

Maintaining high standards of business ethics and corporate governance practices has always been one of the Group's prime objectives. The Group believes that conducting business in an open and responsible manner serves its long term interests and those of its shareholders. The principles of corporate governance adopted by the Company emphasise a quality board, sound internal controls and accountability to shareholders and these are based upon an established ethical corporate culture.

### THE BOARD OF DIRECTORS

The overall management of the Group's business is vested in the board. Key responsibilities include the formulation of the Group's overall strategies and policies, the setting of performance targets, the evaluation of business performance and the oversight of management.

As at 31 March 2006, the board comprised 14 directors, including 11 executive directors and three independent non-executive directors. The list of all Directors is set out under "Corporate Information" on page 2.

In accordance with the Company's Bye-laws, all Directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Independent non-executive directors are appointed for a term of two years. For a director to be considered independent, the board must determine the director does not have any direct or indirect material relationship with the Group. In determining the independence of the directors, the board follows the requirements set out in the Listing Rules. Biographical details and the relationships among the members of the Board are disclosed under "Senior Management Profile" on pages 19 to 21.

The board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provides the directors with information on a timely basis on the activities and development in the businesses of the Group and when required, additional board meetings are held. In addition, the directors have full access to information on the Group and independent professional advice whenever deemed necessary by them.

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer are held by Mr. Wong Chung Pak, Thomas and Mr. Wong Leung Pak, Matthew respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the board to ensure that the board acts in the best interests of the Group and board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. With the support of the company secretary and other senior management, 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. The Chairman also actively encourages directors to fully engage in the board's affairs and make contribution to the board's functions.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The board held four meetings in 2005/2006. The attendance record of each member of the board in 2005/2006 is set out below:

Directors	Attendance of board meetings in 2005/2006
<i>Executive Directors</i>	
Mr. WONG Chung Pak, Thomas ( <i>Chairman</i> )	4/4
Mr. WONG Leung Pak, Matthew ( <i>Chief Executive Officer and Managing Director</i> )	4/4
Mr. WONG Wing Pak ( <i>Senior Executive Director</i> )	4/4
Mr. LAM Sze Hoo, Christopher	4/4
Mr. CHENG Wai Po, Samuel	4/4
Mr. TSANG Wing Hang ( <i>resigned on 30 November 2005</i> )	2/2
Mr. LEE Yin Ching, Stanley	4/4
Mr. LO Kin Wai	4/4
Mr. CHENG King Hoi, Andrew	4/4
Mr. NG King Yee	4/4
Mr. CHAN Yu Kwong, Francis	4/4
Mr. MOK Wah Fun, Peter	4/4
<i>Independent Non-executive Directors</i>	
Mr. CHAN Bing Woon, SBS, JP	4/4
Mr. SUNG Yuen Lam	4/4
Mr. LEE Kwong Yin, Colin	4/4

## BOARD COMMITTEES

As an integral part of good corporate governance practices, the board had established the following board committees in 2005/2006 to oversee particular aspects of the Group's affairs. Each of these committees comprises mostly independent non-executive directors who have been invited to serve as members. These committees are governed by the respective terms of reference approved by the board.

## Audit Committee

The audit committee consists of three independent non-executive directors with Mr. CHAN Bing Woon, SBS, JP as the chairman. Other members are Mr. SUNG Yuen Lam and Mr. LEE Kwong Yin, Colin. At the discretion of the audit committee, executive directors and/or senior management personnel, overseeing the Group's finance or internal audit functions, may be invited to attend meetings. The audit committee normally meets two times a year.

The duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects of the Group. The audit committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The audit committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system. This allows the board to monitor the Group's overall financial position and to protect its assets. In addition, the audit committee supervises the internal audit function. The chairman of the audit committee summarises activities of the audit committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

The audit committee held two meetings in 2005/2006. The attendance record of each member of the audit committee in 2005/2006 is set out below:

Directors	Attendance of audit committee meetings in 2005/2006
Mr. CHAN Bing Woon, SPS, JP ( <i>Chairman</i> )	2/2
Mr. SUNG Yuen Lam	2/2
Mr. LEE Kwong Yin, Colin	2/2

The Company's annual results for the year ended 31 March 2006 has been reviewed by the audit committee.

