

Corporate Governance Report



All members of the Board

The Board recognizes its mission of creating value for and maximizing returns to the Shareholders, while at the same time fulfilling its corporate responsibilities. As such, the Board strives to promote and uphold good corporate governance.

The Company applied all the principles and complied with all the code provisions and most of the recommended best practices of the Code on Corporate Governance Practices (the “Corporate Governance Code”) contained in Appendix 14 to the Listing Rules for the year ended 31 December 2008. The corporate governance practices adopted by the Company are summarized below.

Board of Directors

Accountable to the Shareholders, the Board has the responsibility for providing leadership and managing the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs.

Corporate Governance Report

The Directors

As at the date of this report, the Board consists of the following ten Directors:

Category and name of Director	Date of first becoming Director	Date of last election by Shareholders
<i>Executive Directors</i>		
Mr. Li Ning (<i>Chairman</i>)	3 April 2004	11 May 2007
Mr. Zhang Zhi Yong (<i>Chief Executive Officer</i>)	6 May 2004	11 May 2007
Mr. Chong Yik Kay (<i>Chief Financial Officer</i>)	9 February 2009	N/A
<i>Non-executive Directors</i>		
Mr. Lim Meng Ann	6 May 2004	11 May 2007
Mr. Stuart Schonberger	6 May 2004	9 May 2008
Mr. Chu Wah Hui	1 June 2007	9 May 2008
Mr. James Chun-Hsien Wei	1 September 2007	9 May 2008
<i>Independent non-executive Directors</i>		
Mr. Koo Fook Sun, Louis	6 May 2004	11 May 2007
Ms. Wang Ya Fei	6 May 2004	12 May 2006
Mr. Chan Chung Bun, Bunny	6 May 2004	9 May 2008

Biographical details of the Directors are set out on pages 58 to 60 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the successful results of the Group. Every newly appointed Director receives a comprehensive, formal and tailored induction to ensure that he has a proper understanding of the business and operations of the Company and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are segregated and performed by Mr. Li Ning and Mr. Zhang Zhi Yong, respectively. There is a clear distinction between the Chairman's responsibility for providing leadership for the Board and the Chief Executive Officer's responsibility for managing the day-to-day operations of the Group's business.

Each of the non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years. The incumbent non-executive and independent non-executive Directors have extensive professional experience and have participated in the meetings of the Board in a highly conscientious and responsible manner. Non-executive Directors serve actively on Board committees to provide their independent and objective views, in particular, on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct and to promote critical review and control. They play an important check-and-balance role to safeguard the interests of the Company and the Shareholders as a whole.



The Company has appointed a sufficient number of independent non-executive Directors. The Company has received from each of the independent non-executive Directors an annual confirmation of his or her independence as required under the Listing Rules. Independence of each of the independent non-executive Directors has been assessed by the Board and the Board considers that all independent non-executive Directors are independent as required under the Listing Rules.

In compliance with the Listing Rules and the articles of association of the Company, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election. A new Director appointed by the Board is subject to election by Shareholders at the first general meeting after his or her appointment.

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers and reviews the scope of coverage of the insurance each year.

Responsibilities of the Board

While delegating authority and responsibility for implementing business strategy and managing the day-to-day operations of the Group's business to the management, the Board is collectively responsible for formulating the strategic business direction of the Group and setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies. The Board reviews the operating performance against agreed targets and budgets on a regular basis and also exercises a number of reserved powers, including:

- formulating long-term objectives and strategies;
- approving strategic, operational and financial plans;
- approving financial statements and public announcements;
- setting the dividend policy; and
- committing to major acquisitions, disposal, formation of joint ventures and capital transactions.

Responsibilities for the Financial Statements

The Directors are responsible for preparation of the financial statements of the Group for each financial year and ensuring that these financial statements give a true and fair view of the state of affairs of the Group, its results and cash flows for that period. The Directors are also responsible for ensuring that proper accounting records which disclose the financial position of the Group are kept at all times.

Board Meetings

The Board holds at least four regular Board meetings a year at approximately quarterly intervals and additional Board meetings are held as and when necessary to discuss significant events or important issues. Regular Board meetings are scheduled one year in advance to facilitate maximum attendance of Directors. The meeting agenda is set after consulting with members of the Board. Directors are required to declare their direct or indirect interests, if any, in any matter to be considered at Board meetings and interested Directors are required to abstain from voting and will not be counted in the quorum present in the Board meetings.



