

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the interim period, the Company repurchased 3,462,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$5,651,140. All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$173,100 during the year was credited to the Capital Redemption Reserve and the relevant aggregate consideration of HK\$5,691,083 was paid out of from the Company's retained profits. The repurchase was effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchase	Total number of the ordinary shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest Price paid per share <i>HK\$</i>	Aggregate Consideration <i>HK\$</i>
July 2005	3,462,000	1.65	1.55	5,651,140

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the period.

CORPORATE GOVERNANCE

The Company has met the Code Provisions of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Listing Rules during the period ended 30 September 2005, except the followings:

- (1) Code A4.1 specifies that non-executive directors should be appointed for a specific term. Currently, all the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation at Annual General Meeting of the Company in accordance with Memorandum and Articles of Association of the Company.

- (2) Code A2.1 specifies that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. Currently, Mr Pan Su Tong is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority. And the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. Notwithstanding the above, the Board will review the current structure from time to time. If candidate with suitable leadership, knowledge, skill and experience can be identified within or outside the Group, the Company may make necessary changes at appropriate time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2005.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. Terms of reference of the Audit Committee have been updated in compliance with the Code.

The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 September 2005.

REMUNERATION COMMITTEE

A remuneration committee has been set up during the period with specific term of reference. The committee, comprising two independent non-executive directors and an executive director, is responsible for formulating and making recommendation to the Board on the Group's policy and structure of the Directors' and senior management's remunerations.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date hereof, the members of the Board comprises Mr. Pan Su Tong, Mr. Siu Wai Yip and Mr. Dong Zhi Qiang as Executive Directors, and Mr. Lai Chi Kin, Lawrence, Dr. Ng Lai Man, Carmen and Mr. Cheng Kwan Wai as Independent Non-Executive Directors.

By order of the Board

Pan Su Tong

Chairman