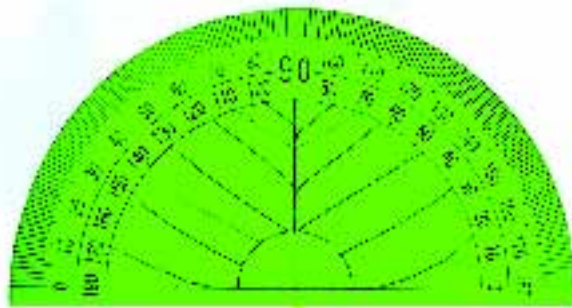


• **PROTECT** •  
our world & the new generation



**We have  
adequate**

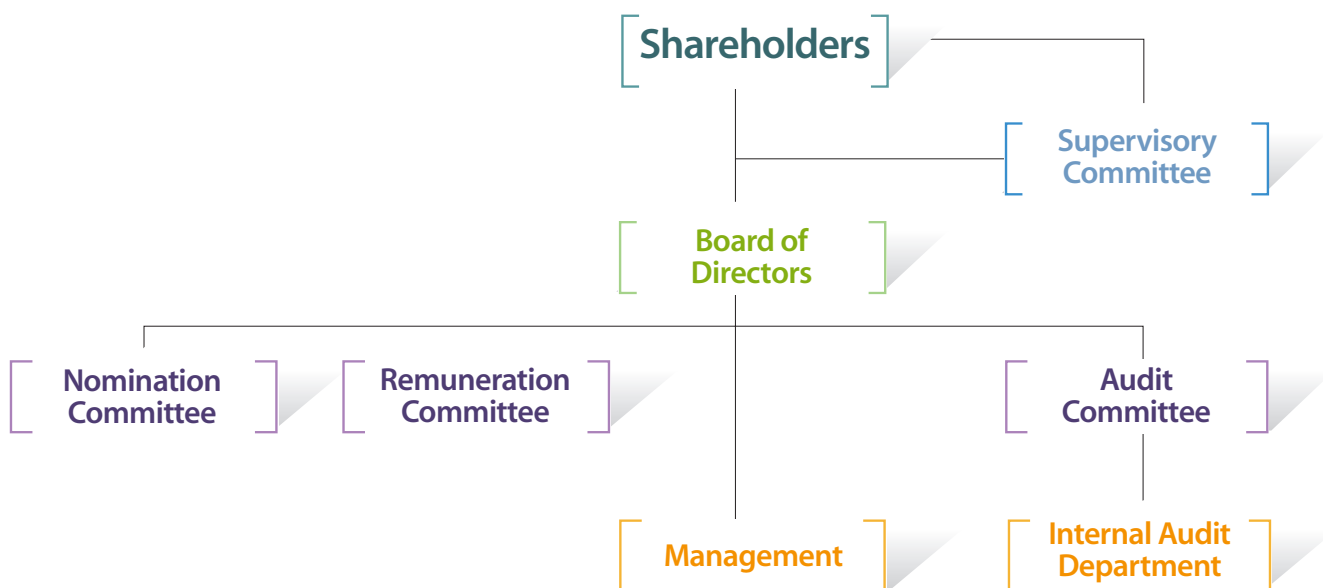
land bank  
for property  
development for  
more than

**5 years.**

# Corporate Governance Report

The Group is committed to establishing an orderly, efficient and transparent corporate governance mechanism, which can benefit corporate development and shareholders' returns. Since its listing, the Company strives to comply with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules and other relevant laws and regulations. It has implemented effective corporate governance policy and has strived to enhance corporate value so as to ensure a sustainable development of the Company and to maximise shareholders' returns.

## Corporate Structure



## Corporate Governance Report *(continued)*

### Board of Directors

The Board manages the Group's operation and development strategies on behalf of its Shareholders. The Board complies with the rules and regulations mandated by the articles of association of the Company in discharging its duties and responsibilities. The Board comprises eight directors, of whom four are executive directors, one is non-executive director and the remaining three are independent non-executive directors.

The Company has three independent non-executive directors, who represent more than one-third of the members of the Board. Among the independent non-executive directors, Mr. Dennis Yin Ming Chan has professional accounting qualifications and possesses a breadth of experience in accounting and financial management. The other two independent non-executive directors are both renowned experts in the China construction industry. The three independent non-executive directors make their own contribution to the Board. They provide the Group with very crucial and valuable professional advice not only on business and operations, but also on management control.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding the securities transactions by the directors. Having made specific enquiries of all directors, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2006.

The remunerations of each of the directors of the Company are disclosed on an individual basis, details of which are set out in note 28(b) to the consolidated financial statements. Since its listing, the Company maintained liability insurance for its directors and senior management each year.

### Board Meetings

The Board held a total of four meetings during the year. The statistics of the attendance of each director are set out in the table below. The related senior management and members of the supervisory committee of the Group have all attended the board meetings held during the year. Directors receive notice of board meeting at least 14 days before the date on which board meeting will be held and all of the directors are offered opportunities to suggest any issue for discussion to be included in meeting agenda. All the minutes of board meetings are filed and accessible to all directors at any time.

