

# Management Discussion and Analysis

## FINANCIAL RESULTS



The Group is pleased to announce its first interim results after listing of its shares (the “Shares”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 June 2005. The Group has attained a historical high level of turnover and net profit for the first half of a year.

The turnover and net profit for the six months ended 30 June 2005 increased by 42.4% to approximately RMB238.5 million (2004: RMB167.5 million) and the gross profit increased by 33.2% to approximately RMB119.5 million (2004: RMB89.7 million) and the overall gross profit margin was 50.1% (2004: 53.5%). The results improvement was mainly due to an increase in turnover of our core-business fire alarm systems by 32.6% to approximately RMB188.4 million (2004: RMB142.1 million) and our “non-fire alarm system” products business by 126.9% to approximately RMB26.8 million (2004: RMB11.9 million) and provision of services business by 71.9% to approximately RMB23.3 million (2004: RMB13.5 million). The distribution costs increased by 25.0% to approximately RMB30.7 million (2004: RMB24.5 million) was mainly due to an increase in the number of our representative offices and increase in the number of sales and marketing and technical staff. The administrative and general expenses increased by 66.0% to approximately RMB37.6 million (2004: RMB22.7 million) mainly due to increase of staff cost, corporate expenses and research and development costs. As such, the net profit attributable to shareholders for the six months ended 30 June 2005 increased by 37.6% to approximately RMB63.5 million (2004: RMB46.2 million) as compared to the last corresponding period.

With the successful listing of the Shares, the Group has further enhanced its corporate image and reputation, solidifying its foundation for fast growing developments in the future.

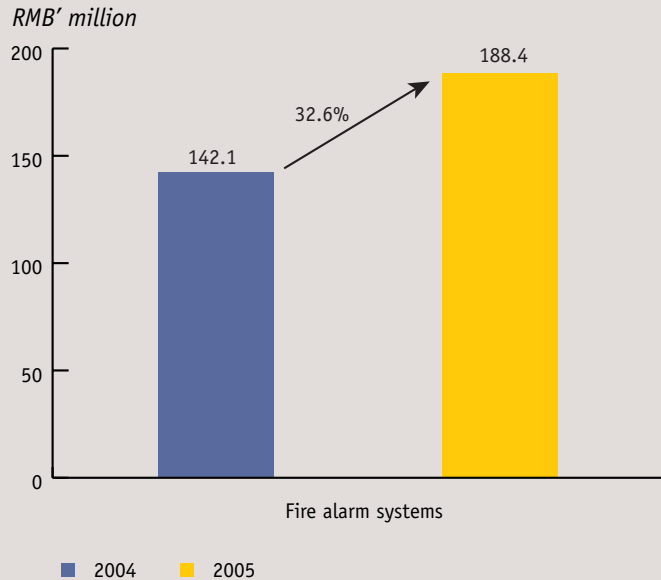
## BUSINESS REVIEW

### Leading Market Position in Core Product Segment and Substantial Growth in New Business Segments

Since our establishment in 1993, the “” brand has become the best known brand within China’s fire alarm system industry. In 2004, our “” brand was certified as the only “well-known trademark” in the fire alarm system industry by the State Administration for Industry and Commerce. We are the market leader with approximately 20% market share in terms of revenue generated from sales of fire alarm systems. Given this absolute advantage, we are able to foster continue and stable growth in our core product segment – fire alarm systems.

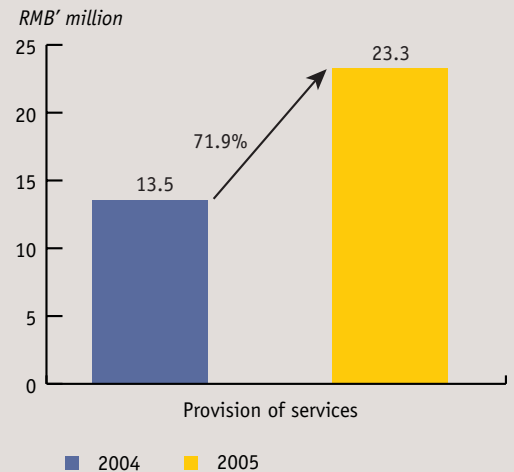
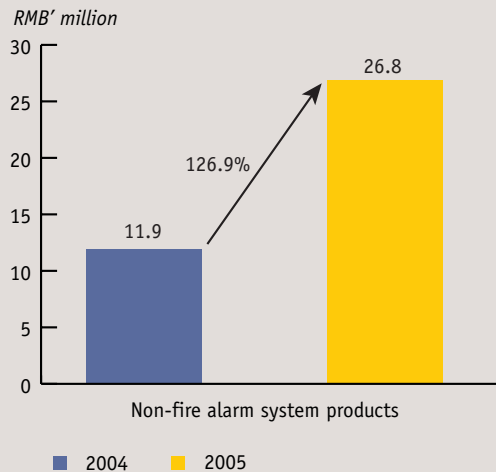


