

Throughout the year ended 31 December 2005, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## BOARD OF DIRECTORS

### Composition and Appointment

The Board was elected at the annual general meeting on 2 June 2005, comprising of nine directors, 2 of them were executive directors, 4 of them were non-executive directors and 3 of them were independent non-executive directors. The term of the office of the Board will end on the date of the annual general meeting in 2008. The list of directors and their respective biographies are set out on pages 17 to 20.

There are no less than four times for the Board meeting proposed by the Chairman, the notice of meeting should be sent before 14 days of the meeting date. For urgent matters, the extraordinary Board meeting could be held with the proposal of no less than one-third of the directors of the Company or the general manager of the Company .

To exercise the Board's duties including discussing and making the decisions on strategic development of the Company, material operational matters and finance matters and other matters under the Articles of Association, the Board held four meetings in 2005 and the attendance rate was 100%.

### Records of attendance at Board meetings in 2005 are as follows:

		Number of attendance
Wang Zhanbin (Chairman)	Chairman, executive director	4 / 4
Wang Jiadong	General manager, executive director	4 / 4
Kwong Che Keung, Gordon	Independent non-executive directors	4 / 4
Moses Cheng Mo Chi	Independent non-executive directors	4 / 4
Long Tao	Independent non-executive directors	4 / 4
Chen Guoxing	Non-executive directors	4 / 4
Wang Zengyi	Non-executive directors	2 / 2
	(Resignation on 2 June, 2005)	
Gao Shiqing	Non-executive directors	2 / 2
	(Appointed on 2 June, 2005)	
Zheng Hui	Non-executive directors	4 / 4
Dominique Pannier	Non-executive directors	4 / 4

In 2005, Mr. Wang Zengyi did not continue to act as a director for the reason of retirement. At the same time, Mr. Gao Shiqing was recommended as a candidate to shareholders by the Board and he was successfully elected as a director in the annual general meeting of the Company held on 2 June 2005.

The Board is mainly responsible to the shareholders of the Company in general meeting and make decisions on the business plans and investment proposals of the Company while the daily operation and management of the Company is the responsibility of the General Manager.

## **Nomination of Directors**

The responsibilities of nomination of directors was assumed by the executive directors of the Company, including:

- to formulate the policy and the criteria for the nomination of directors;
- to select and recommend candidates for directorship to shareholders at the general meeting;
- where necessary, to nominate candidates to fill the temporary vacancy of directors and;
- assess the independence of independent non-executive directors.

## **Chairman and Chief Executive Officer**

Two executive directors of the Company, Mr. Wang Zhanbin and Mr. Wang Jiadong, hold the post of Chairman of the Board and General Manager, respectively. The Chairman's responsibilities are to convene and preside over the meeting of the Board and promote corporate governance, while the General Manager is responsible for taking part in implementing decisions made by the Board and the daily operation of the Company. Their duties are separate and there is no business, finance or family relationship between them.

## **The Term of Appointment of Non-executive Directors**

All non-executive directors of the Company were elected at the annual general meeting of the Company on 2 June 2005 and the term of appointment will end on the date of the annual general meeting of the Company for the year of 2008.

### Insurance Arrangement

Following the Recommended Best Practices A.1.9 of the Code on Corporate Governance Practices i.e., that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company have arranged the directors and officers insurance for the directors, the supervisors and other senior management.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGMENT

The remuneration committee of the Company (the "Remuneration Committee") was established on 2 June 2005, comprising of five directors at present: three independent non-executive directors, one non-executive director and one executive director. They are Mr. Long Tao (the Chairman), Mr. Moses Cheng Mo Chi, Mr. Kwong Che Keung, Gordon, Mr. Gao Shiqing and Mr. Wang Jiadong.

For the Remuneration Committee, the necessary attendees are 3 persons and one meeting should be held for one year. The responsibilities of the Remuneration Committee include, but not limited to the following items: to review and approve the general policies concerning strategic compensations; to issue advice to the Board concerning the remuneration policies of all the Company's directors and senior management, as well as the establishment of formal and transparent procedures aiming at formulating remuneration policies; to be responsible for determining all the executive directors and senior management's specific remuneration combination and propose advice concerning the remuneration of non-executive directors. Factors that the Committee have to take into consideration include: the remuneration paid by similar companies, time spent and responsibilities taken by the directors and senior management, remuneration level of the Group, and whether there is a need for combining remuneration and bonus on performance.

The Remuneration Committee held two meetings in 2005.

#### Records of attendance at Remuneration Committee meetings in 2005 are as follows:

	Number of attendance
Mr. Long Tao (Chairman)	2 / 2
Mr. Moses Cheng Mo Chi	2 / 2
Mr. Kwong Che Keung, Gordon	2 / 2
Mr. Gao Shiqing	2 / 2
Mr. Wang Jiadong	2 / 2

## AUDITORS' REMUNERATION

The external auditors of the Company are PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Company Limited. They provide auditing services to the Group. During the reporting period, the Company paid an aggregate of RMB2,839,000 to its auditors as fees for their professional audit services.

In the annual general meeting of the Company held on 2 June 2005, the renewal of the appointment of PricewaterhouseCoopers Zhong Tian CPAs Company Limited and PricewaterhouseCoopers as domestic and international auditors respectively for the Company in 2005 was approved, and the Board of Directors was authorized to determine the remuneration for the auditors in 2005.

## THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive directors of the Company. Mr. Kwong Che Keung, Gordon is the Chairman. The duties of the Audit Committee are as follows: to consider the appointment of the external auditors, the audit fees and any issues relating to their resignation or dismissal; to discuss with the external auditors, before the audit starts, on the nature and scope of the audit, and to ensure the co-ordination between the firms of auditors if there is more than one firm involved; and to review the interim and annual financial statements before they are submitted to the Board.

The Audit Committee held two meetings in 2005 and the attendance rate was 100%.

### Records of attendance at the Audit Committee meetings in 2005 are as follows:

Committee Member	Attendance at Meetings
Long Tao (Chairman)	2 / 2
Moses Cheng Mo Chi	2 / 2
Kwong Che Keung, Gordon	2 / 2

On the Audit Committee meeting in 2005, the Audit Committee mainly review accounting principles and standards of the Group, discuss the internal control system, review the audit condition of the Group and the financial statement under IFRS and PRC's accountant regulations, they also discussed the audit matters of interim results and final results, the financial statements and internal controls system of the Group with the external auditor, and considered the auditors' suggestion.

The Audit Committee considered the appointment of the auditors and audit fee and made recommendations to the Board on the selection of external auditors of the Company.

## COMMUNICATION WITH SHAREHOLDERS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

1. Delivery of the interim and annual results and reports and publication of the annual and interim results announcement and other disclosed information on the websites of the Hong Kong Stock Exchange and the Company to all shareholders; and
2. The general meeting of the Company is also an effective communication channel between the Board and shareholders.
3. The Company maintains effective communications with its shareholders, investors and analysts through, *inter alia*:
  - establishing dedicated divisions and personnel for liaison with investors and analysts by answering their questions;
  - arranging on-site visits to the stores of the Company to facilitate their timely understanding of the situation and latest development of the Company's business operations;
  - gathering, in a timely manner, opinions and comments from analysts and investors on the operations of the Company, selectively adopting them, and compiling reports;
  - making available information on the Company's website, including description of the Company, Board and corporate governance financial reports, company promotional materials and press release, etc.