

“Professional Management” as interpreted by Hsin Chong Construction Group Ltd. (“Hsin Chong”) means that a company is managed by a team of executives with various disciplines including construction, finance, compliance and corporate management. Each of the team members possesses the right skills of his/her discipline and is dedicated to contribute his/her expertise and knowledge for the company’s strategic development and day-to-day operation. They are committed to achieving the company’s vision and are accountable for the outcome of their decisions. Their aims are to create value to, not only the company’s shareholders, but also the company’s business relations and stakeholders which include its customers, suppliers, sub-contractors, business partners, employees and the community.

The success in implementing professional management relies on a number of factors which includes the attributes of people, the knowledge and skills that the management and employees possess, the systems in which the company operates and sharing the company’s values and aspirations.

ATTRIBUTES OF HSIN CHONG’S PEOPLE

Integrity, fairness, openness and a sense of ownership are the fundamental attributes that enable practicing professional management in the workplace. It is fairly easy to choose between right and wrong by relying on principles, however business activity often demands that executives select from alternatives that are neither wholly right nor wholly wrong. In these circumstances, the application of business ethics, the major outcome of professional management, depends on individual attributes.

Hsin Chong has fostered a culture of integrity, quality and service since its founding in 1939. Over its long history, Hsin Chong’s management and employees have helped to create a company known for its high standards of integrity and fairness in the construction industry. In fact, “Integrity” is the first core value of Hsin Chong’s five core values — “Integrity, Quality, Service, Innovation and Social Responsibility”. Hsin Chong’s management and employees are committed

to deal honestly and fairly with all business relations and stakeholders, only promise what they can deliver and keep their promises, comply with applicable laws and regulations and use their conscience as their guide.

KNOWLEDGE AND SKILLS OF HSIN CHONG’S PEOPLE

Apart from selecting people with right attributes mentioned above and relevant knowledge and skills during recruitment, Hsin Chong recognizes the importance of its people possessing up-to-date knowledge and technology for managing changes around them. In this respect, senior and middle management of more than 40 persons have regular meetings where their experiences and views in matters within and outside the construction industry are shared. Often outsiders including professors, PRC officials and chief executive officers of listed companies are invited as speakers to broaden the perspective of Hsin Chong people.

HSIN CHONG’S SYSTEM OF MANAGEMENT

“System of Management” covers all systems and sub-systems in place in various aspects within an organization, including corporate governance, accounting system, internal control system and performance measurement system. A well-balanced “System of Management” in place is a prerequisite for practicing professional management.

Corporate governance describes all the influences affecting the corporate processes, including those for appointing the controllers and/or regulators, involved in organizing the production and sales of goods and services. Good corporate governance practice can ensure that a right team of executives with the required attributes, knowledge and skills for practicing professional management is on board for managing the company. Hsin Chong is an advocator to good practice of corporate governance and its 2001 Annual Report won the Platinum Award of Best Corporate Governance Disclosure Awards from the Hong Kong Society of Accountants.

An effective internal control system can, not only reduce human mistakes in the workplace, but also improve the operational efficiency. Hsin Chong recognises the importance of internal controls for creating value to its stakeholders and has chosen to outsource its internal audit to a reputable accounting firm for enhancing the independence and objectivity of the internal audit function. In addition, Hsin Chong established a system of technical audit in September 2001, the objective of which is to assess the effectiveness of Hsin Chong's internal control system with respect to product quality. Under the system, an independent audit team, comprising personnel from Technical Department and outside consulting engineers, performs surprise visits to construction sites and checks the technical performance of critical construction operations.

Performance measurement system that comprises the systematic methods of setting business goals, together with periodic feedback reports that measure progress against those goals, can assist executives in tracking the implementation of business strategy. In late 2001, Hsin Chong has commenced using Balanced Scorecard as its performance measurement system. The system, apart from benchmarking Hsin Chong's past performance, can also augment its

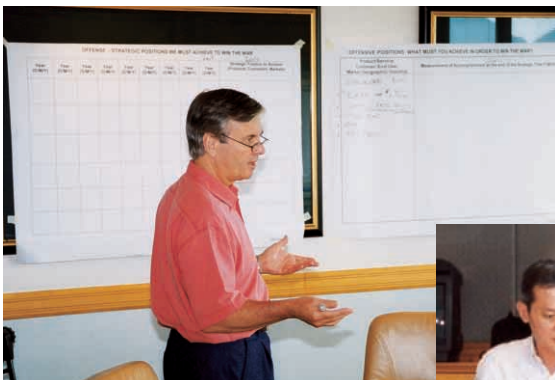
ability to mobilize and exploit its intangible and intellectual assets and hence its competitiveness in future.

HSIN CHONG'S MANAGEMENT TEAM

Since 2000, Hsin Chong's management has been gathered together once a year in a weekend workshop to discuss and review Hsin Chong's strategy, its achievements to-date and the ways forward.

In 2002, due to the drastic changes in the world in respect of globalization and ways of doing business, coinciding with Hong Kong's internal economic restructuring and the gloomy outlook for Hong Kong construction market, a team of senior executives led by the Managing Director gathered over two multi-day periods in April and May 2002 respectively for the purpose of developing new strategy and setting new direction for Hsin Chong. During these periods, the macro environment was reviewed, forms of future competition were discussed and Hsin Chong's future business arena and anchor were concluded. To accommodate the critical changes, a number of issues were identified with action plans formulated for implementing the changes. Tactics for achieving the objectives were also developed and Hsin Chong's strategic position will be closely monitored and reviewed.

Today, Hsin Chong has built a dedicated team of executives who is now leading Hsin Chong to a new era. Professional management is being implemented and Hsin Chong will continue to benefit from it and sustain long term success in the market-place.



Strategy workshops held in April and May 2002