



## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As at 31 December 2004, circumstance which will trigger events of default of the Company under the banking facility document as far as the obligation of the controlling shareholder is concerned is as follow:

On 30 April 2004, the Company had entered into a loan agreement (the "Loan Agreement") with, inter alios, a syndicate of banks relating to a loan facility of up to US\$21,000,000 (the "Loan"). Under the Loan Agreement, it would be an event of default if Mr. Kwok Ho, the controlling shareholder of the Company, ceases to be the controlling shareholder (as defined in the Listing Rules) of the Company. If such an event of default occurs, all amounts outstanding in respect of the Loan would become immediately due and payable by the Company.

On 24 January 2005, the Loan was fully repaid by the Company.

## AUDIT COMMITTEE

The Audit Committee presently comprises three Independent Non-executive Directors, namely, Mr. Fung Chi Kin, Mr. Tam Ching Ho and Madam Luan Yue Wen. The Audit Committee has reviewed with the Company's management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 31 December 2004.

The Audit Committee meets at least twice each year to review the completeness, accuracy and fairness of the Group's financial statements and to consider the nature and scope of external audit reviews. It also assesses the effectiveness of the systems of internal control. Internal control systems have been designed to allow the Board of Directors to monitor the Company's overall financial position and to protect its assets. The purpose is to guard against material financial misstatement or loss. For the meetings of the Audit Committee during the six months ended 31 December 2004, the external auditors, the chief financial officer, the financial controller and the executive directors in charge of finance matters and operations of the Group attended the meetings to answer questions on the reports or their work.

## CORPORATE GOVERNANCE

The Group endeavours to maintain a high corporate governance level and to enhance its transparency. The Group decides to strengthen communications with its shareholders and investors so as to ensure every major decision making will be accountable to the shareholders and will be in the interest of all shareholders.