

# Corporate Governance Report

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Company has complied with code provisions (with the exception of code provision A.2.1 on separate role of chairman and chief executive officer; A.4.1 on specific term of non-executive directors) set out in the CG Code throughout the year ended 31st December, 2011. Explanations for such non-compliance are provided and discussed below.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards set out in Appendix 10 to the Listing Rules (the “Model Code”). Specific enquiry has been made by the Company to each director of the Company confirming that they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the year ended 31st December, 2011.

## BOARD OF DIRECTORS

The board of directors of the Company (the “Board”) currently comprises three executive directors and three independent non-executive directors.

The members of the Board during the year and up to the date of this report are:

### Executive Directors

Mr. Pang Tak Chung (*Chairman*)

Mr. Ho Wai Yu, Sammy (*Vice Chairman*)

Mr. John Cyril Fletcher

### Independent Non-Executive Directors

Mr. Yu Kwok Kan, Stephen

Mr. Chan Yat Yan

Mr. Lo Yip Tong

In compliance with code provisions of the CG Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board. The Board considers the determination of the appointment and removal of directors to be the Board’s collective decision and this does not intend to adopt the recommended best practices of CG Code to set up a Nomination Committee. Details of nomination of directors are set out in the section “Nomination of Directors” below.

The directors acknowledged their responsibilities for the preparation of the accounts of the Group.

A statement by the auditor about its reporting responsibilities is included in the Independent Auditor’s Report on page 23 of this Annual Report.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers each of the independent non-executive directors to be independent.

## TERMS OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election.

For the year ended 31st December, 2011, the Company's non-executive directors have no set term of office.

For the Company's directors who previously did not have set term of office, the Company has entered into service contracts with them (including non-executive directors) in March, 2012 set out key terms and conditions relative to their appointments. All of them have agreed and accepted with the terms and conditions under their respective service contracts. The service contracts of non-executive directors provide for a term of three years.

All directors of the Company shall be subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Pang Tak Chung currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Company to sustain the development of its business efficiently.

## BOARD MEETINGS

The Board met four times regularly during the year. At the meetings the directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the interim and annual results, as well as other significant matters. Daily operational matters are delegated to the management.

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. He also keeps detailed minutes of each meeting, which are available to all directors. Draft copies of the minutes have been circulated to all directors for comment and approval as soon as practicable after each meeting.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and services of Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

## AUDIT COMMITTEE

The Group established its Audit Committee on 5th January, 1999 with written terms of reference which are in line with the CG Code and available on the Company's website. The Audit Committee comprises Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors. The chairman of the Audit Committee is Mr. Yu Kwok Kan, Stephen. The Audit Committee shall meet at least twice a year to review the Group's financial reporting process and internal controls.

The Audit Committee met four times during the year to review the completeness, accuracy and fairness of the Company's financial statements, financial reporting system, internal control system, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's interim and annual results have been reviewed by the Audit Committee, who is of the opinion that the relevant financial statements of the Group are complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made. The adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function has also been reviewed by the Audit Committee.

## REMUNERATION COMMITTEE

The Group established its Remuneration Committee on 21st April, 2005 with written terms of reference which are in line with the CG Code and available on the Company's website. In order to comply with the requirements under the CG Code, a majority of the members of Remuneration Committee has to be independent non-executive directors. Currently, the Remuneration Committee comprises Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors. Mr. Yu Kwok Kan, Stephen is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and on the establishment of formal and transparent procedures for developing policy on such remuneration.

The Remuneration Committee held one meeting during the year and discussed and reviewed the remuneration package of executive directors and the remuneration policy for executive directors for the year ended 31st December, 2011.

## NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye-laws to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on their professional qualifications and experience.

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## DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2011

Name and Designation	Number of Meetings attended/held during the year		
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
<b>Executive Directors</b>			
Mr. Pang Tak Chung ( <i>Chairman</i> )	4/4	N/A	N/A
Mr. Ho Wai Yu, Sammy ( <i>Vice Chairman</i> )	4/4	N/A	N/A
Mr. John Cyril Fletcher	2/4	N/A	N/A
<b>Independent Non-Executive Directors</b>			
Mr. Yu Kwok Kan, Stephen	4/4	4/4	1/1
Mr. Chan Yat Yan	4/4	4/4	1/1
Mr. Lo Yip Tong	4/4	4/4	1/1

N/A: Not Applicable

### INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control to safeguard the Group's assets and shareholders' interests. The Board has conducted regular reviews on the effectiveness of the Group's internal control system during the year, which covers all material controls, including financial, operational and compliance controls as well as risk management functions and an annual review on the adequacy of staffing of the accounting and financial reporting function.

The Board monitors the Group's progress on corporate governance practices. Periodic meetings are held, and circulars or guidance notes are issued to directors and management where appropriate, to ensure awareness of best corporate governance practices.

### AUDITOR'S REMUNERATION

During the year ended 31st December, 2011, the fees paid/payable to the auditor in respect of audit and non-audit services provided by the auditor of the Company were as follows:

Nature of services	Amount HK\$'000
Review fee for 2011 interim results	288
Audit fee for 2011 final results	2,446
Audit service fee for Occupational Retirement Schemes	7
Audit service fee for continuing connected transactions	20
Total fees	<u>2,761</u>

## SHAREHOLDER RELATIONS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting ("AGM") allows directors to meet and communicate with shareholders. The Chairman is actively involved in organizing the AGM and personally chairs it, to ensure that shareholders' views are communicated to the Board. The Chairman proposes separate resolutions for each issue to be considered at the AGM.

AGM proceedings are reviewed periodically to ensure that the Group follows best corporate governance practices. At the AGM, the Chairman will demand a poll for each resolution put to vote of the AGM in accordance with bye-law 66 of the Company's Bye-laws. A circular with notice of the AGM will be distributed to all shareholders at least 20 clear business days prior to the AGM, setting out details of each proposed resolution, poll voting procedures and other relevant information. The Chairman will explain the poll voting procedures again at the beginning of the meeting. After the meeting, the poll voting results will be published in accordance with the Listing Rules and available on the websites of the Stock Exchange and the Company.

Our corporate website (<http://www.golik.com.hk>) which contains corporate information, interim and annual reports issued by the Company as well as recent developments of the Group enables shareholders to have timely and updated information of the Group.