant commitments.</li> </ul>	✓	<ul style="list-style-type: none"> <li>On appointment Directors have disclosed all relevant information to the Board. They will disclose any change of such information to the Company in a timely manner and such information is updated in annual reports and the Company's website.</li> </ul>																														
A.6.7	<ul style="list-style-type: none"> <li>Directors should ensure regular attendance and active participation at board, board committee and general meetings through which to demonstrate their skills, expertise and varied backgrounds and qualifications.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Board reviews regularly each Director's performance and contribution to the Company.</li> <li>There was satisfactory attendance for Board, Board Committee and general meetings during the year. Please refer to A.1.1, A.5.1, B.1.2 and C.3.4 for details.</li> <li>During Board and Board Committee meetings, there were open discussions amongst the Board and Board Committee members and constructive advice was given to the Board. Directors and chairmen of respective Board Committees were available at general meetings to answer questions from shareholders.</li> </ul>																														

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
A.6.8	<ul style="list-style-type: none"> <li>Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Details on the roles and functioning of as well as the work performed by Non-executive Directors (including Independent Non-executive Directors) are set out above.</li> </ul>
A.7	<p><b>Supply of and Access to Information</b>  <b>Code Principle</b>            Directors should be provided in a timely manner with appropriate information so as to enable them to make an informed decision and to perform their duties and responsibilities.</p>		
A.7.1	<ul style="list-style-type: none"> <li>Board papers should be sent to all directors at least three days before regular board or board committee meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Board papers are circulated not less than three days before regular Board or Board Committee meetings.</li> </ul>
A.7.2	<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. The information supplied must be complete and reliable.</li> <li>Each director should have separate and independent access to senior management for making further enquiries where necessary.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chief Financial Officer and Company Secretary are in attendance at all regular Board and Board Committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters.</li> <li>Senior management is from time to time brought into formal and informal contact with the Board at Board meetings and other events to give briefings and advices on matters discussed at the meetings.</li> </ul>
A.7.3	<ul style="list-style-type: none"> <li>Directors are entitled to have access to board papers and related materials; queries raised by directors should be responded promptly and fully.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Board papers and related materials are circulated to Directors three days prior to Board meetings and Board Committee meetings and are made available for inspection at any time by Board members and Committee members.</li> <li>The Executive Directors and Chief Financial Officer, with the support of the Company Secretary, play a leading role in ensuring that queries are answered promptly and fully.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
B	<b>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION</b>		
B.1	<b>The Level and Make-up of Remuneration and Disclosure</b> <b>Code Principle</b> A formal and transparent procedure should be established for setting policy on executive director remuneration and remuneration packages for all directors. No director should be involved in deciding his own remuneration.		
B.1.1	<ul style="list-style-type: none"> <li>The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors and have access to independent professional advice if necessary.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company established a Compensation Committee in 2001.</li> <li>There is close liaison and consultation between the Committee and the Chairman and the Group Managing Director on all human resource issues.</li> <li>Committee members are aware that access to professional advice is available if considered necessary.</li> </ul>
B.1.2	<ul style="list-style-type: none"> <li>Terms of reference of the remuneration committee to include:                             <ul style="list-style-type: none"> <li>– make recommendations to the board on policy and structure for remuneration of all directors and senior management.</li> <li>– review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives.</li> </ul> </li> </ul>	✓	<ul style="list-style-type: none"> <li>The terms of reference of the Compensation Committee follow closely the requirements of the Code Provisions that have been adopted by the Board.</li> <li>The Compensation Committee has the responsibility delegated by the Board to review and assess the remuneration packages of individual executive directors and senior management and make recommendations to the Board for approval.</li> <li>During the year, members of the Committee had held a meeting at which the following issues were reviewed, discussed and approved amongst all the committee members:                             <ul style="list-style-type: none"> <li>– the remuneration packages of Executive Directors and senior management;</li> </ul> </li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company										
	<ul style="list-style-type: none"> <li>– either to determine, with delegated responsibility, specific remuneration packages of individual executive directors and senior management; or to make recommendations to the Board for this purpose.</li> <li>– make recommendations to the Board on remuneration of non-executive directors.</li> <li>– consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group.</li> <li>– review and approve the compensation payable to executive directors and senior management on loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct.</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 Committee is comprised of the following members and details of their attendance records at the meeting are set out below: <ul style="list-style-type: none"> <li><i>Independent</i></li> <table border="0"> <thead> <tr> <th><i>Non-executive Directors</i></th> <th><i>Attendance</i></th> </tr> </thead> <tbody> <tr> <td>Marvin Bienenfeld (<i>Chairman</i>)</td> <td>1/1</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td>1/1</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td>1/1</td> </tr> </tbody> </table> <li><i>Non-executive Director</i></li> <tr> <td>Herman Van de Velde</td> <td>1/1</td> </tr> </ul> </li> <li>• The Committee reviews compensation policies of the Group on a regular basis.</li> <li>• The compensation policy of the Group is designed to reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals.</li> <li>• The Group's compensation policy for Non-executive Directors is to ensure that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Group.</li> <li>• No individual Director is involved in deciding his own remuneration.</li> </ul>	<i>Non-executive Directors</i>	<i>Attendance</i>	Marvin Bienenfeld ( <i>Chairman</i> )	1/1	Leung Churk Yin, Jeanny	1/1	Leung Ying Wah, Lambert	1/1	Herman Van de Velde	1/1
<i>Non-executive Directors</i>	<i>Attendance</i>												
Marvin Bienenfeld ( <i>Chairman</i> )	1/1												
Leung Churk Yin, Jeanny	1/1												
Leung Ying Wah, Lambert	1/1												
Herman Van de Velde	1/1												
B.1.3	<ul style="list-style-type: none"> <li>• The remuneration committee should make available its terms of reference and the authority delegated to it by the board.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• The terms of reference of the Compensation Committee are available for review on the HKExnews website and the Company's website.</li> </ul>										
B.1.4	<ul style="list-style-type: none"> <li>• The remuneration committee should be provided with sufficient resources to perform its duties.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Independent professional advice will be brought to supplement internal resources where appropriate.</li> </ul>										

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company												
B.1.5	<ul style="list-style-type: none"> <li>Details of remuneration to senior management should be disclosed by band in annual reports.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Details of remuneration paid to members of senior management for the year are as follows:</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">HK\$</td> </tr> <tr> <td>Salaries and other benefits</td> <td style="text-align: right;">6,677,611</td> </tr> <tr> <td>Retirement benefit scheme contributions</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td></td> <td style="text-align: right;">Number of individuals</td> </tr> <tr> <td>HK\$500,001 to HK\$1,000,000</td> <td style="text-align: right;">3</td> </tr> <tr> <td>HK\$1,000,001 to HK\$1,500,000</td> <td style="text-align: right;">3</td> </tr> </table>		HK\$	Salaries and other benefits	6,677,611	Retirement benefit scheme contributions	60,000		Number of individuals	HK\$500,001 to HK\$1,000,000	3	HK\$1,000,001 to HK\$1,500,000	3
	HK\$														
Salaries and other benefits	6,677,611														
Retirement benefit scheme contributions	60,000														
	Number of individuals														
HK\$500,001 to HK\$1,000,000	3														
HK\$1,000,001 to HK\$1,500,000	3														
<b>Recommended Best Practices</b>															
B.1.6	<ul style="list-style-type: none"> <li>A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Details of remuneration of Executive Directors are disclosed on an individual basis in the annual report. A significant proportion of the compensation of Executive Directors and senior management is based on individual performance and the financial performance of the Group.</li> </ul>												
C	<b>ACCOUNTABILITY AND AUDIT</b>														
C.1	<b>Financial Reporting</b> <b>Code Principle</b> The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.														
C.1.1	<ul style="list-style-type: none"> <li>Management to provide explanation and information to the board to enable it to make an informed assessment of financial and other information put forward to the board for approval.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Directors are provided with a review of the Group's major business activities and detailed financial information on a quarterly basis.</li> </ul>												
C.1.2	<ul style="list-style-type: none"> <li>Management to provide monthly updates to the Board in sufficient details for its assessment of the issuer's performance, position and prospect.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Management provides monthly accounts or updates to Board members, whenever necessary, facilitating a balanced and understandable assessment and appraisal of the Company's performance, position and prospect.</li> </ul>												

