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CONGRATULATIONS ON THE LISTING OF
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LTD
ON THE STOCK EXCHANGE OF HONG KONG LIMITED
恭賀中國建築國際集團有限公司於香港聯合交易所上市

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CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LTD
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KOREA COMPOSITE 10

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The Board of Directors believes that good corporate governance is a key element to success. Good corporate governance can protect the interests of shareholders and improve the performance of the Group. Since the listing of its shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 8 July 2005, the Company has been committed to formulating a code on good corporate governance practice and procedures so as to increase its transparency. The Company has formulated principles of the corporate governance so as to comply with the code provisions and some recommended best practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange. The Company has complied with the Code of Best Practice since its listing.

The Board of Directors

The Group (the Company and its subsidiaries) is led by an effective board of directors. The Board of Directors leads, oversees, manages and develops the operations of the Group with effective governance pursuant to the strategic policy of the Group.

The Board of Directors comprises 10 members, including five executive directors (Mr. Zhou Yong, Mr. Yip Chung Nam, Mr. Fu He, Mr. Zhou Hancheng and Mr. Cheong Chit Sun), one non-executive director (Mr. Kong Qingping) and four independent non-executive directors (Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See). Exceeds one third of the members of the Board of Directors are independent non-executive directors. Other than non-executive directors, all executive directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company.

Independent non-executive directors possess appropriate professional qualifications and experience or appropriate accounting or relevant financial management expertise. All independent non-executive directors comply with the Independence Guideline of Rule 3.13 of the Listing Rules and have submitted annual confirmations of their independence to the Board of Directors pursuant to Rule 3.13 of the Listing Rules. They are able to provide their independent judgment in respect of matters such as the Group’s strategy, policy, performance and the appointment of executive directors at board and committee meetings, making significant contribution to the affairs of the Group.

Non-executive directors are appointed on a term of three years. All directors (including non-executive director) are subject to retirement by rotation pursuant to the articles of association of the Company. Directors appointed to fill casual vacancies shall be elected by shareholders at the first annual general meeting following their appointment.

The Company will give an appropriate introduction about the Group’s businesses and operations to each newly appointed director. Each newly appointed director will also be arranged to attend a director training course with professional lawyers as speakers. The course will provide detailed information on Listing Rules, Companies Ordinance, relevant legislations and roles and duties of directors specified in relevant regulatory regulations.

Mr. Kong Qingping is chairman and non-executive director of the Company and is responsible for leading the Board of Directors and ensures all directors are provided with appropriate and sufficient information before board meetings so that the Board of Directors can operate effectively and perform its duties. The Board of Directors is responsible for formulating the overall strategy and policy of the Group, approving annual budget and business plans, approving all announcements (including financial statements), approving all major acquisitions and sales, reviewing the performance of all business lines and overseeing the work of the management.

Mr. Zhou Yong is vice-chairman and chief executive officer of the Company and is responsible for the operations of the Group. The chief executive officer and executive directors jointly implement the policy adopted by the Board of Directors and are responsible to the Board of Directors for the overall operation and administration of the Group. All executive directors lead and supervise the senior management of the business lines managed by them. The senior management of all business lines is responsible for managing daily operations of the Group.

There is clear division on the roles of chairman and chief executive officer, which are performed by different individuals. This ensures balanced distribution of power and authority so as to avoid concentration of power on the same individual.

Corporate Governance (con't)

The Board convenes board meetings regularly. The date for holding each meeting will be determined in advance and a notice of not less than 14 days will be given so that most directors entitled to attend the meeting can spare time to attend the meeting in person and have sufficient time to include items that need to be discussed in the board meeting. To ensure that all directors have sufficient information to make decisions on the agenda items for discussion, the meeting documents will be sent to all directors three days before the meeting is convened.

