

CORPORATE GOVERNANCE REPORT

The Company has made continuous effort to ensuring high standards of corporate governance. The principles of corporate governance adopted by the Company emphasises a quality board, sound internal controls and accountability to shareholders and these are based upon an established ethical corporate culture.

THE BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. Key responsibilities include formulation of the Group's overall strategies and policies, setting of performance targets, evaluation of business performance and oversight of management.

As at 31 December 2005, the Board comprised nine Directors, including four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. All the Independent Non-executive Directors were appointed on 21 February 2005. Non-executive Directors and Independent Non-executive Directors are appointed for a term of three years from their respective dates of appointment. For a Director to be considered independent, the Board must determine the Director does not have any direct or indirect material relationship which the Group. In determining the independence of the Directors, the Board follows the requirements set out in the Listing Rules. Biographical details of the Directors are set out on pages 16 to 18.

The Board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provides to the Directors information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interests of the Group and Board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of the Company Secretary and other senior management, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to fully engage in the Board's affairs and make contribution to the Board's functions.



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The Board held nine meetings in 2005 and one meeting to date in 2006. The attendance record of each member of the Board in 2005 is set out below:

Directors	Attendance of Board meetings in 2005
<i>Executive Directors</i>	
Song Jiacheng (<i>Chairman</i>)	9/9
Cao Yu	9/9
Peng Kaichen	9/9
Xu Shaowen	9/9
<i>Non-executive Directors</i>	
Zeng Jun	9/9
Lee Kwan Hung, Eddie	9/9
Jamie Paton (<i>resigned on 23 March 2005</i>)	3/4
<i>Independent Non-executive Directors</i>	
Chang Tso Tung, Stephen (<i>appointed on 21 February 2005</i>)	7/7
Chan Chi On, Derek (<i>appointed on 21 February 2005</i>)	7/7
Sun Lun (<i>appointed on 21 February 2005</i>)	6/7



BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board established the following Board committees in 2005 to oversee particular aspects of the Group's affairs. Each of these committees comprise entirely Non-executive Directors who have been invited to serve as members. These committees are governed by the respective terms of reference approved by the Board.

Audit Committee

The Audit Committee consists of three Independent Non-executive Directors with Mr Chang Tso Tung, Stephen as the chairman. Other members are Mr Chan Chi On, Derek and Mr Sun Lun. At the discretion of the Audit Committee, Executive Directors and/or senior management personnel overseeing the Group's finance or internal audit functions may be invited to attend meetings. The Audit Committee normally meets four times a year.

The duties of the Audit Committee include, among other things, reviewing and monitoring the financial and internal control aspects of the Group. The Audit Committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The Audit Committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls. This allows the Board to monitor the Group's overall financial position and to protect its assets. In addition, the Audit Committee supervises the internal audit function. The chairman of the Audit Committee summaries activities of the Audit Committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

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The Audit Committee held three meetings since its establishment in 2005 and one meeting to date in 2006. The attendance record of each member of the Audit Committee in 2005 is set out below:

Directors	Attendance of Audit Committee meetings in 2005
Chang Tso Tung, Stephen (<i>Chairman</i>)	3/3
Chan Chi On, Derek	3/3
Sun Lun	2/3

Remuneration Committee

The Remuneration Committee consists of one Non-executive Director and two Independent Non-executive Directors with Mr Chan Chi On, Derek, an Independent Non-executive Director, as the chairman. Other members are Mr Chang Tso Tung, Stephen and Mr Lee Kwan Hung, Eddie. At the discretion of the Remuneration Committee, Executive Directors and/or senior management personnel overseeing the Group's human resource function may be invited to attend meetings.

The duties of the Remuneration Committee include, among other things, review the remuneration packages of Directors and senior management of the Group to assist the Board in attracting, retaining and motivating the right people to manage the business of the Group. In addition, the Remuneration Committee assesses the performance of the Executive Directors and senior management. The chairman of the Remuneration Committee summarises activities of the Remuneration Committee and provides recommendations for reporting to the Board after each meeting.

The Remuneration Committee held one meeting since its establishment in 2005 and one meeting to date in 2006. The attendance record of each member of the Remuneration Committee in 2005 is set out below:

Directors	Attendance of Remuneration Committee meeting in 2005
Chan Chi On, Derek (<i>Chairman</i>)	1/1
Chang Tso Tung, Stephen	1/1
Lee Kwan Hung, Eddie	1/1





NOMINATION OF DIRECTORS

Having considered the scale and composition of the Board, the Company does not set up a nomination committee. The function of appointment and removal of Directors is undertaken by the Board. When considering candidates for directorship, the Board assesses, among others, experience level, qualifications and independence of candidates, if appropriate. In 2005, the Company held two Board meetings to deal with the appointment of three Independent Non-executive Directors and the resignation of a Non-executive Director. The attendance record of each member of the Board in respect of these two Board meetings is set out below:

Directors	Attendance of Board meetings to deal with nomination/resignation of Directors in 2005
<i>Executive Directors</i>	
Song Jiacheng (<i>Chairman</i>)	2/2
Cao Yu	2/2
Peng Kaichen	2/2
Xu Shaowen	2/2
<i>Non-executive Directors</i>	
Zeng Jun	2/2
Lee Kwan Hung, Eddie	2/2
Jamie Paton (<i>resigned on 23 March 2005</i>)	1/1
<i>Independent Non-executive Directors</i>	
Cheng Tso Tung, Stephen (<i>appointed on 21 February 2005</i>)	1/1
Chan Chi On, Derek (<i>appointed on 21 February 2005</i>)	1/1
Sun Lun (<i>appointed on 21 February 2005</i>)	1/1

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules since the listing of the Shares on the Main Board of the Stock Exchange on 30 June 2005 except that both the roles of chairman and chief executive officer of the Company are performed by Mr Song Jiacheng, which constitutes a deviation from the Code Provision A.2.1 which stipulates that the chairman and chief executive officer should be separate and should not be performed by the same individual. However, due to the fact that Mr Song is a founder of the business of the Group and possesses substantial experience that is valuable to the Group's operations, the Board of Directors considered that it is in the best interests of the Company and its shareholders currently to have Mr Song to serve these roles. The Company therefore does not currently intend to separate Mr Song's roles as the chairman and the chief executive officer.

Corporate Governance Report

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors since the listing of the Company's Shares on the Main Board of the Stock Exchange on 30 June 2005.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Auditors' Report on page 31 which acknowledges the reporting responsibilities of the Group's auditors.

Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

Going Concern

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITORS

The Audit Committee has received a letter from PricewaterhouseCoopers confirming their independence and objectivity. Details of fees paid or payable to PricewaterhouseCoopers for the year ended 31 December 2005 are as follows:

	<i>RMB'000</i>
Services as reporting accountants in connection with the Company's initial public offering	3,919
2005 annual audit	1,474
	<hr/> 5,393 <hr/>

