

The Company is committed to establish and ensure a high standard on the corporate governance practices which emphasise on quality Board of Directors (the "Board"), sound and efficient internal control and the accountability and transparency to the equity holders. The directors of the Company (the "Directors") are in the opinion that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practice (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since 21 March 2006, the date of listing of the shares of the Company to 31 December 2006 (the "Relevant Period").

The Company's corporate governance structure includes the Board and three committees under the Board, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"). The Board stipulates the terms of reference of all committees and specifies therein clearly the power and responsibilities of the committees.

### BOARD OF DIRECTORS

The Board comprises three executive Directors, Mr. Wang Hung, Roger, Mr. Han Xiang Li and Mr. Wang Wei; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Board.

For details of the Directors' biographical information, please refer to the section headed "Biographies of Directors and Senior Management" of this report.

The principal functions of the Board are to consider and approve the strategies, financial objectives, annual budget, investment proposals and assume the responsibilities of accounts and corporate governance of the Company. The day-to-day operations of the Group are delegated to the management of the Group.

The Chairman is responsible for the orderly conduct and operation of the Board while the executive Directors other than the Chairman are responsible for the daily operation of the Group. No chief executive officer has been appointed by the Company. Mr. Han Xiang Li, one of the executive Directors, is the chief financial officer of the Company and Ms. Zheng Shu Yun, one of the members of the senior management, is the chief operating officer of the Company.

Independent non-executive Directors were appointed for a term of one year subject to retirement by rotation at the annual general meeting of the Company.

During the Relevant Period, eight Board meetings were held. Before a Board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the Code. Their individual attendance of the eight Board meetings was as follows :—

Mr. Wang Hung, Roger (8/8), Mr. Han Xiang Li (8/8), Mr. Wang Wei (8/8), Mr. Wong Chi Keung (8/8), Mr. Wang Yao (6/8) and Mr. Lau Shek Yau, John (3/8).

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the Directors, all of them have confirmed that they have complied with the Model Code during the Relevant Period.

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 the independent non-executive Directors are independent.

## ACCOUNTABILITY AND AUDIT AND AUDITORS' REMUNERATION

The Directors acknowledge their responsibility for preparation of the combined financial statements of the Group. This responsibility has also been mentioned in the report of the Auditors on page 35 of this report.

The statement by the auditors of the Company about their reporting responsibilities are set out on page 35 of this report.

The auditors of the Company received about RMB1.18 million for the provision of audit services during the year ended 31 December 2006.

## INTERNAL CONTROL

During the Relevant Period, the Directors had conducted a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group. In October, 2006, an internal control department was established to be responsible for the internal control matters and for the preparation of semi-annual internal report to all the Directors including the independent non-executive Directors.

## AUDIT COMMITTEE

The Audit Committee, established in compliance with the Listing Rules including the Code, comprises three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John. Mr. Wong Chi Keung is the Chairman of the Audit Committee.

The principal functions of the Audit Committee are to review and supervise the Group's statutory audit, interim and annual accounts of the Group and the system of internal controls.

During the Relevant Period, two meetings of the Audit Committee were held. Their individual attendance was as follows:—

Mr. Wong Chi Keung (2/2), Mr. Wang Yao (1/2)\* and Mr. Lau Shek Yau, John (2/2).

\* As Mr. Wang Yao was appointed as a member of the Audit Committee when Mr. Mohammed K. Ghods, the then non-executive Director, retired and after the first meeting of the Audit Committee, he only attended one meeting of the Audit Committee.

During the Relevant Period, the Audit Committee had reviewed the Group's interim and annual results and internal control system.

### REMUNERATION COMMITTEE

The Remuneration Committee, established in compliance with the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee are to review, develop and approve the Group's policy on remuneration of all the Directors and senior management for the purpose of retaining and attracting talent to manage the Group effectively and to determine the specific remuneration packages of all executive Directors and senior management. For the avoidance of doubt, the Directors and their associates do not participate in the decisions in relation to their own remuneration.

No meeting was held by the Remuneration Committee during the Relevant Period. The Remuneration Committee will meet as and when required.

### NOMINATION COMMITTEE

The Nomination Committee, established in compliance with the Listing Rules including the Code, comprises an executive Director, Mr. Wang Hung, Roger; and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Lau Shek Yau, John. Mr. Wang Hung, Roger is the Chairman of the Nomination Committee.

The principal functions of the Nomination Committee are to review the structure of the Board, assess the independence of independent non-executive Directors and make recommendations on relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee will make recommendations to the Board on the appointment of Directors and senior management. Potential new directors are selected on the basis of their qualifications, skills and experience that the Directors consider will make a positive contribution to the performance of the Board.

During the Relevant Period, no new director of the Company had been appointed and no meeting was held by the Nomination Committee. The Nomination Committee will meet as and when required.

## DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 26 February 2006 (the "Deed of Non-Competition") entered into between the Company and Mr. Wang Hung, Roger, GEICO Holdings Limited and Golden Eagle International Retail Group Limited, the controlling shareholders of the Company (collectively the "Covenantors"), the Covenantors have given certain undertakings and the terms and conditions set out in the Deed of Non-Competition (including but not limited to the Shanghai Shopping Option, the Xinbai Shopping Option and the Right of First Refusal) provided by the Covenantors (collectively the "Undertakings"). Details of the Undertakings are set out in the paragraph headed "Deed of non-competition" of the Directors' Report on page 33 of this report.

The Covenantors have made an annual declaration confirming that they have fully complied with the Undertakings. The independent non-executive Directors have also reviewed whether the Covenantors have fully complied with the Undertakings and they are satisfied that the Covenantors have in full compliance of the Undertakings.