Corporate Governance Report

The Board held five meetings in 2008 and attendance of each Director at the meetings is set out below:

Members of the Board	Number of Board meetings attended	Attendance rate
<i>Executive Directors</i>		
Mr. Li Ning	5 out of 5	100%
Mr. Zhang Zhi Yong	5 out of 5	100%
Mr. Tan Wee Seng (Note 1)	4 out of 4	100%
Mr. Chong Yik Kay (Note 2)	N/A	N/A
<i>Non-executive Directors</i>		
Mr. Lim Meng Ann	5 out of 5	100%
Mr. Stuart Schonberger	5 out of 5	100%
Mr. Chu Wah Hui	5 out of 5	100%
Mr. James Chun-Hsien Wei	5 out of 5	100%
<i>Independent non-executive Directors</i>		
Mr. Koo Fook Sun, Louis	5 out of 5	100%
Ms. Wang Ya Fei	5 out of 5	100%
Mr. Chan Chung Bun, Bunny	4 out of 5	80%

Notes:

1. Mr. Tan Wee Seng resigned as an executive Director with effect from 1 December 2008.
2. Mr. Chong Yik Kay has been appointed as an executive Director with effect from 9 February 2009.

Board Committees

The Board is supported by a number of committees, including the Executive Committee, the Nomination Committee, the Remuneration Committee and the Audit Committee. Each Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The Committees are provided with sufficient resources to discharge their duties and report regularly to the Board, addressing major issues and findings, and making valuable recommendations to assist the Board in its decision making.

Executive Committee

The Board has established the Executive Committee to enhance management efficiency since December 2004. The Executive Committee currently comprises four members, namely:

Mr. Zhang Zhi Yong (Chairman of the Committee)	Executive Director & Chief Executive Officer
Mr. Li Ning	Chairman of the Board & Executive Director
Mr. Chong Yik Kay	Executive Director & Chief Financial Officer
Mr. Guo Jian Xin	Chief Operating Officer

The Board has delegated the following duties to the Executive Committee:

- setting the Group's strategic, operational and financial plans for approval by the Board;
- examining and approving the strategic business directions at subsidiary level;

Corporate Governance Report

- examining and approving financial arrangements of member companies of the Group within a limit approved by the Board; and
- deciding on the appointment and removal of senior management members of the Group.

The Board reviews the terms of reference of the Executive Committee regularly to ensure that proper and appropriate delegation of authority are achieved.

Nomination Committee

The Nomination Committee has been established since June 2005 and currently consists of the following Directors, namely:

Mr. Lim Meng Ann <i>(Chairman of the Committee)</i>	Non-executive Director
Mr. Koo Fook Sun, Louis	Independent non-executive Director
Ms. Wang Ya Fei	Independent non-executive Director
Mr. Chu Wah Hui	Non-executive Director

The Nomination Committee adopts the recommended terms of reference set out in the Corporate Governance Code as its terms of reference which are available on the Company's websites. Its primary role is to evaluate the structure, size and composition of the Board, to make recommendations to the Board on the appointment and succession of Directors based on certain criteria adopted by the Committee, including appropriate professional skills, knowledge and industry experience, personal ethics, integrity and skills and time commitment to the Board's affairs. The process ensures that the Board comprises a sufficient number of Directors and consists of Directors having sound knowledge, experience and/or expertise pertaining to the business operations and development of the Group.

The Nomination Committee met twice in 2008 to discharge its responsibilities. Individual attendance of members at the meetings is set out as follows:

Members of the Nomination Committee	Number of committee meetings attended	Attendance rate
Mr. Lim Meng Ann	2 out of 2	100%
Mr. Koo Fook Sun, Louis	2 out of 2	100%
Ms. Wang Ya Fei	2 out of 2	100%
Mr. Chu Wah Hui	2 out of 2	100%

During the year, the Nomination Committee, through engagement of professional recruitment consultants, identified and recommended to the Board candidates suitably qualified to become a Board member and the Chief Financial Officer of the Group in replacement of Mr. Tan Wee Seng who resigned effective from 1 December 2008. Upon recommendation of the Nomination Committee, Mr. Chong Yik Kay who is experienced in the field of accounting, financial and business management has been appointed as an executive Director and the Chief Financial Officer with effect from 9 February 2009.

