

# CORPORATE GOVERNANCE



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The Group sought listing in Hong Kong not only to raise fund but also to align its operations with international practice and improve its corporate governance structure. Through enhancing transparency, the Group will be able to attract appropriate strategic partners from around the world. It can also draw professional talents and learn from the experiences of listed companies in legal compliance, financial management and building investor relations.

The Group has been actively and conscientiously improving its corporate governance structure in accordance with relevant requirements of the HKEx and the China Securities Regulatory Commission.

Pursuant to the Listing Rules, a listed issuer must have at least one independent non-executive director who possesses appropriate professional qualifications or accounting or related financial management expertise. The Group appointed Mr. Dennis Yin Ming Chan as its independent non-executive Director at the extraordinary general meeting held on 23rd September 2004. Mr. Dennis Yin Ming Chan, aged 51, is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom (ACIS), a member of the Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of the Canadian Institute of Chartered Accountants (CA). Mr. Chan is presently the President and Chief Executive Officer of Asiapac Investment Group Ltd. Mr. Chan has more than 28 years of experience in public accountancy, management consultancy, manufacturing, distribution, retailing and financial services.

Furthermore, the Company has appointed Mr. Fung Ching Simon, a Hong Kong qualified accountant, as the Chief Financial Officer of the Company on a full time basis in order to enhance the Group's financial management. Mr. Fung, aged 36, is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. Prior to joining the Company, he had over 10 years of experience in auditing, accounting and business advisory with one of the "Big-4" international accounting firms.

According to the Code Provisions of Listing Rules, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of the responsibilities between the chairman and chief executive officer should be clearly established. Mr. Pang Baogen and Mr. Wei Falin are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman is in charge of presiding shareholders' meetings and convening and presiding board meetings, overseeing the implementation of board resolutions and other rights authorized by the Board; the Chief Executive Officer, appointed by the Board, is in charge of daily operation, management and administration of the Board's resolutions.

### AUDIT COMMITTEE

The audit committee of the Company was established since its listing in Hong Kong pursuant to the Listing Rules. All members of the audit committee comprise independent non-executive Directors, including Mr. Wang Youwei, Mr. Yi Deqing and Mr. Dennis Yin Ming Chan. The primary duties of the audit committee are to review and supervise the Group's financial reporting process, internal control systems, appointment and replacement of auditors as well as assessing the auditors' performance and whether their service fees are reasonable, and providing related recommendations to the Board. The accounts of the Group for the year ended 31 December 2004 had been reviewed by the audit committee and approved by the Board.

### REMUNERATION COMMITTEE

According to the new amendments to the Listing Rules relating to Corporate Governance Issues, listed companies should establish a remuneration committee with specific written terms of reference stating clearly its authorities and duties. A majority of the members of the remuneration committee should be independent non-executive Directors. The Board approved the establishment of a remuneration committee at its meeting on 1st April 2005. Members of the remuneration committee comprise two independent non-executive Directors, namely Mr. Dennis Yin Ming Chan (the Chairman), Mr. Yi Deqing and an executive Director, Mr. Pang Baogen.