



CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Group is committed to the highest standards of corporate governance and transparency to shareholders.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions of directors (the "Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. To ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Code, a committee (the "Securities Committee") of the Board comprising Mr. Hung Wei-Pi, John as chairman and Ms. Hung Ying-Lien was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a Director is required to notify the chairman of the Securities Committee or in the case of dealings by Mr. Hung Wei-Pi, John himself, notify Ms. Hung Ying-Lien in writing and obtain a written acknowledgement from the Securities Committee.

Board of Directors

The Board currently comprises eight executive Directors, one non-executive Director and four independent non-executive Directors. The Chairman of the Board is Hung Wei-Pi, John (the "Chairman of the Board").

The Board will have four scheduled meetings a year and meet at other times as and when required to review the financial and internal control, risk management, company strategy and operating performance of the Group. Board minutes will be prepared for each Board meeting and be kept by the company secretary.

The Chairman of the Board has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. The Chairman of the Board ensures that the Board effectively discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Each executive Director is delegated individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The independent non-executive Directors will bring independent views to the Board and share their knowledge and experience with the other members of the Board. Apart from the letters of appointment appointing them as independent non-executive Directors, none of them has any form of service contract with the Company or any of its subsidiaries.



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Board of Directors (Continued)

The Board has implemented appropriate measures and internal control procedures to ensure that the Company runs its business in compliance with all legal and regulatory requirements with prudence and integrity. The senior management personnel are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions. Each of the Directors has a right to obtain such records of the Company as are necessary to enable them to make informed decisions.

Please refer to the section headed “Directors and senior management profile” for the brief biographical details of the Directors and the senior management.

Remuneration Committee

The Remuneration Committee was established on 13 February 2005 with written terms of reference as suggested under the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The Remuneration Committee consists of four members, comprising Mr. Du Haibo, Mr. Ma Fei, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw, all of whom are independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Du Haibo. The principal duties of the Remuneration Committee include the evaluation of the performance and making of recommendations on the remuneration package of the Directors and the senior management and the evaluation and making of recommendations on the Share Option Scheme and other employee benefit arrangements.

The Remuneration Committee will meet at least once a year to determine the remuneration policy for Directors and senior management. The Remuneration Committee ensures that the remuneration offered is appropriate for the duties and responsibilities assumed and in line with general market practice. The Remuneration Committee further ensures that no Director or any of his or her associates is involved in deciding his or her own remuneration.



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Auditors' Remuneration

During the year ended 31 December 2004, the fee paid/payable to auditors in respect of audit services provided by the auditors to the Group were RMB480,000.

Audit Committee

The Audit Committee was established on 13 February 2005 with written terms of reference in compliance with the Listing Rules. The duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has four members, namely Mr. Du Haibo, Mr. Ma Fei, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw. Mr. Du Haibo has been appointed as the chairman of the Audit Committee.

The Audit Committee meets at least two times a year. A special meeting may be called at the discretion of the chairman of the Audit Committee or the request of the Chairman of the Board to review significant control or financial issues. The functions of Audit Committee are reviewing important accounting policies and supervising the preparation of the financial reports of the Group, monitoring the performance of both the internal and external auditors, reviewing and examining the effectiveness of the Group's financial reporting procedure and internal controls, ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

The Group's annual results for the year ended 31 December 2004 have been reviewed by the Audit Committee.