



Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting its business in an open and responsible manner and following good corporate governance practices serves its long-term interests and those of its shareholders by maximizing returns. Details of the Group's investor relations initiatives and the recognition it has received for good management can be found under Investor Relations on pages 80 and 81.

Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of shareholders and the public. The Group complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year under review, except there is no separation of the roles of Chairman and Chief Executive. The Board of Directors continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance.

Board of Directors

Composition

The Board has 17 Directors including eight Executive Directors, five Non-Executive Directors and four Independent Non-Executive Directors. Further details of the composition of the Board can be found on page 4. All Directors give sufficient time and attention to the Group's affairs. The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

In compliance with rule 3.10 of the Listing Rules, the Group has four Independent Non-Executive Directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Group has received from each Independent Non-Executive Director an annual confirmation of his independence, and the Group considers such Directors to be independent in accordance with each and every guideline set out in rule 3.13 of the Listing Rules. No Independent Non-Executive Director has served the Group for more than nine years.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors.

Messrs. Kwok Ping-sheung, Walter (Chairman), Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond (Vice Chairmen and Managing Directors) are brothers. Besides this, there are no family or other material relationships among members of the Board.

Board Meetings

The full Board met in person on four regular occasions during the year under review. At the meetings the Directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. Daily operational matters are delegated to management.

At least 14 days notice of all Board meetings was given to all Directors, and all Directors were given the opportunity to include matters for discussion in the agenda. An agenda and accompanying board papers are sent in full to all Directors at least three days in advance of every Board meeting or committee meeting.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed. He also keeps detailed minutes of each meeting, which are available to all Directors.

The attendance record of the Board meetings held in the year ended 30 June 2007 is set out below:

Director	Meetings attended/ Total
Executive Directors	
Kwok Ping-sheung, Walter	4/4
Kwok Ping-kwong, Thomas	4/4
Kwok Ping-luen, Raymond	4/4
Chan Kai-ming	4/4
Chan Kui-yuen, Thomas	4/4
Kwong Chun	4/4
Wong Yick-kam, Michael	4/4
Wong Chik-wing, Mike	4/4
Non-Executive Directors	
Lee Shau-kee	4/4
Woo Po-shing	4/4
Li Ka-cheung, Eric	3/4
Kwan Cheuk-yin, William	4/4
Lo Chiu-chun, Clement	2/4
Law King-wan (retired on 7 December 2006)	1/1
Independent Non-Executive Directors	
Chung Sze-yuen	4/4
Fung Kwok-king, Victor	2/4
Yip Dicky Peter	4/4
Wong Yue-chim, Richard	3/4

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible.

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in an actual meeting, as opposed to being dealt with by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. Board committees, including the Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in Board meetings for committee meetings.

Group Chairman

Mr. Kwok Ping-sheung, Walter is the Group's Chairman and Chief Executive. This is at variance with paragraph A.2.1 of the Code, which suggests that the roles of Chairman and Chief Executive Officer should be separate and not performed by the same individual. Although the Group's Chairman and Chief Executive is the same individual, power and authority are not concentrated as responsibilities are also shared with the two Vice-Chairmen and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as top management. There are four Independent Non-Executive Directors on the Board offering independent and different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. The Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Compliance with Model Code

The Group follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for Directors in their dealings in Group securities. Having made specific enquiry with Directors, all Directors confirmed that they have fully complied with the Model Code during the year ended 30 June 2007.

Remuneration Committee

The Remuneration Committee was established in June 2005. The chairman is Sir Chung Sze-yuen, an Independent Non-Executive Director of the Company, and the other members are Mr. Lo Chiu-chun, Clement and Professor Wong Yue-chim, Richard. All members are Non-Executive Directors of the Company, with the majority of members being Independent Non-Executive Directors.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the Board, determining the remuneration of Executive Directors and members of senior management and reviewing and making recommendations on compensation-related issues. The Committee consults with the Chairman on its proposals and recommendations, and also has access to professional advice if deemed necessary. The Committee is also provided with other resources enabling it to discharge its duties. The Remuneration Committee's specific terms of reference are posted on the Group's website.

The Remuneration Committee held one meeting during the year ended 30 June 2007. The attendance record of each member appears below:

Committee member	Meetings attended/
	Total
Chung Sze-yuen	1/1
Lo Chiu-chun, Clement	0/1
Wong Yue-chim, Richard	1/1

The Remuneration Committee reviewed matters relating to remuneration for Directors and senior management, as well as discussed the Group's remuneration policy.

