

1. COMPLIANCE WITH APPENDIX 14 TO THE RULES GOVERNING THE LISTING OF SECURITIES (“LISTING RULES”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

The Company has complied with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except that non-executive directors were not appointed for specific terms but they are subject to retirement by rotation in accordance with the Company's By-laws, throughout the financial year ended 31 December 2005.

2. COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors of the Company.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and received confirmation from all the directors that they had fully complied with the required standard set out in the Model Code throughout the year.

3. BOARD OF DIRECTORS

As at the date of this report, the Company's Board of Directors (the “Board”) comprises five executive directors, four non-executive directors and three independent non-executive directors. Names and other details of the Directors are given on page 24 of the Directors' Report.

Each of the independent non-executive directors had confirmed his independence with the Stock Exchange before September 2004. The Company has received annual confirmations from all independent non-executive directors that they did not have any business or financial interest with the Group and were independent as at 31 December 2005 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive directors of the Company are independent.

Chairman and Chief Executive

Mr. Cheng Wai Chee, Christopher is the Chairman of the Board and Mr. Cheng Wai Sun, Edward is the Chief Executive of the Group. While the Chairman of the Board is responsible for providing leadership for the Board, ensuring that all directors are properly briefed on issues arising at Board meetings and receive complete, reliable and timely information, the Chief Executive is responsible for the day-to-day management of the Group's business.

Non-executive Directors

The non-executive directors (including independent non-executive directors) were not appointed for specific terms but all of them are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Functions and responsibilities of the Board

On 12 July 2005, the Company formalised in writing the functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management as follows:

- i) the Board shall approve the yearly budgets of the Company and its subsidiaries;
- ii) the Board shall monitor the operating and financial performance of the Company and its subsidiaries;
- iii) the Board shall oversee the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance;
- iv) the Board shall assume responsibility for corporate governance; and
- v) the day-to-day operations of the Company and its subsidiaries is delegated to the management led by the Chief Executive.

Four board meetings had been held during the year. Attendance of each member at the board meeting is set out in the table under the section "Meeting Attendance" of this report.

4. REMUNERATION COMMITTEE

On 12 July 2005, the Remuneration Committee was formed and the terms of reference have been published on the Company's website. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Simon Murray, Mr. Fang Hung, Kenneth and Mr. Yeung Kit Shing, Jackson and two executive directors, namely Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward. Mr. Cheng Wai Chee, Christopher is the Chairman of the Remuneration Committee.

The duties and functions of the Remuneration Committee are:

- (i) recommendation of remuneration policy and structure for executive directors;
- (ii) determination of remuneration packages of executive directors;
- (iii) review and approve performance-based remuneration for executive directors; and
- (iv) recommendation of remuneration packages for non-executive directors.

The Remuneration Committee held its first meeting on 12 January 2006. Attendance of each member at the Remuneration Committee meeting is set out in the table under the section "Meeting Attendance" of this report.

Remuneration Policy for Executive Directors

The principal elements of the executive directors' remuneration packages include base salaries and discretionary bonus which includes both cash and share incentives. The remuneration packages of the executive directors will be proposed jointly by the Chairman and the Chief Executive of the Group annually for the review and approval of the Remuneration Committee based on the following factors:

- a) the executive director's responsibilities;
- b) the executive director's individual performance;
- c) performance of the business unit(s) headed by the executive director; and
- d) performance of the Group as a whole.

Remuneration Policy for Non-executive Directors

The non-executive directors' remuneration, comprising directors' fee, is subject to annual assessment and recommendation by the Remuneration Committee for shareholders' approval at the Annual General Meetings.

Details of the remuneration of directors are set out in note 9 to the financial statements.

5. NOMINATION OF DIRECTORS

The Board reviews its structure and composition on a regular basis to ensure that it has the expertise and independence to carry out its functions and responsibilities. Pursuant to the Bye-laws of the Company, any director newly appointed by the Board during the year shall hold office until the next annual general meeting and shall then be eligible for re-election at that annual general meeting.

6. AUDIT COMMITTEE

During the year and up to the date of this report, the members of the Audit Committee are:

Independent non-executive director:

Mr. Yeung Kit Shing, Jackson (*Committee Chairman*)

Mr. Fang Hung, Kenneth *GBS JP*

Mr. Simon Murray *CBE* (resigned as a member on 24 October 2005)

Non-executive director:

Mr. Wong Yick Kam, Michael

Mr. Hong Pak Cheung, William (alternate to Mr. Wong Yick Kam, Michael)

The followings were discussed during the three Audit Committee meetings held in 2005:

- a) the Company's annual and interim reports and financial statements;
- b) internal audit plans and findings;
- c) external auditors' audit plan and findings; and
- d) appointment and remuneration of external auditors.

On 11 November 2004, the Board adopted a new set of terms of reference for the Audit Committee having regard to "A Guide for Effective Audit Committees" published by the Hong Kong Society of Accountants (as it was then known) in February 2002. The terms of reference of the Audit Committee are published on the Company's website and are also available in writing upon request to the Company Secretary.

7. MEETING ATTENDANCE

The attendance rates of individual members at Board and Committee meetings in 2005 are detailed in the following table:

	Board meetings	Remuneration Committee meeting	Audit Committee meetings
Mr. Cheng Wai Chee, Christopher	4/4	1/1	N/A
Mr. Cheng Wai Sun, Edward	4/4	1/1	N/A
Mr. Cheng Man Piu, Francis	4/4	N/A	N/A
Mr. Ng Tak Wai, Frederick	4/4	N/A	N/A
Mr. Au Hing Lun, Dennis	4/4	N/A	N/A
Mr. Cheng Wai Keung	0/4	N/A	N/A
Mr. Kwok Ping Luen, Raymond	0/4	N/A	N/A
Mr. Wong Yick Kam, Michael	3/4	N/A	3/3
Mr. Hong Pak Cheung, William	3/4	N/A	3/3
Mr. Simon Murray	1/4	1/1	2/3
Mr. Fang Hung, Kenneth	4/4	1/1	3/3
Mr. Yeung Kit Shing, Jackson	4/4	1/1	3/3

8. AUDITORS' REMUNERATION

PricewaterhouseCoopers ("PwC") was appointed the auditors of the Company at the last annual general meeting of the Company held on 17 June 2005 in place of the retiring auditors, Deloitte Touche Tohmatsu. The remuneration in respect of audit and non-audit services provided by PwC for the financial year ended 31 December 2005 are HK\$1,880,000 and HK\$568,000 respectively.

9. FINANCIAL REPORTING

The directors of the Company acknowledged that they are responsible for the preparation of the accounts which give a true and fair view and that appropriate accounting policies have been selected and applied consistently.

10. CORPORATE COMMUNICATION

The annual general meeting provides a forum for shareholders to exchange views with the Board. The Chairman of the Board, Chairman of Audit Committee and Chairman of the Remuneration Committee will be available to answer shareholders' questions at the meeting.

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders which is dispatched together with the annual report.

All the publications of the Company, including annual report, interim report, circular, notice of general meetings, results of the poll of general meetings are available on the Stock Exchange's website at www.hkex.com.hk.

The Company's website at www.usi.com.hk offers timely access to investors regarding the Company's financial, corporate and other information.