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.1.3	<ul style="list-style-type: none"> <li>The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.</li> </ul>		<ul style="list-style-type: none"> <li>The Directors annually acknowledge their responsibility for preparing the financial statements of the Group.</li> <li>The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:               <ul style="list-style-type: none"> <li>select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;</li> <li>state the reasons for any significant departure from accounting standards; and</li> <li>prepare the financial statements on a going concern basis, unless it is not appropriate to assume that the Company and the Group will continue in business for the foreseeable future.</li> </ul> </li> </ul> <p>The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities.</p>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
	<ul style="list-style-type: none"> <li>A statement by the auditors regarding 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> </ul>		<ul style="list-style-type: none"> <li>The Auditors' Report states auditors' reporting responsibilities.</li> <li>Directors are not aware of any matters and uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.</li> </ul>
C.1.4	<ul style="list-style-type: none"> <li>Directors should explain in annual reports by separate statement the basis on which the issuer generates or preserves value over the longer term (business model) and the strategy for delivering such objectives.</li> </ul>	✓	<ul style="list-style-type: none"> <li>This information is stated in the "Chairman's Statement" and "Management Discussion and Analysis" sections in annual reports.</li> </ul>
C.1.5	<ul style="list-style-type: none"> <li>The Board should present a balanced, clear and understandable assessment in annual/interim reports and other financial disclosures required under the Listing Rules and other statutory requirements.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Board aims to present a clear, balanced and understandable assessment of the Group's performance and financial position in all shareholder communications.</li> <li>The Board is aware of the requirements under the Listing Rules about timely disclosure of inside information regarding the Company and will arrange to issue and publish such announcements as and when the occasions arise. The Company Secretary will consult and seek legal advice on the materiality and sensitivity of certain material and connected transactions and advise the Board accordingly.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.2	<p><b>Internal Controls</b></p> <p><b>Code Principle</b></p> <p>The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investments and the issuer's assets.</p>		
C.2.1	<ul style="list-style-type: none"> <li>The directors should at least annually conduct a review of the effectiveness of the internal control systems of the issuer and its subsidiaries and report that they have done so in their Corporate Governance Report.</li> <li>The review should cover all material controls, including financial, operational and compliance controls and risk management functions.</li> </ul>		<ul style="list-style-type: none"> <li>The Board, with the support of Internal Audit Department, has overall responsibility for maintaining sound and effective internal control and risk management system of the Group.</li> <li>The Internal Audit department conducts reviews on the internal control systems of the Company and its subsidiaries on a regular basis and then reports their findings to the audit committee.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> <li>The review covers all material controls, including financial, operational, and compliance controls and risk management functions.</li> </ul> <p>An annual audit plan will be submitted to the Audit Committee for review and endorsement at the beginning of each financial year. In addition to the planned audit schedule, Internal Audit Department also carries out other review and audit works on an ad hoc basis should there be a material or significant issue arising from business/operational units that would be detrimental to the business objectives and developments of the Group.</p> <p>The Board is generally satisfied as to the effectiveness of the internal control systems of the Company and its subsidiaries during the year under review.</p>
C.2.2	<ul style="list-style-type: none"> <li>The annual review should consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.</li> </ul>		<ul style="list-style-type: none"> <li>There have been sufficient and adequate resources put in place within the Group to perform the accounting and financial reporting function.</li> </ul> <p>The finance team, lead by the Chief Financial Officer, with the support of a group of accounting professionals, is responsible for the oversight of the Group's finance and control function. Monthly operational review meetings are held with each of the regional and business unit heads to evaluate their performance against the targets set in the annual budget and ongoing matters.</p> <ul style="list-style-type: none"> <li>Adequate training is provided with to the finance team. In addition to the "On-the-job" and internal training, senior staff will regularly attend seminars with topics of relevance to them in discharging their duties, updating their professional knowledge as well as coaching their subordinates.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
<b>Recommended Best Practices</b>			
