

Corporate Governance Report

The Board of Directors (the “Board”) of the Company is always committed to maintaining high standards of corporate governance. During the year ended October 31, 2006, the Company has complied with the principles set out in the Code of Corporate Governance Practices (the “CG Code Provision”) in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for the following deviations:

CG Code Provision A2.1 stipulates that the role of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Given the current corporate structure, there is no separation between the roles of the Chairman and the Chief Executive Officer. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. There are three Independent Non-Executive Directors and one Non-Executive Director in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

CG Code Provision A4.1 requires that Non-Executive Directors should be appointed for a specific term, subject to re-election. All existing Non-Executive Directors of the Company are not appointed for specific term, but are subject to retirement and re-election at the Company’s annual general meeting. The Articles of Association of the Company requires one-third of the Directors retire by rotation. In the opinion of the Directors, it meets the same objective as the CG Code Provision A4.1.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code throughout the year.

THE BOARD

The Board has a balance of skill and experience and a balanced composition of Executive and Non-Executive Directors and is responsible for oversight of the management of the Company’s business and affairs. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company.

THE BOARD – continued

Four board meetings were held during the financial year ended October 31, 2006. The attendances of the Directors are set out below:

Directors	Attendance at Meetings
Executive Directors	
Lawrence Chia Song Huat (<i>Chairman</i>)	4
James Chia Song Heng	3
Yong Choon Kong	4
Non-Executive Director	
Frank Lee Kee Wai	3
Independent Non-Executive Directors	
Gregory Robert Scott Crichton	3
Charlie Yucheng Shi	4
James Patrick Cunningham	4

Board and committee minutes are recorded in appropriate detail and are kept by the Company Secretary. Draft minutes are circulated to Directors for comment within reasonable time after each meeting and the final version is open for Directors' inspection.

The Directors enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Company has received annual confirmations of independence from all existing Independent Non-Executive Directors and considers them independent.

The Directors have no fixed terms of appointment but are subject to re-election at the Annual General Meeting of the Company.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Under CG Code Provision A2.1, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not have a separate the Chairman and the Chief Executive Officer. Mr. Lawrence Chia Song Huat currently holds both positions. The Board considers that the existing structure can promote the efficient formulation and implementation of the Company's strategies and explore business opportunities efficiently and promptly.

NON-EXECUTIVE DIRECTORS

Under CG Code Provision A4.1, the Non-Executive Directors should be appointed for a specific term, subject to re-election.

The Non-Executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management. The Committee's authorities and duties are set out in written terms of reference.

One Remuneration Committee meeting was held during the financial year ended October 31, 2006. Members of the Remuneration Committee and the attendance of each member are set out below:

Members	Attendance of Meeting
Lawrence Chia Song Huat (<i>Chairman</i>)	1
Gregory Robert Scott Crichton	1
James Patrick Cunningham	1

The terms of reference of the Remuneration Committee are aligned with code provision set out in the CG Code. Given below are main duties of the Remuneration Committee:

- (a) to consider the Company's policy and structure of remuneration of Directors and senior management;
- (b) to determine specific remuneration packages of all Executive Directors and senior management;
- (c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review compensative payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment; and
- (e) to review compensative arrangements relating to dismissal or removal of Directors for misconduct.

AUDIT COMMITTEE

The Company has set up an Audit Committee consisting of a Non-Executive Director and three Independent Non-Executive Directors.

Three Audit Committee meetings were held during the financial year ended October 31, 2006. Attendance of the Members is set out below:

Members	Attendance of Meetings
Charlie Yucheng Shi (<i>Chairman</i>)	3
Frank Lee Kee Wai	3
Gregory Robert Scott Crichton	2
James Patrick Cunningham	3

The terms of reference of Audit Committee are aligned with the code provision set out in the CG Code. Given below are the main duties of the Audit Committee:

- (a) to consider the appointment of external auditors and any questions of resignation or dismissal;
- (b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;
- (c) to review half-year and annual financial statements before submission to the Board;
- (d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss; and
- (e) to consider and review the Company's system of internal controls.

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee as the role and function of such a committee are performed by the Board collectively. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management.

AUDITORS' REMUNERATION

The fees in relation to the audit service provided by RSM Nelson Wheeler, the external auditors of the Company, for the year ended October 31, 2006 amounted to HK\$930,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cashflows of the Group. In preparing the financial statements for the six months ended April 30, 2006 and for the year ended October 31, 2006, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control system and monitors the internal control systems through the Internal Audit Department of the Group. The Internal Audit Department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.