Remuneration Committee

The Remuneration Committee has been established since June 2004. The primary responsibility of the Remuneration Committee is to formulate remuneration policies and practices to enable the Company to attract, retain and motivate quality personnel which is essential to the long-term success of the Company.

Corporate Governance Report

The Remuneration Committee currently consists of following three Directors, namely:

Ms. Wang Ya Fei (Chairman of the Committee)	Independent non-executive Director
Mr. Lim Meng Ann	Non-executive Director
Mr. Koo Fook Sun, Louis	Independent non-executive Director

The Remuneration Committee has adopted the terms of reference as outlined under the Corporate Governance Code. The current terms of reference of the Remuneration Committee are available on the Company's websites.

The Remuneration Committee met four times in 2008. Individual attendance of the members at the meetings is set out as follows:

Members of the Remuneration Committee	Number of committee meetings attended	Attendance rate
Ms. Wang Ya Fei	4 out of 4	100%
Mr. Lim Meng Ann	4 out of 4	100%
Mr. Koo Fook Sun, Louis	4 out of 4	100%

The following is a summary of the major tasks attended by the Remuneration Committee in 2008:

- review and setting of the long-term incentive plan in line with the Group's strategic plan for years 2009-2013, including basic salary, annual bonus, granting of share options and restricted shares under the relevant share schemes of the Company;
- annual review and determining of remuneration packages for Directors and senior executives;
- review and determining of the bonus execution plan for year 2008 according to the key performance indicators for year 2008;
- review and setting of key performance indicators and bonus plan for year 2009; and
- setting of incentive plan for certain new business.

In discharge of its functions, the Remuneration Committee consults and seeks advice from the Chairman, the Chief Executive Officer, the Chief Financial Officer and the head of Human Resources of the Company. External professional consultants are engaged to provide advice on issues when the Remuneration Committee considers necessary.

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to retain and motivate executive Directors by linking their compensation with their individual performance as measured against the Group's corporate objectives and operating results, taking into account also the comparable market conditions. The principal elements of the remuneration package of an executive Director include director's fee, basic salary, discretionary bonus, participation in the Company's share schemes and other benefits and allowances. Remuneration of non-executive Directors (including independent non-executive Directors) includes mainly the director's fee which is a matter for the Board to decide by reference to the duties and responsibilities of non-executive Directors (including independent non-executive Directors) and the comparable market conditions. Non-executive Directors are also invited to participate in the Company's share schemes. The Company reimburses reasonable out-of-pocket expenses incurred by the Directors in the course of performing their duties as Directors.

Directors do not participate in decisions or attend meetings approving their own remuneration. The emoluments of each Director for the year ended 31 December 2008 are set out in note 24 to the consolidated financial statements.

Audit Committee

The Audit Committee has been established since June 2004. Its role is to assist the Board in discharging its responsibilities for monitoring the integrity of the Group's financial statements, overseeing the Group's financial reporting systems, internal control procedures and the Company's relationship with the external auditor. The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and are in compliance with the Corporate Governance Code. The current terms of reference are available on the Company's websites.

The Audit Committee currently consists of the following three Directors, namely:

Mr. Koo Fook Sun, Louis <i>(Chairman of the Committee)</i>	Independent non-executive Director
Mr. Stuart Schonberger	Non-executive Director
Ms. Wang Ya Fei	Independent non-executive Director

All members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management expertise in discharging their responsibilities as members of the Audit Committee.

The Audit Committee met three times in 2008. The external auditor, Chief Executive Officer, Chief Financial Officer and the department heads of the Internal Audit Department and Accounting Management Department attended the meetings and provided necessary information and addressed questions from the Audit Committee. Individual attendance of each Audit Committee member at the meetings held in 2008 is set out as follows:

Members of the Audit Committee	Number of committee meetings attended	Attendance rate
Mr. Koo Fook Sun, Louis	3 out of 3	100%
Mr. Stuart Schonberger	3 out of 3	100%
Ms. Wang Ya Fei	3 out of 3	100%

The following is a summary of the work performed by the Audit Committee in 2008:

- review of and recommendation for the Board's approval of the 2007 annual financial statements and 2008 interim financial statements with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;
- review of the external auditor's statutory audit plan and the nature and scope of audit before commencement of audit work;
- discussion with the external auditor and the management on possible accounting risks;
- review of internal audit findings in 2008 and recommendations and approval of 2009 internal audit plan;
- review of the effectiveness of the Company's internal control system;
- approval of the audit fees and terms of engagement of the external auditor; and
- review of independence of the external auditor and recommendation to the Board on the re-appointment of the external auditor.