The following chart illustrates the growth in turnover from sales of fire alarm systems:

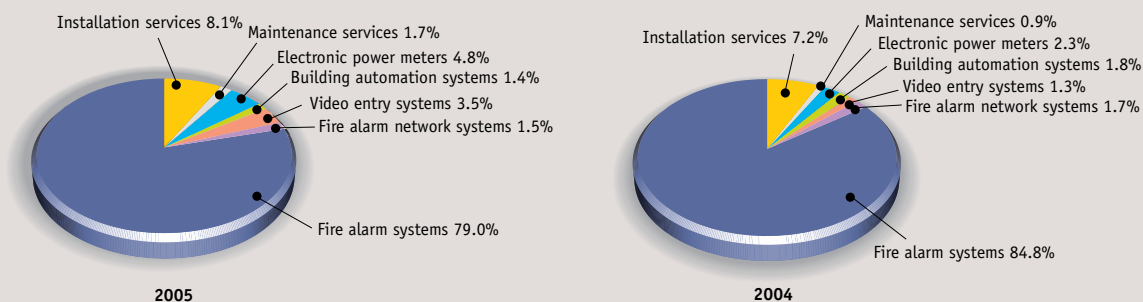


In recent years, we have leveraged our distribution network and brand recognition in the fire alarm system industry in China to expand into related product segments, including fire alarm network systems, building automation systems, video entry systems and electronic power meters (together, “non-fire alarm system” products). Other than engaging in product sales, we continue to develop our value-adding service segment which includes the provision of maintenance services and installation services (together, “provision of services”). Our diversified product range and comprehensive services enable us to offer a one-stop bundled solution to our customers and these represented our new growth drivers in the future.

The following charts illustrate the growth in turnover from sales of non-fire alarm system products and provision of services:



Our core business remains fire alarm systems which contributes 79.0% (2004: 84.8%) of the total turnover for the six months ended 30 June 2005, while the non-fire alarm system products and services business accounted for 11.2% (2004: 7.1%) and 9.8% (2004: 8.1%), respectively. The following charts illustrate the percentage of business mix:



The following table illustrates the growth of our various business segments:

	Six months ended 30 June		Growth %
	2005 RMB'million	2004 RMB'million	
<b>Products</b>			
Fire alarm systems	188.4	142.1	33%
Fire alarm network systems	3.6	2.9	23%
Building automation systems	3.4	3.0	13%
Video entry systems	8.4	2.1	303%
Electronic power meters	11.4	3.9	200%
<b>Services</b>			
Installation services	19.3	12.1	59%
Maintenance services	4.0	1.4	175%
<b>Total</b>	<b>238.5</b>	<b>167.5</b>	<b>42%</b>



## ANALYSIS BY BUSINESS SEGMENT

### Fire Alarm Systems

For the six months ended 30 June 2005, the turnover of fire alarm systems increased by 32.6% to approximately RMB188.4 million (2004: RMB142.1 million). The growth drivers of our business were mainly due to:

- as China's GDP increase and standard of living improves, consumers in the PRC have increasingly demanded better safety standard for their environment;
- increasingly stringent local and national regulatory requirements on fire protection and strengthened enforcement of regulations;
- rapid increase in real estate, infrastructure and construction development projects in China; and
- our dedication to expand industrial and public utilities sectors and export sales.

