

# Report of Corporate Governance

## Corporate governance practices

For the year ended 31 December 2004, in the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules and proactively reviewed its internal control in accordance with the principles and provisions set out in the Code on Corporate Governance Practices of the Listing Rules. The Company will comply with such principles and provisions.

## Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors of the Company. The Company has confirmed that all Directors have complied with the requirements set out in the Model Code.

## The Board

### Composition and appointment

The first Board was elected at the inauguration meeting and the first general meeting on 9 September 2004. The Board comprises 12 Directors, including 5 independent non-executive Directors, 6 executive Directors and 1 non-executive Director. Names and biographies of the Directors are set out on page 21 to 26 of this annual report. The term of office for all the Directors (including non-executive Directors and independent non-executive Directors) is 3 years and they are eligible for re-election upon expiry.

The Directors confirmed that there was no connection amongst the Directors, that should be disclosed relating to finance, business, relation or other significant events or relevant matters. The Board confirmed that the independence and eligibility of the independent non-executive Directors are in compliance with the relevant requirements of the Listing Rules.

The Board has effectively overseen and monitored the activities of the Company and the decisions were made in the best interests of the Company. In 2004, the Board convened a total of four meetings, performing its duties in considering the appointment of the general manager, listing of H Shares, financial and other matters under the provisions of the Articles of Association of the Company. Real-time teleconference system was adopted at each meeting to increase the attendance rate. The average attendance rate was 97%.

## The Board (*continued*)

### Composition and appointment (*continued*)

Statistics of Directors' attendance at the Board meetings:

Name of director	Attendance		Title
	Times	Rate	
Ma Jinquan	4/4	100%	Executive Director, Chairman
Tao Kui	4/4	100%	Executive Director, Vice Chairman
Xing Daoqin	4/4	100%	Executive Director, Chief executive
Guo Mengquan	4/4	100%	Executive Director
Zhang Shaowen	4/4	100%	Executive Director
Yun Dajun	4/4	100%	Executive Director
Zhang Xingxi	4/4	100%	Non-executive Director
Feng Fei	4/4	100%	Independent non-executive Director
Xu Xinzhong	4/4	100%	Independent non-executive Director
Feng Bing	3/4	75%	Independent non-executive Director
Wang Jialu	4/4	100%	Independent non-executive Director
Zha Jianqiu	4/4	100%	Independent non-executive Director

### Chairman and chief executive

Two executive Directors, Mr. Ma Jinquan and Mr. Xing Daoqin, serve as the Chairman and the Chief Executive of the Company respectively. The Chairman is responsible for convening the Board meetings and promoting the corporate governance of the Company, whereas the chief executive participates in the significant decision-making and the day-to-day management of the Company.

### Audit committee

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The audit committee comprises four independent non-executive Directors and one non-executive Director. Mr. Zha Jianqiu, an independent non-executive Director, serves as the chairman of the audit committee. Under the requirements set out by the Board, the audit committee adopts and complies with "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Responsibilities of the audit committee include:

- (1) to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors;
- (2) to discuss with the external auditors on the nature and scope of audit prior to the commencement of the auditing procedures; and
- (3) to review the interim and annual accounts.

The audit committee has reviewed the auditing performance, the internal controls and the audited accounts of the Company for the year ended 31 December 2004.