

# Corporate Governance Report

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

The Company complied with all the principles and code provisions and most of the recommended best practices of the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules for the year ended 31 December 2007. The corporate governance practices adopted by the Company are summarized below.

## BOARD OF DIRECTORS

Accountable to the Shareholders, the Board of Directors 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.

### 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
<b>Executive Directors</b>	
Mr. Li Ning ( <i>Chairman</i> )	3 April 2004
Mr. Zhang Zhi Yong ( <i>Chief Executive Officer</i> )	6 May 2004
Mr. Tan Wee Seng ( <i>Chief Financial Officer</i> )	6 May 2004
<b>Non-executive Directors</b>	
Mr. Lim Meng Ann	6 May 2004
Mr. Stuart Schonberger	6 May 2004
Mr. Chu Wah Hui	1 June 2007
Mr. James Chun-Hsien Wei	1 September 2007
<b>Independent non-executive Directors</b>	
Mr. Koo Fook Sun, Louis	6 May 2004
Ms. Wang Ya Fei, Jane	6 May 2004
Mr. Chan Chung Bun, Bunny	6 May 2004





Mr. TAN Wee Seng  
*Chief Financial Officer*

Biographical details of the Directors are set out on pages 56 to 58 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, contributing to the successful performance of the Group.

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 or renewed his or her service contract with the Company for a term of three years commencing in 2007. 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 ensure that independent and objective views are expressed, 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. The Company considers that all independent non-executive Directors are independent as required under the Listing Rules.

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.

# Corporate Governance Report

## 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 performance of the operating divisions against their 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 Accounts

The Directors are responsible for preparation of the financial accounts of the Group for each financial year and ensuring that these accounts 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.







The Board held five meetings in 2007 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	5 out of 5	100%
<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	4 out of 4 (Note 1)	100%
Mr. James Chun-Hsien Wei	2 out of 2 (Note 2)	100%
<i>Independent non-executive Directors</i>		
Mr. Koo Fook Sun, Louis	5 out of 5	100%
Ms. Wang Ya Fei, Jane	5 out of 5	100%
Mr. Chan Chung Bun, Bunny	3 out of 5	60%

*Notes:*

1. Mr. Chu Wah Hui was appointed as a non-executive Director on 1 June 2007. Four Board meetings were held during the period from 1 June 2007 to 31 December 2007.
2. Mr. James Chun-Hsien Wei was appointed as a non-executive Director on 1 September 2007. Two Board meetings were held during the period from 1 September 2007 to 31 December 2007.



## 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 ( <i>Chairman of the Committee</i> )	Executive Director & Chief Executive Officer
Mr. Li Ning	Chairman of the Board & Executive Director
Mr. Tan Wee Seng	Executive Director & Chief Financial Officer
Mr. Guo Jianxin	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;
- 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, Jane	Independent non-executive Director
Mr. Chu Wah Hui ( <i>appointed on 28 August 2007</i> )	Non-executive Director



## Corporate Governance Report

(continued)

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 2007 to discharge its responsibilities. Individual attendance of each 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, Jane	2 out of 2	100%
Mr. Chu Wah Hui	N/A*	N/A*

\* The meetings had been held before Mr. Chu Wah Hui was appointed as a member of the Nomination Committee on 28 August 2007.

During the year, the Nomination Committee, through engagement of professional recruitment consultants and consideration of referrals, identified and recommended to the Board candidates suitably qualified to become a Board member based on the abovementioned criteria adopted by the Committee. Upon recommendation of the Nomination Committee, Mr. Chu Wah Hui and Mr. James Chun-Hsien Wei, both with profound knowledge and experience in brand-related business, were appointed by the Board as non-executive Directors with effect from 1 June 2007 and 1 September 2007, respectively. Every newly appointed Director received 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.

## 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 success of the Company.

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

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



## Corporate Governance Report

(continued)

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 2007. 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, Jane	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 2007:

- review of the Group's long-term incentive plan including, among others, granting of share options and restricted shares under the relevant share schemes of the Company;
- annual review and determination of remuneration packages for Directors and senior executives;
- review and determining of the bonus execution plan for year 2007 according to the key performance indicators for year 2007; and
- review and setting of salary and bonus structure for year 2008.

