

The Company had adopted the Code on Corporate Governance Practices (the "Code Provisions") introduced in Appendix 14 of the Listing Rules by HKEx to maintain a high standards of corporate governance so as to improve the corporate transparency and protect the interests of the Company's shareholders. The Company complies with the Code Provision since the listing date to the date of this report. There are four executive directors and four independent non-executive directors under the current board structure that assure the Board act independently and impersonally, and certain Board Committees take important role in the Company's decision-making, supervision and consultancy.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code regarding Directors' Securities Transactions.

BOARD

The Board currently comprises four executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Wang Lishan
Mr. Jiang Dong
Mr. Chen Guocai
Mr. Cao Yunsheng

Independent Non-executive Directors

Mr. Mai Boliang
Mr. Su Yang
Dr. Xiang Bing
Mr. Wang Yu

Mr. Wang Lishan and Mr. Jiang Dong are the Chairman and the General Manager of the Company respectively during the report period. In February 2007, Mr. Chen Guocai joined the Company and replaced Mr. Jiang Dong as the General Manager of the Company, and was appointed as an Executive Director of the Company at the Board meeting held on 18 April 2007. At the same time, Mr. Deng Zhiyun resigned as Executive Director of the Company. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.



To the best acknowledgment of the Company, none of the members and the chairman of the Board have any financial, business and relative relationship with the General Manager. All of them are free to make independent judgments.

The period of each Director is three years. Pursuant to the articles of association of the Company, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

The Board confirmed that the Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that they are independent under Rule 3.13 of the Listing Rules.

During the reviewing period, four board meetings were held and all the directors attended the meetings. The Company will hold at least four regular board meetings every year.

The responsibility of the Board is to lead and supervise the development direction and operation strategy of the Group, and to decide on material affairs of the Company such as the resolution of budget, resolution of profits allocation, significant investments and acquisitions, issue of new shares, amendments to the articles of association and appointments to senior management of the Company. The management of the Company was given sufficiently authorized by the Board to proper demonstrate in the ordinary course of administration and management.

ACCOUNTBILITY AND AUDIT

The Directors acknowledge their responsibility for prepare the financial statements of the Group.

The statement of the auditors of the company on their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 32.

The Group has an internal audit department and a quality control department which are responsible for the internal control and risk management of the Group. The duties of the departments are to audit and review regularly the financial management, production and service procedures and documentation management system of the Group, and to report on the findings of the auditing. The executive Directors and senior management of the Group will be given a monthly financial report and management report so as to supervise the operation development of each business department and make reasonable planning.

According to the review of the internal control system by independent audit authority, the Group will further improve its internal management and supervising system and measures.



COMPLIANCE ADVISER

Sun Hung Kai International Limited was appointed the Company's Compliance Adviser after listing.

AUDIT COMMITTEE

The Company has set up an audit committee on 28 August 2006. The primary duties of the audit committee (inter alia) are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board of Directors as to appointment, renewal and resignation of the Company's external auditor and the related remuneration and appointment terms. The audit committee has four members, including the four Independent non-executive Directors of the Company, which are Mr. Su Yang, Mr. Mai Boliang, Mr. Wang Yu and Dr. Xiang Bing. Mr. Su Yang is the chairman of the audit committee.

The audit committee met once since the listing of the Company in September 2006 and during the year ended 31 December 2006. During the meeting, the audit committee has reviewed the effectiveness of the financial reporting system adopted by the Company. All members of the audit committee attended the meeting.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee on 28 August 2006. The remuneration committee comprises of four Independent non-executive Directors, which are Mr. Mai Boliang, Mr. Su Yang, Mr. Wang Yu and Dr. Xiang Bing. Mr. Mai Boliang is the chairman of the remuneration committee. The primary duties of the remuneration committee (inter alia) are to review and determine the remuneration package, bonus and other allowance terms payable to Directors and senior management, and to make proposals to the Board of Directors in respect of the remuneration policy and structure of all the Directors and senior management of the Group.

One remuneration committee meeting was held in the year to discuss and approve the Directors' remuneration. All members attended the meeting.

NOMINATION COMMITTEE

The Company has set up a nomination committee on 28 August 2006. The nomination committee comprises four Independent non-executive Directors, which are Mr. Wang Yu, Mr. Su Yang, Mr. Mai Boliang and Dr. Xiang Bing. Mr. Wang Yu is the chairman of the nomination committee. The nomination committee is responsible to make proposals to the Board of Directors in respect of the appointment of Directors and the renewal plans of Directors.

One nomination committee meeting was held in the year to discuss and elect the Directors. All members attended the meeting.

