

In strict compliance with the laws and regulations required by domestic or foreign securities regulatory organizations, the Company has devoted much efforts to improve corporate governance of the Company since its listing in 2003.

1. The Company currently has ten directors, including two independent directors. The board members have good knowledge of their own duties and obligations and have treated all shareholders equally. They protect the interests of all investors. The Company held the board meetings twice in 2003, which were all, attended by independent directors. The independent directors performed their duties in compliance with relevant laws and regulations, and safeguarded interests of the Company and overall shareholders. The Company will increase the number of independent directors to at least three on or before 30 September 2004.
2. The Company currently has three supervisors. The supervisors diligently perform their duties. They have carried out supervision on the Company's finance and the performance of duties by the directors, managers and senior management in compliance with the laws and regulations.
3. The Company established an audit committee pursuant to a resolution of the board of directors passed in June 2003 in compliance with the Code of Best Practice as set out in appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting procedure of the Company. The Company's audit committee consists of two independent non-executive directors of the Company, namely Mr. Lee Kwok Ming, Don, Mr. Zhang Hui-ming and one non-executive director of the Company, Mr. Zhu Jia-liu.

During the year, the Company's audit committee held two meetings. It reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reports including a review of the condensed interim accounts and annual accounts of the Company prepared under the accounting principles generally accepted in Hong Kong.

The Company's board has decided to establish professional committees under the board, including (i) a remuneration and appraisal committee to further improve the Company's reward and appraisal system; (ii) a strategic committee to conduct consultation, survey, research and assessment on the Company's future investment strategies, and enhance the Company's core competitiveness; and (iii) a director nomination committee to optimize the composition of the board and the operational management of the Company.

4. The Company places much emphasises on communication with shareholders and investors and improvement in the Company's transparency. The Company has established a website in which investors can enquire about various information including company profile, statutory announcement, management and recent operations. The Company has set up a special department and designated persons to be responsible for the Company's relations with investors and analysts. Since its listing, the Company has met nearly a hundred fund managers and analysts and has handled their inquiries. In compliance with the relevant laws and regulations, the Articles of Association and the Listing Rules, the Company disclosed information in serious, true, accurate, complete and timely manner. At the same time, the Company placed much emphasis in collection and analysis of various comments and recommendations of analysts and investors on the Company's operations, which will be adopted selectively in its operations. For the year 2003, the Company continued to adhere its pragmatic and practical policies in information disclosure to initiate communications with various parties. It particularly held corporate presentation, press conference and one-on-one investor meetings after its interim and annual results announcements and major investment events. To foster better understanding by the fund managers and analysts on the Company's business, the Company also organized reverse roadshow.

## CORPORATE GOVERNANCE

The Company commits to implement proper and healthy corporate governance. It was awarded various prizes from internationally renowned institutions in 2003, including:

- two awards including the “Best Small Cap Company” and the “Best Newly Listed Company” under the 12 Annual Best Managed Companies Award issued by the authoritative magazine, “Asia Money”
- the third runners-up of “Best Investor Relations for IPO” in Asia awarded by IR Magazine.