

EMPLOYEES

At 30th September 2005, the Group employed approximately 10,000 (2004: 11,000) full time employees, including contracted manufacturing workers, in Hong Kong, Korea and Mainland China. In addition to salaries and wages, the Group provides fringe benefits which include discretionary bonus programme, provident fund as well as an in house training programme for its employees.

Performance of employees is appraised annually to provide a base for the review of the remuneration packages.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES CORPORATIONS

As at 30th September 2005, the interests and short positions of each of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Long position in shares of the Company

Name of directors	Number of shares held		Percentage of issued share capital
	Corporate interests	Family interests	
Lee Chi Keung, Russell ("Mr. Lee")	191,809,484 (Note)	–	56.31%
Yu Mee See, Maria ("Ms. Yu")	–	191,809,484 (Note)	56.31%

Note:

The corporate interests of 191,809,484 shares in the Company represent 81,205,184 shares held by Wonder Star Securities Limited (“Wonder Star”) and 110,604,300 shares held by its wholly-owned subsidiary, Top Source Securities Limited. The entire issued share capital of Wonder Star is owned by Mr. Lee. In addition, Ms. Yu, the wife of Mr. Lee is deemed to be interested in these shares.

Save as disclosed above and in the section “Directors’ rights to acquire shares” below, at no time during the period, the directors of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as defined in the SFO.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Share Options Scheme

On 30th August 2002, the Company adopted a share option scheme (the “Scheme”) whereby, the board of directors at their discretion, invite any eligible participants (including any employees, executive, non-executive and independent non-executive directors of the Group), who have contributed or will contribute to the development of the Group to take up options to subscribe for shares of the Company.

No share options have been granted under the Scheme since its adoption.

Save as disclosed above, at no time during the period was the Company or its subsidiary companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executive, nor any of their respective spouses or children under the age of 18 had any rights to subscribe for the shares in the Company or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2005, the register of substantial shareholders maintained under 336 of the SFO showed that the Company had been notified of the following substantial shareholders’ interests who are interested in 5% or more of the issued share capital of the Company. These interests have been disclosed above in respect of the directors.

Long position in shares of the Company

Name	Number of ordinary shares	Percentage of issued share capital
Wonder Star Securities Limited ("Wonder Star")	191,809,484	56.31% <i>(Note)</i>
Top Source Securities Limited ("Top Source")	110,604,300	32.47%

Note:

The interests of Wonder Star include 81,205,184 shares held directly by Wonder Star and 110,604,300 shares held by Top Source, a wholly-owned subsidiary of Wonder Star.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September 2005, except for the following deviations:

Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Chi Keung, Russell is currently the Chairman & Chief Executive Officer of the Company. The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about of the Group's business and that vesting the roles of both Chairman and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company's independent non-executive directors were not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Board and/or the Managing Director of the Company were/was not, whilst holding such office, subject to retirement by rotation. The Company is going to propose a resolution amending Company's Bye-laws in order to comply with this provision in the next annual general meeting of the Company.

The Company is committed to implement good corporate governance practices and has established an Audit Committee, a Remuneration Committee and a Nomination Committee.

The primary duty of the Audit Committee is to assist the Board in providing an independent review of the Group's financial accounts and internal control systems. There are three members in the Audit Committee and all of them are independent non-executive directors. The Terms of Reference of the Audit Committee were modified to comply with the Code, which has been adopted by the Board on 12th December 2005.

The Remuneration Committee was established on 12th December 2005 for the purposes of for reviewing the remuneration packages of Executive Directors and senior management, including bonuses and options granted under the Share Option Scheme, to ensure that such remuneration is reasonable and not excessive. There are four members in the Remuneration Committee, majority of which are independent.

The Nomination Committee was established on 12th December 2005 and is responsible for selecting Board members and ensuring transparency of the selection process. There are four members in the Nomination Committee, majority of which are independent.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Interim Accounts. It has also reviewed the Group's progress in implementing the corporate governance requirements set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Lee Chi Keung, Russell
Chairman