The Company convened five board meetings, one audit committee meeting and one remuneration committee meeting during the period. The attendance is shown in the following table:

	Meetings Attended/Meetings Held		
	Board	Audit Committee	Remuneration Committee
Non-executive Director			
Kong Qingping (Chairman)	5/5	1/1	1/1
Executive Director			
Zhou Yong (Vice-chairman & Chief Executive Officer)	5/5	N/A	N/A
Yip Chung Nam	4/5	N/A	N/A
Fu He	4/5	N/A	N/A
Zhou Hancheng	5/5	N/A	N/A
Cheong Chit Sun*	2/2	N/A	N/A
Independent Non-executive Director			
Raymond Ho Chung Tai	5/5	1/1	1/1
Adrian David Li Man Kiu	5/5	1/1	1/1
Raymond Leung Hai Ming	5/5	1/1	1/1
Lee Shing See**	3/3	N/A	1/1

* Mr. Cheong Chit Sun was appointed as an executive director on 12 October 2005.

** Mr. Lee Shing See was appointed as an independent non-executive director on 1 September 2005.

All directors keep contact with the company secretary and can enjoy the services provided by the company secretary so as to ensure the procedure of board meetings, all applicable rules and regulations are complied with. In case of any change in the governance and compliance regulations, the company secretary will release the latest information to the board.

The company secretary is responsible for compiling and drafting the minutes of board and board committee meetings, and will send the first draft of the minute within reasonable time after each meeting to the directors concerned for advice. The finalized draft will act as the record. All directors are entitled to inspect the minutes of board and board committee meetings. Directors can seek independent professional advice for performing their duties through chairman at the expense of the Company. If the subject under discussion at a board meeting involves the interests of substantial shareholders or directors and the board considers that those interests are significant interest conflicts, the board will ensure there are sufficient independent directors participating in discussing about and voting on those resolutions. Those directors related to the interests shall abstain from voting on the resolution.

Model Code for Securities Transactions

The Company has adopted a code on securities transactions by directors ("securities code") with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The effective date of the securities code is 1 June 2005. Each director is provided with one copy of the securities code upon appointment. After making enquiries about all directors by the Company, all directors confirm that for the period ended 31 December 2005, they have complied with the securities code.

Remuneration Committee

The Company has established the remuneration committee on 9 June 2005. All members of the remuneration committee are non-executive director and independent non-executive directors. Existing members include Mr. Kong Qingping (chairman of the remuneration committee), Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See.

In order to attract and retain best quality employees for the development of the Company's businesses and motivate other eligible persons to contribute to the Group, the Company has adopted Share Option Scheme to provide additional incentives to the eligible persons. In 2005, the remuneration committee convened a meeting to consider, determinate and approve the grant of share options. At the meeting, no director participates in the discussion and determination on his own resolution.

The major responsibilities of the remuneration committee include giving advice to the board on the overall remuneration policy of the Group, reviewing and approving the remuneration of directors and senior management of the Company, and ensuring that no director participates in the discussion on his own remuneration.

The remuneration of directors of the Company is determined based on individual director's skills, knowledge, performance and contribution, the overall performance of the Company, the prevailing economic environment and the market trend. Their terms of reference have been approved by the board.

Nomination Committee

During the year 2005, the Company has not yet established a nomination committee. Executive directors are generally sought through internal promotion and independent non-executive directors are generally sought through referrals. In evaluating whether an appointee is suitable to act as an executive director, the Board will review the integrity, the skills, knowledge, performance and contribution of the appointee to the Group. In evaluating whether an appointee is suitable to act as an independent non-executive director, the Board will review the independence, experience, knowledge, skill and time commitment of the appointee.

During the year, Mr. Yip Chung Nam, Mr. Fu He and Mr. Cheong Chit Sun were appointed as executive directors of the Company and Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See were appointed as independent non-executive directors of the Company.

All the existing directors will hold office until the forthcoming first annual general meeting of the Company and shall be elected by shareholders.

The Company has established the nomination committee on 20 March 2006. Members of the nomination committee include one non-executive director, two executive directors and four independent non-executive directors. Existing members include Mr. Kong Qingping (chairman of the nomination committee), Mr. Zhou Yong, Mr. Fu He, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See.

The responsibilities of the nomination committee include reviewing the structure and the composition of the board, and making recommendation to the board on matters relating to directors' nomination, appointment or re-appointment and succession on regular basis.