Corporate Governance

Nomination Committee and Appointment of Directors

The Nomination Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director of the Company. Other members of the Committee are Messrs. Kwan Cheuk-yin, William and Yip Dicky Peter. All members are Non-Executive Directors of the Company with the majority being Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to discharge its duties. The Nomination Committee's specific terms of reference are posted on the Group's website.

The Nomination Committee held one meeting during the year ended 30 June 2007. The attendance record of each member appears below:

Committee member	Meetings attended/
	Total
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	1/1
Yip Dicky Peter	1/1

The Nomination Committee discussed and reviewed the Board composition of the Company as well as other related matters. Mr. Law King-wan retired as a Director of the Company at the annual general meeting ("AGM") of the Company held on 7 December 2006. There was no nomination of Directors for the year ended 30 June 2007.

Non-Executive Directors are appointed for a specific term of two or three years. All Directors retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years.

Audit Committee and Accountability

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. It is also responsible for preparing the accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and other financial disclosures. Management provides all relevant information and records to the Board, giving it the relevant information it needs to discharge these responsibilities.

In compliance with rule 3.21 of the Listing Rules, an Audit Committee was established in 1999. Its chairman is Sir Chung Sze-yuen, an Independent Non-Executive Director, and the other members are Mr. Yip Dicky Peter and Dr. Li Ka-cheung, Eric. The majority of the Committee members are Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The duties of the Audit Committee include:

- reviewing the Group's financial control, internal control and risk management systems;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control system;
- considering findings of major investigations of internal control matters;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the auditor to management, and management's response to such questions;
- reporting to the Board on matters relating to the Code;
- meeting with the external auditor to discuss issues regarding audit if considered necessary (and in the absence of management if appropriate).

The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Audit Committee's specific terms of reference are posted on the Group's website.

The Audit Committee held two meetings during the year ended 30 June 2007. The attendance record of each member appears below:

Committee member	Meetings attended/
	Total
Chung Sze-yuen	2/2
Yip Dicky Peter	1/2
Li Ka-cheung, Eric	2/2

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee reviewed the interim and final results of the Group as well as discussed and approved financial and other reports for the year under review. The Committee also reviewed the Group's internal audit activities and discussed audit plans for the upcoming year.

The Audit Committee monitors the audit and non-audit service rendered to the Group by its external auditors and ensures their engagement in other non-audit services will not impair their audit independence or objectivity. An independence confirmation has been obtained from Deloitte Touche Tohmatsu which confirms for the year ended 30 June 2007 and thereafter to the date of this Annual Report, the Group's external auditors are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by external auditors for the year ended 30 June 2007 amounted to HK\$12 million and HK\$5 million respectively. The non-audit services mainly consist of taxation, review and other reporting services.

Internal Control

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of these systems. The Board conducts regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

The Board conducted a review of the Group's internal control system for the year ended 30 June 2007, including financial, operational and compliance control, and risk management functions. The Board assesses the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and both internal and external auditors.

The Internal Audit Department follows a risk-and-control-based approach. Different audit areas are assigned risk ratings and an audit plan is formulated in a risk-weighted manner so that priorities and appropriate audit frequency is given to areas with higher risks. The department performs regular financial and operational reviews on the Group. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The Internal Audit Department monitors the follow-up actions agreed upon in response to its recommendations.

The Board monitored the Group's progress on corporate governance practices throughout the year under review. Periodic meetings were held, and circulars or guidance notes were issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

Delegation by the Board

The Board formulates overall Group strategy. Given the diversity and volume of the Group's business, responsibility for execution and daily operations is delegated to management. The Board gave clear directions as to the powers of management, and periodically reviews all delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

All committees have specific terms of reference clearly defining their powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

Shareholder Relations

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. The Company's AGM allows the Directors to meet and communicate with shareholders. The Chairman is actively involved in organizing the AGM and personally chairs it, to ensure that shareholders' views are communicated to the Board. The Chairman proposes separate resolutions for each issue to be considered. In addition to the Chairman, members of the Audit, Remuneration and Nomination Committees also attend the AGM to answer questions from shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The procedures for demanding and conducting a poll are explained at the beginning of the meeting, and (except where a poll is required) the number of proxies for and against received in respect of each resolution is revealed where appropriate. Vote results are posted on the Company's website on the day of the AGM.