

## Compliance with of the Code on Corporate Governance Practices of the Listing Rules

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (“CG 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 ended 28 February 2006, except the following deviations from code provisions A.4.1 and A.4.2 of the CG Code:

1. Mr. Gerald Clive Dobby and Mr. Lui Pui Kee, Francis, Independent Non-executive Directors of the Company, were not appointed for a specific term since their last service contracts ended in November 2005 but they are subject to retirement in accordance with the Company’s Bye-laws.
2. The Company’s Bye-laws currently require one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) to retire from office by rotation at each annual general meeting of the Company however, as the number of directors of the Company is currently not a multiple of three, it is possible that not all directors will retire by rotation at least once every three years as required in the CG Code. In addition, according to the Company’s Bye-laws, any directors appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

In order to comply with the code provisions of the CG Code, relevant provisions of the Company’s Bye-laws will be reviewed and amendment will be proposed in order that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director shall be subject to retirement by rotation at least once every three years.

## 遵守上市規則之企業管治常規守則

本公司致力制定良好企業管治常規及程序。於截至2006年2月28日止年度，本公司一直應用及遵守香港聯合交易所有限公司證券上市規則（「上市規則」）附錄14所載企業管治常規守則（「企業管治守則」）之原則及所有守則條文以及（在適用情況下）建議最佳常規，惟以下偏離企業管治守則條文第A.4.1及A.4.2條之情況除外：

1. 本公司獨立非執行董事Gerald Clive Dobby先生及呂培基先生在其服務合約於2005年11月終止後並非按固定任期獲委任，惟彼等須按照本公司之公司細則告退。
2. 現行的本公司之公司細則要求三分之一現任董事（或倘其數目並非三之倍數，則最接近但不多於三分之一人數）須於每屆本公司股東週年大會輪值告退，惟本公司現行的董事數目並非三之倍數，因此有可能達致並非所有董事可符合企業管治守則之要求而最少每三年輪值告退一次。另外，根據本公司之公司細則，任何獲委任以填補臨時空缺之董事任期僅至下屆股東週年大會為止，屆時將合資格於該大會膺選連任。

為符合企業管治守則條文，本公司之公司細則相關條文亦會作出檢討及建議修訂，致使所有獲委任以填補臨時空缺之董事均須於獲委任後首個股東大會接受股東選舉及每名董事最少每三年輪值告退一次。

## Model Code on Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the year ended 28 February 2006.

## The Board of Directors

The Board of Directors of the Company (the "Board") is collectively responsible for the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board comprises a total of seven Directors, with four Executive Directors and three Independent Non-executive Directors ("INED"). More than one-third of the Board are INEDs and more than one of them have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All of the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-Laws.

The Board has received from each of the three INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers each of the three INEDs to be independent.

The Company has established the Board process. Regular Board Meetings are held at least four times a year, and if necessary, additional meetings are arranged as and when required. The Company Secretary assists the Chairman in preparing the agenda for the meetings and preparing and disseminating Board papers to the Directors in a timely and comprehensive manner. All Directors have access to the advice and services of the Company Secretary to ensure that the procedures are followed and all applicable rules and regulations are complied with.

## 董事進行證券交易之標準守則

本公司已採納上市規則附錄10所載標準守則，作為本公司有關董事進行證券交易之操守準則。本公司已向全體董事作出查詢，各董事已確認彼等於截至二零零六年二月二十八日止年度遵守標準守則所規定標準。

## 董事會

本公司董事會（「董事會」）共同負責管理本集團業務及事務，目標為提升股東價值。董事會由合共七名董事組成，包括四名執行董事及三名獨立非執行董事（「獨立非執行董事」）。董事會超過三分之一成員為獨立非執行董事，而超過一名獨立非執行董事具備上市規則規定之合適專業資格或會計或相關財務管理專業知識。全體董事均須按照本公司之公司細則於股東週年大會輪值告退及膺選連任。

