

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance and believes that sound corporate governance is essential for the Company to maximize shareholders' value. In order to uphold a high standard of corporate governance, the Company has maintained a dedicated, professional and accountable board of directors and an internationally recognized senior management team. The Company's corporate governance structure includes the board of directors and the supervisory committee, members of which are elected through shareholders' general meetings. The Company has also established three committees under the board of directors, namely the audit committee, the remuneration committee and the nomination committee. In addition, we have also established a number of management committees including, among others, an investment management committee, a budget committee and a risk management committee under the executive committee which is established under the board of the directors of our Company.

THE BOARD OF DIRECTORS

The board of directors is responsible for the management of the Company and accountable to the shareholders for their entrusted assets and resources. The principal responsibilities of the board of directors include, among others,

- reviewing and approving the Group's annual budgets, financial statements and monitoring the Group's performance,
- formulating the Group's overall strategies, business plans and investment proposals as well as supervising the management's performance, and
- ensuring the Group's compliance with relevant laws and regulations.

There are currently fifteen non-executive directors, three of whom are independent non-executive directors. None of our independent non-executive directors has any business or financial interests with the Company or its subsidiaries, and each of our independent non-executive directors has confirmed their independence to the Company. Furthermore, these individuals are precluded from assuming executive positions in the Company. Independent non-executive directors owe a fiduciary duty to the Company and its shareholders and, in particular, are entrusted with the responsibility of protecting the interests of minority shareholders. They serve as an important balancing factor in the policy making process of the board of directors and represent a crucial element of corporate governance. In addition, their broad experience in business and finance is vital to the successful development of the Company. During 2004, the independent non-executive directors expressed their views and opinions at meetings of the board of directors in relation to a number of matters which were of concern to the shareholders and the Company as a whole.

During 2004, the board of directors held six full board meetings. All such meetings were convened in accordance with the Articles of Association.

Corporate Governance Report

BOARD COMMITTEES

Audit Committee

The primary duties of the audit committee are to review and supervise the Company's financial reporting process. The audit committee is also responsible for reviewing the auditor's appointment, the auditor's remuneration and any matters relating to the termination of the appointment or resignation of the auditors. In addition, the audit committee also examines the effectiveness of the Company's internal controls, which involve regular reviews of the internal controls of various corporate structures and business processes on a continuous basis, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews include finance, operations, regulatory compliance and risk management. The audit committee also reviews the Company's internal audit plan, and submits relevant reports and recommendations to the board of directors on a regular basis.

During 2004, the audit committee held three meetings. All these meetings were convened in accordance with the Articles of Association. The audit committee comprises two independent non-executive directors and one non-executive director, all of whom are not involved in the day-to-day management of the Company.

Remuneration Committee

The primary duty of the remuneration committee is to advise the board of directors in relation to the compensation of the Company's chief executive officer and executive directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure, of our senior management. Meetings of the remuneration committee are held when necessary. During 2004, the remuneration committee held three meetings.

Nomination Committee

The primary duty of the nomination committee is to review, advise and make recommendations to our board of directors regarding candidates to fill vacancies on our board of directors. Meetings of the nomination committee are held when necessary. During 2004, the nomination committee held one meeting.

Composition of the committees of the Board of Directors

Audit Committee

Chairman: KWONG Che Keung Gordon

Members: KWONG Che Keung Gordon, BAO Youde and Anthony Philip HOPE

Remuneration Committee

Chairman: CHEUNG Wing Yui

Members: CHEUNG Wing Yui, KWONG Che Keung Gordon, BAO Youde, CHEUNG Lee Wah, Henry CORNELL and LIN Haifeng David

Nomination Committee

Chairman: BAO Youde

Members: BAO Youde, CHEUNG Wing Yui, KWONG Che Keung Gordon, MA Mingzhe and SUN Jianyi

MANAGEMENT COMMITTEES

In addition to the three board committees, we have also established an executive committee which is the highest execution authority under the board of directors of our Company. The primary duty of the group executive committee is to review business report, the policy in relation to investment and profit distribution and the Company's management policy, development plan and resources allocation. The group executive committee is also responsible for making management decision in relation to matters such as the material development strategies, business plans, financial systems and major promotions. In addition, the group executive committee is also responsible for reviewing the business plan of the subsidiaries of the Company and to evaluate the financial performance of the subsidiaries.

We have also established three special management committees under the executive committee, namely, an investment management committee, a budget committee and a risk management committee.

The investment management committee oversees the investment-related operations of our Company and monitors the investment risk and prepares the relevant internal policy. The investment management committee is also responsible for preparing the Group's investment management policy and investment strategies. The investment management committee also formulates the Group's investment risk management policy and reviews the pricing policy of new products. The investment management committee is currently composed of ten members with the chairman being the chief investment officer of the Company.

The budget committee conducts reviews of our strategic planning and the operating budgets prepared by each of our business units, formulates the development strategy, annual operating budget and business plan for the Company as well as each of our business units. In addition, the budget committee also monitors the implementation of our development strategy, annual budget and business plan. The budget committee is currently composed of eleven members with the chairman being the chief financial officer of the Company.

The risk management committee is responsible for identifying and reviewing the major area of risk across the Group and all of our operating principals, and for approving, and ensuring compliance with key financial, insurance, investment and operational risk management policies. The risk management committee is currently composed of five members with the chairman being the chief operating officer of the Company.

THE SUPERVISORY COMMITTEE

The primary functions and powers of the supervisory committee include, among others,

- verifying financial reports and other financial information which have been prepared by the board of directors and which are proposed to be presented at the shareholders' meetings;
- examining the Company's financial affairs; and
- monitoring compliance of directors, chief executive officer and other members of senior management of the Company with applicable laws, administrative regulations and the Articles of Association.

There are currently nine supervisors, three of whom are independent supervisors.