### Stable Expansion of the Commercial and Residential Sectors

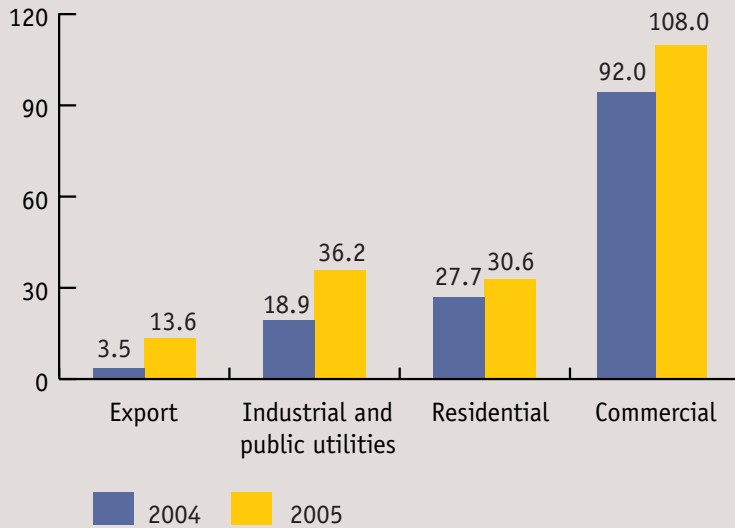
The commercial and residential sectors are areas that we have been performing well. We have a broad range of customers and we do not have any customer concentration as the largest customer typically accounts for less than 2% of our annual sales. Based on those solid fundamentals such as our brand name, product quality and distribution coverage, we have been expanding sales to the commercial and residential sectors in a healthy and stable pace. For the six months ended 30 June 2005, sales to the commercial and residential sectors increased by 17.5% and 10.3% respectively and the respective sales amounts reached a record high level of RMB108.0 million and RMB30.6 million, respectively. Sales to these two sectors accounts for 73.6% of our sales for the six months ended 30 June 2005, representing a slight drop from 84.2% for the six months ended 30 June 2004 as a result of our rapid expansion of sales to other sectors as explained below.

### Strong Growth in the Industrial and Public Utilities and Export Sectors

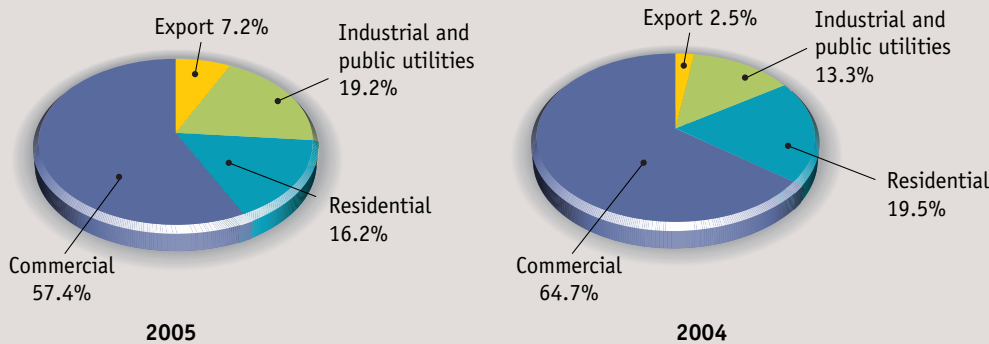
Following our strategy to focus on industrial and public utilities sector, we have gained business in projects such as petroleum, car factory, telecommunications, steel, power station, stadium, hospital and school in the PRC, our sales to this sector increased by 91.2% to RMB36.2 million (2004: RMB18.9 million) for the six months ended 30 June 2005. In addition, the proportion of sales to industrial customers increased from 13.3% for the six months ended 30 June 2004 compared to 19.2% for the six months ended 30 June 2005. For the export sector, as our high quality fire alarm systems have attained the required international certification standards such as UL, LPCB and CE, the turnover in the export sector has delivered a remarkable 2.9 times growth to approximately RMB13.6 million (2004: RMB3.5 million) for the six months ended 30 June 2005 and accounted for 7.2% (2004: 2.5%) of the total turnover. Our overseas markets now cover Middle East, Europe and South East Asia.

The following chart illustrates the growth in our sales by sector:

RMB' million



The following charts illustrate our sector mix:



During the six months ended 30 June 2005, we have completed and signed contracts for numerous projects such as: Kunming International Commercial & Trade Centre, Beijing University of Aeronautics and Astronautics, Hebei Provincial Government Office Building, Changzhou Government Building, Beijing West Railway Station, Jizhong Oil Field, Tangshang Iron and Steel Co., Ltd. and Anshan Iron and Steel Co., Ltd.

Fire alarm systems comprise detectors, modules and control panels. Each of these 3 components accounts for 30% to 40% of the contract sum of a fire alarm system. We manufacture numerous models of detectors, modules and control panels – over 5 series and 200 different types of products.