C.2.3	<ul style="list-style-type: none"> <li>• The board’s annual review should, in particular consider:               <ul style="list-style-type: none"> <li>– the changes since the last annual review in the nature and extent of significant risks, and the issuer’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 internal control systems, and where applicable, the work of its internal audit function and other assurance providers.</li> <li>– the extent and frequency of communication of monitoring results to the board which enables it to assess control of the issuer and the effectiveness of risk management.</li> <li>– significant control failings or weaknesses that have been identified during the period.</li> <li>– the effectiveness of the issuer’s processes for financial reporting and Listing Rule compliance.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• The review by the Board considered all these matters.</li> <li>• There were no significant control failings or weakness identified.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.2.4	<ul style="list-style-type: none"> <li>• Narrative statement on compliance with code provisions on internal control including:               <ul style="list-style-type: none"> <li>– process used to identify, evaluate and manage significant risks</li> <li>– additional information to explain its risk management processes and internal control system</li> <li>– acknowledgement by the board that it is responsible for the internal control system and its effectiveness</li> <li>– process used to review the effectiveness of the internal control system</li> <li>– process used to resolve material internal control defects for any significant problems disclosed in annual reports and accounts.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• The Board has overall responsibility for internal control system and reviewing its effectiveness.</li> <li>• The Group has in place an internal control system which is designed in light of the nature of the business as well as the organization structure.</li> </ul> <p>The Group's system of internal control includes a defined management structure with limits of authority and is designed to further the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.</p> <ul style="list-style-type: none"> <li>• Senior management adopts a hands-on approach to the operations of the business and delegation of authority is limited.</li> <li>• Detailed operational and financial budgets are prepared and reviewed by the responsible Directors prior to being adopted.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> <li>Robust controls are in place for the recording of complete, accurate and timely accounting and management information. Comprehensive monthly management accounts are prepared, reviewed with, and distributed to appropriate senior managers. In addition, monthly operational review meetings of various operating plants are held. The Chairman and the Group Managing Director play leading roles in these meetings.</li> <li>The Head of Internal Audit has direct access to the Chairman of the Audit Committee. The work plan of the Internal Audit Department focuses on those areas of the Group's activities with the greatest perceived risk and the plan is reviewed and approved by the Audit Committee. The results of internal audit reviews and corresponding remedial actions taken are reported to the Executive Directors and Audit Committee periodically.</li> </ul>
C.3	<p><b>Audit Committee Code Principle</b></p> <p>The board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal controls principles and for maintaining an appropriate relationship with the company's auditors. The audit committee should have clear terms of reference.</p>		
C.3.1	<ul style="list-style-type: none"> <li>Minutes should be kept by a duly appointed secretary and sent to all committee members within a reasonable time.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Minutes are prepared by the Company Secretary and sent to members of the Audit Committee within 14 days of each meeting.</li> </ul>
C.3.2	<ul style="list-style-type: none"> <li>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.</li> </ul>	✓	<ul style="list-style-type: none"> <li>No member of the Audit Committee is a partner of or has financial interest in the existing auditing firm of the Company.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company														
C.3.3 and C.3.4	<ul style="list-style-type: none"> <li>The terms of reference of the audit committee should include:                             <ul style="list-style-type: none"> <li>relationship with the issuer's external auditors</li> <li>review of the issuer's financial information</li> <li>oversight of the issuer's financial reporting system and internal control procedures</li> </ul> </li> <li>The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</li> </ul>		<ul style="list-style-type: none"> <li>The Company established an audit committee in 1998 and all its members are Independent Non-executive Directors.</li> <li>The terms of reference of the Audit Committee follow closely the requirements of the Code Provisions that have been adopted by the Board and are available for review on the HKExnews website and the Company's website.</li> <li>Under its terms of reference, the Committee oversees the Group's financial reporting process; it also reviews the Group's internal controls and risk management system, approves the scope of work of the internal audit department and oversees the relationship with the external auditors.</li> <li>The Audit Committee currently consists of the following members and two meetings have been held during the year. Details of committee members' attendance records are set out below:                             <table border="0" style="margin-left: 20px;"> <thead> <tr> <th colspan="2"><u>Independent</u></th> </tr> <tr> <th><u>Non-executive Directors</u></th> <th><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Chow Yu Chun, Alexander (<i>Chairman</i>)</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> </li> </ul>	<u>Independent</u>		<u>Non-executive Directors</u>	<u>Attendance</u>	Chow Yu Chun, Alexander ( <i>Chairman</i> )	2/2	Leung Churk Yin, Jeanny	2/2	Marvin Bienenfeld	2/2	Leung Ying Wah, Lambert	2/2	Lin Sun Mo, Willy	2/2
<u>Independent</u>																	
<u>Non-executive Directors</u>	<u>Attendance</u>																
Chow Yu Chun, Alexander ( <i>Chairman</i> )	2/2																
Leung Churk Yin, Jeanny	2/2																
Marvin Bienenfeld	2/2																
Leung Ying Wah, Lambert	2/2																
Lin Sun Mo, Willy	2/2																