董事會已接獲三名獨立非執行董事各自按照上市規則3.13條作出之年度獨立身分確認書。董事會認為，三名獨立非執行董事均具獨立性。

本公司已制定董事會程序。董事會每年最少召開四次定期會議，並於有需要時安排額外會議。公司秘書協助主席適時編製完備之會議議程，並適時編製及向各董事分發齊備之董事會文件。全體董事均可取得公司秘書意見及服務，以確保符合程序以及遵守所有相關規則及規定。

## The Board of Directors (Continued)

During the year ended 28 February 2006, the full Board held 8 meetings and details of Directors' attendance records are set out below:

Number of meetings	會議數目	8
Directors		Attendance
董事		出席次數
<b>Executive Directors:</b>	<b>執行董事:</b>	
Tse Tat Fung, Tommy	謝達峰	8
Peter Gerardus Van Weerdenburg	溫彼得	8
Leung Yit Kuen, Raymond (resigned on 25 April 2005)	梁悅權 (於二零零五年四月二十五日辭任)	1
Alex Chan	陳偉康	8
Erwin Steve Huang (appointed on 14 July 2005)	黃岳永 (於二零零五年七月十四日獲委任)	4
<b>Non-executive Director:</b>	<b>非執行董事:</b>	
Hong Po Kui, Martin (retired on 26 August 2005)	康寶駒 (於二零零五年八月二十六日退任)	3
<b>Independent Non-executive Director:</b>	<b>獨立非執行董事:</b>	
Chui Chi Yun, Robert	崔志仁	6
Gerald Clive Dobby	Gerald Clive Dobby	7
Lui Pui Kee, Francis	呂培基	7

## The Chairman and the Chief Executive Officer

The position of the Chairman of the Board and the Chief Executive Officer are held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group's business.

The Chairman, Mr. Tse Tat Fung, Tommy, is responsible for the Group's overall strategy and business development. The Chief Executive Officer, Mr. Peter Gerardus Van Weerdenburg, is delegated with the authority and responsibility for running the Company's business and implementing the Company's strategies.

## 董事會 (續)

於截至二零零六年二月二十八日止年度，董事會曾召開八次全體董事會議，各董事出席記錄詳情如下：

## 主席及行政總裁

董事會主席與行政總裁之職位由不同人士擔任，旨在有效區分董事會管理及本集團日常業務管理職務。

主席謝達峰先生負責本集團整體策略及業務發展。行政總裁溫彼得先生則獲授權專責本公司業務運作及執行本公司策略。

## Non-executive Directors

Non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-Laws.

At the annual general meeting of the Company held on 26th August, 2005, Mr. HONG Po Kui, Martin retired by rotation as a director of the Company and for personal reasons, he did not offer himself for re-election. Mr. HONG confirmed that there was no disagreement with the Board and that there was no matter that needed to be brought to the attention of the shareholders of the Company in respect of his retirement.

At the annual general meeting of the Company held on 26th August, 2005, Mr. CHUI Chi Yun, Robert retired by rotation as a director of the Company and was re-elected as an independent non-executive director of the Company for a term of three years.

## Remuneration of Directors

The Remuneration Committee, which terms of reference are posted in the Company's website and which are in compliance with the provisions set out in the CG Code, comprises four members, a majority of whom are Independent Non-executive Directors of the Company. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee meets at least once a year.

## 非執行董事

非執行董事須按照本公司之公司細則於股東週年大會輪值告退及膺選連任。

於二零零五年八月二十六日舉行之本公司股東週年大會上，本公司董事康寶駒先生輪值告退，而基於私人理由不願膺選連任。康先生確認並無與董事會出現意見分歧，亦無與其退任相關事宜須知會本公司股東。

於二零零五年八月二十六日舉行之本公司股東週年大會上，本公司董事崔志仁先生輪值告退，並獲重選為本公司獨立非執行董事，任期三年。

## 董事酬金

薪酬委員會由四名成員組成，大部分為本公司獨立非執行董事，其職權範圍載於本公司網頁，並符合企業管治守則所載條文。薪酬委員會主要職責包括參考董事會不時議決之企業目標及宗旨，就本公司董事與高層管理人員之薪酬政策及結構，向董事會作出建議。薪酬委員會每年最少舉行一次會議。

## Remuneration of Directors (Continued)

The Remuneration Committee met once during the year ended 28 February 2006 and the individual members' attendance records are set out below. In addition, during the year, the Remuneration Committee also received a number of reports and proposals from executive management in relation to remuneration issues of the Company for their review and/or approval as required.

