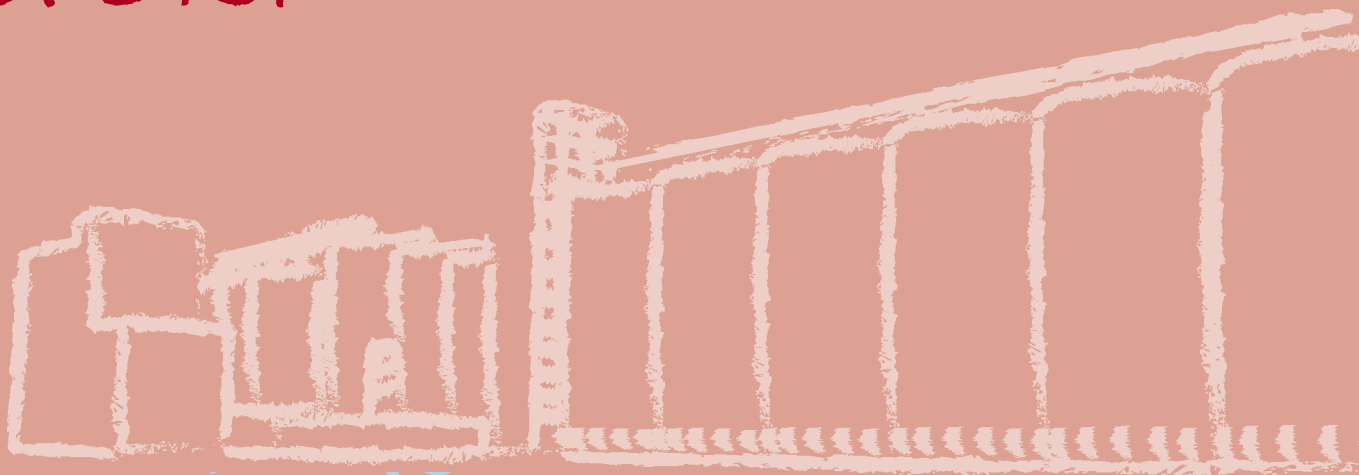
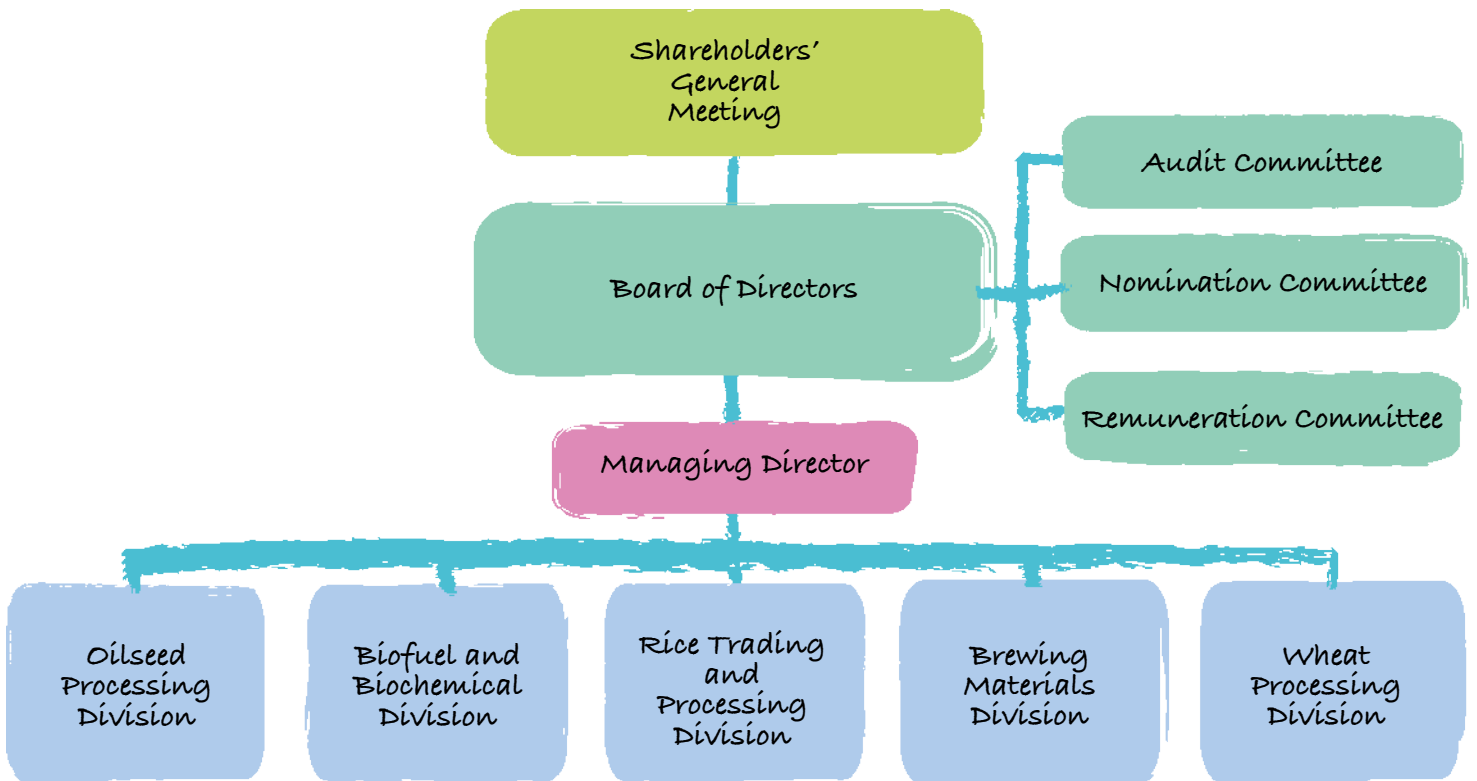