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> <li>• The principal work performed by the committee during the year included:               <ul style="list-style-type: none"> <li>– review of the Company’s financial statements for the year ended 30 June 2012 and for the six months ended 31 December 2012 and recommending such financial statements to the Board for their approval and adoption;</li> <li>– discussions with the external auditors and reporting to the Board any significant matters arising from the interim/annual audit;</li> <li>– review of the audit reports submitted by Internal Audit regarding the systems of internal control and risk management;</li> <li>– review and approval of the audit planning.</li> </ul> </li> </ul> <p>The Committee was satisfied as to the overall effectiveness of the internal controls and risk management process during the year under review.</p> <p>During the year, the independent non-executive directors of the Company had conducted reviews on the Company’s connected transactions.</p>
C.3.5	<ul style="list-style-type: none"> <li>• If Audit Committee disagrees with the Board’s view on the selection, appointment, resignation or dismissal of external auditors, a statement from the audit committee explaining its recommendation and reason for such disagreement should be included in the Corporate Governance Report.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• The Audit Committee recommended to the Board, subject to shareholders’ approval at the forthcoming Annual General Meeting (“AGM”) to be held on 6 November 2013, to appoint KPMG as the external auditors of the Company until the conclusion of next annual general meeting. Deloitte, will retire as auditor of the Company at the conclusion of the AGM. The relevant announcement has been published on HKExnews website and the Company’s website on 13 September 2013.</li> <li>• For the year ended 30 June 2013, the external auditors received HK\$2,328,000 for audit services and HK\$193,000 for non-audit services.</li> </ul>
C.3.6	<ul style="list-style-type: none"> <li>• The audit committee should be provided with sufficient resources to perform its duties.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Independent professional advice will be brought to supplement internal resources where appropriate.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
C.3.7	<ul style="list-style-type: none"> <li>Terms of reference should include:                             <ul style="list-style-type: none"> <li>review of arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters.</li> <li>to act as the key representative body for overseeing the issuer's relation with the external auditor.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>The terms of reference updated with these items have been adopted by the Board. The Code of Conduct adopted by the Group provides for direct consultation with the Chairman or Group Managing Director on uncertain legal or ethical issues.</li> <li>The Audit Committee oversees the relationship with the external auditors.</li> </ul>
D D.1	<p><b>DELEGATION BY THE BOARD</b></p> <p><b>Management Functions</b></p> <p><b>Code Principle</b></p> <p>An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on behalf of the issuer.</p>		
D.1.1 and D.1.2	<ul style="list-style-type: none"> <li>Board must give clear directions as to the powers of management, including where management should obtain prior board approval before making decisions or entering into any commitments on behalf of the issuer.</li> <li>Formalize the functions reserved to the board and those delegated to management; and review those arrangements periodically to ensure that they remain appropriate to the needs of the company.</li> </ul>		<ul style="list-style-type: none"> <li>An executive committee has been formed during the year. Its functions (with authority and power delegated by the Board) include the formulation and execution of the Group's strategic development and business planning as well as monitoring the daily management and operation of the Group. The executive committee holds monthly meeting, with the present of the Chairman and the Group Managing Director, to discuss and approve issues relating to the Group's business;</li> <li>The daily management, operation and administration functions of the Company are delegated to the management. The reporting system is designed to ensure that significant issues are reported to the Board on a regular basis.</li> <li>There is a defined schedule of matters reserved for full Board approval, including:                             <ul style="list-style-type: none"> <li>long-term objectives and strategies;</li> <li>audited financial statements and associated materials; review and approve interim and final results announcements and quarterly operational updates; convening general meetings;</li> <li>recommendations as to dividend;</li> <li>appointment, removal or re-designation of Directors;</li> </ul> </li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
			<ul style="list-style-type: none"> <li>– remuneration of Non-executive Directors and changes in terms and conditions of employment of Executive Directors;</li> <li>– material connected transactions;</li> <li>– material acquisitions, disposals or joint-venture arrangements;</li> <li>– material raising of external finance;</li> <li>– appointment and removal of external auditors;</li> <li>– matters involving a conflict of interest for a substantial shareholder or Director;</li> <li>– Create, issue, purchase, redeem or otherwise reorganize the Company's share capital.</li> </ul>
D.1.3	<ul style="list-style-type: none"> <li>• An issuer should disclose the respective responsibilities of the board and management.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• As set out in D.1.1 and D.1.2.</li> </ul>
D.1.4	<ul style="list-style-type: none"> <li>• Issuers should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• A formal appointment letter setting out the key terms and conditions relative to their appointment will be prepared for each newly appointed Director.</li> </ul>
D.2	<p><b>Board Committees</b> <b>Code Principle</b> Board committees should be formed with specific written terms of reference that deal clearly with the committees' authority and duties.</p>		
D.2.1	<ul style="list-style-type: none"> <li>• Clear terms of reference to enable proper discharge of committees functions.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Three Board Committees, Audit Committee, Compensation Committee and Nomination Committee have been established with clear and specific terms of reference.</li> </ul> <p>Please refer to A.5.1 to A.5.3, B.1.2, C.3.3 and C.3.4 for details.</p>
D.2.2	<ul style="list-style-type: none"> <li>• The terms of reference should require committees to report their decisions and recommendations to the board.</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Each Board Committee reports to the Board after the relevant meeting.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
D.3	<b>CORPORATE GOVERNANCE FUNCTIONS</b>		
D.3.1	<ul style="list-style-type: none"> <li>The terms of reference should include                             <ol style="list-style-type: none"> <li>developing and reviewing policies and practices on corporate governance;</li> <li>reviewing and monitoring training of directors and senior management;</li> <li>reviewing and monitoring policies and practices on compliance issues;</li> <li>developing, reviewing and monitoring code of conduct applicable to employees and directors;</li> <li>reviewing Corporate Governance Code compliance and disclosure requirements.</li> </ol> </li> </ul>	✓	<ul style="list-style-type: none"> <li>The terms of reference adopted by the Board follow closely the Code Provision D.3.1.</li> </ul>
D.3.2	<ul style="list-style-type: none"> <li>The Board should be responsible for performing corporate governance duties set out in D.3.1 or it may delegate the responsibilities to a committee.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Corporate governance functions of the Company are held by the Board with Chairman of the Board playing a leading role. The Board places emphasis on good corporate governance practices and has reviewed the Group's corporate governance practices and code of conduct and compliance matters during the year.</li> </ul>
E	<b>COMMUNICATION WITH SHAREHOLDERS</b>		
E.1	<b>Effective Communication</b> <b>Code Principle</b> The Board should be responsible for maintaining 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.		
E.1.1	<ul style="list-style-type: none"> <li>A separate resolution be proposed by the chairman for each substantially separate issue.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Separate resolutions are proposed at the general meeting on each substantially separate issue, including the election of individual Directors.</li> </ul>