External Auditor

For the year ended 31 December 2008, the total remuneration for the audit services provided by the external auditor amounted to RMB4,150,000 (2007: RMB3,700,000). The audit fees were approved by the Audit Committee.

For the year ended 31 December 2008, the total remuneration for permissible non-audit services provided by the external auditor and its affiliates amounted to RMB1,461,000 (2007: RMB1,406,000). The non-audit services mainly comprised tax compliance and other tax advisory services. The Audit Committee had been notified with the non-audit services and fees and was satisfied that such services did not (in terms of the nature of services) affect the independence of the external auditor.

Prior to commencement of the audit of the 2008 accounts of the Company, the Audit Committee had received confirmation from the external auditor on their independence and objectivity.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out on page 87 of this annual report.

PricewaterhouseCoopers has been appointed as the external auditor of the Company since the Company's listing on the Hong Kong Stock Exchange in 2004. The re-appointment of PricewaterhouseCoopers as the external auditor of the Company has been recommended by the Audit Committee, endorsed by the Board and is subject to approval by the Shareholders at the forthcoming annual general meeting.

Internal Control

Control System

The Board and the management place great importance on and provide support to internal control. Based on the Group's experience in operations control over the years, the Company has streamlined all major operational procedures by identifying major risks and formulating control measures necessary to reduce such risks, and putting in place an integrated system of internal control. The system adopts the globally recognized framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), with the Group's business, operational and financial risks, corporate culture and management philosophy being taken into account. The system is designed to achieve (i) effectiveness and efficiency of operations; (ii) enhanced reliability of internal and external financial reporting; and (iii) compliance with applicable laws and regulations. The system plays a key role in risk management and in safeguarding shareholders' investment and the assets of the Company. It serves to provide reasonable, but not absolute, assurance against material misstatement, fraud or loss.

The Group's internal control system features the following aspects:

- (1) A top-down organizational and management structure with clear-cut responsibilities and authorities, embracing three levels which are responsible for ultimate accountability, supervision and implementation, respectively: (i) the Board has the ultimate accountability and authority in internal control management. It is externally accountable to the Shareholders for corporate governance, whereas internally it acts as the highest authority to foster internal control; (ii) the Audit Committee is responsible for supervising the establishment and operation of the internal control system by the management, monitoring the Group's internal control procedures and advising on the effectiveness thereof. Assessment on the effectiveness of internal control is conducted by the internal audit department which reports directly to the Audit Committee; (iii) the implementation level comprises a decision-making group (which is an executive team led by the Chief Executive Officer and the Chief Financial Officer being responsible for the daily internal control management), a coordination body (namely, the internal control work group, which is responsible for supporting the



planning and establishment of the Group's internal control system, coordinating the promotion and implementation of the internal control structures in different systems, and organizing examination on the effectiveness of internal control and assessment of risks) and operational level (which are the units being responsible for execution of internal control, including various operational and functional systems and departments that are responsible for the establishment, enhancement and effectiveness of internal control system).

