

AUDIT COMMITTEE REPORT

The Audit Committee has 3 members (with a majority of Independent non-executive Directors). Currently, it is chaired by Nicholas Charles ALLEN, Independent non-executive Director and the other members are Dr. Geoffrey Meou-tsen YEH, Independent non-executive Director and Chien LEE, Non-executive Director.

Under its terms of reference, the Committee oversees the Company's financial reporting process; it also reviews the Company's internal controls and risk management systems and its relationship with external auditor. Effective from 1 January 2009, the Committee's terms of reference was revised in light of the changes to the Listing Rules. The Committee also has the responsibility to review the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Committee presents a report to the Board on its findings after each Committee meeting.

The Committee held 2 meetings during the year, on 9 March and 10 August 2009. The meeting held in March 2009 was attended by Sir David AKERS-JONES and Tom BEHRENS-SORENSEN whilst the meeting held in August 2009 was attended by Sir David AKERS-JONES and Chien LEE to consider the financial statements for the 2008 annual report and 2009 interim report respectively. The Committee last met on 9 March 2010 to consider the financial statements for the year ended 31 December 2009.

Details on the meeting held in March 2009 were set out in the 2008 Annual Report. Significant matters, as reviewed and discussed in the other meetings, include the following:

Financial Reporting

In the process of financial reporting, management is responsible for the preparation of Group financial statements including the selection of suitable accounting policies. The external auditor is responsible for auditing and attesting to Group financial statements and evaluating the Group's system of internal controls in such regard. The Committee oversees the respective work of management and the external auditor to endorse the processes and safeguards employed by them.

- August 2009 : The Committee reviewed and recommended to the Board for approval the unaudited financial statements for the first 6 months of 2009, prior to public announcement and filing. The Committee received reports from and met with the external auditor to discuss the scope of their review and findings. The Committee had discussions with management on significant judgments affecting Group's financial statements.
- March 2010 : The Committee reviewed and discussed with management and external auditor the 2009 financial statements included in the 2009 Annual Report, prior to public announcement and filing. The Committee received reports from and met with external auditor and internal auditor to discuss the general scope of their respective work and findings. The Committee had discussions with management with regard to significant judgments affecting the Group financial statements. Based on these review and discussions, and the report of the external auditor, the Audit Committee recommended to the Board approval of the financial statements for the year ended 31 December 2009, with the Independent Auditor's Report thereon.

Review of Internal Controls and Risk Management Systems

- August 2009 : The Committee considered the report of internal audit, including status in implementing recommendations on previous audits and was satisfied.
- March 2010 : For 2009 annual internal controls review, the Committee considered reports from and upon receiving confirmation of management and internal audit, was satisfied as to the effectiveness of the Company's internal controls system (including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget). There were no matters of material concerns relating to financial, operational, or compliance controls.

Relationship with External Auditor

- August 2009 : The Committee reviewed and considered the terms of engagement of the external auditor in respect of the 2009 annual audit and the related results announcement and annual confirmation.
- March 2010 : The Committee assessed the auditor's independence and objectivity. Factors considered include the arrangement for lead audit partner rotation, and the provision of non-audit services by the auditor. The Committee recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor for 2010.

The Committee also reviewed and considered the terms of engagement of the external auditor in respect of the 2010 interim results review.

For the year ended 31 December 2009, external auditor received a total fee of HK\$2,054,000 (audit services: HK\$1,810,000 and non-audit services: HK\$244,000).

Members of the Audit Committee

Nicholas Charles ALLEN (*Chairman*)

Chien Lee

Dr. Geoffrey Meou-tsen YEH

Hong Kong, 10 March 2010