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company																																
E.1.2	<ul style="list-style-type: none"> <li>The chairman of the board should attend the annual general meeting and invite the chairman 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 attend and 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 requires independent shareholders' approval. An issuer's management should ensure that the external auditor attends the annual general meeting to answer questions.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Chairman of the Board chaired the 2012 annual general meeting held during the year and was available to answer questions from shareholders.</li> <li>The Chairmen of respective Board Committees (except Mr. Marvin Bienenfeld, the Chairman of Compensation Committee) attended the 2012 annual general meeting and were available to answer questions from shareholders.</li> <li>Details of Directors' attendance records at the 2012 annual general meeting are as follows: <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Executive Directors</u></th> <th style="text-align: right;"><u>Attendance</u></th> </tr> </thead> <tbody> <tr> <td>Fung Wai Yiu (<i>Chairman</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Chung Chong, Eddie (<i>Group Managing Director</i>)</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chi, Kenneth</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wong Kai Chung, Kevin</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th style="text-align: left;"><u>Non-executive Directors</u></th> <th></th> </tr> <tr> <td>Lucas A.M. Laureys</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Herman Van de Velde</td> <td style="text-align: right;">✓</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <th style="text-align: left;"><u>Independent Non-executive Directors</u></th> <th></th> </tr> <tr> <td>Marvin Bienenfeld</td> <td style="text-align: right;">(absent)</td> </tr> <tr> <td>Chow Yu Chun, Alexander</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Churk Yin, Jeanny</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Leung Ying Wah, Lambert</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Lin Sun Mo, Willy</td> <td style="text-align: right;">✓</td> </tr> </tbody> </table> </li> <li>No special general meeting was held during the year.</li> <li>The external auditor attended the annual general meeting to answer questions from shareholders.</li> </ul>	<u>Executive Directors</u>	<u>Attendance</u>	Fung Wai Yiu ( <i>Chairman</i> )	✓	Wong Chung Chong, Eddie ( <i>Group Managing Director</i> )	✓	Wong Kai Chi, Kenneth	✓	Wong Kai Chung, Kevin	✓	 		<u>Non-executive Directors</u>		Lucas A.M. Laureys	✓	Herman Van de Velde	✓	 		<u>Independent Non-executive Directors</u>		Marvin Bienenfeld	(absent)	Chow Yu Chun, Alexander	✓	Leung Churk Yin, Jeanny	✓	Leung Ying Wah, Lambert	✓	Lin Sun Mo, Willy	✓
<u>Executive Directors</u>	<u>Attendance</u>																																		
Fung Wai Yiu ( <i>Chairman</i> )	✓																																		
Wong Chung Chong, Eddie ( <i>Group Managing Director</i> )	✓																																		
Wong Kai Chi, Kenneth	✓																																		
Wong Kai Chung, Kevin	✓																																		
<u>Non-executive Directors</u>																																			
Lucas A.M. Laureys	✓																																		
Herman Van de Velde	✓																																		
<u>Independent Non-executive Directors</u>																																			
Marvin Bienenfeld	(absent)																																		
Chow Yu Chun, Alexander	✓																																		
Leung Churk Yin, Jeanny	✓																																		
Leung Ying Wah, Lambert	✓																																		
Lin Sun Mo, Willy	✓																																		
E.1.3	<ul style="list-style-type: none"> <li>At least 20 clear business days' notice should be given for annual general meetings and at least 10 clear business days' notice should be given for all other general meetings.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company complies with this requirement.</li> </ul>																																

# CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions	Compliance	Corporate Governance Practices adopted by the Company
E.1.4	<ul style="list-style-type: none"> <li>Board should establish a shareholders' communication policy and review it regularly.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company has established a Shareholders' Communication Policy which can be viewed at the Company's website.</li> <li>Information of shareholders' rights including (i) the way in which shareholders can convene a special general meeting; (ii) procedures with contact details that shareholders can send enquiries to the Board; (iii) procedures for putting forward proposals at general meetings; and (iv) procedures shareholders can use to propose a person for election as a director, is available at the Company's website.</li> </ul>
E.2	<p><b>Voting by Poll</b> <b>Code Principle</b></p> <p>The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll</p>		
E.2.1	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	✓	<ul style="list-style-type: none"> <li>The Chairman explains the detailed procedures for conducting a poll at the outset of the Annual General Meeting and any general meetings and answers questions from shareholders.</li> </ul>
F	<p><b>COMPANY SECRETARY</b> <b>Code Principle</b></p> <p>Company Secretary plays an important role in supporting the board by ensuring good information flow within the board, and is responsible for advising the board through the chairman and/or chief executive on governance matters and facilitates induction of directors.</p>		
F.1.1 to F.1.4	<ul style="list-style-type: none"> <li>The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs.</li> <li>The board should approve the selection, appointment or dismissal of the company secretary.</li> <li>The company secretary should report to the board chairman and/or the chief executive.</li> <li>All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.</li> </ul>	✓	<ul style="list-style-type: none"> <li>The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company and reports directly to the Chief Financial Officer as well as assisting and reporting to the Chairman and Group Managing Director on the Company's issues.</li> <li>There has been a change of Company Secretary during the year. The appointment of the new Company Secretary was duly accepted and approved by the Board at the duly convened Board meeting.</li> <li>The Company Secretary is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.</li> <li>Directors have direct access to the Company Secretary.</li> </ul>

