

# CORPORATE GOVERNANCE REPORT

## THE BOARD OF DIRECTORS

The board of directors (the "Board") provides effective and responsible leadership for the company. The directors, individually and collectively, act in good faith in the best interests of the company and its shareholders. The company had adopted, for corporate governance purposes, the Code Provisions of the Code on Corporate Governance Practices (appendix 14 of the Listing Rules). The company is in compliance with the Code Provisions therein.

As at 31 December 2006, the Board comprises seven executive directors, one non-executive director and three independent non-executive directors. The Board has appointed the audit committee and the remuneration committee to oversee specific areas of the company's affairs. The composition of the Board and the committees are given below and their respective responsibilities are discussed later in this report.

Board of Directors	Audit Committee	Remuneration Committee
<b>Executive Directors</b> Wang Li Sheng ( <i>Chairlady</i> ) (appointed on 21 September 2006) Jiang Zhen Ying ( <i>Chairman</i> ) (appointed on 22 March 2006, resigned on 21 September 2006) Yang Shu Shan ( <i>Chairman</i> ) (resigned on 22 March 2006) Pan Xin Rong ( <i>Deputy Chairman</i> ) Yang Dong ( <i>Deputy Chairman</i> ) (appointed on 22 March 2006) Zhu Jian Min Zhou Feng Ye Zhi Jun ( <i>Managing Director</i> ) Han Kun	Fong Chung, Mark ( <i>Chairman</i> ) Wong Po Yan Tam Wai Chu, Maria	Tam Wai Chu, Maria ( <i>Chairlady</i> ) Wang Li Sheng (appointed on 21 September 2006) Jiang Zhen Ying (appointed on 22 March 2006, resigned on 21 September 2006) Yang Shu Shan (resigned on 22 March 2006) Wong Po Yan Fong Chung, Mark Ye Zhi Jun
<b>Non-executive Director</b> Yang Mo Fei		
<b>Independent Non-executive Directors</b> Wong Po Yan Tam Wai Chu, Maria Fong Chung, Mark		

Subsequent to the financial year ended 2006, on 2 April 2007, Mr. Pan Xin Rong and, Mr. Yang Dong resigned as deputy chairmen and executive directors of the company, while Mr. Han Kun and Mr. Yang Mo Fei resigned as an executive director and a non-executive director of the Company respectively. Mr. Zhu Zeng Qing was appointed as deputy chairman and an executive director of the company and Mr. Tan Ke Fei was appointed as an executive director of the company on 2 April 2007.

The Board sets the Group's objectives and monitors its performance. The Board also decides on matters such as annual and interim results, notifiable and connected transactions, director appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility of managing and overseeing the Group's day to day operations to its management.

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The company secretary assists the management of the company in setting the agenda of Board meetings as instructed and each director is invited to present any businesses that they wish to discuss or propose at the meetings. All Directors have timely access to all relevant information of the meetings and may take professional advice if necessary. The company held six full Board meetings in 2006. Attendance of the full Board meetings are as follows:

<b>Attendance</b>	<b>No. of meetings attended</b>
Ms. Wang Li Sheng (appointed on 21 September 2006)	2
Mr. Jiang Zhen Ying (appointed on 22 March 2006, resigned on 21 September 2006)	4
Mr. Yang Shu Shan (resigned on 22 March 2006)	0
Mr. Pan Xin Rong	4
Mr. Yang Dong (appointed on 22 March 2006)	5
Mr. Zhu Jian Min	4
Mr. Zhou Feng	6
Mr. Ye Zhi Jun	6
Mr. Han Kun	6
Mr. Yang Mo Fei	4
Mr. Wong Po Yan	6
Ms. Tam Wai Chu, Maria	6
Mr. Fong Chung, Mark	6

All independent non-executive directors are financially independent from the company and any of its subsidiaries.

The company confirmed with all independent non-executive directors as to their independence with reference to the factors as set out in Listing Rules 3.13.

The full Board participates in the selection and approval of new directors and has not established a Nomination Committee. The independent non-executive directors are appointed for a specific term. Under the Bye-laws of the company, all the directors are currently required to offer themselves for re-election by rotation at least once every three years. The Board takes into consideration criteria such as expertise, experience, integrity and commitment when selecting new directors.

### AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive directors. It is responsible for accounting principles and practices, auditing, internal controls and legal and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. It meets to review financial reporting and internal control matters and to this end has unrestricted access to the company's auditors. The Committee is chaired by Mr. Fong Chung, Mark, a qualified accountant with extensive experience in financial reporting and control. In 2006, the Audit Committee held two meetings to review the annual results of the Group for the financial year ended 2005 and the interim results for financial year ended 2006 and had 100 percent attendance. The company's annual results for the financial year ended 31 December 2006 have been reviewed by the Audit Committee.

### REMUNERATION COMMITTEE

The Remuneration Committee reviews and approves the remunerations of directors. To minimize any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion.

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The main elements of the company's remuneration policy are no individual should determine his or her own remuneration, and remuneration should reflect performance, complexity, position, duties and responsibility of the individual. The committee is chaired by Ms. Tam Wai Chu, Maria. In 2006, the Remuneration Committee held two meetings and had 100 percent attendance.

### CHAIRLADY AND MANAGING DIRECTOR

The company has a separate Chairlady, Ms. Wang Li Sheng and Managing Director, Mr. Ye Zhi Jun. This segregation of duties ensures a clear distinction between the Chairman's responsibility to manage the Board and the Managing Director's responsibility to manage the company's business.

### AUDITORS' REMUNERATION

Auditors' remuneration in relation to audit amounted to HK\$3.5 million (2005: HK\$1 million) in which HK\$2.5 million was related to the audit service carried out for the group's acquisition and disposal transactions as mentioned in note 13 and 31(d) to these financial statements.

The following remuneration was paid by the Group to its principal auditor, KPMG:

<i>(in HK\$ millions)</i>	2006	2005
Audit service	<b>\$3.5</b>	\$1
Taxation services	<b>\$0.04</b>	\$0.04
Other advisory services	<b>\$Nil</b>	\$Nil
Total	<b>\$3.54</b>	\$1.04

### INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and its effectiveness. It has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group, including updating the system of internal controls when there are changes to business environment or regulatory guidelines.

The Board has conducted a review on the effectiveness of the system of internal control of the company for the financial year ending 31 December 2006. In addition, with the assistance of an external advisor, the Board had conducted a high-level risk assessment of its core business management processes and risk management function to address identified risk parameters. The management has followed up or is following up the recommendations in order to enhance the internal control policies and procedures of the company.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Following a specific enquiry, each of the directors confirmed he complied with the code of conduct for transactions in the company's securities throughout the year.