

## Corporate Governance Report

### CORPORATE GOVERNANCE PRACTICES

The Board recognizes that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2005 with the exceptions of the following:-

Provision A.1.3	less than 14 days notice were given to the regular board meetings held in April and December
Provision A.4.1	The term of office of non-executive directors is not fixed but are subject to retirement by rotation and re-election at the Company's annual general meetings.
Provision E.1.2	The chairman of the Board did not attend the annual general meeting held in May 2005

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company in 2005. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2005.

### BOARD OF DIRECTORS

#### Composition and role

The Board of Directors of the Company comprises:

Executive Directors:	Liu Xiao Guang, Chairman Lawrence H Wood (also known as Wu Yuk Shing or Hu Xu Cheng), Chief Executive Officer Cheng Bing Ren Liu Xue Min
Independent Non-executive Directors:	Kwong Chun Wai Michael To Chun Kei Fung Tze Wa

Corporate Governance Report (Cont'd)

The Board comprises four executive directors (one of whom is the Chairman) and three independent non-executive directors. Of the three independent non-executive directors, two of them possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board. The biographical details of the directors are set out on pages 14 to 16 of this Annual Report.

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The independent non-executive directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each independent non-executive director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these independent non-executive directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. Notice of at least 7 days have been given to all directors for the board meetings and 14 days for the regular meetings held in June and September and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, seven full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

<b>Name of director</b>	<b>Number of board meetings attended</b>	<b>Attendance rate</b>
Liu Xiao Guang	7/7	100%
Lawrence H. Wood	7/7	100%
Cheng Bing Ren	0/7	0%
Liu Xue Min	6/7	86%
Kwong Chun Wai Michael	5/7	71%
To Chun Kei	7/7	100%
Fung Tze Wa	7/7	100%

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The Chairman of the Company is Mr. Liu Xiao Guang and the Chief Executive Officer of the Company is Mr. Lawrence H. Wood. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

## **RE-ELECTION OF DIRECTORS**

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company. In accordance with the relevant provisions in the Articles of Association of the Company, the appointment of directors is considered by the board and they must, except for the Chairman, stand for election by shareholders at the annual general meetings.

The 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 Company's annual general meetings in accordance with the provisions of the Company's Articles of Association.

## Corporate Governance Report (Cont'd)

**AUDIT COMMITTEE**

The Audit Committee comprises:

To Chun Kei – *Committee Chairman*  
 Kwong Chun Wai Michael  
 Fung Tze Wa

All of the Audit Committee members are independent non-executive directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2005.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2005.

During the year, two Audit Committee meetings were held and the individual attendance of each member is set out below:

<b>Name of director</b>	<b>Number of meetings attended</b>	<b>Attendance rate</b>
To Chun Kei	2/2	100%
Kwong Chun Wai Michael	2/2	100%
Fung Tze Wa	2/2	100%

## REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 and the current members include:

Liu Xiao Guang – *Committee Chairman*  
 Kwong Chun Wai Michael  
 To Chun Kei  
 Fung Tze Wa

The majority of the Remuneration Committee members are independent non-executive directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The terms of reference of the Remuneration Committee were adopted in 2005.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Group and the desirability of performance-based remuneration.

The Remuneration Committee held one meeting in 2005 which was attended by all members.

## AUDITORS' REMUNERATION

During the year 2005, the total amount of remuneration paid/payable to the auditors of the Company, KPMG, for the audit and non-audit services rendered to the Group is as follows:–

	HK\$
Annual audit services	818,000
Interim review services	280,000
Other services	95,000

The other services of HK\$95,000 were the fees on account for KPMG's attending to the liquidation of ING Beijing Investment Company Limited.

## INTERNAL CONTROLS

The qualified accountant of the Company has performed a review on the internal control systems of the Company during 2005 in accordance with the Procedure Manual of the Company. The report was submitted to the Audit Committee to review.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

## **INVESTOR RELATIONSHIP AND COMMUNICATION**

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information on its business through the annual general meeting, the annual and interim reports, notices, announcements and circulars.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report.