

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principle of the Company emphasizes on accountability and transparency and is adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the Code on Corporate Governance Practices (the “CG Code”) of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the adoption of relevant practices and procedures during the year ended 31 March 2006 with the exception that the Non-executive Directors are not appointed for a specific term. However, under the Articles of Association of the Company one-third of the directors who have served longest on the Board shall retire from office by rotation in every year at the annual general meeting. Hence every director of the Company is subject to retirement by rotation at least once every three years and the terms of appointment of the Non-executive Directors are limited accordingly.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the “Board”) of the Company is composed of 9 Directors, including the Chairman and the Managing Director who are Executive Directors, 2 additional Executive Directors, 3 Independent Non-executive Directors and 2 Non-executive Directors. All the Independent Non-executive Directors have appropriate professional qualifications, experience, or accounting or related financial management expertise. The Directors biography and relevant relationships amongst them are set out in the Biographical Details of Directors section on pages 20 to 23 of this Annual Report.

Review will be made regularly on the Board to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Company and its subsidiaries (the “Group”). Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to sit in the Audit Committee.

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 and Appendix 16 (12B) of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company still considers that all Independent Non-executive Directors to be independent.

When selecting potential candidates for directors, skills, experience, expertise, his devotion of time, conflicts of interests are key factors for consideration. No Nomination Committee has been set up, and, hence, the nomination and selection process are performed by the Board.

The Board is accountable to shareholders and is responsible for the formulation of the Group’s strategy, overseeing the management of the business and affairs of the Group.

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The roles of the Chairman and the Managing Director who is the chief executive officer of the Company are separate with division of duties and responsibilities to ensure a balance of power and authority. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors. They report periodically to the Board their work and business decisions.

The Board meets regularly and held four full board meetings in 2005/06

Attendance

Executive Directors

Yam Cheong Hung (<i>Chairman</i>)	2/4
Yum Chak Ming, Matthew (<i>Managing Director</i>)	4/4
Yam Ho Ming, Michael	4/4
Yam Hon Ming, Tommy	3/4

Non-executive Directors

Chu Shu Ho, David	1/4
Yum Pui Ming, Anna	4/4

Independent Non-executive Directors

Wong Siu Ping	4/4
Yap Alfred Donald	4/4
Yip Yu Bun	4/4

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules. The Chairman or the Managing Director (other than himself) are persons to be notified for securities dealings by Directors and a designed form is used for notification and acknowledgement purpose.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 March 2006.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 31.

AUDITORS' REMUNERATION

For the year ended 31 March 2006, the Auditors of the Company will receive approximately HK\$2,137,000 for their audit service. Non-audit service which covered taxation service provided to the Group and professional fee in associated with the Group's issue of the HK\$750 million five-year zero coupon convertible bonds were HK\$316,000 and HK\$840,000 respectively in 2005/06.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 29 August 2005 with specific terms of reference and comprises of three Independent Non-executive Directors, Mr. Alfred Donald Yap (Committee Chairman), Mr. Yip Yu Bun and Mr. Wong Siu Ping. The Committee met twice in 2005/06 with a 100% attendance by all of the Committee members. The policy and the practices for the remuneration of Executive Directors and the Senior Management were reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability. Annual salary adjustment and profit linked performance bonus are subject to review and approval by the Committee.

Executive Directors are not eligible for additional remuneration of director fee for Board activities and director fee of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors, Mr. Yip Yu Bun (Committee Chairman), Mr. Wong Siu Ping and Mr. Alfred Donald Yap. The Audit Committee met twice in 2005/06 with a 100% attendance by all of the Audit Committee members. The Company has an internal audit department and the principal duties of the Audit Committee include the review of the Group's internal audit plan and progress reports with management and the external auditors, participation in the discussion of appointment of external auditors and review of their independence, review of the Group's interim results and annual results and their related financial statements for submission to the Board for approval. The Committee's authority and duties are set out in its terms of reference which is substantially the same as the CG Code.

The Committee is satisfied with the findings of their review of the work of the external auditors, their audit fees, results of their audits and has recommended to the Board their re-appointment in 2006/07 at the forthcoming annual general meeting.