- (2) Possession of an effective and forward-looking information system on operational, financial and accounting management, to support the supervision of implementation and performance of business strategies and plans. On-time and regular operational and financial reports are lodged with and reviewed by the senior management, the Board or its designated committees. This allows them to monitor and control situations against the agreed annual operating and financial targets and to consider necessary actions as well as to ensure such actions being carried out promptly to remedy any significant failures or weaknesses.
- (3) Implementation since 1 January 2006 of the Internal Control Manual of Li Ning Company Limited, which represents the codification of the Group's existing internal control policies and operational procedures to enhance its internal control system. At present, the manual covers areas comprising the management procedures in respect of sales and trade receivables, procurement and trade payables, inventories, capital, financial reporting, taxation, management functions of the Group, administration and human resources management, intellectual property rights and fixed assets management systems. The Internal Control Manual of Li Ning Company Limited will be updated at least once annually, depending on the needs for business changes and procedural refinement, so as to further improve and monitor the effectiveness of the internal control system on a continuing basis. With the coordination of the internal control work group, 77 detailed control procedures of the Internal Control Manual were amended by relevant departments during the year 2008, with such amended procedures implemented in the year.
- (4) Establishment of an effective annual self-assessment and evaluation mechanism under the internal control framework, with satisfactory results and attaining the following goals:
 - (i) testing the reasonableness of the existing internal control mechanism, evaluating control risk, so as to provide a way to rectify any inadequacy of internal control in a timely and effective manner;
 - (ii) prompting personnel in key positions to review, evaluate and step up the implementation of internal control regarding their areas of duties; and
 - (iii) assisting the Audit Committee and the Board in assessing the effectiveness of the Group's internal control system.
- (5) Independent reviews of risks associated with and internal control on key operations and financial and compliance functions are performed by the Internal Audit Department. Significant issues, together with recommendations for improvement, are reported in detail to the Audit Committee or the Board.

The Company pays much attention to the internal promotion and implementation of internal control and risk management. Materials related to internal control have been included in the training programs of new staff and the internal control work group regularly issues the internal newsletters "Internal Control Developments", so as to share with department managers material internal control and risk related events in the external environment, and to raise their attention to risk and internal control management.



Annual Review

The Board is fully aware of its accountability to the Company in respect of the Group's internal control system and the responsibility for reviewing the effectiveness of the system. The Board recognizes that its internal control system needs to be responsive and remain relevant over time in a continuously evolving business environment. The Group's internal control system is therefore subject to continuous review and improvement to enable the Group to be responsive to any alteration of risks faced by the Group. A comprehensive review on the effectiveness of the Group's internal control system is conducted annually, covering all material controls, including financial, operational and compliance controls and risk management functions. The review is performed internally on a self-assessment approach with a complete set of reporting forms. Persons-in-charge of each system and department are requested to fill in the self-assessment review questionnaire against key items of internal control. In addition, senior management members are requested to assess the effectiveness of the internal control system against the elements outlined by the COSO internal control system, including control environment, risk assessment, information and communication, and control. Through the review process, the process owner is able to certify whether the internal control system is working as intended or to identify failures or weaknesses and the relevant actions taken or to be taken in order to rectify them. The Internal Audit Department will also carry out independent examination and analysis on the reviewing process and results. Based on the results, the Chief Executive Officer and the Chief Financial Officer will submit a declaration to the Audit Committee and the Board, certifying the adequacy and effectiveness of the Group's internal control system.

The results of the review conducted for the year ended 31 December 2008 have been reported to the Audit Committee and the Board. According to the results, the Audit Committee and the Board confirm that the systems and procedures of the Group's internal control are in good order and are able to identify, control and report on significant risks involved in achieving the Group's strategic objectives. Deficiencies and weaknesses have been identified and remedial actions have been taken or designated to be taken. No material deficiencies have been identified so far and there were no significant areas of concern which may affect the Shareholders.

The Audit Committee and the Board received also the annual review results with regard to the adequacy, professional qualification and practicing experience of accounting and financial reporting staff. In accordance with such results, the Audit Committee and the Board are of the view that the Group has an adequate number of accounting and financial reporting staff, so as to effectively perform the accounting and financial reporting functions, and all accounting and financial reporting staff have the professional qualification and practicing experience needed for their respective functions, and there has been sufficient training programs and related budget for the staff.

The Board considers that the Group's internal control system is adequate and effective and the Company has complied with the code provisions in respect of internal control under the Corporate Governance Code for the year ended 31 December 2008.

Internal Audit

The Internal Audit Department has been established since the listing of the Company on the Hong Kong Stock Exchange in 2004. The main functions of the Internal Audit Department are reviewing operational and financial conditions of the Group, so as to disclose potential risks, and follow up with related remedy measures, with a view to continue to enhance the operation effectiveness and efficiency of the Group. It plays an important role in the Group's internal control framework with an aim to provide objective assurance to the Audit Committee and the Board that a sound internal control system is maintained and operated and that the risks associated with the achievement of business objectives are being managed properly and circumvented.