Number of meetings

會議次數

1

### Members

### Attendance

成員

出席次數

Gerald Clive Dobby (*Chairman*)

Gerald Clive Dobby (*主席*)

1

Lui Pui Kee, Francis

呂培基

1

Chui Chi Yun, Robert (appointed on 25 July 2005)

崔志仁 (於二零零五年七月二十五日獲委任)

1

Tse Tat Fung, Tommy

謝達峰

1

The Remuneration Committee had considered the following proposals and

薪酬委員會已考慮下列提議，並

(a) reviewed the remuneration policy of the Company for the year ended 28 February 2006;

(a) 檢討截至二零零六年二月二十八日止年財政年度之薪酬政策；

(b) reviewed and approved the service contracts for an executive director;

(b) 檢討並批准一名執行董事之服務合約；

(c) reviewed and approved the annual performance bonus policy and the granting of discretionary bonus to both senior executives and other employees of the Company;

(c) 檢討並批准年度花紅政策及向高級行政人員及其他僱員發放酌情花紅；

(d) reviewed the grant of share options under the Company's Share Option Scheme to eligible employees including the four Executive Directors.

(d) 檢討根據本公司購股計劃向合資格僱員 (包括四名執行董事) 授出購股權。

The Remuneration Committee is provided with sufficient resources, including the advice of professional firms, to discharge its duties, if necessary.

薪酬委員會獲提供充裕資源以履行其職務，包括於有需要時諮詢專業機構之意見。

## Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members either to fill a casual or as addition to the existing directors and those directors appointed by the Board during the year shall hold office only until the next following annual general meeting and shall then be eligible for re-election in accordance with the Company's Bye-Laws.

The annual general meeting circular contains detailed information on election of directors including a detailed biography of all directors standing for election or re-election to ensure that shareholders can make an informed decision on their election.

## Auditors Remuneration

The amount of fees charged by the Auditors generally depends on the scope and volume of the auditors' work. As set out in the announcement of the Company dated 6 April, 2006, KPMG resigned as auditors of the Company with effect from 6 April, 2006 because of the fact that the Company and KPMG could not reach an agreement on the audit fees for the financial year ended 28 February, 2006. Moore Stephens were appointed as auditors of the Company to fill the casual vacancy arising from resignation of KPMG until the conclusion of the next Annual General Meeting of the Company. For the year ended 28 February 2006, the remuneration payable to Moore Stephens was approximately HK\$2.95 million for audit services and Moore Stephens have not performed any other non-audit services for the Company.

## Audit Committee

The Audit Committee, which terms of reference are posted in the Company's website and which are in compliance with the provisions set out in the CG Code, comprises three members who are all Independent Non-executive Directors of the Company. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company. The Audit Committee meets at least twice a year.

## 董事提名

本公司並無設立提名委員會。董事會集體負責就填補臨時空缺或加入新增董事，協商委任新成員。按照本公司之公司細則規定，董事會於年內委任之董事任期僅至下屆股東週年大會為止，屆時將合資格膺選連任。

股東週年大會通函載有董事選舉詳情，包括所有參選或膺選連任董事詳細履歷，以確保股東於選舉時可以作出知情決定。

## 核數師酬金

核數師收取之費用一般視乎核數師之工作範圍及工作量而定。誠如本公司日期為二零零六年四月六日之公佈所載，因本公司無法與畢馬威會計師事務所就截至二零零六年二月二十八日止財政年度之核數費用達成協議，畢馬威會計師事務所已辭任本公司核數師，由二零零六年四月六日起生效。馬施雲會計師事務所已獲委聘為本公司核數師，以填補畢馬威會計師事務所辭任後之臨時空缺，直至本公司下一屆股東週年大會結束為止。於截至二零零六年二月二十八日止年度，馬施雲會計師事務所就核數服務收取之酬金約為港幣2,950,000元，馬施雲會計師事務所並無向本公司提供任何非核數服務。