Corporate Governance Report *(continued)***Attendance of Board Meeting**

<b>Name</b>	<b>Attendance/number of board meetings</b>
<i>Executive Directors</i>	
Pang Baogen	4/4
Gao Jiming	4/4
Gao Lin	4/4
Zhou Hanwan	4/4
<i>Non-executive Director</i>	
Hu Shaozeng	4/4
<i>Independent Non-executive Directors</i>	
Wang Youwei	4/4
Yi Deqing	4/4
Dennis Yin Ming Chan	4/4

**Audit Committee**

The audit committee of the Company was established in a timely manner following the listing of the Company. All members of the audit committee are independent non-executive directors, comprising Mr. Wang Youwei (chairman), Mr. Yi Deqing and Mr. Dennis Yin Ming Chan. The terms of reference of the Company's audit committee are formulated in accordance with the recommendations in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal control systems. It advises on the internal audit scheme formulated by the internal audit department of the Group and reviews the reports submitted by the internal audit department. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors as well as assessing the auditors' performance and whether their audit fees are reasonable, and providing relevant recommendations to the Board. The audit committee held a total of two meetings during the year and the three members have all attended the two meetings. The major tasks accomplished during the year include:

- reviewing the annual and interim results announcements, reports and financial statements of the Group;
- reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practice issues;
- monitoring the work of the internal audit department of the Group and reviewing the reports submitted by them;
- advising on the material transactions of the Group and providing recommendations on related risks to the management; and
- reviewing the audit fees of auditors and recommending them for approval by the Board.

## Corporate Governance Report *(continued)*

### Remuneration Committee

The remuneration committee is responsible for formulating the remuneration policy for directors and senior management, assessing the performance of the executive directors and approving the terms of their service contracts. The remuneration committee comprises two independent non-executive directors, Mr. Dennis Yin Ming Chan (chairman) and Mr. Yi Deqing, and executive director, Mr. Pang Baogen. The remuneration committee of the Company held one meeting during 2006 and all three members attended the meeting.

### Nomination Committee

The nomination committee comprises two independent non-executive directors, Mr. Wang Youwei (chairman) and Mr. Yi Deqing, and an executive director, Mr. Gao Jiming. The nomination committee of the Company held one meeting during 2006 and all three members attended the meeting.

The nomination committee also held a meeting on 16 April 2007 to transact the following businesses:

- reviewing the structure, number of members and composition of the Board and providing the Board with recommendations on any intended changes;
- identifying appropriate candidates for the post of directors and nominating such persons to be directors; and
- assessing the independence of the independent non-executive directors.

After due consideration to the candidates' background and experience, it was resolved that Mr. Wong Rongfu and Mr. Sun Chuanlin be nominated as an executive director and an independent non-executive director of the Company during the meeting.

### Chief Financial Officer

Mr. Fung Ching Simon, a qualified accountant in Hong Kong, is the chief financial officer of the Group and is also the secretary to the Board. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

## Corporate Governance Report *(continued)*

### Internal Controls Mechanism

#### Supervisory Committee

The supervisory committee is the standing supervisory organisation of the Company, which is responsible for supervising the functions of the Board, its members and the management such as the general managers and deputy general managers. The supervisory committee comprises five supervisors, who will serve for a term of three years and are eligible for re-election. The number of members and composition of the supervisory committee comply with the requirements of the relevant laws and regulations. The supervisory committee is accountable to the general meeting and exercises the following authority in accordance with the applicable laws:

- examining the state of affairs of the Company;
- supervising the directors, general managers, deputy general managers and other senior management in the performance of their duties to prevent them from breaching the laws, administrative regulations or the Company's articles of association;
- requiring the directors, general managers, deputy general managers and other senior management to rectify behaviors which will prejudice the interests of the Company;
- verifying the financial information, such as financial reports, operation shareholders reports and profit appropriation proposals, intended to be submitted to the general meeting by the Board and appointing certified public accountants and auditors in the name of the Company to assist in re-auditing whenever it is in doubt with the information;
- proposing to convene extraordinary general meeting; and
- negotiating with or initiating litigations against directors on behalf of the Company.

The supervisory committee convened two meetings during the year and all of the five supervisors attended the meetings. The supervisors of the Company also attended all board meetings during the year.

## Corporate Governance Report *(continued)*

### Internal Audit

The Company has established an internal audit department since its listing. The internal audit department is independent of the financial department or other management departments. It reports directly to the audit committee and the Board. The primary duties of the internal audit department are to monitor and review the effectiveness of the operation of the financial, operational and compliance control as well as risk management systems of the Company and its subsidiaries. During the year, it has reviewed, monitored, and submitted reports on review and approval system for use of capital, financial budgeting system, system governing signing of economic contracts and bidding budget and final settlement system according to the audit plan. In addition to completing the tasks in accordance with the audit plan, the Company's internal audit department has conducted special purpose auditing on certain subsidiaries and branches of the Group during the year. It has proposed numerous constructive recommendations for certain subsidiaries and branches to improve their deficiencies.

### General Shareholders Meeting

The general shareholders meeting not only makes decisions in respect of material issues relating to the Group, but also provides a direct communication channel between the directors, management and the shareholders of the Company. As such, the Company holds the general meeting with due respect and the notice of meeting, which states the process of a poll, shall be dispatched 45 days before the date of such meeting. Shareholders are entitled to demand a poll in accordance with the Listing Rules. During the year, Tengis Limited (the share registrar of the Company), a recognised professional institution, was invited to assign qualified representatives to attend each annual general meeting and extraordinary general meeting to act as the scrutineer for vote taking. The identity of the scrutineer was described in the respective announcements.

## Corporate Governance Report *(continued)*

### Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006, except that the role of the chief executive officer of the Company has been assumed by Mr. Pang Baogen, the chairman of the Board, since the former chief executive officer of the Company resigned. Three general managers have been appointed to overseeing and managing the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has partly shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of new policies efficient. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.