

SUNDAY is committed to ensuring high standards of corporate governance in the interests of shareholders and takes care to identify practices designed to achieve effective oversight, transparency and ethical behaviour.

## **BOARD OF DIRECTORS**

The Board of Directors comprises five Executive Directors, three independent Non-executive Directors and two Non-executive Directors. The Directors, except the Co-Chairmen and the Group Managing Director, are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Company's Articles of Association. Subject to shareholders' approval of the modification to the Company's Articles of Association in the coming annual general meeting, all Directors (including the Co-Chairmen and Group Managing Director) will be subject to retirement by rotation and re-election after the 2005 annual general meeting.

The Board schedules to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results, budgets and other significant matters. All Directors are encouraged to take independent professional advice at the Company's expense in performance of their duties if necessary. The roles of the Co-Chairmen and the Group Managing Director are distinct and segregated with a clear division of responsibility. The role of Non-executive Directors is to enhance independence and objectivity of the Board's deliberations and decisions.

## **Frequency of Meetings and Attendance**

Five full Board meetings were held during the year with an average attendance rate of 77% (2003: 80%).

## **Remuneration**

In 2004, total Directors' remuneration amounted to HK\$11 million (2003: HK\$11 million).

Remuneration of the Directors was reviewed and approved by the Remuneration Committee. Remuneration of the Group Managing Director and the Executive Directors is prudently designed to attract, motivate and retain them to formulate strategies and to oversee operational matters of the Group and to reward them for enhancing value to the shareholders. The Group Managing Director is also entitled to a discretionary bonus which is assessed based on both individual and Group performance.

## **Independence**

The independent Non-executive Directors of the Company and their immediate family receive no payments from the Company or its subsidiaries (except the director fees). No family member of any independent Non-executive Directors is employed as an executive officer of the Company or its subsidiaries, or has been so in the past three years. The independent Non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Company's Articles of Association. Each independent Non-executive Director has provided a confirmation of his independence to the Company. The Company considers each independent Non-executive Director to be independent with reference to the independence guidelines set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## COMMITTEES

The Board has established a number of committees with a variety of functions, to assist in the management and oversight of the Group.

### Executive Management Committee

The Executive Management Committee consists of the Executive Directors of the Board. The committee's principal functions include formulating strategies and overseeing operational matters of the Group under the direct authority of the Board. The committee meets regularly each month and on an ad hoc basis as required with the senior management of the Group, and engages in frequent informal discussions.

### Audit Committee

The Audit Committee of the Board of Directors was established with written terms of reference that set out the authorities and duties of the committee adopted by the Board. The committee re-assesses the Audit Committee Charter on an annual basis. The committee comprises three independent Non-executive Directors. One of these Directors, Mr. John William Crawford, has appropriate professional qualifications and experience in financial matters. The committee meets regularly with the external auditors and the Group's internal audit personnel and management. None of the members of the committee has any personal financial interests (other than as shareholders) or conflicts of interest arising from day-to-day involvement in the running of the business.

The committee's principal duties include approving the nature and scope of both the statutory and internal audits, considering and approving the interim and annual accounts of the Group, and reviewing the adequacy and effectiveness of the accounting and financial controls of the Group. The committee meets at least twice a year and on an as-needed basis. It also follows up regularly with management regarding management actions arising from the audits. Three meetings were held during the year.

The committee has reviewed the annual and interim results during the year and was content that the accounting policies of the Group are in accordance with the current best practices in Hong Kong and the United States.

### Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration of the Directors and officers of the Company, and other matters relating to remuneration, as directed by the Board from time to time. The committee consists of the Company's two Co-Chairmen and an independent Non-executive Director, Mr. Henry Michael Pearson Miles. None of the members of the committee has any personal financial interests (other than as shareholders) or conflicts of interest arising from day-to-day involvement in the running of the business. No Director plays a part in any discussion about his own remuneration.

### Share Option Committee

A committee consisting of the Company's two Co-Chairmen was formed in 2000 to deal with the granting of share options under the Company's Share Option Scheme. In each case, the grant of options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, requires approval by the Company's independent Non-executive Directors.

## INTERNAL AUDIT

An internal audit function was established in May 2001 with an Internal Audit Charter approved and adopted by the Audit Committee. The internal audit function is an independent unit established within the Group, which provides to the Board of Directors an independent appraisal of the Group's systems of internal controls by means of conducting reviews to evaluate the adequacy and effectiveness of the controls established to safeguard shareholders' investments and the Group's assets. The head of the internal audit has a direct reporting line to the Audit Committee.

## EXTERNAL AUDITORS

During the year, the fees paid to PricewaterhouseCoopers, the auditors of the Company, for audit services, including independent review of interim results and annual results filed to the US Securities and Exchange Commission, amounted to HK\$1,288,000 (2003: HK\$1,100,000). Apart from these audit services, PricewaterhouseCoopers also provides other permissible services which have been pre-approved by the Audit Committee, including tax advisory and reviews of the Company's compliance with certain regulatory requirements. The fees of such permissible services amounted to HK\$616,000 in 2004 (2003: HK\$449,000).

## CODES AND POLICIES

### Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules which was in force prior to 1st January 2005, except that Non-executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Company's Articles of Association.

### Related Party Transactions Policy

The Company has formulated a policy on the review and approval of the related party transactions since March 2003. Related party transactions are periodically reviewed and approved by the Audit Committee. All such related party transactions were undertaken in the ordinary course of business of the Group, on normal commercial terms, and complied with the policy.

### Code of Ethics

In September 2003, the Company adopted a Code of Ethics that applies to the Company's principal executive officer and senior financial officers. The code emphasises the role of the principal executive officer and senior financial officers in the conduct and practice of financial management and lays down the key principles that they shall follow and advocate, which include honest and ethical conduct; full, fair, accurate, timely and understandable disclosure; compliance with governmental laws and regulations; prompt internal reporting; and accountability for adherence to the code.

### Whistleblower Policy

In September 2003, a Whistleblower Policy was established to facilitate the reporting of improper activities relating to fraud against shareholders, or questionable accounting, internal accounting controls or auditing matters. Any whistleblower complaints can be reported to the Internal Audit or the Audit Committee Chairman; or directly to the Audit Committee Chairman on a confidential and anonymous basis via the means set out in the policy. The Audit Committee will investigate each matter so reported and take corrective and disciplinary actions, if appropriate.

### **Securities Dealing Code**

In March 2004, the Company revised its Securities Dealing Code (the “Code”) to align with the amendments of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in the Listing Rules. The revised Code sets out the principles applying to dealings in the Company’s shares and other securities. It applies to all Directors and to all employees to whom the Code is given and who are informed that they are subject to its provisions. The Directors and all the relevant employees must comply strictly with the terms of the Code. Any breach of the Code would be regarded as a very serious disciplinary matter. The Company has confirmed that the Directors have complied with the required standard set out in the Model Code and Code.

### **Code of Conduct and Ethics**

In April 2004, the Company amended its code of conduct and ethics to comply with the corporate governance standards of the NASDAQ National Market. The code is intended to promote the well-being of the all employees, officers and directors in the workplace, and advocate high standards of professional conduct and work performance, with the guiding principles of honesty, fairness, forthrightness and adherence to the spirit and letter of the code.

## **COMMUNICATION WITH SHAREHOLDERS**

Communication with shareholders is given high priority. Extensive information about the Group’s activities is provided in the annual report and the interim report. SUNDAY website provides regularly updated information of interest to shareholders, and a channel for enquiries and feedback. SUNDAY also maintains regular communications with investors.

Enquiries on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner. The Group encourages all shareholders to attend the annual general meeting.