

Corporate Governance

Implementation of high standards of corporate governance is the foundation for a sound business operation, and over the years, the Group has actively pursued this goal. Adopting international management standards, it has established a set of effective decision-making procedures and a sound internal management and process-control system, with the ultimate objective of enhancing our competitiveness and improving operating efficiency, to create the greatest value for our Shareholders.

Board of Directors

The Board is mainly responsible for formulating the Company's long-term development strategy and operational direction, as well as supervising the management to ensure thorough implementation of the Board's resolutions and effective performance of their duties. The Board has twelve members, of whom three are independent non-executive Directors. Chairman and Chief Executive Officer of the Company are Mr. Cai Lai Xing and Mr. Lu Ming Fang respectively. The Chairman leads the Board and is mainly responsible for its operation, while the Chief Executive Officer undertakes day-to-day operation and management of the Group's businesses.

Members of the Board comprise experts from various professions who have served in relevant mainland government departments, enterprises or financial institutions. All have many years of experience in corporate administration, economic research and asset management. Several Directors from Shanghai have been officials in the Shanghai Municipal Government, responsible for economic planning and senior executives in financial institutions. They have in-depth knowledge of investing in the PRC, particularly Shanghai and the Yangtze River Delta. They are therefore able to keep abreast of current economic developments, business conditions and new investment opportunities. Independent non-executive Directors are skilled in financial management and experienced at running businesses. They wholeheartedly offer independent and objective advice, with a view to raising standards of corporate governance. See pages 34 to 37 of this annual report and the Company's website for Directors' profiles.

In accordance with the Company's Articles of Association ("Articles"), at each Annual General Meeting one-third (or the number nearest one-third) of the Board of Directors, who have been longest in office since their last election, shall retire from office. Any Director newly appointed during the year shall retire at the next Annual General Meeting and shall continue in office unless re-elected. The retiring Directors eligible for election at the forthcoming Annual General Meeting are Mr. Cai Lai Xing, Mr. Qu Ding, Mr. Lu Ming Fang, Mr. Yao Fang, Mr. Tang Jun and Dr. Lo Ka Shui.

Executive Committee

The Executive Committee is a decision-making administrative body under the Board that carries out its responsibilities on its behalf. Its members are appointed by the Board, and all executive Directors are eligible to be appointed as members. Existing members of the Executive Committee are Mr. Cai Lai Xing, Mr. Qu Ding, Mr. Lu Ming Fang, Mr. Lu Shen, Mr. Qian Shi Zheng and Mr. Yao Fang; while Mr. Cai Lai Xing is also Chairman of the Committee. A total of ten meetings were held during the year (including those by way of written resolutions). The purpose of the Committee is to take charge of major decision making in relation to the day-to-day business of the Company, including investment, operation of assets, financial management, human resources and disclosure of information. It is in charge of business planning and overall management and supervision. It is also responsible for implementing the policies approved by the Board and reviewing major business activities and project investment. Day-to-day management is delegated to senior management, which reports directly to the Executive Committee and the management team. See pages 37 and 38 of this annual report and the Company's website for profiles of senior management.

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Audit Committee

The Audit Committee is a standing committee under the Board and plays a vital role in corporate governance. Established in 1998, it comprises three independent non-executive Directors, Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis. Dr. Lo Ka Shui is the Chairman, while the Company Secretary acts as Secretary for the Committee. The Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also discusses matters related to financial reporting, as well as internal control and audit, and reports to the Board with recommendations in respect of the above matters as well as to the operating risks faced by the Group. This serves as the Board's reference when making decisions. The Committee met three times during the year, discussing the Group's annual results for 2003, interim results for 2004, and reviewing internal control matters.

Remuneration Committee

To further enhance standards of corporate governance, the Company established a Remuneration Committee last August. It is mainly responsible for making recommendations to the Board related to remuneration policy and structure for Directors and senior management. The Committee comprises three independent non-executive Directors – Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis, and two representatives from the management – Mr. Qu Ding and Mr. Cheng Qi Yong. Dr. Lo Ka Shui is the Chairman, while the Company Secretary acts as Secretary. During the year, the Committee held one meeting, primarily reviewing existing remuneration and benefit packages and the remuneration policy for Directors and senior management.

Investment Appraisal Committee

The Investment Appraisal Committee comprises representatives from different functional departments of the Company, including Hong Kong and Shanghai professionals in investment management, finance, legal affairs and related sectors. The role of the Committee is to appraise the Company's investment projects, based on the Company's overall business investment strategies, from different perspectives. After conducting comprehensive analysis and discussion of key project elements, such as industry background, organizational structure, business development plans, return on investment, financial risk and legal issues, the Committee submits independent professional advice and reports to the management team. Such appraisal will also be submitted to the Executive Committee for approval, subject to guidelines regarding corporate investment decision-making process. During the year, the Committee conducted appraisals on seven projects.

Internal Control

The Group endeavours to implement a sound risk management and internal control system. The objectives of such a system are to provide early warning for the risks existed in business operations and financial management and monitor the reasonableness of decisions in operations and resources allocation. During the period under review, an external professional advisor, KPMG, was also engaged to perform an independent performance appraisal of the internal audit functions of the Group, to assist the Group in further enhancing its risk management and internal control system.

The Internal Audit Department is mainly responsible for monitoring the internal control system of the Group (including all its major subsidiaries) to ensure prudent and proper operation. The audit covers financial controls, business operations, compliance and risk management. The department also conducts independent reviews, assessment and follow-up procedures. This ensures that there is a clear distinction between authority and responsibilities within the management structure, and that the various member units accomplish business targets and/or financial performance benchmarks. The Internal Audit Department is independent of other functional departments, directly reports to Chief Executive Officer/Deputy CEOs and the Audit Committee, and submits independent reports on a regular basis. The representative(s) of the Internal Audit Department are required to attend every Audit Committee meeting and answer questions and enquiries raised by members of the Audit Committee.

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Code of Best Practice

Throughout the year ended 31st December 2004, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the said code has been replaced by the Code on Corporate Governance Practices which came into effect on 1st January 2005, except that non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles. In January 2005, the Company entered into service agreements with three independent non-executive Directors, specifying their terms of office.