

Corporate Governance Report

CORPORATE GOVERNANCE

The Company has strong intention to comply with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules since it listed on the Stock Exchange on 15 December 2005. The Company has a policy of seeking to comply with established best practice in the field of corporate governance.

THE BOARD

The Group is controlled by its Board of Directors. The Board's main roles are to create value to shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives. The Board, which meets at least four times a year, has a schedule of resolutions reserved for its approval. The specific responsibilities reserved for the Board include: setting the Group's strategy and approving the annual budget; reviewing operational and financial performance; approving major acquisitions, divestments and capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; approving appointments to the Board and the Company Secretary; approving policies relating to Directors' remuneration and the severance of Directors' contracts; and ensuring that a satisfactory dialogue takes place with shareholders.

THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The divisions of responsibilities between the Chairman of the Board, Mr. Chen Zhuo Lin, and the Co-Presidents, Mr. Chan Cheuk Yin and Ms. Luk Sin Fong, Fion, are clearly defined and have been approved by the Board.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman is not involved in the day-to-day business of the Group. The Chairman facilitates the effective contribution of non-executive Directors and constructive relations between executive and non-executive Directors, ensuring that the Directors receive accurate, timely and clear information and have effective communication with shareholders.

The Co-Presidents are directly in charge of the daily operations of the Group and are accountable to the Board for the financial and operational performance of the Group.

DIRECTORS AND DIRECTORS' INDEPENDENCE

The Board currently comprises the Chairman, three independent non-executive Directors and five executive Directors. The names of the Directors together with their biographical details are set out on pages 47 to 49. All the Directors served throughout the year under review. The Board includes independent non-executive Directors who constructively challenge and help develop proposals on strategy, bring strong, independent judgment, knowledge and experience to the Board's deliberations. The independent Directors are of sufficient caliber and quantity that their views carry significant weight in the Board's decision making process.

Corporate Governance Report

The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary in order for them to carry out their responsibilities. The Board considers all its independent non-executive Directors to be independent in character and judgement. According to the confirmation letter from each of the independent non-executive Directors to the Board that no independent non-executive Directors:

1. holds more than 1% of the total issued share capital of the listed issuer;
2. has received an interest in any securities of the listed issuer as a gift, or by means of other financial assistance, from a connected person or the listed issuer itself;
3. is a director, partner or principal of a professional adviser which currently provides or has within one year immediately prior to the date of his proposed appointment provided services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:
 - (a) the listed issuer, its holding company or any of their respective subsidiaries or connected persons; or
 - (b) any person who was a controlling shareholder or, where there was no controlling shareholder, any person who was the chief executive or a director (other than an independent non-executive director), of the listed issuer within one year immediately prior to the date of the proposed appointment, or any of their associates;
4. has a material interest in any principal business activity of or is involved in any material business dealings with the listed issuer, its holding company or their respective subsidiaries or with any connected persons of the listed issuer;
5. is on the board specifically to protect the interests of an entity whose interests are not the same as those of the shareholders as a whole;
6. is or was connected with a director, the chief executive or a substantial shareholder of the listed issuer within two years immediately prior to the date of his proposed appointment;
7. is, or has at any time during the two years immediately prior to the date of his proposed appointment been, an executive or director (other than an independent non-executive director) of the listed issuer, of its holding company or of any of their respective subsidiaries or of any connected persons of the listed issuer;
8. is financially dependent on the listed issuer, its holding company or any of their respective subsidiaries or connected persons of the listed issuer; and
9. has served on the board for more than nine years.

Corporate Governance Report

PROFESSIONAL DEVELOPMENT

On appointment, the Directors take part in an induction briefing when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and management committees, and the powers delegated to those committees, the Group's corporate governance practices and procedures, including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. This is supplemented by visits to key locations and meetings with the key senior executives. Throughout their period in office the Directors are continually updated on the Groups' business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as a whole, by written briefing and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a Director of a listed company, both in writing and in face-to-face meetings with the Secretary. They are reminded of these duties each year and they are also updated on changes to the legal and governance requirements of the Group and upon themselves as Directors.

RE-ELECTION

Subject to the Company's Articles of Association and the Companies Acts of Cayman Island, non-executive Directors are appointed for an initial period of one year. The reappointment of Directors who have served for more than nine years is subject to annual review.

THE COMPANY SECRETARY

The Company Secretary is responsible for assisting the Chairman advising the Board on all governance matters. The Directors have access to the advice and services of the Company Secretary. Pursuant to the Company's Articles of Association, the appointment and removal of the Company Secretary is a matter for the full Board.

