



Governance standards

The Company has always uphold and executed high standard of business ethics, for which its transparency and standard of governance have been recognized by the public and our shareholders. Perfect and strict standard of corporate governance enables us to operate steadily and efficiently and is in the long term interests of the Company and its shareholders.

Since our listing, we have been endeavoured to maximize shareholders' value. In 2004, the Company strictly executed its corporate governance policies, and ensured that all decisions were made on principles of trust and fairness in an open and transparent manner, so as to protect the interests of all our shareholders.

The Company has Board and committee members who are dedicated, professional and accountable. Internationally recognised figures serve on our international advisory board to further enhance our corporate governance standards.

BOARD OF DIRECTORS

The Company's board of directors consists of eight members. Four of them are independent non-executive directors. These four non-executive directors come from other areas outside China, and are all professionals or scholars with backgrounds in the legal, economics, financial and investment fields. They have extensive experience and knowledge of corporate management, making significant contributions to the Company's strategic decisions. The diverse background of the board members ensures that they fully represent the interests of all our shareholders.

The board holds three regular annual meetings per year, and extraordinary meetings are held if required.

The Company has appointed an audit committee, a remuneration committee and a nomination committee. The terms of reference consisting of these committees during this year ended 31 December 2004 are described below.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors, with Professor Kenneth Courtis designated as the audit committee financial expert for the purposes of U.S. securities laws. The committee meets at least twice a year and is responsible for reviewing the completeness, accuracy and fairness of the Company's accounts, evaluating the Company's auditing scope and procedures, and evaluating internal control systems. The committee is also responsible for setting up internal monitoring systems so as to allow the Board to monitor the Company's entire financial position, to protect the Company's assets, and to prevent major errors resulting from financial reporting or loss. The Board is responsible for these systems and appropriate delegations and guidance have been made. In addition, the chairman of the audit committee presents a report each year to the Board describing the committee's major activities during the year.

The Company is now reviewing its Code of Ethics adopted on 28 August 2003, so as to comply with the latest corporate governance standards. The Company will inform all management officers and require them to comply with these code of ethics, so as to ensure our operation is proper and lawful. We will take disciplinary actions towards any act which is in breach of the Code of Ethics.

REMUNERATION COMMITTEE

Comprising of three independent non-executive directors, the remuneration committee is responsible for reviewing information pertaining to all executives' salaries, bonuses, share options packages, performance appraisal systems and retirement plans.

NOMINATION COMMITTEE

The nomination committee is consisted of an executive director and two independent non-executive directors. Its role is to establish proper procedures for the selection of the Company's leadership positions, upgrade the quality of board members and perfect the Company's corporate governance structure. The committee's major authority and responsibilities are to nominate and affirm candidates approved by the Board, to review the structure and composition of the board on a regular basis and to evaluate the leadership abilities of executive and non-executive directors to ensure the competitive position of the organisation.

ENHANCING TRANSPARENCY AND COMMUNICATION WITH INVESTORS

With a policy of being transparent, strengthening investor relations, and providing consistent, stable and extraordinary returns to shareholders, the Company seeks to ensure that information is transparent. We have a professionally-run investor relations department to serve as a communication channel between the

Attendance at full board meetings in 2004	
Executive Directors	No. of Meeting attended (9 meetings in total)
Fu Chengyu	9
Luo Han	9
Jiang Longsheng	9
Zhou Shouwei	9
Independent Non-executive Directors	
Chiu Sung Hong	9
Kenneth S. Courtis	9
Erwin Schurtenberger	9
Evert Henkes	9

Company and its shareholders and investors. Besides announcing its interim and annual results to shareholders and investors, according to regulations, the Company also publicises its major business developments through press releases, announcements and the company website.

CODE OF ETHICS

The board of directors adopted a Code of Ethics on 28 August 2003 to provide guidelines to the senior management in legal and ethical matters as well as the sensitivities involved in reporting illegal and unethical matters. The Code of Ethics covers such areas as supervisory rules, insider dealing, market malpractices, conflict of interests, company opportunities, protection and proper use of

the Company's assets as well as reporting requirements for listed companies.

All our senior management members are required to familiarise themselves with and follow the Code of Ethics to ensure that the Company's operations are honest and legal. Violations of the rules will be penalized and serious offences will result in dismissals.

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