

The company is committed to maintain a high standard of corporate governance practices with an emphasis on the principles of transparency, accountability and independence.

CORPORATE GOVERNANCE PRACTICES

The company has complied with the code provisions of the Code on Corporate Governance Practice ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2006 except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the company. As such, the company considers that sufficient measures have been taken to ensure that the company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of the company's directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the company's code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

The Board of the company comprises:

Executive directors

Mr George Bloch (*Chairman*)
Dr Cheung Tsang-Kay, Stan (*Managing Director*)
Mr Chang Dong-Song
Mr Robert Dorfman
Mr Thong Yeung-Sum, Michael

Independent non-executive directors

Mr Tang King-Hung
Mr Lie-A-Cheong Tai-Chong, David
Mr Yeh Man-Chun, Kent

The Board is responsible for leadership and control of the company and oversees the group's businesses, strategic direction and performance. The management team was delegated the authority and responsibility by the Board for the day-to-day management of the group. In addition, the Board has delegated various responsibilities to the Board Committees. Further details of these Committees are set out in this report.

BOARD OF DIRECTORS *(Continued)*

The company has three independent non-executive directors representing more than one third of the Board. One of the three independent non-executive directors has the appropriate accounting and financial management expertise under Rule 3.10 of the Listing Rules. The company has received confirmation from each independent non-executive director of his independence and considers that each of them is independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Several directors have family relationships with each other, the details of which are set out in the biographical details of Directors and Senior Management on pages 9 to 10. None of the directors has other material financial, business or relevant relationships with each other.

The Board meets regularly to review the financial and operating performance of the group. Five regular board meetings were held during the financial year. Individual attendance of each director at the regular board meetings, the Audit Committee meetings and the Remuneration Committee meetings during the financial year is set out below:

	Number of meetings attended/eligible to attend		
	Board	Audit Committee	Remuneration Committee
Executive directors			
Mr George Bloch	5/5	N/A	N/A
Dr Cheung Tsang-Kay, Stan	5/5	N/A	N/A
Mr Chang Dong-Song	5/5	N/A	N/A
Mr Robert Dorfman	5/5	N/A	N/A
Mr Thong Yeung-Sum, Michael	5/5	N/A	2/2
Independent non-executive directors			
Mr Denis Campbell Bray (deceased on 8 July 2005)	2/2	N/A	1/1
Mr Tsao Kwang-Yung, Peter (deceased on 5 June 2005)	1/1	N/A	N/A
Mr Tang King-Hung	4/5	2/2	2/2
Mr Lie-A-Cheong Tai-Chong, David (appointed on 16 June 2005)	2/3	2/2	N/A
Mr Yeh Man-Chun, Kent (appointed on 5 October 2005)	1/1	1/1	N/A

CHAIRMAN AND MANAGING DIRECTOR

The Board has appointed Mr George Bloch as the Chairman and Dr Cheung Tsang-Kay, Stan as the Managing Director of the company. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Managing Director is responsible for the day-to-day management of the group's businesses.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The company established a Remuneration Committee on 16 March 2005. The Remuneration Committee currently comprises two independent non-executive directors, namely Mr Tang King-Hung, being the Chairman, and Mr Yeh Man-Chun, Kent and one executive director, namely Mr Thong Yeung-Sum, Michael.

The major roles and functions of the Remuneration Committee are to make recommendations to the Board on the company's policy and structure for the remuneration of directors and senior management, to determine the specific remuneration packages of all executive directors and senior management, and to make recommendations to the Board of the remuneration of independent non-executive directors.

The company's remuneration policy of executive directors and senior management is (1) to provide an equitable and competitive remuneration package to the executive directors and senior management so as to attract and retain the best available human resources to serve the group and (2) to award the executive directors and senior management in recognition of good individual and group performance.

The Remuneration Committee held two meetings during the financial year, which were attended by all Committee members, to review and discuss its terms of reference, the company's remuneration policy and the remuneration of directors and senior management.

NOMINATION OF DIRECTORS

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 is performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate.

The Board held two meetings during the year to approve the appointment of Mr Lie-A-Cheong Tai-Chong, David and Mr Yeh Man-Chun, Kent respectively as independent non-executive directors of the company. The first meeting was attended by all directors of the company and the second meeting was attended by five directors, namely Mr George Bloch, Dr Cheung Tsang-Kay, Stan, Mr Chang Dong-Song, Mr Robert Dorfman and Mr Thong Yeung-Sum, Michael.

AUDITORS' REMUNERATION

For the year under review, the company's auditors, Messrs. KPMG, provided the following services to the group:

Nature of Services	Fees HK\$'000
Audit services	2,410
Taxation services	315
Other services	25
	<hr/> 2,750 <hr/>

AUDIT COMMITTEE

The company has established an Audit Committee which currently comprises three independent non-executive directors. The Committee is chaired by Mr Tang King-Hung who is a certified public accountant with extensive experience in auditing, accounting and financial management. The other Committee members are Mr Lie-A-Cheong Tai-Chong, David and Mr Yeh Man-Chun, Kent.

The principal duties of the Audit Committee include the oversight of the group's financial reporting system and internal control procedures, and review of the group's financial information and the relationship with the external auditors of the company.

The Audit Committee held two meetings during the financial year, which were attended by all Committee members, to review the accounting principles and practices adopted by the group and to discuss auditing, internal control and financial reporting matters including a review of the interim results and annual results of the group.

DIRECTORS AND AUDITORS' RESPONSIBILITIES OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the group's financial statements which give a true and fair view and are in accordance with all applicable accounting and statutory requirements.

The statement of the auditors of the company regarding their responsibilities on the financial statements is set out in the Auditors' Report on page 20.

INTERNAL CONTROLS

The company is currently in the process of developing the procedures for the review of the effectiveness of its internal control system. The annual review requirement of the effectiveness of the company's internal control system under the CG Code shall apply to the company starting from the accounting period beginning on 1 April 2006.