



Corporate Governance Report

CORPORATE GOVERNANCE MEASURES

To become a company which enjoys the continuously growing trust of its shareholders and all other stakeholders by maximizing its corporate value, the Group is working to improve its management efficiency, advocate corporate ethics and ensure sound management on a Group-wide basis.

To further improve the transparency of the management to shareholders and investors, the Group will disclose information in a fair and timely manner and actively engage in investor relations activities by holding meetings in the PRC and Hong Kong to explain its business results and operations.

The Company will endeavor to comply with the laws and regulations of the place of operation of the Company and the requirements and guidelines of the Stock Exchange.

During the year ended 31 December 2005, the Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The Board will continue to review and foster its own Code of Corporate Governance Practices from time to time. The Company will seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders.

COMPOSITION OF BOARD

The Board is responsible for the management of the Company with acting in the interest of the Company and its shareholders as its principle and is accountable to the shareholders for the assets and resources entrusted to them by the shareholders. The key responsibilities of the Board include the formulation of the Company's long-term development strategies and operating direction, setting of the management targets and supervising members of the management in implementing matters resolved by the Board and performing their duties.

Currently, the Board consists of twelve directors, including seven executive directors, two non-executive directors and three independent non-executive directors. In compliance with Rule 3.10 (1) and (2) of the Listing Rules, Dr. Qian Shizheng, one of the independent non-executive directors, specializes in financial management.

All members of the Board are of relevant professional background with plenty of experience who can have a positive and motivational effect in raising the development and management level of the Company. In addition, the Company also separates the duties of the chairman of the Board and the chief executive officer. The two positions are held by different directors with the aim of reinforcing the independence of the Board and the management. The chairman of the Board is mainly responsible for the leadership and effective running of the Board, and making key strategic decisions for the Company. The chief executive officer is mainly responsible for the daily operation and management of the Group's business, and implementation of the approved strategies in achieving the overall Company's objectives.

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Included in the composition of the Board are two family members: the chairman, Mr. Li San Yim and his wife Ms. Ngai Ngan Ying. Non-executive directors are subject to retirement by rotation and offer themselves for re-election in the same manner as the executive directors. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

For detailed information on the members of the directors and senior management, please refer to the section headed "Profiles of Directors and Senior Management" from pages 12 to 18 of this annual report.

Since the Company was listed on the Stock Exchange in November 2005, most of the Board meetings were held prior to listing. As at 31 December 2005, seven Board meetings were held. Set out below are the details of the attendance records of the directors at Board meetings :

	No. of meetings attended	Percentage of attendance rate
Executive Directors		
Mr. Li San Yim (Chairman)	7/7	100
Mr. Qiu Debo (Chief Executive Officer)	7/7	100
Mr. Luo Jianru	7/7	100
Ms. Feng Wanru	7/7	100
Mr. Chen Chao	7/7	100
Mr. Zhu Yongsheng	7/7	100
Dr. Zhang Hong	7/7	100
Non-executive Directors		
Ms. Ngai Ngan Ying	7/7	100
Mr. Zhu Mantian Myron	7/7	100
Independent non-executive Directors		
Prof. Yang Hongqi	3 (of 3)	100
Dr. Qian Shizheng	4 (of 4)	100
Mr. Lo Peter	4 (of 4)	100

The Board meets at least four times a year, to review business development and overall strategic policies. All board members were given enough channels to express their opinions and management provides appropriate and sufficient information to directors and the committee members in a timely fashion.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as code of conduct regarding securities transactions by the directors. All directors have confirmed that they have complied with the required standard set out in the Model code for the year ended 31 December 2005.



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BOARD COMMITTEES

As part of good corporate governance practice, the Board has delegated certain authorities to a number of committees. These committees include representation from non-executive and independent non-executive directors whose objective views are important in the execution of the controls expected in a listed company.

EXECUTIVE COMMITTEE

The executive committee is responsible for recommending general policy and advising direction for the Company to the Board and as such, it interacts with the audit and remuneration committees in respect of their policy submissions. Since, the Company does not have a separate nomination committee, the nomination and appointment of new directors is a function of the executive committee. The executive committee reviews on a regular basis the need to appoint directors with specific business acumen in appropriate sectors that would further enhance the present skill set, or add expertise in a developing business sector.