# CORPORATE GOVERNANCE REPORT

## Business Integrity

Maintaining the highest professional and ethical standards is central to the Group's core operating philosophy. The Group has formally adopted a Code of Conduct (the "Code") addressing guiding principles governing conduct of Directors, management and employees. The Code is intended to establish standards of conduct encompassing the areas in which the business operates.

In summary, executives and employees of the Group are expected to:

- Conduct business of the Group in full compliance with both the letter and spirit of the Law and of the Code.
- Maintain the highest possible standards in the way we operate and the way we treat our employees in order to satisfy the expectations of both the business and social communities.
- Use confidential information properly.
- Recognize and avoid conflicts of interest.
- Protect the ownership of property of the Group, including information, products, rights and services.
- Conduct outside activities in a way which does not compromise the individual or the Group.

There is a reporting system for any code violations. The Board reviews the Code and monitors its effective implementation periodically. There are also systems in place for risk assessment, risk identification and management, and timely corrective measures for sustainability and to nourish improvement for the business of the Group.

## Communications with the Investment Community

The Company is committed to maintaining a continuing open dialogue with institutional investors and analysts to facilitate understanding of the group's management, financial position, operations, strategy and plans.

The Chairman and Chief Financial Officer have the prime responsibility for these activities, with the Chairman taking the lead in the period immediately following the interim and final results announcements.

Regular one-on-one meetings are held with the financial community which, in a number of instances, involve visits to production facilities.

The Company endeavours to be responsive to all media requests.