

Remuneration Committee Report

Composition

Mr. Anthony Griffiths (Chairman of the Committee)
Professor K.C. Chan
Mr. Cheng Mo Chi, Moses
Professor Michael John Enright
Mr. Lo Hong Sui, Vincent

Except Mr. Lo Hong Sui, Vincent who is the Chairman of the Board and Professor Michael John Enright who is a Non-executive Director, the Committee members are the Independent Non-executive Directors of the Company.

Meeting attendance

The Committee met four times during the period under review and the attendance of its members was:

Name of Director	Attendance/Number of Meetings
Mr. Anthony Griffiths	4/4
Professor K. C. Chan	3/4
Mr. Cheng Mo Chi, Moses	2/4
Professor Michael John Enright	2/4
Mr. Lo Hong Sui, Vincent	3/4

Mr. Wong Yuet Leung, Frankie, the Chief Executive Officer and Mrs. Lowe Hoh Wai Wan, Vivien, the Executive Director responsible for human resources, attend meetings of the Committee by invitation. The Company Secretary acts as the secretary to the Remuneration Committee.

Role and duties

The Remuneration Committee has specific terms of reference, which are available on the Company's website.

The Remuneration Committee is tasked to:

- determine the policies for the remuneration of Executive Directors (and certain senior management) to be recommended to the Board, that will assist in attracting, motivating and retaining suitably competent Executive Directors;
- review, on behalf of the Board, the remuneration recommended by the Chairman or Chief Executive Officer for each Executive Director;
- develop and review the application of schemes to reward the Executive Directors and certain senior management with bonuses based on performance and recommend to the Board the amounts to be paid to each Executive Director;

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- review the proposals for the award of share options annually to the Executive Directors based on performance and the policy of encouraging their participation in the equity of the Company for recommendation to the Board; and
 - recommend to the Board long term incentive plans for the Executive Directors and certain senior management, determining their application on the basis of achievement of long term targets.

Remuneration policy

Through its remuneration policy, the Company aims to attract, motivate and retain competent, high calibre executives while ensuring that the remuneration is aligned with the Company's goals, objectives and performance.

Taking consideration of the findings of an independent survey on directorate pay of listed companies in Hong Kong published in late 2006, the Committee has reviewed the composition of remuneration for the Executive Directors of the Company and decided that:

- the existing remuneration structure is appropriate and competitive;
- the balance between short term and long term elements of remuneration is important and should be retained;
- salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on The Stock Exchange of Hong Kong Limited and operating in China;
- greater emphasis will be given to corporate and individual performance, taking account of the different responsibilities of each Executive Director, which will be rewarded by bonus payable for achievement of stretching targets and the grant of share options; and
- long term incentives are important and should be based on total shareholder return.

No individual Director is involved in deciding his or her own remuneration.

The Company's policy is to encourage the participation of Executive Directors and employees in the equity of the Company. While it is highly desirable that Directors of the Company should hold shares in the Company, Independent Non-executive Directors are encouraged not to do so in order to ensure their independence.

Remuneration structure

The remuneration of the Executive Directors and senior management comprises salary and benefits, performance bonuses, pension scheme contributions, share option grants and long term incentives. In determining remuneration appropriate to the Chief Executive Officer and the Executive Directors, developments in executive remuneration in Hong Kong, Mainland China and other parts of the world are reviewed and monitored with the assistance of remuneration consultants employed by the Remuneration Committee.

On the recommendation of the Committee, the Board has approved that the salary and bonus components of the remuneration of Executive Directors should normally relate to their aggregate total, as follows:

Remuneration Component	Chief Executive Officer	Executive Directors
Salary and allowances	Half	Five Eighths
Bonus for achievement of targets	Half	Three Eighths

In cases of exceptional performance, the bonus element could be increased relative to performance delivered by up to twice the amount that would be given normally.

The bonus for the Chief Executive Officer is based 75% on the Company's performance and 25% on personal performance and for the Executive Directors the two elements are each 50%.

The remuneration of Non-executive Directors is decided by the Board on recommendation by the Chairman of the Company.

Work during the period

During the nine months ended 31 December 2006, the Remuneration Committee:

- proposed the adoption of a share award scheme which was a new long term incentive scheme, based on making share award to the Executive Directors and key executives that would vest on the achievement over rolling three-year periods of positive total shareholder return that equalled or exceeded the total return of the Hang Seng Index during the same period;
- reviewed the existing remuneration of the Executive Directors, taking account of the report of the remuneration consultants on the analysis of directors' remuneration in comparable Hong Kong listed companies;
- reviewed the proposals for the amount of bonus to be awarded to the Executive Directors and senior management based on performance; and
- reviewed the proposals for the award of share options annually to the Executive Directors and senior management based on performance and the policy of encouraging their participation in the equity of the Company.

The proposed share award scheme was approved by the shareholders of the Company during the period but subsequently it was determined and became void as the approval for the listing of, and permission to deal in, any award shares which might have been issued pursuant to the vesting of awards granted under the scheme was not obtained on or before 31 December 2006 in accordance with the provisions of the scheme. Consequently, to motivate the Executive Directors through share ownership and performance-based incentives, the Remuneration Committee proposed to apply similar performance-based vesting conditions as stipulated in the share award scheme to the future grant of share options to the Executive Directors under the existing share option scheme of the Company. The Board subsequently adopted this proposal.

Remuneration of Directors for the period

The Directors received remuneration for the period of:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Value of share options granted (Note) HK\$'000	For the nine months ended 31 December 2006 Total HK\$'000
Chairman						
Mr. Lo Hong Sui, Vincent	8	—	—	—	—	8
Vice-Chairmen						
Mr. Choi Yuk Keung, Lawrence	8	2,433	1,500	153	—	4,094
Mr. Wong Ying Wai, Wilfred (resigned on 1 June 2006)	2	—	—	—	—	2
Executive Directors						
Mr. Wong Yuet Leung, Frankie	8	3,779	3,000	227	2,518	9,532
Mr. Wong Fook Lam, Raymond	8	2,042	650	112	225	3,037
Mrs. Lowe Hoh Wai Wan, Vivien	8	1,515	500	82	189	2,294
Non-executive Directors						
Prof. Michael John Enright	206	—	—	—	—	206
Mr. Wong Hak Wood, Louis (resigned on 1 June 2006)	33	—	—	—	—	33
Independent Non-executive Directors						
Mr. Anthony Griffiths	263	—	—	—	—	263
Mr. Cheng Mo Chi, Moses	206	—	—	—	—	206
Prof. K. C. Chan	206	—	—	—	—	206
TOTAL	956	9,769	5,650	574	2,932	19,881

Note: The amount represents the portion of fair value of the share options granted to the Directors, recognised as expenses for the period. For accounting purposes, it is required to expense the fair value of share options granted, determined at the date of grant, on a straight-line basis over the vesting period.

Service contracts

No service contract of any Director contains a notice period exceeding twelve months.

Share option schemes

The Company operates two share option schemes for the Directors and employees of the Group. The share option scheme adopted on 20 January 1997 (the "Old Scheme") has been terminated and replaced by a new share option scheme on 27 August 2002 (the "New Scheme"). No further option can be granted under the Old Scheme, but all options granted prior to such termination shall continue to be valid and exercisable.

The following share options were granted to the Executive Directors under the New Scheme during the period:

Name of Director	Number of shares subject to the options granted
Mr. Wong Yuet Leung, Frankie	2,000,000
Mr. Wong Fook Lam, Raymond	176,000
Mrs. Lowe Hoh Wai Wan, Vivien	150,000