

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st January, 2006 (the "Year") save as the deviations as disclosed in the interim report of the Company for the six months ended 31st July, 2005. The Board will try to ensure that the Company will comply with all the code provisions of the CG Code as soon as possible.

The Company will seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board comprises five executive directors, two non-executive directors and three independent non-executive directors. The directors of the Company during the Year and up to the date of this Annual Report were:

Executive directors

Mr. Jong Kong Ki (*Chairman*)

Mr. Lo Cheung Kin (*Chief Executive Officer*)

Mr. So Yiu Kong

Mr. Jong Tat Fung

Ms. Yin Hoi Yeung

Non-executive directors

Mr. Chu Kwok Chue

Ms. Jong Lai Ching

Independent non-executive directors

Mr. Siu Wing Keung

Mr. David Gregroy Jeaffreson, *CBE, JP*

Mr. See Tak Wah

The biographical details of the directors are set out on pages 5 to 7 of this Annual Report. The Board possesses a balance of skill and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive directors of the Company in the Board meetings facilitate the maintenance of good corporate governance practices. Mr. See Tak Wah, one of the independent non-executive directors, has the appropriate professional qualification and accounting and related financial management expertise as required by Rule 3.10 (1) and (2) of the Listing Rules. A balanced composition of executive and non-executive directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

All independent non-executive directors are free from any business or other relationship with the Company. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the three independent non-executive directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control system of the Group. The meeting schedule will be fixed at the beginning of each year. Apart from these regular meetings, Board meetings are also held to approve major issues. At least 14 days' notice of each regular meeting is given to all directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of Board meetings to ensure that the directors are given sufficient time to review the same. Draft minutes of Board meetings and Board committee meetings are circulated to directors for their review and comment while final version of the said minutes, when duly signed, are sent to all members of the Board for their records. All said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director.

During the Year, four Board meetings were held and the individual attendance of directors are set out below:–

Directors	No. of meetings attended
Mr. Jong Kong Ki	4/4
Mr. Lo Cheung Kin	4/4
Mr. So Yiu Kong	0/4
Mr. Jong Tat Fung	4/4
Ms. Yin Hoi Yeung	3/4
Mr. Chu Kwok Chue	4/4
Ms. Jong Lai Ching	4/4
Mr. Siu Wing Keung	4/4
Mr. David Gregory Jeaffreson, <i>CBE, JP</i>	1/4
Mr. See Tak Wah	2/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is Mr. Jong Kong Ki while the Chief Executive Officer ("CEO") is Mr. Lo Cheung Kin. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the CEO bears executive responsibility for the Company's business, the management of the day-to-day operations of the Company.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Articles of Association.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee.

The Board is empowered under the Company's Articles of Association to appoint any person as a director either to fill a casual vacancy or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first annual general meeting after his appointment. At each annual general meeting, one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election.

REMUNERATION COMMITTEE

The Board set up the Remuneration Committee in May 2005 with specific written terms of reference which clearly deal with its authority and duties. The Remuneration Committee's role is to make recommendation to the Board on the remuneration policy and structure for directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration.

The members of the Remuneration Committee are as follows:—

Mr. Lo Cheung Kin	Chairman (<i>Executive director</i>)
Mr. David Gregory Jeaffreson, <i>CBE, JP</i>	Member (<i>Independent non-executive director</i>)
Mr. See Tak Wah	Member (<i>Independent non-executive director</i>)

During the Year, no Remuneration Committee meeting was held.

AUDIT COMMITTEE

The Board set up the Audit Committee in July 1999 with specific written terms of reference which clearly deal with its authority and duties. The Audit Committee's role is to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board.

The members of the Audit Committee are as follows:–

Mr. Siu Wing Keung	Chairman
Mr. David Gregory Jeaffreson, <i>CBE, JP</i>	Member
Mr. See Tak Wah	Member

All Audit Committee members are independent non-executive directors. During the Year, two Audit Committee meetings were held and the individual attendance of members are set out below:–

Members	No. of meetings attended
Mr. Siu Wing Keung	2/2
Mr. David Gregory Jeaffreson, <i>CBE, JP</i>	2/2
Mr. See Tak Wah	2/2

In discharging its responsibilities, the Audit Committee had performed the following tasks during the Year:–

- (i) reviewed the effectiveness of the audit process in accordance with the applicable standards;
- (ii) reviewed the draft interim and annual financial statements and the related draft results announcements;
- (iii) reviewed the change in accounting standards and assessment of potential impacts on the Group's financial statements;
- (iv) reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions; and
- (v) made recommendation on the appointment or reappointment of the external auditors and approved their terms of engagement.

AUDITORS' REMUNERATION

During the Year, Deloitte Touche Tohmatsu, the external auditors of the Company, provided the following services to the Group and their respective fees charged are set out below:–

Type of services	Fees charged for the year ended 31st January	
	2006	2005
	HK\$	HK\$
Audit fee for the Group	470,000	223,600
Taxation services	8,050	7,750
Agreed upon procedure engagements	108,300	73,950
Special engagements	561,520	–
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Total	<u>1,147,870</u>	<u>305,300</u>

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on page 22 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

A sound and effective internal control system is important to safeguard the shareholders' investment and the Company's assets. During the Year, the Board has reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group.