Corporate Governance Report

The Internal Audit Department formulates the internal audit plan every year in accordance with risk level and importance, and engages in related jobs with the approval and support of the Audit Committee. The tasks of the Internal Audit Department include regular audit and evaluation of the operation effectiveness and efficiency of various business and functional systems. Special reviews may, based on the assessment of risks, be conducted in various concerned areas identified by the management and the Audit Committee. For material audit discoveries and risks, the Internal Audit Department will notify the Audit Committee and the management timely of such risks, and regularly follow up with the improvement progress. The Internal Audit Department reports directly to the Chief Financial Officer and can refer matters to the Audit Committee directly. The head of the Internal Audit Department attends each and every meeting of the Audit Committee and maintains constructive dialogue with the Company's external auditor.

The Internal Audit Department is also responsible for reviewing and assessing of the adequacy and compliance level of the Group's internal control system and formulating an impartial opinion on the effectiveness of the system.

Price Sensitive Information

With respect to procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is fully aware of its obligations under the Listing Rules and the overriding principle that price-sensitive information should be announced immediately when it is the subject of a decision. The Company's policy contains a strict prohibition on the unauthorised use of confidential or insider information and has established and implemented procedures for responding to external enquiries about the Group's affairs. The Chief Executive Officer and the Chief Financial Officer are identified and authorised to act as the Company's spokespersons to respond to enquiries made in relation to the Group's affairs.

Conduct on Share Dealings

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules regarding securities transactions by its Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2008.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company in year 2008.

Shareholders' Rights

Under the Company's articles of association, any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board to require an extraordinary general meeting to be called by the Board for transactions of any business specified in such requisition. All resolutions put forward at any Shareholders' meeting are voted by poll so that each share is entitled to one vote.

For the year 2008, there was no change made in the Company's articles of association.



Corporate Governance Report

To facilitate communication further, Shareholders may send their enquiries which require the Board's attention to the Company Secretary at the Company's principal place of business in Hong Kong. Relevant contact information is set out on page 5 of this annual report and is also available on the Company's websites. Important Shareholders' dates are set out on page 55 of this annual report and posted on the Company's websites.

Shareholders' Meetings

The annual or extraordinary general meeting provides a principal channel of direct communication between the Company and the Shareholders. It provides the best opportunity for Shareholders to better understand the Company's operation, financial performance, business strategies and outlook. To encourage Shareholders to attend the meeting, more than 20 clear business days' notice and circular containing necessary information would be given to Shareholders so as to enable them to make informed decisions on the resolutions proposed to be considered in the meeting. A question and answer section is available for Shareholders to raise questions and the Directors would respond to such questions at the meeting.

The last annual general meeting, which was also the last Shareholders' meeting of the Company, was held on 9 May 2008. The Chairman, all executive Directors, independent non-executive Directors and the Company's external auditor were present at the meeting. At the annual general meeting, separate resolutions were proposed for each issue and were voted by poll. Apart from the ordinary business of adopting the audited financial statements for the year ended 31 December 2007, matters including the declaration of final dividend, the re-election of Directors, the re-appointment of auditor and the authorization of the Directors to fix their remuneration were approved in the meeting. Ordinary resolutions providing Directors with general mandates to repurchase and issue and allot shares of the Company subject to the relevant limits under the Listing Rules were also approved. All the resolutions proposed at the meeting were approved by Shareholders and details of the poll results were declared at the meeting and are published on the Company's websites.

The next annual general meeting of Shareholders will be held on 15 May 2009. Details of the meeting and necessary information on issues to be considered in the meeting are set out in the circular dispatched to Shareholders together with the Company's annual report 2008.

Recognition and the Way Forward

The Company's commitment to corporate governance continued to gain market recognition. The Company is ranked as one of the best companies in China in "The Asset Corporate Governance Awards 2008" held by The Asset Magazine.

Going forward, the Board will continue to review and improve its corporate governance regime in response to internal and external changes with an aim to maintain a high degree of transparency, accountability and independence.

By order of the Board

Zhang Zhi Yong

Executive Director & Chief Executive Officer

Chong Yik Kay

Executive Director & Chief Financial Officer

Hong Kong, 18 March 2009