



## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2006, with deviations from CG Code A.4.2 and E.1.1.

CG Code A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to Article 77 of the Articles of Association of the Company in effect before 31 August 2005, at every annual general meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the nearest number to but not exceeding one-third shall retire from office, which is inconsistent with the requirements under the CG Code A.4.2. To comply with the CG Code A.4.2, amendments to Article 77 of the Articles of Association of the Company were proposed and approved by shareholders at the annual general meeting of the Company held on 31 August 2005.

According to CG Code E.1.1, persons proposed to be appointed or re-elected as directors at a general meeting should be nominated by means of a separate resolution. With the unanimous approval from the shareholders at the Company’s Annual General Meeting of 2005, the retiring directors proposed for re-election this year were nominated by means of a single resolution.

### BOARD OF DIRECTORS

The Board of Directors (“the Board”) currently comprises seventeen members, consisting of seven executive directors, seven non-executive directors and three independent non-executive directors. The names and biographical details of the directors and relationship among them are shown under the Section of “Biographical Details of Directors and Senior Management” in this Annual Report. Save as disclosed in this Annual Report, there is no financial, business, family or other material or relevant relationship among the directors.

All the non-executive directors (including independent non-executive directors) of the Company have been appointed for a term of not more than three years. The terms of Dr Patrick Fung Yuk Bun, Mr Howard Yeung Ping Leung and Mr Tony Ng are up to 31 December 2006; Mr Dominic Cheng Ka On, Mr Wu King Cheong and Mr Alexander Au Siu Kee up to 31 December 2007; Dr David Sin Wai Kin, Mr Woo Kim Phoe, Mr Thomas Liang Cheung Bui and Mr Timpson Chung Shui Ming up to 31 December 2008; and all are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. The Board has received confirmation of independence from the three independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and considers all of them as independent.

The role undertaken by Dr Lee Shau Kee as Chairman of the Company and Mr Peter Yu Tat Kong as Group General Manager (whose status is equivalent to chief executive officer for the purpose of the CG Code but not otherwise) are segregated. There is no financial, business, family or other material or relevant relationship between the Chairman and the Group General Manager. The key function of the Chairman is the management of the Board whereas of the Group General Manager is the day-to-day management of the Company's business. The Board will from time to time delegate certain functions to the senior management whenever required. The functions reserved to the Board are as below:

1. major acquisitions and disposals, and joint ventures.
2. major project investments, and major capital expenditure programmes.
3. annual budgets, and business and financial plans.
4. financial statements, dividend distributions, capital structure, treasury policy, and accounting policy.
5. remuneration policy and terms of employment of the senior executive team.
6. public announcements as required under the Listing Rules.
7. the group's objectives.
8. the group's overall strategies and policies.
9. the group's risk profile.
10. the group's internal control mechanism and its operation.
11. the group's businesses, their operational performance and strategic direction.
12. the proper and optimal utilization of the group's resources.
13. the performance of senior executive management.

During the year, four board meetings were held to review financial results and business development. The Board establishes committees to assist it in carrying out its responsibilities. The Board has appointed three Board Committees, including the General Purpose Committee, Remuneration Committee and Audit Committee to oversee particular aspects of the Company's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises five members, three of whom are independent non-executive directors namely Dr David Sin Wai Kin, Mr Wu King Cheong and Mr Timpson Chung Shui Ming, and two of whom are executive directors namely Dr Lee Shau Kee and Mr Richard Tang Yat Sun. Dr Lee Shau Kee is the Chairman of the Remuneration Committee. Initially, Mr Alexander Au Siu Kee was an independent non-executive director and a member of the Remuneration Committee. He ceased to be a member of the Remuneration Committee upon him being re-designated as a non-executive director in November 2005.

The Remuneration Committee meets at least once a year to review the structure of all remuneration of directors and senior management with reference to the skill, knowledge, experience, responsibilities, individual performance and the overall profitability of the Company. The Remuneration Committee regards that the remuneration offered to the directors and senior management is appropriate for the duties and in line with market practice. No director would be involved in deciding his own remuneration. Where necessary, the Remuneration Committee will engage external professional advisers to access professional advice on relevant issues.

## **AUDIT COMMITTEE**

The Audit Committee is primarily responsible for review of the financial information of the Company and oversight of the Company's financial controls, internal control and risk management systems. It comprises five members, three of whom are independent non-executive directors namely Dr David Sin Wai Kin, Mr Wu King Cheong and Mr Timpson Chung Shui Ming, and two of whom are non-executive directors namely Dr Patrick Fung Yuk Bun and Mr Dominic Cheng Ka On. Mr Timpson Chung Shui Ming is the Chairman of the Audit Committee. Initially, Mr Alexander Au Siu Kee was an independent non-executive director and a member of the Audit Committee. He ceased to be a member of the Audit Committee upon him being re-designated as a non-executive director in November 2005.

The Audit Committee met twice during the year with the Group General Manager and the Company's internal and external auditors to review the Company's internal control, internal audit report, audit plan, annual report, interim report and financial statements.

## ATTENDANCE RECORD OF THE MEETINGS

The number of meetings held by the Board and Committees during the year and the attendance of directors is set out in the table below:

Directors	Meetings attended/held		
	Board	Audit Committee	Remuneration Committee
<b>Executive Directors</b>			
Dr LEE Shau Kee (Chairman)	4/4	N/A	1/1
Mr Richard TANG Yat Sun	4/4	N/A	1/1
Mr Colin LAM Ko Yin	4/4	N/A	N/A
Mr Eddie LAU Yum Chuen	4/4	N/A	N/A
Mr Norman HO Hau Chong	3/4	N/A	N/A
Mr LEE Ka Shing	4/4	N/A	N/A
Mr Peter YU Tat Kong	4/4	N/A	N/A
<b>Non-executive Directors</b>			
Mr WOO Kim Phoe	2/4	N/A	N/A
Dr Patrick FUNG Yuk Bun	4/4	1/2	N/A
Mr Dominic CHENG Ka On	4/4	2/2	N/A
Mr Tony NG	4/4	N/A	N/A
Mr Howard YEUNG Ping Leung	3/4	N/A	N/A
Mr Thomas LIANG Cheung Biu	4/4	N/A	N/A
Mr Alexander AU Siu Kee	4/4	1/2	N/A
(re-designated as non-executive director on 7 November 2005)			
<b>Independent Non-executive Directors</b>			
Dr David SIN Wai Kin	4/4	2/2	1/1
Mr WU King Cheong	4/4	2/2	1/1
Mr Timpson CHUNG Shui Ming (appointed on 6 February 2006)	1/4	N/A	1/1

## NOMINATION COMMITTEE

The Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested in the Board according to the Articles of Association, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Articles of Association of the Company and the law of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follows the Articles of Association which empowers the Board at any time and from time to time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

The Board appointed Mr Timpson Chung Shui Ming as an additional independent non-executive director in February 2006 to meet the business needs of the Company and to comply with the Listing Rules.

### **AUDITORS' REMUNERATION**

During the year, the fees paid/payable to the Company's auditors, KPMG, for the provision of audit services and non-audit services are as follows:

	Remuneration HK\$
Audit services	2,490,000
Non-audit services:	
Taxation services	125,000
Interim review	330,000
Advisory on internal audit services	295,000
Other services	18,000
	<u>3,258,000</u>

### **ACCOUNTABILITY AND AUDIT**

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs and of the results and cash flow for the year. The Group's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is included in the Auditors' Report on page 30 of the Annual Report.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all directors had complied with the required standard set out in the Model Code throughout the year.