

Corporate Governance Report

Corporate Governance Practices

Maintaining a good, solid and sensible framework of corporate governance has been and remains one of BCL's top priorities.

It has been BCL's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. BCL acknowledges the importance to provide Shareholders with an open and highly transparent management. Apart from enhancing shareholders' value and improving corporate earnings, sound corporate governance can also facilitate the steady development of the financial sector in Hong Kong.
- Besides, sound corporate governance may also promote our communication with the outside world, such that investors can know more about our development potential and future prospects, and that the market can discover our investment value further.
- The procedures and systems under sound corporate governance can improve operational efficiency of the Group, such that all divisions or departments can freshen earnings of the Group through close and intimate communication.

The inclusion, for the first time, of a formal "Corporate Governance Report" from the Board in this year's Annual Report is an example of our determination to fulfill these three commitments.

In November 2004, the Hong Kong Stock Exchange issued its "Code on Corporate Governance Practices and Corporate Governance Report" (the Stock Exchange Code), with a grace period such that it will take effect for accounting periods commencing on or after 1 January 2005. The Stock Exchange Code sets out principles of good corporate governance and two levels of recommendation, namely:

- Code Provisions, with which issuers are expected to comply with or to give considered reasons for any deviation; and
- Recommended Best Practices, which are for guidance only, save that issuers are encouraged to comply with or give reasons for deviation.

The Stock Exchange allows issuers to devise their own codes on corporate governance practices on such terms as they may consider appropriate, provided that reasons are given for any deviation from the Stock Exchange Code.

The Stock Exchange Code replaced the Code of Best Practice at Appendix 14 of the Listing Rules with effect from 1 January 2005. Throughout the year ended 31 December 2004, the Company complied with the Code of Best Practice.

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Shareholders

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value.

According to the Articles of Association of BCL, when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the “Proposing Shareholders”) or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to the laws and regulations and the Articles of Association.

The Company uses a number of formal channels to inform our shareholders the performance and operations of the Company, particularly our annual and interim reports. In addition, the AGM provides an opportunity for communication between the Board and the Company's shareholders. The Company regards the AGM as an important event in the corporate year and all Directors and senior management should make an effort to attend.

The Board

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The types of decisions which are to be taken by the Board include those relating to:

1. Responsibilities for managing the development strategy and plan of the Company:
 - (1) those requiring approval from the shareholders' meeting:
 - (i) formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
 - (ii) formulation of plans for the increase of share capital and issue of additional shares;
 - (iii) formulation of proposals for the merger, divestment and dismissal of the Company;
 - (iv) tendering insolvency petition of the Company;
 - (v) formulation of amendment proposal to the Articles of Association; and
 - (vi) formulation of proposals for the change of use of proceeds from the issue of shares.

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- (2) those that may be exercised by the Board at its discretion:
 - (i) resolution on proposals to improve the operation management and operating results of the Company;
 - (ii) resolution on the operating plans, audit plans and investment plans of the Company;
 - (iii) resolution on proposals for restructure of internal key functions of the Company and establishment of functions under the Board;
 - (iv) resolution on the establishment of professional committees and the appointment and deposal of their members;
 - (v) resolution on investment plans under the scope of authority of the Board; and
 - (vi) resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Articles of Association or the rules set out herein.
2. Responsibilities for the personnel management on senior officers of the Company:
 - (1) those requiring approval from shareholders' meeting:
 - (i) formulation of Director allowance and share option or warrant or similar schemes of the Company;
 - (ii) assessment and consideration of the eligibility of candidates for election as directors or independent directors; and
 - (iii) proposing for the removal of a Director;
 - (2) those that may be exercised by the Board at its discretion:
 - (i) resolution on the strategy and plan of human resources development and deployment;
 - (ii) definition of the major duties and authorities of the general manager, financial controller, secretary to the Board and the auditing department;
 - (iii) appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or financial controller of the Company pursuant to recommendation of the general manager;
 - (iv) evaluation of the work performance of the general manager;
 - (v) approval of the appointment of representatives of the shareholders to the subsidiaries or associated companies of the Company and nomination of directors, supervisors and financial controllers to such companies pursuant to their articles of association or the relevant agreements; and
 - (vi) approval of the plan of staff provident fund and other staff benefit plans.

