



REPORT OF CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Composition and Appointment

The Board for the second term was elected at the Annual General Meeting on 12 June 2002, comprised 9 directors, 3 of them were independent non-executive directors, 2 of them were executive directors and 4 of them were non-executive directors. In January 2003, Mr. Li Peiyong tendered his resignation as director of the Company because of a change in his position, and Mr. Qiao Xiangshan, Mr. Zhang Qingju and Mr. Jia Fugui tendered their resignations as directors of the Company respectively because they were approaching the age for retirement. An extraordinary general meeting of the Company was held on 18 March 2003, in which the resignations of Mr. Li Peiyong, Mr. Qiao Xiangshan, Mr. Zhang Qingju and Mr. Jia Fugui were approved, and Mr. Wang Jiadong was elected as an executive director of the Company, while Mr. Chen Guoxing, Mr. Zheng Hui and Mr. Wang Zengyi were elected as non-executive directors of the Company. On the same day, Mr. Wang Zhanbin was elected as chairman of the Board of the Company. The list of directors and their respective biographies are set out on pages 15 to 17.

Independence of the Board

Two executive directors of the Company Mr. Wang Zhanbin and Mr. Wang Jiadong take up the post of Chairman of the Board and General Manager, respectively. The Chairman's responsibilities are convening meeting of the Board and promoting corporate governance of the Company. The General Manager's responsibilities are to participate in the decision on essential matters of the Company and to manage daily business of the Company. The roles and responsibilities are distinct.

Records of Attendance at Board Meetings

Board Member	Attendance at Board Meetings	Remarks
Li Peiyong	1/1	Resigned on 18 March 2003
Qiao Xiangshan	1/1	Resigned on 18 March 2003
Zhang Qingju	0/1	Resigned on 18 March 2003
Jia Fugui	1/1	Resigned on 18 March 2003
Wang Zhanbin (Chairman)	4/4	
Wang Jiadong	3/3	Appointed on 18 March 2003
Kwong Che Keung, Gordon	2/4	
Moses Cheng Mo Chi	1/4	
Long Tao	3/4	
Chen Guoxing	3/3	Appointed on 18 March 2003
Wang Zengyi	2/3	Appointed on 18 March 2003
Zheng Hui	3/3	Appointed on 18 March 2003
Dominique Pannier	4/4	

To exercise their duties including making the decisions on strategic development of the Company, material operational matters and finance matters and other matters under the Articles of Association, the Board held 4 meetings in 2003 and the average attendance rate was 77.8%.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors of the Company. Mr. Long Tao is the Chairman. The duties of the Audit Committee are as follows:

- (1) To consider the appointment of the external auditors, the audit fees and any issues relating to their resignation or dismissal;
- (2) To discuss with the external auditors, before the audit starts, on the nature and scope of the audit, and to ensure the co-ordination between the firms of auditors if there are more than one firms involved;
- (3) To review the interim and annual financial statements before they are submitted to the Board.

The attendance at the Audit Committee meetings in 2003 was as follows:

Committee Member	Attendance at Meetings
Long Tao	2/3
Moses Cheng Mo Chi	2/3
Kwong Che Keung, Gordon	3/3

3 meetings of the Audit Committee were held in 2003 and the average attendance rate was 77.8%.

On 26 March 2004, the Audit Committee reviewed the status of the Group's audit, internal controls and the audited financial statements for the year ended 31 December 2003 prior to the board meeting.

Code of Best Practice

Throughout the year 2003, the Company has complied with the Code of Best Practices as set out in Appendix 14 to the Listing Rules.

INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

Emoluments of Directors and Supervisors and the Five Highest Paid Individuals

Details of emoluments of directors, supervisors and the five highest paid individuals during the financial year are set out in note 8 to the financial statements.

Directors' and Supervisors' Interests in the Shares of the Company

During the fiscal year ended 31 December 2003, none of the directors, supervisors or their respective associates had any interests or short positions in any shares, any underlying shares or debentures of the Company or any associated corporation (within the meaning of the Part XV of the Securities and Futures Ordinance "SFO") as recorded in the Company's register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in the case of supervisors, which would be required, as it applies to directors, to be notified as above.

During the fiscal year ended 31 December 2003, none of the directors, supervisors, senior management or their spouses and children under the age of 18 had been granted the right to subscribe for any equity or debentures of the Group, nor has any of them exercised such rights during the year.

Directors' and Supervisors' Interests in Contracts

During the fiscal year ended 31 December 2003, none of the directors or supervisors was materially interested in any contracts or arrangements to which the Company or its subsidiaries or its jointly controlled entities was a party and which were significant to the business of the Group.

Directors and Supervisors Interests in Competitive Business

During the fiscal year ended 31 December 2003, none of the directors or supervisors of the Company had any interest in any competitive business with the Company or its jointly controlled entities or its subsidiaries.