INFORMATION

Regular reports and papers are circulated to the Directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

RELATIONS WITH SHAREHOLDERS

The Annual General Meeting is normally attended by all Directors, and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

The Group maintains a corporate website, www.agile.com.cn, containing a wide range of information of interest to institutional investors, analysts and potential investors. The Group has frequent discussions with institutional investors on a range of issues affecting its performance. These include meetings following the announcement of the

Corporate Governance Report

annual results with the institutional investors, analysts and potential investors on an individual basis. In addition, the Group responds to individual ad hoc requests for discussions from institutional investors, analysts and potential investors. All major shareholders are given the opportunity to meet new non-executive Directors on appointment.

At the annual general meeting, all shareholders, have an opportunity to put questions to members of the Board on matters relating to the Group's operation and performance.

INTERNAL CONTROL

The Board of Directors is responsible for the Company's system of internal control; sets appropriate policies on internal control; set regular assurance procedures that enable it to satisfy itself that the system is functioning effectively; and ensure that the system of internal control is effective in managing risks in the manner which it was approved.

The Directors are planning to continuously review the effectiveness of the Group's systems of financial and non-financial controls, including operational and compliance controls and risk management. These reviews will include an assessment of internal control, and in particular internal financial control by the internal audit department, management assurance of the maintenance of control and reports from the external auditors on matters identified during the course of their statutory audit work.

BOARD COMMITTEE

The number of Board and Committee meetings attended by each Director during the year is as follows:

	Full Board	Remuneration Committee	Audit Committee
	<i>Note</i>	<i>Note</i>	<i>Note</i>
Executive Directors			
Mr. Chen Zhuo Lin (<i>Chairman</i>)	1(1)	N/A	N/A
Mr. Chan Cheuk Yin (<i>Vice-Chairman and Co-President</i>)	1(1)	N/A	N/A
Ms. Luk Sin Fong, Fion (<i>Vice-Chairlady and Co-President</i>)	1(1)	0(0)	N/A
Mr. Chan Cheuk Hung	1(1)	N/A	N/A
Mr. Chan Cheuk Hei	1(1)	N/A	N/A
Mr. Chan Cheuk Nam	1(1)	N/A	N/A
Independent Non-Executive Directors			
Dr. Cheng Hon Kwan <i>GBS, OBE, JP</i>	1(1)	0(0)	0(0)
Mr. Kwong Che Keung, Gordon	1(1)	0(0)	0(0)
Mr. Cheung Wing Yui	1(1)	0(0)	0(0)

Corporate Governance Report

Note:

1. Number of meetings attended (number of meetings held)
2. Remuneration Committee and Audit Committee were established on 23 November 2005 and the Company was listed on the Stock Exchange on 15 December 2005. Therefore, for the year ended 31 December 2005, no committee meeting has been held.

REMUNERATION COMMITTEE

During the year, the Remuneration Committee comprised Mr. Cheng Hon Kwan, Mr. Kwong Che Keung, Gordon, Mr. Cheung Wing Yui and Ms. Luk Sin Fong, Fion. Mr. Cheng Hon Kwan acts as Chairman of the Committee. The majority of which should be the independent non-executive directors of the Company and the Committee shall consist of not less than three members. The Remuneration Committee met not less than once a year; when necessary, non committee members were invited to attend.

The Committee's principal responsibilities are

- (a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;
- (e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- (f) to ensure that no director or any of his associates is involved in deciding his own remuneration.

Corporate Governance Report

THE AUDIT COMMITTEE

The Audit Committee was set up on 23 November 2005 and comprised Dr. Cheng Hon Kwan, Mr. Kwong Che Keung, Gordon, Mr. Cheung Wing Yui. Mr. Kwong Che Keung, Gordon acted as Chairman of the Committee. All the members of the Committee are independent non-executive Directors, for which, Mr. Kwong Che Keung, Gordon and Mr. Cheung Wing Yui are also qualified for the requirement of rule 3.10(2) that have appropriate professional qualifications or accounting or related financial management expertise.

Under its terms of reference, The function of Audit Committee is to review important accounting policies and supervise the Company's financial reporting process; monitor the performance of both the internal and external auditors; review and examine the effectiveness of the Company's financial reporting procedures and internal controls; and ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

The Committee meets with executive Directors and management, as well as privately with both the external and internal auditors. The Committee's terms of reference are available from the Company Secretary and are displayed on the Group's website, www.agile.com.cn.

After each Audit Committee meeting, the relevant minutes will be submitted to the Board for information and consideration.

SOCIAL CHARITY

In a positive response to the Government's campaign of "Building a Harmonious Society", the Group has unremittingly shouldered the responsibility for the betterment of society, and has actively supported and participated in all kinds of social welfare activities. In 2005, the Group's donations towards cultural development, education, health care, sports and urban development amounted to a total of RMB5.17 million.

