

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieve high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing Shareholders' interests.

The Company will comply with the provision of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") upon the Shares are listed on the Stock Exchange on 20 April 2007.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Special enquiries will be made by the Company to confirm that all Directors will have complied with the Model Code for the year ending 31 December 2007.

## THE BOARD

The Board currently consists of nine executive Directors, namely, Mr. Yeung Kwok Keung, Mr. Cui Jianbo, Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan, Mr. Ou Xueming, Mr. Yang Zhicheng and Mr. Yang Yongchao; and three independent non-executive Directors, namely, Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Yeung Kwok Keung, being the Chairman, is responsible for the formulation of the development strategies, investment planning and overall project planning of the Group and while Mr. Cui Jianbo, the president of the Company, is responsible for the management of the daily operation and general administration of the Group. The roles of the Chairman and the president of the Company are segregated.

Biographical details of the Directors and their relationship with each other are set out in the section headed "Biographical details of the Directors and senior management".

All of the independent non-executive Directors are appointed for a term of two years commencing from 1 January 2007, which are subject to retirement in accordance with the articles of association of the Company (the "Articles"). According to the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of the independent non-executive Directors.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

## BOARD MEETINGS

Board meetings will be held at least four times a year (about one per quarter) upon the listing of the Company and will convene meetings when necessary. Before a board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the CG Code.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

Since the Company was only incorporated in November 2006, during the year, only one meeting was held by the Board and the attendance of each of the Directors is set out as below:

<b>Directors</b>	<b>No. of meeting(s) attended/No. of meeting(s) held</b>
Mr. Yeung Kwok Keung	1/1
Mr. Cui Jianbo	1/1
Ms. Yang Huiyan	1/1
Mr. Yang Erzhu	1/1
Mr. Su Rubo	1/1
Mr. Zhang Yaoyuan	1/1
Mr. Ou Xueming	1/1
Mr. Yang Zhicheng	1/1
Mr. Yang Yongchao	1/1
Mr. Lai Ming, Joseph	0/1
Mr. Shek Lai Him, Abraham	0/1
Mr. Tong Wui Tung, Ronald	0/1

## AUDIT COMMITTEE

The Company established an audit committee on 5 December 2006 with terms of references in compliance with the CG Code set out in Appendix 14 of the Listing Rules. Since the Company was only listed on the Stock Exchange on 20 April 2007, for the year ended 31 December 2006, no committee meeting has been held.

The members of the audit committee are all of the independent non-executive Directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Lai Ming, Joseph is the chairman of the audit committee.

The audit committee is to serve as a focal point for communication between other Directors, the external auditor and the internal auditor (where an internal audit function exists) of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determine from time to time. The audit committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk

management system of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

## REMUNERATION COMMITTEE

The Company established a remuneration committee on 5 December 2006 with terms of reference in compliance with the CG Code set out in Appendix 14 of the Listing Rules. Since the Company was only listed on the Stock Exchange on 20 April 2007, for the year ended 31 December 2006, no committee meeting has been held.

The remuneration committee consists of five members, of whom two are executive Directors being Mr. Yeung Kwok Keung and Mr. Cui Jianbo, and three are independent non-executive Directors being Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Yeung Kwok Keung is the chairman of the remuneration committee.

The primary duty of the remuneration committee is to review and formulate policies in respect of remuneration structure for all Directors and senior management of the Company and make recommendations to the Board for its consideration.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2006, the fee paid/payable to the auditor of the Company in respect of the audit services provided amounted to approximately RMB1,204,000.

## INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the Audit Committee of the Company and the Board also will perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2006, which were prepared in accordance with statutory requirements and applicable accounting standards.

The reporting responsibility of the external auditor of the Company on the combined financial statements of the Group are set out in the independent auditor's report on pages 48 to 49.

## GOING CONCERN

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.