



Reinforce

Corporate Governance

The Group placed tremendous efforts in communication with its shareholders and investors to ensure high transparency. The Group ensured complete and accurate information was disclosed in a timely manner to protect investors' interests.



Report on Corporate Governance

The Group is fully aware of its obligations to the shareholders of the Company. In strict compliance with the laws and regulations required by domestic or foreign securities regulatory organizations, the Company has devoted much efforts to improve transparency and quality of information disclosure since its listing in 2003. The Board has strictly complied with the principles of corporate governance and dedicated to improve the management of the Company and the standard of corporate governance continually in order to protect and increase the value of shareholders.

Board

The Board consists of 12 Directors, of whom 4 are executive Directors including the chairman of the Board and 5 are non-executive Directors. The Company has increased the number of independent non-executive Directors to three in accordance with the requirements of the Listing Rules.

The members of the Board have good knowledge of their own duties and obligations and have treated all shareholders equally. They protect the interests of all investors. The Company held board meetings twice in 2004, which were attended by Directors and independent non-executive Directors. The Company ensures that it could provide the board members with documents and information related to the business of the Group on a timely basis. The independent non-executive Directors performed their duties in compliance with relevant laws and regulations, and safeguarded interests of the Company and overall shareholders.

Professional Committees

The Board established the professional committees in 2003, including (1.) a remuneration and appraisal committee to further improve the Company's reward and appraisal system; (2.) a strategic committee to conduct consultation, survey, research and assessment on the Company's future

investment strategies, and enhance the Company's core competitiveness; (3.) a director nomination committee to optimize the composition of the Board and the operational management of the Company; and (4.) an audit committee to review the financial reporting procedure, the internal control system and the completeness of financial reports of the Company. The professional committees will be further re-organized to strengthen their independence after the change of the Board in 2005.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Board passed in June 2003. The primary duties of the audit committee are to review the financial reporting procedure, internal control system and the completeness of financial reports of the Company. The Company's audit committee consists of two independent non-executive Directors, namely Mr. Lee Kwok Ming, Don, Mr. Zhang Hui-ming and one non-executive Director, Mr. Zhu Jia-liu.

During the year under review, the Company's audit committee held two meetings. It reviewed the management, the accounting principles and practices adopted by the Group and discussed the internal controls and financial reports including a review of the condensed interim accounts and annual accounts of the Company prepared under the accounting principles generally accepted in Hong Kong. The chief financial officer, auditors and internal auditors of the Group attended the meetings to answer inquiries raised by the audit committee.

Supervisory Committee

The Supervisory Committee currently has three Supervisors. The Supervisors diligently perform their duties. They have carried out supervision on the Company's finance and the performance of duties by the directors, managers and senior management in compliance with the laws and regulations.

Enhance communication with investors

The Company places much emphasises on communication with shareholders and investors of the Company and improvement in the Company's transparency: a special department has been set up and designated persons are assigned to be responsible for the Company's relations with investors and analysts. During the period under review, the Company has met more than 150 fund managers and analysts and has handled their inquiries. Site visits to shops or distribution centres were arranged for them so as to increase their understanding towards the operation of the Company and also the latest trend of business development. In compliance with the relevant laws and regulations, the Articles of Association and the Listing Rules, the Company disclosed information in faithful, true, accurate, complete and timely manner. At the same time, the Company placed much emphasis in collection and analysis of various

comments and recommendations of analysts and investors on the Company's operations, which are collected regularly or compiled into reports and adopted selectively in its operations. The Company has established a website in which investors can enquire about various information including company profile, statutory announcement, management and recent operations. The annual reports, interim reports, circulars and announcements since its listing are contained in the section of "Investors Relations" on the website. The Company continued to adhere to its pragmatic and practical policies in information disclosure to initiate communications with various parties. Particularly, it held corporate presentation, press conference and one-on-one investor meetings following its interim and annual results announcements and major investment events. The Company also participated in a series of investment activities and made one-to-one contact with investors on a regular basis.