

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 30 September 2006, the Group had banking facilities of HK\$1,341,549,000 of which 44% had been utilised. The Group had a gearing ratio of 0.89 as at 30 September 2006. This is expressed as total bank borrowings to equity attributable to equity holders of the parent. Bank borrowings of the Group, denominated in either Hong Kong dollar, Japanese Yen or US dollar currencies, mainly comprise trust receipts loans and bank loans (the “Interest-Bearing Bank Borrowings”) at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable within one year and the Interest-Bearing Bank Borrowings in non-current liabilities are repayable between two to five years, inclusive. As at 30 September 2006, the Group held cash and cash equivalents of HK\$500,005,000 which are mainly denominated in Hong Kong dollar, Renminbi, US dollar and Australian dollar. During the period, the Group placed excess short-term funds in short-term currency-link deposits with banks and recorded a net gain of HK\$8,254,000. There were no significant changes in the Group’s contingent liabilities and no charges on the Group’s assets during the period under review.

STAFF EMPLOYMENT

The total number of employees of the Group as at 30 September 2006 was 3,426. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The Group operates a mandatory provident fund scheme which covers all the employees of the Group in Hong Kong.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30 September 2006, except for the following deviations:

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES(*continued*)

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

Currently, the 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 the annual general meeting of the Company in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.2

Under the 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. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following annual general meeting is short.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of all directors of the Company, the directors of the Company confirmed that they have complied with the required standard as set out in the Model Code for the period ended 30 September 2006.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2006.

THE BOARD

As at the date of this report, the Board of the Company comprises Dr. TAI Tak Fung, Stephen, Dr. WU Mei Yung, Quinly, Mr. MAN Wing Cheung, Ellis, Mdm. CHAN Siu Ling, Doris, Mr. YIP Wai Keung and Mr. WU Wing Bui as executive directors, Mdm. LEUNG Mei Han, Mr. CHAN Yuk Sang, Peter and Mr. Hiroshi ZAIZEN as independent non-executive directors.

On behalf of the Board
Dr. TAI Tak Fung, Stephen, SBS, JP
Chairman

Hong Kong, 21 December 2006