CORPORATE GOVERNANCE REPORT



Corporate Governance Structure





INTRODUCTION

The Company recognises the importance of corporate transparency and accountability. The Directors are committed in achieving a high standard of corporate governance and to leading the Group to grow in an efficient manner directed by the Group's vision and mission with a view to improve the Group's corporate operation and procedures.

The shares of the Company commenced trading on the Stock Exchange on 21 March 2007 (the "**Listing Date**"). Since the Listing Date, the Company had complied with the code provisions as set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules in February 2007 as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date to 31 December 2007 (the "**Relevant Period**") in relation to their securities dealings, if any.

The Company has also adopted a code for securities transactions by relevant employees in February 2007 based on the Model Code concerning dealings by the relevant employees in the securities of the Company (the "**Employees Model Code**"). Specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities must also comply with guidelines as exacting as those set out in the Model Code. Since the Listing Date, the Company has not received any non-compliance report from any of such employees.

THE BOARD

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees on 16 February 2007 and has delegated various responsibilities to the Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out hereunder.

Other than resolutions passed by means of resolutions in writing of all Directors, the Board held three meetings during the Relevant Period to, among other things, consider and approve the interim and final results of the Group, and discuss the company strategy. The information on the number of full Board meetings attended by each Director during the Relevant Period is set out in the following table:

Name of Director	No. of Board meetings held during the Director's term of office in the Relevant Period	No. of Board meetings attended	Attendance rate
Chairman and Non-Executive Director NING Gaoning	3	2	67%
Executive Directors			
YU Xubo (managing director)	3	3	100%
LU Jun	3	3	100%
YUE Guojun	3	1	33%
Non-Executive Directors			
CHI Jingtao	3	3	100%
MA Wangjun	3	1	33%
Independent Non-Executive Directors			
LAM Wai Hon, Ambrose	3	3	100%
Victor YANG	3	3	100%
Patrick Vincent VIZZONE (Note 1)	2	2	100%
SHI Yuanchun (Note 2)	1	0	0%

Notes:

1. Appointed on 20 June 2007
2. Resigned on 20 June 2007

The Company adopts the practice of holding regular Board meetings at least four times a year. Notice of each meeting is sent to Directors at least fourteen days prior to a regular Board meeting, and Directors may request inclusion of matters in the agenda for Board meetings. For ad hoc Board meetings, reasonable notices are given.