## Remuneration Committee

The remuneration committee consists of two executive directors and three independent non-executive directors with Mr. Wong Chung Pak, Thomas, executive director, as the chairman. Other members are Mr. CHAN Bing Woon, SBS, JP, Mr. SUNG Yuen Lam, Mr. LEE Kwong Yin, Colin, independent non-executive directors, and Mr. Wong Leung Pak, Matthew, executive director. At the discretion of the remuneration committee, executive directors and/or senior management personnel, overseeing the Group's human resources function, may be invited to attend meetings.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee normally meets annually for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The remuneration committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

As mentioned before, the remuneration committee met once during the year ended 31 March 2006 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management. The attendance record of each member of the remuneration committee in 2005/2006 is set out below:

Directors	Attendance of remuneration committee meeting in 2005/2006
Mr. Wong Chung Pak, Thomas ( <i>Chairman</i> )	1/1
Mr. Wong Leung Pak, Matthew	1/1
Mr. CHAN Bing Woon, SBS, JP	1/1
Mr. SUNG Yuen Lam	1/1
Mr. LEE Kwong Yin, Colin	1/1

## NOMINATION OF DIRECTORS

Having considered the scale and composition of the board, the Company does not set up a nomination committee. The function of appointment and removal of directors is undertaken by the board. When considering candidates for directorship, the board assesses, among others, experience level, qualifications and independence of candidates, if appropriate. In 2005/2006, the Company held two board meetings to deal with the appointment of three independent non-executive directors for specific terms and the resignation of an executive director. The attendance record of each member of the board in respect of these two board meetings is set out below:

Directors	Attendance of board meetings to deal with nomination/resignation of directors in 2005/2006
<i>Executive directors</i>	
Mr. WONG Chung Pak, Thomas ( <i>Chairman</i> )	2/2
Mr. WONG Leung Pak, Matthew ( <i>Chief Executive Officer and Managing Director</i> )	2/2
Mr. WONG Wing Pak ( <i>Senior Executive Director</i> )	2/2
Mr. LAM Sze Hoo, Christopher	2/2
Mr. CHENG Wai Po, Samuel	2/2
Mr. TSANG Wing Hang ( <i>resigned on 30 November 2005</i> )	1/1
Mr. LEE Yin Ching, Stanley	2/2
Mr. LO Kin Wai	2/2
Mr. CHENG King Hoi, Andrew	2/2
Mr. NG King Yee	2/2
Mr. CHAN Yu Kwong, Francis	2/2
Mr. MOK Wah Fun, Peter	2/2
<i>Independent non-executive directors</i>	
Mr. CHAN Bing Woon, SBS, JP	2/2
Mr. SUNG Yuen Lam	2/2
Mr. LEE Kwong Yin, Colin	2/2

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

None of the directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by directors. Having made specific enquiries of all directors, all directors have complied with the required standard set out in the Model Code regarding securities transactions by directors.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the auditors' report on page 41 which acknowledges the reporting responsibilities of the Group's auditors.

### Accounts

The directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

### Going Concern

The directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

## AUDITORS' REMUNERATION

The audit committee has received a letter from Ernst & Young confirming their independence and objectivity. Details of the fees paid or payable to Ernst & Young for the year ended 31 March 2006 are as follows:

	HK\$'000
2005/2006 annual audit	1,880
Non-audit related services	400
	2,280

## INTERNAL CONTROLS

Though Code Provision C.2.1 and disclosure requirement under note 3 of paragraph 2 of Appendix 23 of the Listing Rules are only effective for the accounting period commenced on or after 1 July 2005, the Board would like to disclose the following details of the internal control of the Company:

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis through the audit committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The internal audit department, which is independent of the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

The internal audit department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the audit committee on any key findings and progress of the internal audit process. The audit committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Board, through the audit committee, has conducted a review of the effectiveness of the internal control system of the Company.

### SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

Results on any voting conducted by poll will be published in newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Board committees or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are normally available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated executive directors and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at principal place of business in Hong Kong for any inquiries.