As a result of keen market competition, the average selling price of fire alarm system dropped. However, with the support of our strong technical research and development team (over 130 technical experts), we manage to reduce our cost of sales by cutting the material usage in the



production process. Hence, the gross profit margin of fire alarm systems maintained at a satisfactory level of 53.2% (2004: 56.5%).

#### Fire Alarm Network Systems

We produce two types of fire alarm network systems. The first type is a system that monitors the operation of individual fire alarm systems, while the second type connects individual systems to the relevant local fire bureaus. The second type is known as the 119 network system in China.

We are the dominant market leader in fire alarm network systems with over approximately 82% market share. We believe that in approximately 57 cities in the PRC that have installed fire alarm network control centres, a total of 47 cities are using our products. For the six months ended 30 June 2005, we have sold our systems to 4 cities including Baotou, Mianyang, Hengshui and Yulin. As we are the market leader in this sector, we maintained a very high level of gross profit margin of 76.4% (2004: 75.8%).

#### Building Automation Systems, Video Entry Systems and Electronic Power Meters

By leveraging our extensive distribution network, the sales of electronic power meters and video entry systems has surged by 2.0 times and 3.3 times, respectively. As the sales volume increased, we achieved better economy of scale which improve the average gross profit margin of these products to 36.9% (2004: 31.9%). During the six months ended 30 June 2005, we served customers including Shenyang Caifu Center, Urumqi People's Square United Building, Guiyang City Jingyi Garden, Dalian Jinzhou Garden, Zhengzhou Power Supply Bureau and North China Power Network-Qinhuangdao Electric Power Corporation.

#### Installation Services

We provide installation of low-voltage building systems, including fire-alarm systems, building automation, computer network, security, CCTV monitoring, access control and emergency boardcasting systems. We have obtained the class 1 certificates which enable us to engage in the building installation services throughout China. For the six months ended 30 June 2005, we have completed or secured projects such as Hebei Medical University, Yanshan University and Guangxi Jianmao Tower.

#### Maintenance Services

The income generated from maintenance services surged by 1.7 times to approximately RMB4.0 million (2004: RMB1.5 million). It was driven by our solid customer base that continually demands replacement of components, repair and maintenance of fire alarm systems.

#### Seasonality of Business

The business volume in the first half of a year is typically lower than that of the second half as property construction and equipment installation are most affected by the cold weather and the most celebrated Chinese New Year in the first quarter. As such, the net profit for the six months ended 30 June 2004 accounts for only approximately 37.6% of the 2004 annual figures. Based upon a forecast consolidated net profit of RMB159 million for 2005, the net profit for the six months ended 30 June 2005 accounts for approximately 40.0% of the annual forecast figure.

