

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance practice. The Company stresses the importance of maintaining the quality of the Board by ensuring that the directors possess a wide range of expertise and the effective implementation of an accountability system, so as to ensure that business activities and decision making processes are regulated in a proper manner.

Save as disclosed below, 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, 2007 (the "Year").

The Company does not fully comply with the code provision A.4.1 and A.4.2 in the CG Code. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. David Gregory Jeaffreson, *CBE, JP* and Mr. See Tak Wah, being independent 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 Articles of Association of the Company (the "Articles"). Under code provision A.4.2, 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, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles, any director of the Company appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. At each annual general meeting of the Company, one-third of the directors of the Company for the time being shall retire from office by rotation. In exceptional circumstances, a director may hold office for more than 3 years before retirement.

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.

Corporate Governance Report

BOARD OF DIRECTORS

Currently, the Board comprises three executive directors and three independent non-executive directors. The directors of the Company during the Year and up to the date of this report were:-

Executive directors

Mr. Lo Cheung Kin (<i>Chairman</i>)	
Madam Huang Haiping (<i>Chief Executive Officer</i>)	(appointed on 1st February, 2007)
Mr. Li Jianbo	(appointed on 20th October, 2006)
Mr. Jong Kong Ki	(resigned on 1st February, 2007)
Mr. So Yiu Kong	(resigned on 23rd May, 2007)
Mr. Jong Tat Fung	(resigned on 20th October, 2006)
Madam Yin Hoi Yeung	(resigned on 1st February, 2007)

Non-executive directors

Mr. Chu Kwok Chue	(resigned on 20th October, 2006)
Madam Jong Lai Ching	(resigned on 1st February, 2007)

Independent non-executive directors

Mr. David Gregroy Jeaffreson, <i>CBE, JP</i>	
Mr. See Tak Wah	
Mr. Wong Cheong	(appointed on 20th October, 2006)
Mr. Siu Wing Keung	(resigned on 20th October, 2006)

The biographical details of the current directors are set out on pages 5 to 6 of this Annual Report. The Board possesses a balance of skills 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 qualifications 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 independent 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 developmental needs of the business of the Company and its subsidiaries (the "Group").

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 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 versions of the said minutes, when duly signed, are sent to all members of the Board for their records. All the 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is Mr. Lo Cheung Kin while the Chief Executive Officer ("CEO") is Madam Huang Haiping. 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 is authorised and responsible for the management of the day-to-day business of the Group as well as the implementation of the strategies approved by the Board.

Corporate Governance Report

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. See Tak Wah	Chairman (<i>independent non-executive director</i>)
Mr. David Gregory Jeaffreson, <i>CBE, JP</i>	Member (<i>independent non-executive director</i>)
Mr. Wong Cheong	Member (<i>independent non-executive director</i>)

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 assessed the 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.

NOMINATION COMMITTEE

Subsequent to the end of the Year, the Board set up the Nomination Committee on 9th March, 2007 with specific written terms of reference which clearly deal with its authority and duties. The Nomination Committee's roles are principally to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identify individuals suitably qualified to become Board members and make recommendations to the Board in this regard; and assess the independence of independent non-executive directors.

The members of the Nomination Committee are as follows:—

Mr. Li Jianbo	Chairman (<i>executive director</i>)
Mr. See Tak Wah	Member (<i>independent non-executive director</i>)
Mr. Wong Cheong	Member (<i>independent non-executive director</i>)

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 recommendations 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:—

Madam Huang Haiping	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.

Corporate Governance Report

During the Year, the individual attendance of the directors for Board meetings and Audit Committee meetings is set out below:–

Directors	No. of meetings attended/ no. of meetings held	
	Board meetings	Audit Committee meetings
<i>Executive directors</i>		
Mr. Lo Cheung Kin	7/7	Not applicable
Mr. Li Jianbo (appointed on 20th October, 2006)	2/7	Not applicable
Mr. Jong Kong Ki (resigned on 1st February, 2007)	6/7	Not applicable
Mr. So Yiu Kong (resigned on 23rd May, 2007)	0/7	Not applicable
Mr. Jong Tat Fung (resigned on 20th October, 2006)	5/7	Not applicable
Madam Yin Hoi Yeung (resigned on 1st February, 2007)	5/7	Not applicable
<i>Non-executive directors</i>		
Mr. Chu Kwok Chue (resigned on 20th October, 2006)	2/7	Not applicable
Madam Jong Lai Ching (resigned on 1st February, 2007)	6/7	Not applicable
<i>Independent non-executive directors</i>		
Mr. David Gregory Jeaffreson, CBE, JP	1/7	1/2
Mr. See Tak Wah	3/7	2/2
Mr. Wong Cheong (appointed on 20th October, 2006)	2/7	0/2
Mr. Siu Wing Keung (resigned on 20th October, 2006)	2/7	2/2

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	
	2007	2006
	HK\$	HK\$
Audit fee for the Group	460,000	470,000
Taxation services	9,500	8,050
Agreed upon procedure engagements	28,000	108,300
Special engagements	945,000	561,520
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Total	<u>1,442,500</u>	<u>1,147,870</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 pages 22 to 23 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 reviewed the effectiveness of the internal control system of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions of the Group.