## 審核委員會

審核委員會由本公司全部三名獨立非執行董事組成，其職權範圍載於本公司網頁，並符合企業管治守則所載條文。審核委員會主要職責包括檢討及監督本集團之財務申報制度及內部監控程序、審閱本集團財務資料以及檢討與本公司外聘核數師之關係。審核委員會每年最少召開兩次會議。

## Audit Committee (Continued)

During the year ended 28 February 2006, the Audit Committee held 3 meetings and details of individual members' attendance records are set out below:

Number of meetings	會議數目	3
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### Members

成員

### Attendance

出席次數

Chui Chi Yun, Robert (Chairman)	崔志仁 (主席)	3
Gerald Clive Dobby	Gerald Clive Dobby	2
Hong Po Kui, Martin (retired on 26 August 2005)	康寶駒 (於二零零五年八月二十六日退任)	2
Lui Pui Kee, Francis (appointed on 26 August 2005)	呂培基 (於二零零五年八月二十六日獲委任)	1

The following is a summary of the work performed by the Audit Committee during the year:

審核委員會於年內之工作概述如下:

- |   |   |
|---|---|
| (a) discussed with the external auditors the general scope of their audit work;   | (a) 與外聘核數師討論其核數工作範圍;                      |
| (b) reviewed external auditor's management letter and management response;  | (b) 審閱外聘核數師致管理層之函件及管理層之回應;                |
| (c) considered and recommended to the Board adoption of new accounting standards;   | (c) 考慮並建議董事會採納新會計準則;                      |
| (d) reviewed and recommended to the Board approval of the audit fee proposal for the Group for the year ended 28 February 2005; | (d) 審閱並建議董事會批准本集團截至二零零五年二月二十八日止年度之核數費用建議; |
| (e) reviewed and approved the Group internal audit policy and internal audit plan for the year 2006;                            | (e) 審閱並批准本集團之二零零六年內部核數政策及內部核數計劃;          |
| (f) reviewed the internal audit reports covering the evaluation of internal controls;   | (f) 審閱包括內部監控評估之內部核數報告;                    |
| (g) reviewed the audited accounts and final results announcement for the year ended 28 February 2005; and                       | (g) 審閱截至二零零五年二月二十八日止年度之經審核賬目及全年業績公佈;及     |
| (h) reviewed the Interim Report and interim results announcement for the six months ended 31 August 2005.                       | (h) 審閱截至二零零五年八月三十一日止六個月之中期報告及中期業績公佈。      |

## **Audit Committee** *(Continued)*

The Audit Committee is provided with sufficient resources, including the advice of external auditors and Internal Audit Department, to discharge its duties.

The Group's annual report for the year ended 28 February 2006 has been reviewed by the Audit Committee.

## **Directors' Responsibility for the Financial Statements**

The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance.

In preparing the financial statements of the Group for the year ended 28 February 2006, the Directors have selected the appropriate accounting policies and applied them consistently; approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants; made judgements and estimates that are prudent and reasonable; and prepared the accounts on the going concern basis.

## **Internal Control**

The Board, through the Audit Committee, is responsible for ensuring that adequate internal controls are in place to safeguard Company's assets and manage risks. The executive management has been delegated the responsibility for identifying and evaluating the risks faced by the Group and for designing, operating and monitoring an effective control system.

The internal control system is designed to provide reasonable, but not absolute, assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding the Group assets, providing reliable financial reporting and complying with the applicable laws and regulations. Systems and procedures are also established to identify, measure, manage and control, rather than eliminate, different risks arising from different business and functional activities.