**Strong Contracts on Hand**

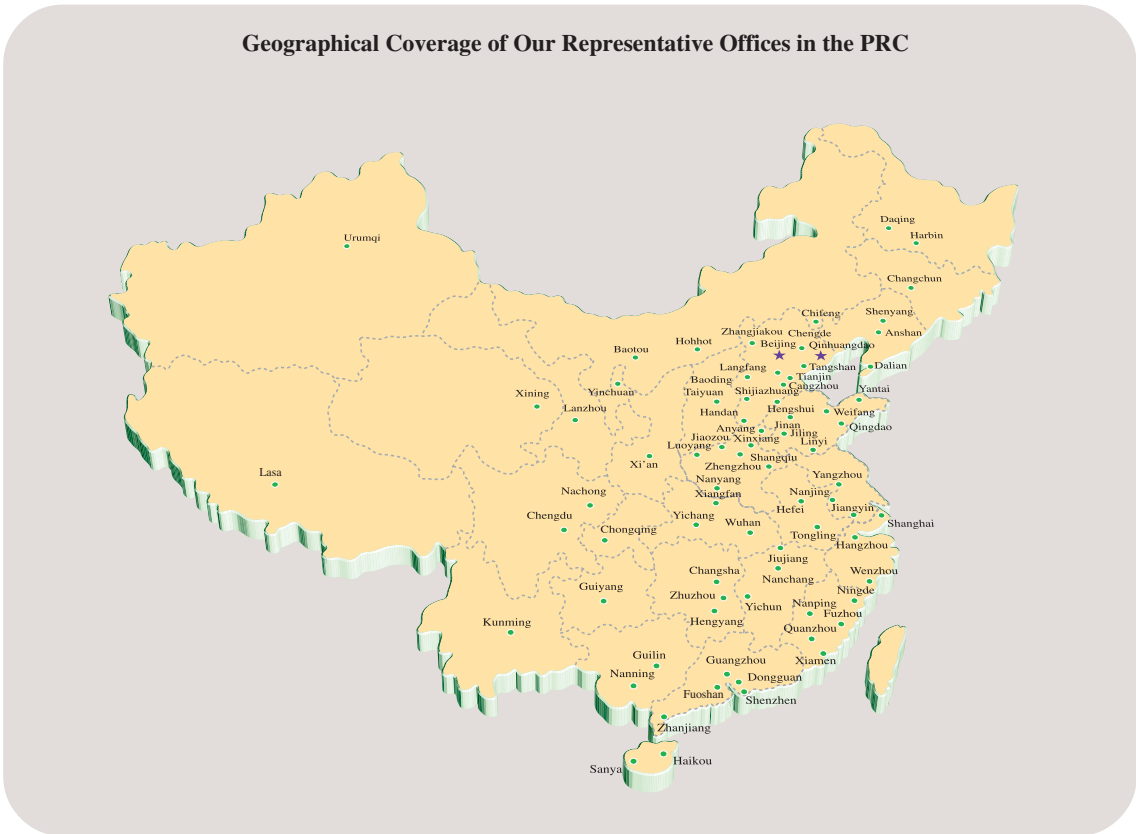
Due to the nature of our business, we signed contracts with customers well before goods are delivered. These contracts on hand mainly cover sales up to six months. As at 30 June 2005, the amount of secured contracts was approximately RMB284 million.

**ANALYSIS BY GEOGRAPHICAL REGION AND DISTRIBUTION CHANNEL**

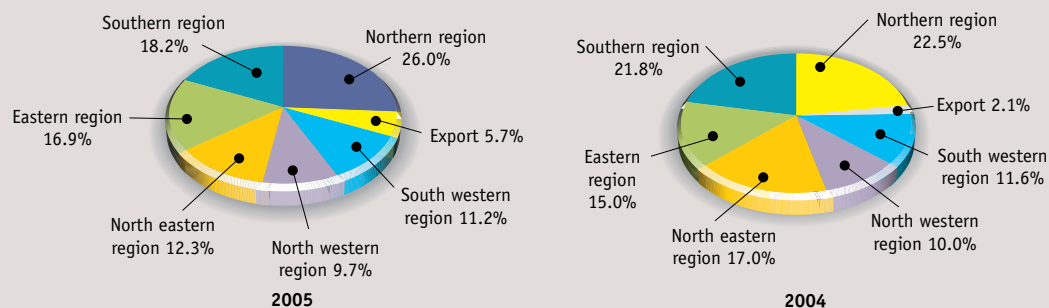
**Our Extensive Distribution Network**

As at 30 June 2005, we have approximately 800 persons specialised in sales and marketing and technical support based in 75 offices in major cities across the PRC. We believe we have the strongest and most extensive network in the fire alarm industry which can provide satisfactory after sales services to meet the needs of our customers. As such, our geographical coverage in turnover throughout the country are evenly spread in each region.

Set out below is a map showing the geographical coverage of our sale offices nationwide.

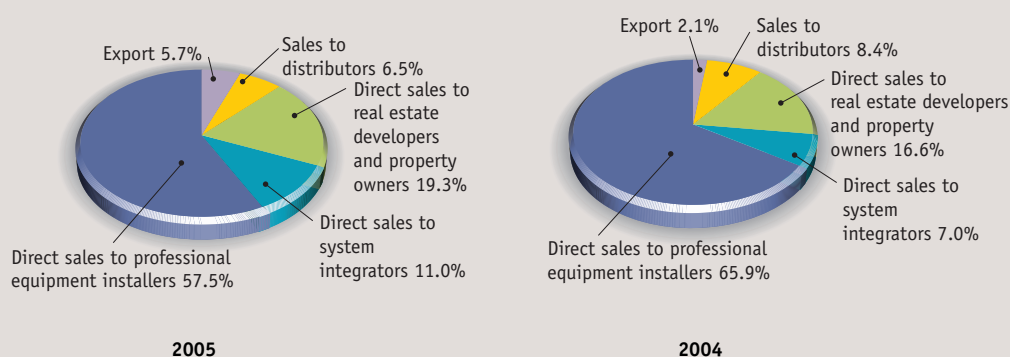


The following charts illustrate the geographical mix of our turnover:



On top of providing an effective distribution channel, our sales and distribution network help us to maintain close relationships with our customers, including fire alarm system installation companies, security system installers, building automation system installers, construction contractors, architects, real estate developers and government procurement departments. Other than distributing our core product fire alarm systems through our sales and distribution network, we leverage this network for the distribution of our other products and fruitful results have been obtained as evidenced by the continuous growth in sales of such products. In addition, our ever expanding sales network places us in a unique position to increase direct contact with customers and allows us to gradually reduce reliance on distributing our products through distributors. For instance, the percentage of sales to distributors decreased from 8.4% for the six months ended 30 June 2004 to 6.5% for the same period in 2005 while direct sales to real estate developers and property owners increased from 16.6% to 19.3% for the six months ended 30 June 2005.

The following charts illustrate the proportion of our turnover generated through various distribution channel:



### Liquidity and Financial Resources

Following the Company's initial public offering on 30 June 2005, we received net proceeds of approximately RMB332 million which are intended to be used to finance the Group's future expansion as set out in the following section headed "Future Investment Plans". For the six months ended 30 June 2004 and 2005, we recorded operating cash outflow of approximately RMB17.4 million and RMB12.9 million, respectively, which are primarily attributable to the seasonality of the Group's business in the first half of a year as mentioned above. Cash used in investing activities was approximately RMB8.1 million and RMB10.1 million for the six months ended 30 June 2004 and 2005, respectively, and was mainly used for the purchase of fixed assets.



Due to the cash from operations and from issuance of preferred A shares to investors in December 2004, we had repaid a large portion of our short-term bank loans during the first half of 2005 which explains the drop in gearing ratio (defined as total debt/total equity) from 0.25 as at 31 December 2004 to 0.04 as at 30 June 2005.

Short-term bank loans as at 30 June 2005 were unsecured fixed interest rate bank debts denominated in Renminbi. These bank loans are expected to be repaid in the second half of 2005 and the repayment will be financed by cash from operations.

#### Future Investment Plans

The net proceeds from the Company's initial public offering on 30 June 2005 in the amount of approximately RMB332 million are intended to be used as follows:

- approximately RMB75 million for the expanding and upgrading the Group's existing primary manufacturing facilities in Qinhuangdao and construction of ancillary facilities;
- approximately RMB210 million for the development and construction of new facilities in Beijing; and
- approximately RMB47 million for the expanding and improving the Group's sales and distribution network.

To the extent that the net proceeds are not immediately required for the above purposes, such proceeds will be placed on short-term deposits with licensed banks or authorized financial institutions in Hong Kong.

#### Foreign Currency Exposures and Treasury Policy

We are exposed to exchange rate risk in connection with the relative value of the United States dollar and Renminbi. Typically, more than 95% of our sales and our raw material purchases are denominated in Renminbi. However, the purchases of raw materials by our suppliers are usually denominated in United States dollars. Given the appreciation of Renminbi against the United States dollar announced in July 2005, the Directors expect that it brings favorably impacts on the Group's future financial performance by reducing raw material costs. The Group's bank deposits are predominately denominated in Hong Kong dollars and Renminbi and the short-term bank loans borrowed by the Group are in Renminbi. The Directors are of the opinion the appreciation of Renminbi in July 2005 would not cause any significant adverse effect to the financial position of the Group.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, will appropriately hedge its foreign currency exposure. For the six months ended 30 June 2005, we have not entered into any hedging arrangements relating to foreign currency exchange risk.



### Human Resources

As at 30 June 2005, the total number of employees of the Group were 1,487, representing a 34.9% growth over the number of employees of 1,102 as at 30 June 2004. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success. Remuneration packages are structured by reference to market terms and individual qualifications.

The Company has set up a remuneration committee for the purpose of reviewing the remuneration packages of the executive Directors and senior management. The committee comprises two independent non-executive Directors and a non-executive Director with Mr Chan Chi On, Derek, an independent non-executive Director, as the chairman.

### FUTURE PROSPECTS

We are the market leader with 20% market share in terms of revenue generated from sales of fire alarm systems, we will leverage on our market leader position, well recognised brand, extensive distribution network to increase our market share and products and services diversification.