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3. Responsibilities for the supervision and inspection of the development and operation of the Company:
 - (1) supervision of the implementation of the Company's development strategy;
 - (2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;
 - (3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;
 - (4) timely assessment of the operation improvement plans and results of the Company and identify significant problems reflected from the operating results;
 - (5) identifying obstacles faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;
 - (6) discussion on the development opportunities and risks faced by the Company and changes of external factors that have significant effects on the Company;
 - (7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness; and
 - (8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each meeting.

The Directors are responsible for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 December 2004, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

The Board comprises 11 Directors, more than 50% of the Directors are non-executive and independent of management, thereby promoting critical review and control of the management process. The Board includes four influential and active Independent Non-executive Directors to whom shareholder concerns can be conveyed. The non-executive members of the Board also bring a wide range of business and financial experience to the Board, which contribute to the effective direction of the Group.

During the year ended 31 December 2004, the Board at all times exceeded the minimum requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors, and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each Independent Non-executive Director of his independence to the Company. The Company considers all of the Independent Non-executive Directors to be independent.

The interests in the Company's securities held by Directors as at 31 December 2004 are disclosed in the Directors' Report on page 41 of this Annual Report.

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Chairman and Chief Executive Officer

The posts of Chairman and CEO are held separately by Mr. Liu Xiaoguang and Mr. Tang Jun respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company's business.

Audit Committee

We have established an audit committee in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. All of its members are appointed from the Independent Non-executive Directors, with a member having appropriate professional qualification and experience in financial matters. Members of the audit committee include Mr. Peter Yuk Lun Eng, Mr. Kwong Kai Sing, Benny and Mr. Yu Xing Bao.

The terms of reference of the Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

During 2004, the Audit Committee held two meetings and reviewed the half-yearly, annual results as well as various issues relating to internal control systems, etc.

At its meeting on 15 March 2005, the Audit Committee reviewed the Directors' Report and Accounts for the year ended 31 December 2004 and the annual results announcement, with a recommendation to the Board for approval.

Remuneration Committee

We established a remuneration committee in December 2002, with written terms of responsibilities. The remuneration committee will make recommendations to the Board of Directors on the framework of executive remuneration and determine on behalf of the Board of Directors specific remuneration packages and terms of employment for Executive Directors. The remuneration committee currently comprises Mr. Liu Xiaoguang, Mr. Kwong Kai Sing Benny and Mr. Ke Jianmin.

Nomination Committee

We established a nomination committee in December 2002. The nomination committee will analyze and formulate the selection procedures of Directors and managerial staff and recommend suitable candidates for the posts of the Directors and managerial staff. The nomination committee currently comprises Mr. Liu Xiaoguang, Mr. Kwong Kai Sing Benny and Mr. Ke Jianmin.

Strategic Committee

We established a strategic committee in December 2002. The strategic committee will conduct research and make recommendations on the Company's long-term development strategies and major investment decisions. The strategic committee currently comprises Mr. Liu Xiaoguang, Mr. Kwong Kai Sing Benny and Mr. Ke Jianmin.

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External Auditors

The Group's External Auditors are PricewaterhouseCoopers. In order to maintain their independence, PricewaterhouseCoopers will not be employed for non-audit work. In addition, there must be clear efficiencies and value-added benefits to the Company from that work being undertaken by the External Auditors, with no adverse effect on the independence of their audit work, or the perception of such independence.

The Audit Committee has resolved the re-appointment of PricewaterhouseCoopers for statutory audits for the Financial Year 2005. This resolution has been endorsed by the Board and is subject to final approval and authorisation by the shareholders at the forthcoming AGM.

Open Communication

The Company has always upheld its policy of open communication and fair disclosure. Disclosure is a key means to enhance our corporate governance standards, in that it provides our shareholders and other stakeholders with the information necessary for them to form their own judgment and to provide feedback to us. We believe that the completeness and timely of information disclosure is essential for building market confidence.

Corporate Governance - An On-going Evolution

This year, evolving corporate governance practices and, most notably, the issue of the Stock Exchange Code, have led to a significant review and revision of the Company's corporate governance practices and the manner in which we report on these.

We will continue to review and, where necessary, improve the Group's corporate governance practices based on our accumulated experience, updated regulatory changes, international trends and developments and the views of our shareholders.

On Behalf of the Board
Liu Xiaoguang
Chairman

Beijing, PRC, 22 March 2005