## **審核委員會** *(續)*

審核委員會獲提供充裕資源以履行其職務，包括諮詢外聘核數師與內部核數部門之意見。

本集團截至二零零六年二月二十八日止年度之年報已由審核委員會審閱。

## **董事對財務報表之責任**

董事明瞭，彼等有責任編製本集團財務報表，以就本集團表現呈列持平、清晰及全面之評估。

編製本集團截至二零零六年二月二十八日止年度之財務報表時，董事已挑選及貫徹應用合適之會計政策；批准採納香港會計師公會頒佈之所有適用香港財務報告準則；作出審慎合理之判斷及估計；以及按持續經營基準編製賬目。

## **內部監控**

董事會透過審核委員會負責確保內部監控已施行充份，以保障本公司財產及管理風險。執行管理人員獲指派負責找出及評估本集團面對之風險，以及設計、執行及監察有效監控制度。

內部監控制度之設計旨在提供合理，而非絕對保障，確保營運效益及效率，從而達至既訂公司目標、保障集團財產、提供可靠財務報告及遵守適用法律及規例。制度及程序之訂立旨在找出、計量、管理及控制，而並非消除，不同業務及功能活動產生之不同風險。



## Internal Control (Continued)

The Group's Internal Audit Department plays an important role in the internal control function. It provides objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic audits over all major operations of the Group, typically over a three-year cycle. An annual audit plan (comprising annual audit focus and audit frequencies) is prepared based on the department's independent risk assessment. Such work plan is discussed and agreed with the Audit Committee at the beginning of each financial year. Major internal audit findings will be submitted to the Audit Committee for review and all recommendations from the Internal Audit Department will be properly followed up to ensure that they are implemented within a reasonable period of time. The Directors have received the report from the Internal Audit Department which conducted a review of the effectiveness of the system of internal control of the Group.

The scope of work performed by the internal audit function during the year included financial and operational reviews, recurring/surprise inventory counts and audits, and special reviews.

## Communication with Shareholders

The Company establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports and press release. Such information is also available on the Company's website.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. At the Company's 2005 Annual General Meeting, Chairman of the Board as well as Chairman of the Audit Committee and Remuneration Committee were present and ready to answer shareholders' questions.

Details of the poll voting procedures and the rights of shareholders to demand a poll have been included in the annual general meeting circular. At the Company's 2005 Annual General Meeting, all the resolutions were dealt with on a show of hands and Secretaries Limited, the Company's Hong Kong Branch Share Registrar, was engaged as scrutineer to ensure the votes were properly counted.

## 內部監控 (續)

本集團內部核數部門於內部監控上擔當重要角色，定期審核本集團所有主要營運項目，一般以三年為一個循環，以向董事會提供客觀保證，內部監控制度有效運行，且符合既訂程序及準則。年度審核計劃（包括年度審核目標及審核頻率）乃按部門之獨立風險評估制訂，審核委員會於每個財政年度年初討論及通過該審核計劃。重大內部審核發現均會呈交審核委員會審閱，而內部審核部門所有建議均會妥為跟進，以確保全都在合理時間內獲執行。董事已收到由內部核數部門進行有關集團內部監控系統有效性的檢討的報告。

內部審核部門年內之工作包括財務及營運檢討、循例／突擊盤點及核數以及特別檢討。

## 與股東溝通

本公司透過刊發年報、中期報告及新聞稿，與其股東建立並維持不同溝通渠道。有關資料亦載於本公司網頁。

股東週年大會為股東提供與董事會交流意見之有效平台。董事會主席以及審核委員會及薪酬委員會主席均有出席本公司二零零五年股東週年大會，以便回答股東提問。

按股數投票表決程序及股東要求按股數投票權利之詳情已載於股東週年大會通函。於本公司二零零五年股東週年大會上，所有決議案均以舉手方式表決，本公司並聘用其香港股份過戶登記分處秘書商業服務有限公司擔任監票人，確保點票程序恰當。