In respect of education, the Group shows its concern for all-round development of pre-school and primary school children. Over the years, the Group has been supporting school operations such as Majestic Garden Primary School (雍景園小學), Guanghou Primary School (光后小學) and Changjiang Primary School (長江小學). Every year, the Group donates nearly RMB50,000 during the "June 1st" Children's Day ("六一"兒童節) and the "Teacher's Day" (教師節).

In order to enhance the medical and hygiene standards of rural areas, the Group donated RMB750,000 in 2005 to the Huadu District in Guangzhou for re-enhancement of the medical institutions and acquisition of equipment in the rural areas, which has improved the medical and hygiene conditions of the rural areas of Huadu District.



Corporate Governance Report

During the year, the Group continued its charity efforts, with up to RMB150,000 going to its continued support for the “Folkway Zhongshan Charity Walk (中山慈善萬人行)” and “China Fund for Justice and Courage (見義勇為基金)” and sponsorship of the City Level Male Basketball Competition (市級男子籃球賽). The Group is in active support of the “national ball game” and donated the site of Greenville’s sales department to the Table Tennis Association of Zhongshan City as their permanent office. The Group also supported various activities organized by the Table Tennis Associations in Guangzhou and Zhongshan. In 2005, RMB500,000 was given away to hold the 1st “Chen Jing Cup” Table Tennis Challenge in Panyu District (番禺地區首屆陳靜杯乒乓球積分挑戰賽). Meanwhile, the Group also paid careful attention to Zhongshan’s cultural development and donated RMB500,000 in support of the “Asian Bo’ao Forum: (Zhongshan) Cultural Domain Conference (亞洲博鰲論壇(中山)文化產業大會)” and was highly praised in the society.

Agile does not only pursue the environmental-friendly principle for its design, but also makes every effort to improve the quality of urban environment. In 2005, the Group donated RMB3 million to renovate Ma’an Mountain Park in Huadu District, making positive contribution to urban construction.

These charitable activities are Agile’s major efforts of proactively fulfilling its social obligations as a corporate citizen. Such activities have also reflected the corporate mission of Agile towards the development and the well-being of society.

HUMAN RESOURCES DEVELOPMENT AND TRAINING

Training is essential for human resources development and is a means of value adding; it is essential for promoting the growth of a company and its staff as a whole. This is why training is taken seriously throughout the Company, which has been maintaining a separate training budget. In particular, our training efforts in 2005 made a qualitative breakthrough. We equipped ourselves with sophisticated multimedia training facilities and made a great deal of effort in reserving resources for areas such as partnering with external parties and instructors as well as curriculum development, which have paved the way for even better training in future.

In 2005, the Company and its subsidiaries conducted over 280 training activities with an attendance rate of 11,000. Average time spent by each participant was 54 classroom hours whereas executives at middle management level or above spent 48 classroom hours on average. These training activities were held in an effective combination of teachings by external instructors, counseling by internal tutors, external training, outreach development, VCD-aided programs and mobile business school. Different levels and series of programs were offered in full swing for senior



Corporate Governance Report

and middle management, frontline supervisors, different functions as well as orientation and training for new employees, covering all areas and spectrums of business management. These training programs have a positive effect on management, team spirit and performance.

In 2005, the Company carried out to the full its “internal orientation coaching” (內部崗位輔導員) system. Through careful selection, up to 200 elites from all functions were chosen to act as internal coaches (內部崗位輔導員) in addition to their own duties. Up till now, nearly 100% of the new employees attending the orientation program have started working. This has effectively reduced the time required for new employees to understand the Company’s business workflow and to get accustomed to its corporate culture, which in turn has ensured the sustained enhancement of efficiency and work quality.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Listing Rules since 15 December 2005 (its listing date) up until 31 December 2005, save for the code provisions on internal controls, which are to be implemented for accounting periods commencing on or after 1 July 2005 pursuant to the CG Code, and deviations from certain code provisions listed below:

- (1) Code Provision A.1.1: The board meeting should be held at least four times a year at approximately quarterly intervals.

The Board had only hold one full board meeting in the year of 2005 and has already set a schedule for its quarterly regular meeting in the year of 2006 in order to be in compliance with the CG Code.

- (2) Code Provision C.2.1: The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer.

The Board has planned to review its internal control system covering all material controls, including financial, operational and compliance controls and risk management functions on the board meeting to be held in the second half of the year 2006.

- (3) Code Provision C.3.3: The Audit Committee should oversight the Company’s internal control procedures.

The Audit Committee has initially reviewed the Company’s internal control policy and the internal audit plan on the meeting held on 21 March 2006 and will continue to review the Company’s financial controls, internal control and risk management system in the coming meetings.

By order of the Board

Wai Ching Sum

Company Secretary

Hong Kong, 23 March 2006