

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 September 2005, except for certain deviations.

The major areas of deviation are as follows:

- Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company are not appointed for specific terms. However, pursuant to the amendment to the Bye-laws that was passed in the 2005 annual general meeting of the Company held on 9 September 2005, at each annual general meeting of the Company, one-third of the directors, including executive and independent non-executive directors, shall retire from office by rotation, and every director shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.
- Code provision B.1.1 stipulates the establishment of a remuneration committee with specific written terms of reference as set out in the provision. On 1 December 2005, a remuneration committee was established with written terms of reference no less exacting terms than code provision B.1.3. The remuneration committee comprises three independent non-executive directors, namely Dr. Lam Chun Kong, Mr. Lo Wing Man, Dr. Ng Lai Man Carman and one executive director, Mr. Lui Shing Ming Brian.
- Code provision E.1.2 provides that the chairman of the Board should attend the annual general meeting of the Company. However, due to unexpected commitment, Mr. Lui Chi, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 9 September 2005, but, in his absence, all the other directors of the Board, including the chairman of the audit committee, were present. The Company considers that the members of the Board and the audit committee who attended the annual general meeting were already of sufficient caliber and number available for answering questions at the meeting.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 September 2005, the Company has not redeemed any of its listed securities. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. During the six months ended 30 September 2005, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars, Renminbi and US dollars were relatively stable and no hedging for foreign currency transactions has been carried out.