

Corporate Governance Report

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been complied duly with from time to time.

The Company met the code provisions in the Code for the year ended 31 December 2005 except for the following deviations:

- (i) Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Dai Zhikang was the chairman of the Company but there was no chief executive officer appointed to the board until the appointment of Mr. Fang Bin on 18 October 2005. Prior to the appointment of Mr. Fang Bin, the overall management of the Group was taken charge by the board as a whole and the day-to-day management decisions were delegated by the board to the management of different departments of the Group. The board considered that this could promote efficient formulation and implementation of the Group's policies.
- (ii) Code Provision A.4.2 provides that non-executive directors should be appointed for a specific term and subject to re-election. Save for Mr. Ma Chi Kui, Sandroff, the independent non-executive Directors were not appointed for a specific term during the six months ended 30 June 2005. However, subsequent to the six months ended 30 June 2005, the Company and the independent non-executive Directors entered into contract for a term of two years. Subsequent to the resignation of Mr. Ma Chi Kui, Sandroff on 15 July 2005, the Company only had two independent non-executive directors. In accordance with Rule 3.11 of the Listing Rules, Dr. Tse Hiu Tung, Sheldon was appointed as independent non-executive director on 14 October 2005.

Directors' securities transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, the directors of the Company have complied with the required standard set out in the Model Code.

Board of directors

The composition of the board of the Company for the year ended 31 December 2005 was as follows:

Executive directors

Mr. Dai Zhikang (*chairman*)
Mr. Fang Bin (*chief executive officer and appointed on 18 October 2005*)
Mr. Zhang Wei
Mr. Lu Puling (*appointed on 18 October 2005*)
Mr. Wang Xiangang (*appointed on 18 October 2005*)
Mr. Tang Jian
Mr. Ye Wenbin (*appointed on 18 October 2005*)
Mr. Zhu Nansong (*resigned on 18 October 2005*)
Mr. Zhao Hangsheng (*resigned on 18 October 2005*)

Independent non-executive directors

Mr. Lai Chik Fan
Mr. Lo Mun Lam, Raymond
Dr. Tse Hiu Tung, Sheldon (*appointed on 14 October 2005*)
Mr. Ma Chi Kui, Sandroff (*resigned on 15 July 2005*)

For the year ended 31 December 2005, 15 board meetings were held, among which Mr. Dai Zhikang attended 12 board meetings, Mr. Fang Bin attended 4 board meetings, Mr. Lu Puling attended 4 board meetings, Mr. Tang Jian attended 15 board meetings, Mr. Wang Xiangang attended 4 board meetings, Mr. Zhu Nansong attended nil board meeting, Mr. Ye Wenbin attended 4 board meetings, Mr. Zhao Hangsheng attended 1 board meeting, Mr. Zhang Wei attended 6 board meetings, Mr. Lai Chik Fan attended 2 board meetings, Mr. Lo Mun Lam, Raymond attended 2 board meetings, Mr. Ma Chi Kui Sandroff attended 1 board meeting and Dr. Tse Hiu Tung, Sheldon attended nil board meeting.

Prior to the appointment of Mr. Fang Bin, the chief executive officer of the Company, the board was responsible for formulating the Group's strategic policies as well as taking charge of important managerial decisions of the Group's business. Day-to-day management was further delegated by the board to the management of different departments of the Group. After the appointment of Mr. Fang Bin, the board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the board and oversee the day-to-day management of the Group under the supervision of Mr. Fang Bin.

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Rule 3.10(1) of the Listing Rules provided that every board of directors of a listed issuer must include at least three independent non-executive directors. Subsequent to the resignation of Mr. Ma Chi Kui, Sandroff on 15 July 2005, the Company only had two independent non-executive directors. The Company had actively sought for suitable personnel to fill such vacancy thereafter. Dr. Tse Hiu Tung, Sheldon was appointed as independent non-executive director on 14 October 2005 in compliance with the three-month period permitted under Rule 3.11 of the Listing Rules.

Save as holding the office of directors with the Company, no other relationship exists (including financial, business, family or other material or relevant relationship) among members of the board.

Chairman and chief executive officer

The chairman of the Company is Mr. Dai Zhikang and the chief executive officer of the Company is Mr. Fang Bin. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. Mr. Dai Zhikang was responsible for overseeing the management of the board whereas Mr. Fang Bin was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the board.

Remuneration of directors

The remuneration committee was responsible for, among others, making recommendations on the remuneration of directors and was responsible for approving any change to existing remuneration package made available to the directors. The remuneration committee consists of Mr. Tang Jian, Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. The remuneration committee did not hold any meetings during the year as no change to the remuneration package had been made to any of the directors.

Nomination of directors

Candidates for proposed appointment of directors were first nominated by one of the executive directors and were assessed according to their work experience and academic achievements in the past. For the year ended 31 December 2005, two board meetings were held in relation to the appointment of new directors, among which both Mr. Dai Zhikang and Mr. Tang Jian attended.

Auditors' remuneration

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2005, the Group has engaged its auditors to provide non-audit service in relation to the acquisition of certain commercial properties in Zendai Thumb Plaza (details of such acquisition were set out in the announcement of the Company dated 7 July 2005). The services were related to the review and comments on the cash flow forecast prepared by the Company relating to the acquisition of commercial properties in Zendai Thumb Plaza. The auditors were also remunerated according to the complexity of and time required for the assignment and the prevailing market conditions. The fee paid for such service was approximately HK\$90,000.

Audit Committee

The audit committee comprised of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. Its duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2005, the audit committee held two meetings, among which Mr. Lai Chik Fan attended two meetings, Mr. Lo Mun Lam, Raymond attended two meetings, Mr. Ma Chi Kui Sandroff attended one meeting and Dr. Tse Hiu Tung, Sheldon attended nil meeting. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditors regarding their works performed. The Company's annual results for the year ended 31 December 2005 has been reviewed by the audit committee. Rule 3.21 of the Listing Rules provided that every listed issuer must establish an audit committee comprising non-executive directors only and that it must comprise a minimum of three members. Subsequent to the resignation of Mr. Ma Chi Kui, Sandroff on 15 July 2005, the Company and its audit committee only had two independent non-executive directors. The Company had actively sought for suitable personnel to fill such vacancy thereafter. Dr. Tse Hiu Tung, Sheldon was appointed as independent non-executive director and member of the audit committee on 14 October 2005 in compliance with the three-month period permitted under Rule 3.11 of the Listing Rules.

General

The directors of the Company acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO McCable Lo Limited, the auditors of the Group are stated in the auditors' report on page 28 of the Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors.