

The Company had complied throughout the year with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Board of Directors

The Board of Directors of the Company comprises five Executive Directors, namely Mr. Zhao Liqiang, Mr. Zhou Qingquan, Mr. Zhao Yuanchang, Mr. Wu Hongju and Mr. Guo Xianpeng; five Non-executive Directors, namely Mr. Rui Xiaowu (Chairman), Mr. Gong Bo, Mr. Chen Dingyi, Ms. Chan Ching Har, Eliza and Mr. Wang Yujun; three Independent Non-executive Directors namely Mr. Lee Hung Sang, Mr. Chow Chan Lum, Charles and Mr. Luo Zhenbang.

Mr. Rui Xiaowu and Mr. Zhao Liqiang have been appointed as the chairman and president of the Company respectively, since September 2004. Mr. Rui and Mr. Zhao are not related to each other in financial, business or family aspects. In 2005, the Board of Directors reviewed, discussed and approved the respective written Terms of Reference in order to divide the respective responsibilities of the chairman and the president of the Company. The Board is responsible for determining the Group's objectives, strategies, policies and business plans. It has delegated to the management the responsibilities of running the Company's business, making day-to-day decisions concerning business operation and the implementation of the approved strategies in achieving the overall commercial objectives.

The Company had adopted *the Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. The Company had enquired with all the Directors individually as to whether they had complied with Appendix 10 of the Listing Rules while trading the securities of the Company during 2005. So far as was known to the Company, no Directors had traded any securities of the Company during the period.

The Non-Executive Directors of the Company, including Independent Non-Executive Directors, were not appointed for a specific term in the past. In June 2005, the Board of Directors reviewed, discussed and approved that the specific term for each Non-Executive Director is two years, provided that each Non-Executive Director is subject to retire by rotation and re-election, if eligible, under the Articles of Association of the Company.

The Company had complied with the requirements of the Listing Rules to appoint three Independent Non-executive Directors during 2005, namely Mr. Lee Hung Sang, Mr. Chow Chan Lum, Charles and Mr. Luo Zhenbang. Out of the three Independent Non-executive Directors, Mr. Chow has appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. The Company had received a letter from each of the Independent Non-executive Directors confirming his independence in compliance with rule 3.13 of the Listing Rules. As such, the Company confirmed that all Independent Non-executive Directors are independent. The Directors of the Company are unrelated to each other in every aspect, including financial, business or family.



Board Meetings

The Company has in place an established Board process. Regular Board meetings are held at least four times a year, and, if necessary, additional meetings would be arranged. The Company Secretary, Mr. Mui Chok Wah, assists the Directors in establishing the meeting agenda. Notice of meeting and information package will be sent to Directors within reasonable and practical time prior to a regular Board meeting in order to facilitate the Directors informed discussion and decision-making. Each Director may request inclusion of matters in the agenda for Board meetings.

The Company Secretary is responsible for taking minutes of the Board meetings. Draft minutes will be sent to all Directors for their comments within a reasonable time after each meeting before being approved by the Board, at the immediate following meeting. Final versions of the Board minutes will then be sent to all Directors for records. The minute books are kept by the Company Secretary and will be open for inspection by the Directors upon request. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that the procedures are followed and that all applicable laws and regulations are complied with.

Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. In the nomination process, the Board of Directors makes reference to criteria including, inter alia, accomplishment and experience in the industry, professional and educational background and commitment in respect of available time and relevant interest. During the year, the Board has determined the policy for the nomination of Directors and assessed the independence of Non-executive Directors.

Those Directors appointed by the Board during the year to fill casual vacancies shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

The process for re-election of a Director is in accordance with the Company's Articles of Association, which requires that, other than those Directors appointed during the year, one-third of the Directors for the time being are required to retire by rotation at each annual general meeting and are eligible to stand for re-election.

The annual report and the circular for annual general meeting contain detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to ensure shareholders to make an informed decision on their election.



Mr. Rui Xiaowu, the Chairman, and Mr. Chow Chan Lum, Charles, the Chairman of Audit Committee, were out of town for business trips and did not attend all of the Extraordinary General Meetings during 2005. The attendance records of individual Directors during 2005 are set out below:

Directors	Annual General Meeting		Extraordinary General Meeting		Directors' Meeting	
	Number of meetings held	Number of meetings eligible to attend	Number of meetings held	Number of meetings eligible to attend	Number of meetings held	Number of meetings eligible to attend
Zhao Liqiang	1	1	3	3	6	6
Zhou Qingquan	1	1	3	3	6	6
Zhao Yuanchang	1	1	3	3	6	5
Wu Hongju	1	1	3	2	6	6
Guo Xianpeng	1	1	3	2	6	6
Rui Xiaowu	1	1	3	0	6	3
Gong Bo	N/A	N/A	1	0	4	1
Chen Dingyi	1	1	3	3	6	4
Chan Ching Har, Eliza	1	0	3	1	6	3
Wang Yujun	N/A	N/A	1	0	4	2
Lee Hung Sang	1	0	3	0	6	2
Chow Chan Lum, Charles	1	1	3	1	6	2
Luo Zhenbang	1	1	3	1	6	3

Board Committees

The Board has established an Audit Committee and Remuneration Committee to oversee particular aspects of the Company's affairs. The Committees are governed by their respective Terms of Reference. The Committees are accountable to the Board, unless there are legal or regulatory restrictions on their ability to do so.