The Committee was established on 10 October 2005 which consists of seven executive directors, namely Mr. Li San Yim, Mr. Qiu Debo, Mr. Luo Jianru, Ms. Feng Wanru, Mr. Chen Chao, Mr. Zhu Yongsheng and Dr. Mr. Zhang Hong. Mr. Qiu Debo is elected as the chairman. One meeting was held as at the year ended 31 December 2005.

The Executive committee meets at least two times a year.

AUDIT COMMITTEE

The audit committee of the Company was established on 10 October 2005, which consists of one non-executive director, namely Mr. Zhu Mantian Myron, and two independent non executive directors, namely Dr. Qian Shizheng and Mr. Lo Peter. The primary duties and responsibilities of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities of the Company's compliance with legal and regulatory requirements with respect to financial matters and those required by the Listing Rules of the Stock Exchange.

The functions of audit committee include but not limited to the following:

- Serve as an independent party to monitor the integrity of the Company's financial statements, reporting process and internal control mechanism;
- Review and assess audit efforts of the Company's independent auditors;

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- Directly appointing, retaining, compensating, evaluating and terminating the Company's independent auditors;
- Review the qualifications, independence and performance of the independent auditor and
- Provide an intermediary of open communication among the Company's independent auditors, financial and senior management and board of directors.

The audit committee may elect to ask its external auditors to attend its meetings. During the year, the committee has met with the external auditors with no executive directors present. The annual results for the year ended 31 December 2005 have been reviewed by the audit committee.

The audit committee meets formally at least two times a year.

REMUNERATION COMMITTEE

The Board of the Company has established a remuneration committee on 10 October 2005 currently comprising a non-executive director, namely Ms. Ngai Ngan-Ying, and two independent non-executive directors, namely Dr. Qian Shizheng and Mr. Lo Peter. The primary duties and responsibilities of the remuneration committee is to advise the Board on the remuneration policy, review and determine the remuneration of all executive directors and senior management with reference to the Company's objectives from time to time.

In addition, the remuneration committee needs to review other human resources issues, including group-wide remuneration policies and the development of human resources.

No director plays a part in any discussions about his own remuneration. One meeting was held as at the year ended 31 December 2005.

The remuneration committee meets formally at least once a year.

CORPORATE RESPONSIBILITY

- **Community service and contributions**

The Group also dedicates itself to contributing to the society and serving the community in the midst of its rapid development. Taking into consideration the actual situation in the place where it operates, the subsidiaries of the Group take part in local social services. Our involvement in community service helps to build a good image of the Company and contribute to the local social development.



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In mid-2005, Longgong Shanghai donated RMB300,000 to relieve those suffered from flooding in Northern Fujian; and donated RMB8,000 to Xinqiao Xiaoxue (新橋小學) as grant. Longgong Fujian also donated RMB250,000 for the construction of Zijin Gongyuan (紫金公園) in the local area; RMB230,000 to the local education support project and donated a further RMB200,000 to the third Longyan Townsman and Relatives Reunion Association (第三屆龍岩同鄉懇親聯誼大會).

In the future, we will continue to support and participate in diversified social and community activities.

- **Investors Relationship**

To promote the relationship between the Company and investors and to enhance the transparency of the operation of the enterprise, the Company will communicate information regarding the Company's business development through various channels when appropriate.

To do this, the Company has assigned an executive director to be the spokesperson on behalf of the Company and be responsible for centralized information dissemination of the Company. The financial management department of the Company is also assigned the duty to assist in managing the relationships with investors.

The Company will disclose relevant information to shareholders and investors, in strict compliance with the relevant requirements. The Company will also hold press conferences and meetings with fund managers and investors, whenever necessary during which the management of the Company will provide relevant information directly to journalists, securities analysts, fund managers, investors, and so forth so that concerned parties can fully understand the operation of the Company.

The Company has set up a company website at which relevant information including the latest development of the Company will be announced. The website offers the latest information regarding various aspects of the Company to investors and the public. Company will improve the website in the future, making it an interactive communication platform between the Company and its investors.