

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 16 January 2006 Monday to 18 January 2006 Wednesday, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend declared for the period ended 30 September 2005, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30p.m. on 13 January 2006 (Friday).

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviations:

### **Code Provision A.2.1**

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr Char On Man currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decision as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

### **Code Provision A.4.1 and A.4.2**

The code A.4.1 and A.4.2 provide that (a) non-executive directors should be appointed for a specific term, subject to re-election and (b) all directors appointed to a fill 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 notation at least once every three years.

According to the Company's old bye-laws before 31 August 2005, (a) at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year and (b) any directors so appointed by the Board to fill a casual vacancy or as an addition to the existing Board should hold office until the next following annual general meeting, and shall be eligible for re-election at that meeting. As there are six directors, and one-third of them shall retire subject to rotation, hence barring unforeseen resignation/retirement during a year, each director is effectively appointed under an average term of 3 years.

To ensure full compliance with the CG Code, the shareholders of the Company has approved in the 2005 annual general meeting to amend the Company's bye-laws which (a) one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every director (including those appointed for a specific term or holding office as chairman of the Board or managing director) shall be subject to retirement by rotation at least once every three years and (b) require that any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting and shall be eligible for re-election at that meeting. Other than this, the appointment of independent non-executive directors will be amended to be appointed for a specific term of no more than three years, but shall be eligible for re-appointment upon retirement, in due course.

## **Code Provision D.2**

This code provision stipulates a Board Committee should be formed with specific written terms of reference which deal clearly the committee's authority and duties. In substance, all the executive directors are members of the Board Committee and are assigned with specific roles and functions. To ensure full compliance with the CG Code, a Board Committee with specific written terms of reference which deal clearly with the committee's authority and duties will be formed in due course.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months period ended 30 September 2005. On 30 November 2005 the Company has adopted a new code of conduct regarding securities transactions by directors of the Group (the "Code") on terms no less exacting than the Model Code contained in Appendix 10 of the Listing Rules.

## **AUDIT COMMITTEE**

The Company established an audit committee (the "Audit Committee") in 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the CG Code, the terms of reference of the Audit Committee were revised on 16 September 2004 and on 30 November 2005 in terms substantially the same as the provisions set out in the CG Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditors of the Company. The audit committee comprises the 3 independent non-executive directors of the Company. The Audit Committee periodically reviews with senior management of the Group and external auditors of the Company the accounting principles and practices adopted by the Group and has reviewed the Company's unaudited interim report for the period ended 30 September 2005.

### **REMUNERATION COMMITTEE**

According to the CG Code, the Company established a remuneration committee (the "Remuneration Committee") on 30 November 2005 with specific written terms of reference in accordance with the CG Code. The Remuneration Committee comprises 2 of the independent non-executive directors, namely, Mr Ho Wai Chi, Paul and Mr Chen Yeh Ming, Steve and an executive director, Mr Char On Man (Chairman of the Remuneration Committee) of the Company.

The principal responsibilities of the Remuneration Committee include making recommendations to the board of directors of the Company on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing such policy, and reviewing the specific remuneration packages of all executive directors and senior management of the Company by reference to corporate goals and objectives resolved by the board of directors of the Company from time to time.

### **NOMINATION COMMITTEE**

The Company established a nomination committee (the "Nomination Committee") on 30 November 2005 with specific written terms of reference. The Nomination Committee comprises 2 of the independent non-executive directors, namely, Mr Woo Michael and Mr Chen Yeh Ming, Steve and an executive director of the Company, Mr Char On Man acting as the Chairman thereof.

The principal responsibilities of the Nomination Committee include making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors, and reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes.

## **DIRECTORS OF THE COMPANY**

As at the date of this report, Mr Char On Man, Ms So Choi Hing, Stella and Li Wing Tak are the executive directors of the Company and Mr Ho Wai Chi, Paul, Mr Woo Michael and Mr Chen Yeh Ming, Steve are the independent non-executive directors of the Company.

## **APPRECIATION**

On behalf of the Board, I wish to express my gratitude to our management team and staff members for their hard work, dedication and support throughout the period.

On behalf of the Board

**CHAR ON MAN**

*Chairman and Managing Director*

Hong Kong, 21 December 2005