Audit Committee

The Audit Committee of the Company comprises Mr. Chow Chan Lum, Charles (the Chairman) (being Independent Non-executive Directors, with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules), Mr. Luo Zhenbang and Mr. Wang Yujun (being a Non-executive Director). The major roles and functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditors reviewing the Company's financial information as well as overseeing the Company's financial reporting system and internal control procedures.

In 2005, the Audit Committee met two times, and the meetings were attended by external auditors and the Company Secretary for the purpose of assessing and reviewing the internal control system, the financial statements and corporate governance practices and so on.

The Audit Committee had reviewed, discussed and approved the financial statements for the year ended 31 December 2005.

The attendance records of individual Audit Committee Members during 2005 are set out below:

Number of meeting	Number of meetings eligible to attend	Number of meetings attended
Chow Chan Lum, Charles	2	1
Luo Zhenbang	2	2
Wang Yujun	1	1

Remuneration Committee

The Board of Directors of the Company had approved the establishment of Remuneration Committee in a meeting held in June 2005, and also reviewed, discussed and approved a written Terms of Reference. The Remuneration Committee comprises Ms. Chan Ching Har, Eliza (the Chairman) and Mr. Gong Bo (being two of the Non-executive Directors), and Mr. Lee Hung Sang, Mr. Chow Chan Lum, Charles and Mr. Luo Zhenbang (being all the Independent Non-executive Directors). The major roles and functions of the Remuneration Committee are to formulate remuneration policy and to determine the remuneration of the Directors and senior management. A meeting had been convened to review the Directors' remuneration after the establishment of the Remuneration Committee. The attendance records of individual Remuneration Committee Members during 2005 are set out below:

Number of meeting	Number of meetings eligible to attend	Number of meetings attended
Chan Ching Har, Eliza	1	1
Lee Hung Sang	1	1
Chow Chan Lum, Charles	1	1
Luo Zhenbang	1	1
Gong Bo	1	1

Performance-based evaluation mechanism was adopted by the Remuneration Committee as the Company's emolument policy in determining the Directors' remuneration. In devising remuneration proposals of Directors, the Remuneration Committee has consulted the Chairman and President and has access to professional advice when necessary. During the year, no Director was involved in deciding his/her remuneration.

The Directors' fees and any other reimbursement or emolument payable to a Director during the year are disclosed in the Company's financial statements.

Internal Control

The Company has gradually established, maintained and operated an effective system of internal control, which has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.



The Company has conducted an annual review of the effectiveness of its and its subsidiaries' internal control systems over all material controls, including that financial, operational and compliance controls and risk management functions. The Company considers that the present internal control procedures adopted are sufficient to comply with the requirements under the Listing Rules, but the Company will continue to review, revise and strengthen its internal control procedures from time to time, so as to meet with further requirements of internal management in Listing Rules.

Accountability and Audit

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2005, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of Hong Kong Financial Reporting Standards and made judgments and estimates that are prudent, and prepared the accounts on the going concern basis. Auditors' reporting responsibilities are set out by the auditors reporting on the financial statements.

During the year, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern.

The Company aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. The Company has announced its annual and interim results in a timely manner within the limits of 4 months and 3 months respectively after the end of the relevant period, as laid down in the Listing Rules.

Shareholders' rights

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors. The Company provides sufficient explanation of the procedures for demanding and conducting a poll prior to commencement of the meetings. Sufficient time is also given for shareholders attending the general meetings of the Company to raise questions. The shareholders may demand a poll in respect of the resolutions to be put to at any general meeting in accordance with the following Article 74 of the Articles of Association of the Company:

- (i) by the Chairman of the meeting; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The procedures for and the rights of shareholders to demand a poll as required under rule 13.39(4) of the Listing Rules are disclosed in the Company's circulars to shareholders. All proxy votes in the meetings are counted.



Investors' relationship

The Company did not amend its Memorandum and Articles of Association during 2005.

As of 31 December 2005, the authorised share capital of the Company was 100,000,000,000 shares at HK\$0.10 each, the issued share capital was 2,142,419,902 shares and the market capitalisation was about HK\$653,000,000.

Sufficiency of public float

According to the public information obtained by the Company and to the best knowledge of the Directors, the Company complied with the sufficiency of public float required by the Listing Rules as of the date of this Annual Report.