

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining high standards of corporate governance.

During the year under review, actions were taken to follow the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which came into effect on 1st January 2005, save for the following:

- (a) the Executive Chairman and the Managing Director are not subject to retirement by rotation pursuant to Article 88 of the Company’s Articles of Association;
- (b) Non-executive Directors were not appointed for a specific term as required by the Code. However, they are subject to retirement by rotation and re-election at the Company’s annual general meetings pursuant to Article 88 of the Company’s Articles of Association;
- (c) Pursuant to Article 88 of the Company’s Articles of Association, one-third of the Directors for the time being, excluding the Executive Chairman and the Managing Director (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation at each annual general meeting of the Company, and consequently the Directors have retired by rotation at least once every three years.

COMPLIANCE WITH MODEL CODE

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules as the code of conduct for Directors and Senior Management in their dealings in the Company’s securities.

The Company made specific enquiries of each Director and member of the Senior Management, and each confirmed that he/she had fully complied with the Model Code during the year ended 31st March 2006.

BOARD OF DIRECTORS

The Board of Directors (“the Board”) is charged with promoting the success of the Company by directing and supervising its affairs in a responsible manner. The Board is the highest governing body of the Company.

The Board has 7 Directors. The list of Directors as at 31st March 2006 was as follows:

Sir Run Run Shaw, G.B.M.	Executive Chairman
Mona Fong	Deputy Chairperson and Managing Director
Louis Page	Executive Director
Jeremiah Rajakulendran	Executive Director
Dr. Chow Yei Ching	Independent Non-executive Director
Ng Julie Yuk Shun	Independent Non-executive Director
Nelson Hon Sang Chiu	Independent Non-executive Director

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

All Directors give sufficient time and attention to the Company's affairs. Duties of the Board include:

- (a) planning the strategic direction of the Company; and
- (b) monitoring the performance of Management.

The Board exercises a number of reserved powers which include:

- (a) approving significant changes in accounting policies, or capital structure;
- (b) approving public announcements and the financial statements;
- (c) approving major acquisitions, disposals, major capital projects and corporate and operational issues that have significant impact on the Group;
- (d) approving material borrowings and any issuing, or buying back, of equity securities;
- (e) setting group remuneration policy and approving appointment or dismissal of senior management;
- (f) setting the dividend policy; and
- (g) approving treasury policy.

The Board has formalised the functions delegated by the Board to the Management and reviews such arrangements on a periodic basis. The Management is charged with the following responsibilities:

- (a) implementing and reporting to the Board on the Company's strategies;
- (b) overseeing the realisation by the Company of the objectives set by the Board;
- (c) providing all such information to the Board as is necessary to enable the Board to monitor the performance of the Management; and
- (d) discharging duties and authority as may be delegated by the Board.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

The Company has three Independent Non-executive Directors, at least one of whom has appropriate financial management expertise, which is in compliance with the Listing Rules. Each Independent Non-executive Director gives the Company an annual confirmation of his/her independence, and the Company considers these Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Directors have no relationship (including financial, business, family or other relationship) among themselves, save for the following:

- (a) the husband-wife relationship between Sir Run Run Shaw and Ms. Mona Fong, as set out on page 10 of the Report of the Directors of this Annual Report;
- (b) The directorship of Sir Run Run Shaw, Ms. Mona Fong, Mr. Louis Page and Dr. Chow Yei Ching in Television Broadcasts Limited, as set out on pages 10 and 11 of the Report of the Directors of this Annual Report.

BOARD MEETINGS

The full Board met four times during the year under review. The attendance of Directors at the Board Meetings and the Board Committees (Audit Committee and Remuneration Committee) Meetings is set out in the table below:

Directors	Meetings Attended/Held		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Sir Run Run Shaw	4/4		
Mona Fong	4/4		1/1
Louis Page	4/4		
Jeremiah Rajakulendran	4/4		
Independent Non-executive Directors			
Dr. Chow Yei Ching	4/4	2/2	1/1
Ng Julie Yuk Shun	4/4	2/2	1/1
Nelson Hon Sang Chiu	1/4	2/2	

At the Board Meetings, the Directors discussed and formulated overall strategies for the Company, monitored financial performance and discussed the annual and interim results, as well as other significant matters.

CHAIRMAN AND MANAGING DIRECTOR

Sir Run Run Shaw, the Chairman since incorporation, and Ms. Mona Fong, Managing Director since 1996, have segregated and clearly defined roles.

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REMUNERATION OF DIRECTORS

The Remuneration Committee was established on 30th September 2005. The majority of the members are Independent Non-executive Directors. The Committee is chaired by Independent Non-executive Director Dr. Chow Yei Ching and the other members are Ms. Mona Fong and Ms Ng Julie Yuk Shun.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee had its first meeting in March 2006 to review the remuneration paid to Executive Directors and the Senior Management for the year ended 31st March 2006 and to recommend the fees payable to Non-executive Directors for the year ended 31st March 2007.

Details of the Directors' and Senior Management's emoluments are set out on pages 54 and 55 of the Notes to the financial statements.

In line with our policy that no individual should determine his or her own remuneration, the proposed fees for Directors were recommended by the Board and approved by our shareholders at the annual general meetings.

No share options of the Company have been granted to Directors during the year.

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors.

The notice of annual general meeting contains detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to enable shareholders to make an informed decision on their election.

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AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for all audit services have been approved by the Audit Committee, and there were no fees paid or payable for non-audit services. A summary of fees for audit services, which are all payable to PricewaterhouseCoopers, the Group's auditors, is as follows:

	Fees for audit services	
	2006	2005
	HK\$'000	HK\$'000
Company	230	230
Subsidiaries	61	70
Total	291	300

FINANCIAL REPORTING AND AUDIT COMMITTEE

The Board is responsible for presenting financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs. The Board also carries the responsibility to select the most appropriate accounting policies for the Group. In this regard, the Board has adopted the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements of the Group have been prepared on a going concern basis, assuming the continued operation of the business.

The Audit Committee was established on 1st April 1999 with all Independent Non-executive Directors being appointed as members. Membership of the Audit Committee is appointed by the Board, and the current composition consists of three Independent Non-executive Directors, namely, Dr. Chow Yei Ching (Chairman of the Audit Committee), Ms. Ng Julie Yuk Shun and Mr. Nelson Hon Sang Chiu. They possess appropriate academic and professional qualifications or related financial management expertise. The Audit Committee is provided with sufficient resources to discharge its duties. The principal duties of the Audit Committee include review of the Group's financial reporting, the scope of audit services as well as the effectiveness of the system of internal controls and compliance. It will also discuss matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented.

The Audit Committee held two meetings during the year ended 31st March 2006. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING AND AUDIT COMMITTEE *(Continued)*

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial statements and the annual consolidated financial statements for the year ended 31st March 2006 before such statements were presented to the Board of Directors for approval.

The reporting responsibilities of PricewaterhouseCoopers, the Company's auditors, are set out in the Report of the Auditors on page 27 of this Annual Report.

INTERNAL CONTROLS

The system of internal controls has been designed to safeguard assets from inappropriate use, maintain proper accounts and ensure effective operation of the Company's business and compliance with regulations. Management is directly responsible for implementing the strategies and policies adopted by the Board, and for managing all of the Company's activities including the operation of the internal control system.

The heads of the Finance team and the operating units perform financial and operational reviews of the Company and its subsidiaries, as well as other reviews as required. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee and the heads of the Finance team and the operating units monitor the follow-up actions.

By Order of the Board

Run Run Shaw
Executive Chairman

Hong Kong, 22nd June 2006