Responsibilities of Directors for Financial Statements

The Finance Department led by the Financial Controller of the Company and the qualified accountant assists in preparing financial statements of the Group pursuant to relevant regulations and applicable accounting principles so as to ensure that the financial statements of the Group can reflect the performance and operations of the Group.

Directors confirm they have responsibilities for preparing financial statements of the Group.

The statement of reporting responsibility made by the auditors of the Company in respect of the financial statements of the Group is set out in the Auditor's Report.

Auditors' Remuneration

For the year ended 31 December 2005, the audit fees received by the auditors of the Company totalled approximately HK\$3.75 million, including audit service fees of approximate HK\$1.77 million and audit service fees of HK\$1.98 million in respect of the listing of the Company.

Audit Committee

The Company has established the audit committee on 1 June 2005. The audit committee comprises four independent non-executive directors. All members possess appropriate professional qualifications and experience. At least one member possesses appropriate accounting or relevant financial management expertise.

Members of the audit committee include Dr. Raymond Ho Chung Tai (chairman of the audit committee), Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See. The secretary is the company secretary of the Company.

The major responsibilities of the audit committee include reviewing and overseeing the financial information of the Company, regulating the financial reporting system, the internal control procedure and the risk management system of the Company, and reviewing the relationship between the Company and auditors. The audit committee convened a meeting in 2005.

The interim report for the year ended 30 June 2005 and the annual report for the year ended 31 December 2005 of the Group have been reviewed by the audit committee.

The terms of reference of the audit committee have been approved by the board.

Internal Control

The objective of internal control is to help managing and controlling risks in an appropriate way. The Group has established a stable, sound and effective internal control system to ensure the Group can withstand changes in its operations and the external environment in aspects of finance, operation and risk management so as to protect shareholders' investment and the Company's assets.

The Company has appointed an independent professional consultant before its listing to understand, investigate and review the internal control system of the Group in detail. The professional consultant has conducted analyses of the Company's financial management system, tender management procedure (including the subcontracting system), contract management procedure, procurement management procedure, material management system, documentation and information management procedure and environmental protection management system and provided valuable advice, which played an important role in the internal control system of the Group.

The Group has established a general operations audit group which is independent of all business lines and is directly responsible for the head of the audit group so as to ensure the neutrality of control. The audit group makes construction site as the unit and take turn to visit individual construction site for inspection and investigation. All audit reports are sent to the senior management for their perusal and follow-up, if necessary so as to ensure proper management of risks, thereby achieving the business objectives of the Group.

The Company will review the internal control system once each year to ensure effective operation of the system and maintain satisfactory results.

The aforesaid control system aims to reasonably avoid foreseeable mistakes or losses of the Group to assist it in achieving planned objectives in finance and operation.

Staff Discipline

The Company has placed much emphasis on the discipline of its staff as well as business ethics and integrity.

The Company has formulated a series of standards on staff discipline and code which are set out in the "Employee Handbook". All staff must comply with these standards which are included as one of the important subjects in the orientation course for new recruits. No staff is allowed to ask for or receive any benefits while doing business on behalf of the Group in Hong Kong or other places. To this end, the Company has established a mechanism pursuant to which staff can proceed with reporting if they have any recommendations, doubts or find out any violations. This ensures employees have the highest integrity, determination and professionalism to perform their duties and commit themselves to providing services of the highest quality in accordance with the operating principles of the Group.

Communication with Shareholders

The Company has been striving to maintain high transparency and communicate with shareholders and investors through diversified communication channels so far as possible. The Company will hold press conferences and analyst briefing sessions from time to time to provide the latest business information of the Company to investors. The chairman gives sufficient time to shareholders at a shareholders' meeting to allow them sufficient time to raise questions and express their opinions. The web site of the Company contains the latest data and information on the Group so that shareholders, investors and the public can inspect the information about the Company in a timely manner.

The Company's web site: <http://www.csci.com.hk>



The Company web site provides the latest news and information of the Group.



The Group offers corporate governance training programmes to its directors and senior management.