### Industrial and Public Utilities

As safety awareness and enforcement of regulations increase in the industrial and public utilities sector and as industrial growth continues in China, we see significant market opportunities and increasing demand for fire alarm systems in this sector. By capitalizing on our leading market position, we will increase our penetration in the industrial and public utilities sector. In order to do so, we have set up an Industrial and Public Utilities Sector Task Force in July 2005 which will concentrate its effort in promoting sales to large industrial projects. In particular, we plan to enlarge target customers base to include shipping, oil, port and smelting industries. On top of promoting product sales, the Task Force will also aim at providing one-stop fire alarm solution, including products, installation and after-sales maintenance services, to target customers.

### Export

We will continue to expand our overseas market by exploring different overseas distribution channels. We will continue to invest in our strong technical development. Recently, we obtained another 4 LPCB certificate approvals for our products to open up the European market. Hence, we are confident to further expand the overseas market following the accreditation of various international certification approval for our products.

### Fire Alarm Network Systems

From the established operating centres which have installed our fire alarm network system, we are planning to seek opportunities to involve the operation of these control centres. As we are the system expert in this specialised industry, we are in a predominant position to provide such services and therefore enhance our future maintenance services income from this sector.

### Expanding Distribution Network

We will continually expand our sales and distribution network by adding dedicated sales and technical support personnel and establish sales offices in those areas that we currently have limited reach. We also plan to continue to leverage our nationwide distribution network to increase our market share of those products and services that we began offering in recent years, such as fire alarm network systems, building automation systems, video entry systems, electronic power meters, installation and maintenance services.

At present, we have 75 offices throughout the PRC and we are targeting to increase to approximately 100 by the end of 2005.

### Production Plant Expansion

Nonetheless, our future investment plans to upgrade and expand our manufacturing facilities also form an integral part of our future development which will further solidify our market leader position and bring fruitful return to our shareholders.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2005, the interests and/or short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Beneficial interests in the shares of associated corporations

Name of associated corporation	Name of Director	Number of ordinary shares held in the associated corporation	Approximate shareholding percentage
GST International Management Limited	Song Jiacheng	269,276 ordinary shares	26.93%
GST International Management Limited	Zeng Jun	231,366 ordinary shares	23.14%
GST International Management Limited	Cao Yu	157,781 ordinary shares	15.78%
GST International Management Limited	Peng Kaichen	157,781 ordinary shares	15.78%
GST International Management Limited	Xu Shaowen	52,560 ordinary shares	5.26%

Save as disclosed above, neither the Directors nor the chief executive of the Company, nor any of their associates, had interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporation as at 30 June 2005.



## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the following person, not being a Director or chief executive of the Company, had an interest and/or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Nature of interest	Capacity	Number of Shares	Approximate shareholding percentage
GST International Management Limited	Corporate interest	Registered and beneficial owner	501,239,369 (L)	62.65% (L)
3i Group plc ("3i") <sup>(1)</sup>	Corporate interest	Registered and beneficial owner/Interest of controlled corporations <sup>(2)</sup>	98,760,631 (L) <sup>(2)</sup>	12.35% (L) <sup>(3)</sup>
3i Holdings plc <sup>(4)</sup>	Corporate interest	Interest of controlled corporations	98,760,631 (L) <sup>(2)</sup>	12.35% (L) <sup>(3)</sup>
3i plc <sup>(1)</sup>	Corporate interest	Interest of controlled corporations	98,760,631 (L) <sup>(2)</sup>	12.35% (L) <sup>(3)</sup>
3i Investments plc <sup>(1)</sup>	Corporate interest	Investment manager	98,760,631 (L) <sup>(2)</sup>	12.35% (L) <sup>(3)</sup>
3i Group Investments GP Limited <sup>(1)</sup>	Corporate interest	Interest of controlled corporations	43,207,776 (L)	5.40% (L) <sup>(3)</sup>
3i Asia Pacific 2004-06 LP ("3i Asia Pacific") <sup>(1)</sup>	Corporate interest	Beneficial owner	43,207,776 (L)	5.40% (L) <sup>(3)</sup>
Morgan Stanley	Corporate interest	Interest of controlled corporations	95,436,000 (L) 30,000,000 (S)	11.93% (L) <sup>(4)</sup> 3.75% (S) <sup>(4)</sup>

(L) Indicates a long position.

(S) Indicates a short position.

### Notes:

- (1) 3i, which is a shareholder of the Company, is a company incorporated in England and having its shares listed on the London Stock Exchange. 3i legally and beneficially owns 30,862,697 Shares, representing approximately 3.86% of the issued share capital of the Company.

3i Nominees Limited is a shareholder of the Company and acts as nominee of 3i Asia Pacific, an English limited partnership. 3i Asia Pacific beneficially owns 43,207,776 Shares, representing approximately 5.40% of the issued share capital of the Company. The general partner of 3i Asia Pacific is 3i Group Investments GP Limited, a company incorporated in England and a wholly-owned subsidiary of 3i Holdings plc. Accordingly, by virtue of the SFO, 3i Group Investments GP Limited and 3i Holdings plc were deemed to be interested in the 43,207,776 Shares beneficially owned by 3i Asia Pacific.

3i APTech Nominees Limited is a shareholder of the Company and acts as nominee of 3i Asia Pacific Technology LP (“3i APTech”), an English limited partnership. 3i APTech beneficially owns 24,690,158 Shares, representing approximately 3.09% of the issued share capital of the Company.

3i Investments plc, as the manager of these funds, has the discretionary power to control the exercise of the voting rights to the shares beneficially owned by 3i, 3i Asia Pacific and 3i APTech. Accordingly, 3i Investments plc was deemed to be interested in all the Shares held by 3i, 3i APTech Nominees Limited (as nominee of 3i APTech) and 3i Nominees Limited (as nominee of 3i Asia Pacific), being a total of 98,760,631 Shares, representing approximately 12.35% of the issued share capital of the Company. 3i Investments plc is a company incorporated in England.

3i Investment plc is a wholly-owned subsidiary of 3i Plc, which in turn is a wholly-owned subsidiary of 3i Holdings plc. 3i Holdings plc, in turn, is a wholly-owned subsidiary of 3i. Accordingly, by virtue of the SFO, 3i Plc and 3i Holdings plc were deemed to be interested in all the Shares in which 3i Investment plc was deemed to be interested.

- (2) In addition to the 30,862,697 Shares legally and beneficially owned by 3i, 3i was deemed to be interested in the Shares beneficially owned by 3i Asia Pacific and 3i APTech and was interested or deemed to be interested in a total of 98,760,631 Shares. 3i Investments plc, as investment manager, 3i Holdings plc and 3i plc were also deemed to be interested in those Shares.
- (3) The aggregate interests held by this group of companies are long positions in 98,760,631 Shares and represent the same interest and are duplicated.
- (4) Morgan Stanley was deemed to be interested in the Shares through a chain of subsidiaries which include, among others, Morgan Stanley Group (Europe) (a 98.3% owned subsidiary of Morgan Stanley International Limited) and Morgan Stanley International Incorporated (a 90% owned subsidiary of Morgan Stanley Domestic Capital Inc.).

Save as disclosed above, no other interests or short positions in the Shares or underlying shares of the Company were recorded in the register maintained under Section 336 of the SFO as at 30 June 2005.

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “Share Option Scheme”) on 7 June 2005 which became unconditional on 30 June 2005. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated companies.

As at 30 June 2005, no option had been granted or agreed to be granted to any person under the Share Option Scheme.



## PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company's Shares were listed on the Main Board of the Stock Exchange on 30 June 2005. Save for the above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's Shares on 30 June 2005. At 30 June 2005, 800,000,000 Shares were in issue.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules since the listing of the Shares on the Main Board of the Stock Exchange on 30 June 2005 except that both the roles of chairman and chief executive officer of the Company are performed by Mr Song Jiacheng, which constitutes a deviation from the Code Provision A.2.1 which stipulates that the chairman and chief executive officer should be separate and should not be performed by the same individual. However, due to the fact that Mr Song is a founder of the business of the Group and possesses substantial experience that is valuable to the Group's operations, the board of Directors considered that it is in the best interests of the Company and its shareholders currently to have Mr Song to serve these roles. The Company therefore does not currently intend to separate Mr Song's roles as the chairman and the chief executive officer.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors since the listing of the Company's Shares on the Main Board of the Stock Exchange on 30 June 2005.

## AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee"), in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive Directors with Mr Chang Tso Tung, Stephen as the chairman. The interim financial report of the Group for the six months ended 30 June 2005 has been reviewed by the Committee.

By order of the Board  
**Song Jiacheng**  
*Chairman*

Hong Kong, 23 August 2005