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 director of Human Resources of the Company. External professional consultants can be 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, share options and restricted shares. 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. 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 2007 are set out in note 25 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, Jane	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 2007. 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 2007 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, Jane	3 out of 3	100%

The following is a summary of the work performed by the Audit Committee in 2007:

- review of and recommendation for the Board's approval of the 2006 annual financial statements and 2007 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 2007 internal audit findings and recommendations and approval of 2008 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 2007, the total remuneration for the audit services provided by the external auditor amounted to RMB3,700,000 (2006: RMB3,120,000). The audit fees were approved by the Audit Committee.

For the year ended 31 December 2007, the total remuneration for permissible non-audit services provided by the external auditor (including any entity under common control, ownership or management with the auditor) amounted to RMB1,406,000 (2006: RMB1,131,000). 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 and the amount of fees charged) affect the independence of the external auditor.

Prior to commencement of the audit of the 2007 accounts of the Company, the Audit Committee had received a written 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 80 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. In 2005, with the assistance of professional consultants and based on the Group's experience in operations control over the years, the Company streamlined all major operational procedures by identifying major risks and formulating control measures necessary to reduce such risks, and put 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, though 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. Preliminary 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 responsible for execution of internal control, including various operational and functional systems and departments who 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. A rolling strategic plan of the Company which sets out the corporate strategies to be pursued in the next three years for achieving the annual operating and financial targets will be prepared each year under which resources are allocated in accordance with identified and prioritized business opportunities. 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 action as well as to ensure such action 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. 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, the Internal Control Manual of Li Ning Company Limited was thoroughly reviewed, amended and updated by relevant departments during the year 2007 and the 2007 revised edition was issued and implemented on 29 December 2007. New internal control procedures will also be continuously formulated, including the introduction of those on human resources and intellectual property rights management during the year under review. 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.



- (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) assisting the Audit Committee and the Board in assessing the effectiveness of the Group's internal monitor system;
  - (ii) prompting personnel in key positions to review, evaluate and step up the implementation of internal control regarding their areas of duties; and
  - (iii) testing the reasonableness of the existing internal control mechanism, which serves to rectify any inadequacy of internal control in a timely and effective manner.
- (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 and the external auditor. Significant issues, together with recommendations for improvement, are reported in detail to the Audit Committee or the Board.

## 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 the 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 2007 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 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 2007.

## Internal Audit

The Internal Audit Department has been established since the listing of the Company on the Hong Kong Stock Exchange in 2004. 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. 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.

By adopting the risk assessment methodology, the Internal Audit Department schedules its internal audit program annually which is endorsed by the Audit Committee. The tasks of the Internal Audit Department include regular review and audit of the practices, procedures and internal control systems of various financial and operational activities of the Group with resources being focused on higher perceived risks. Special reviews may, based on the assessment of risks, be conducted in various concerned areas identified by the management and the Audit Committee.

Audit reports addressing significant audit findings or identified risks, together with recommendations for remedial action are submitted to and discussed with the Audit Committee and the management on a regular basis. All reports will be followed up by the Internal Audit Department to ensure that all issues have been satisfactorily resolved. The Internal Audit Department is also responsible for assessing 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 Financial Officer, the Chief Executive Officer and the Chairman 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 2007 and up to the date of this report.

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 2007.



## 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.

To safeguard Shareholders' rights, the Company adopts the policy of voting by poll for all resolutions put forward at any Shareholders' meeting so that each share is entitled to one vote. Details of the poll voting procedures and the rights of Shareholders to demand a poll are set out in every circular to Shareholders accompanying the notice convening the Shareholders' meeting.

For the year 2007, there was no change made in the Company's articles of association.

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 3 of this annual report and is also available on the Company's websites. Important Shareholders' dates are set out on page 53 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 21 clear 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 11 May 2007 at the JW Marriott Hotel, Hong Kong. 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 2006, 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 9 May 2008. 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 2007.



## RECOGNITION AND THE WAY FORWARD

The Company's commitment to corporate governance continued to gain market recognition. The Board was awarded the "Directors of the Year Award 2007 — Board Category" by The Hong Kong Institute of Directors. The Award is a recognition of the Board's concerted effort and contribution in steering the development of the Group.

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*

**TAN Wee Seng**

*Executive Director & Chief Financial Officer*

Hong Kong, 18 March 2008

