Part One: Management, People and Organization

Consider the environment factors impacting on organizations today. Reflect on each in turn and on their impact on one or more of the following three items a) to c) in terms of your own national/regional experience:

a) organizational structure
b) employment relations
c) organizational culture

Our company is organized as an international business company under the laws of the British Virgin Islands on May 2, 1991 and went public on April 7, 1998. Since we are listed on New York Stock Exchange, we are governed by the informational requirements of the Securities Exchange Act of 1934 and, in accordance with the Exchange Act, file reports and other information with the SEC.

Despite of the recent economic downturn and global uncertainties, we continue to strive to expand and to grow our business. While we remain committed to existing business of manufacturing electrical household appliances, we plan to accelerate our overall strategy of transforming our business to become a diversified manufacturer of non-commodity, high-margin products. We intend to actively pursue both acquisitions and joint ventures that would support our long-term objective of accelerated growth and increased return on investment necessary to enhance shareholder value.

In July 2002, President George W. Bush of United State of America signed the Sarbanes-Oxley Act into law and into the collective consciousness of business leaders and government officials around the world. This is largely in response to a number of major corporate and accounting scandals involving some of the most prominent companies in the United States, for example, Enon and World.com. These scandals have resulted in a great loss of public trust in corporate accounting and reporting practices. As per Pricewaterhousecoopers studies of corporate governance, they quoted some of surveys indicated that 77% of the public believe that CEO greed and corruption have caused the U.S. financial meltdown[1], 81% of fund managers and analysts think executives place their own interests ahead of shareholders[2], and 54% say not just a few bad apples among companies[3]. Sarbanes-Oxley Act was enacted

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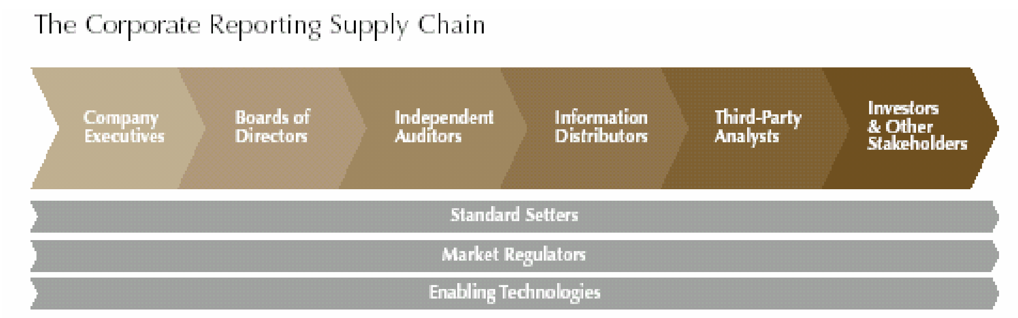
[1] CNN/USA today Poll, July 2002
[2] Broadgate Consultants, March 2002
[3] F.D. Morgan Walke Poll, August 2002

in a major effort to prevent accounting scandals and other reporting problems from recurring. Replete with accounting, disclosure, and corporate governance reforms, this status also seeks, in tangible ways to "repair" the public's lost faith in US's business leaders, and to re-emphasize the importance of ethical standards in the preparation of financial information reported to investors.

Sarbanes-Oxley Act reinforces and expands the responsibilities of people within the Corporate Reporting Supply Chain:



It requires that company executives, broad of directors, and independent auditors take specific actions to achieve a similar goal for corporate reporting. For a public company like us, compliance under Sarbanes-Oxley is non-negotiable. For our company executives, Sarbanes-Oxley reaffirms that the CEO and CFO carry a primary responsibility for a company's reports filed with the SEC and institutes a requirement for them to report on the completeness and accuracy of the information contained in the reports as well as the effectiveness of underlying controls. As the representative of a company's shareholders, the broad of directors, through its audit committee, is responsible for overseeing the company's accounting and financial reporting processes and audits of the financial statements.

As directed by Title III, Section 302 of Sarbanes-Oxley, our company's CEO and CFO have to provide certifications that they have evaluate and report to the public on the effectiveness of internal controls over financial reporting. Further as directed by Title IV, Section 404 require each annual report issued by our company to include an internal control report stating the fact that it is the management's responsibility for establishing and maintaining adequate internal controls and procedures for financial reporting. Besides, management also has to conclude the effectiveness of internal controls and procedures for financial reporting as of year-end. To enforce such ruling, Congress has imposed a tough civil and criminal penalties for knowingly certifying to the SEC a report that contains material misstatements or omissions.

Our senior management and the broad of director aware the complexity of Sarbanes-Oxley Act and related rules issued by the Securities and Exchange Commission, they immediately put the implementation of Sarbanes-Oxley Act be our top priority in corporate strategy plan. In order to cope with such new regulations, our broad of directors appointed a "financial expert" – a retired audit partner of an international accounting firm, to closely monitoring the financial reporting processes and the internal control functions. Our company has opened a new position of Group Accounting Manager for who is specialized in US generally accounting principles. Since I am a US qualified accountant and my experience in auditing and financial reporting I was employed as Group Accounting Manager (new position). I will be actively involved in the disclosure committee – established for internal control functions, consolidating the information for financial reporting, and to ensure information are in compliance with law and regulations.

Besides, we established a disclosure committee in connection with preparing for the certifications required under Section 302 and 404 of the Act. This disclosure committee designated as project team will function under the oversight of our CEO and CFO. Our new Chief Operating Officer ("COO") will be the project team leader to ensure that the project team will be given a high priority throughout the company. The project team members should familiar with the operations of the company, the business risks of its various activities, its controls, and the legal and regulatory requirements. Our project team members include managers from operations, finance and accounting, information technology, legal adviser and external auditor. In the meantime, we have developed a act plan outling our intended objectives and activities, including the time and scope of the review. Our next step is assessing the effectiveness of internal control at the entity level.

The Sarbanes-Oxley Act changes our corporate structure as we established a project team in response for such pronouncement. The employment relationship was closer than before as the senior management will have to actively involve in evaluating the effectiveness of internal control, planning and implementing corrective action when deficiencies are found. Organizational culture changes with stress on public scrutiny and accountability, and comprehensive approach in our internal control processes. We hope that focus on in internal control will result in reducing the cost of accounting process, identifying existing control procedures that are redundant, inefficient, or cost ineffective, simplifying systems to improve productivity.

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