It is the practice of the Company that minutes of the Board and Board Committees have/will be recorded in sufficient detail of the matters considered by the Board and Board Committees, decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and/or Board Committees (as the case may be) are/will be sent to the Directors for their comments and records respectively. The decisions of the Board can be made via written resolutions authorised by all Directors.

All Board members have access to the advice and services of the company secretary. Minute books (including minutes of all Board Committees) are kept by the company secretary and are open for inspection during office hours on reasonable notice by any Director. If necessary, Directors also have access to external professional advice at the Company's expense.



CHAIRMAN AND MANAGING DIRECTOR

The chairman of the Board is Mr. Ning Gaoning, and the chief executive officer (or managing director, in the case of the Company) is Mr. Yu Xubo. The chairman's and the managing director's roles are clearly defined to ensure their respective independence.

The chairman takes lead in formulating the overall strategies and policies of the Group, and ensures effective performance by the Board of its functions, including compliance with good corporate governance practices, and encourages and facilitates active contribution of Directors in Board activities and constructive relations between executive and non-executive Directors. The chairman also ensures that a system of effective communication with shareholders of the Company and receipt by the Directors of adequate and complete information is in place.

The managing director, supported by other Board members and the senior management, is responsible for the daily business operations and management of the Group. He is accountable to the Board for the implementation of the Group's overall strategies as well as co-ordination of overall business operations.

BOARD COMPOSITION

The Board currently comprises nine Directors, namely, Mr. Ning Gaoning as the chairman and non-executive Director; Messrs. Yu Xubo (managing director), Lu Jun and Yue Guojun as executive Directors; Messrs. Chi Jingtao and Ma Wangjun as non-executive Directors; and Messrs. Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone as independent non-executive Directors.

The Board members have no financial, business, family or other material or relevant relationships with each other. The composition of the Board has met the standard of recommended best practice under the Code for the Board to have at least one-third of its members comprising independent non-executive Directors.

The Company has received annual written confirmations from each of the independent non-executive Directors confirming their independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules.

APPOINTMENT, RE-ELECTION AND REMOVAL

Currently, each of the non-executive and independent non-executive Directors has a specific term of appointment for three years.

Pursuant to Article 106 of the articles of association of the Company ("**Articles of Association**"), at every annual general meeting, one-third of the Directors or, if their number is not a multiple of three, then the number nearest to and at least one-third shall retire from office by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company considers that sufficient measures have been taken to ensure that the Company's practices in appointment of Directors are no less exacting than those set out in the Code.

Pursuant to Article 111, the Directors may appoint a person who is willing to act as a Director, either to fill a vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed the number fixed as the maximum number of Directors. A Director so appointed shall retire at the next following general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

During the Relevant Period, Mr. Patrick Vincent Vizzone was appointed as an independent non-executive Director on 20 June 2007 who will retire at the forthcoming 2008 annual general meeting of the Company and being eligible, will offer himself for re-election pursuant to Article 111 of the Articles of Association. In addition, Messrs. Yue Guojun, Chi Jingtao and Ma Wangjun will retire from office by rotation pursuant to Article 106 of the Articles of Association and, being eligible, will offer themselves for re-election.

To enable shareholders of the Company to make an informed decision on the re-election of Directors, the biographies of the retiring Directors are set out in this annual report under the section headed "Directors and Senior Management Profile", which demonstrates a diversity of skills, expertise, experience and qualifications among the Directors.

RESPONSIBILITIES OF DIRECTORS

The Company ensures that every newly appointed Director has a proper understanding of the operations and businesses of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The Company sponsors Directors to attend professional development seminars where necessary. In addition, the Company's compliance adviser would provide training (including any update) on the Listing Rules and regulatory requirements (if required) to the Directors.

The independent non-executive Directors take an active role in Board meetings, contribute to the development of strategies, internal control and policies and make independent judgement on issues relating to the Group. They will take lead where potential conflicts of interest arise. The independent non-executive Directors are also members of the various Board Committees.

NOMINATION COMMITTEE

The Nomination Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code. The terms of reference of the Nomination Committee are available in writing upon request to the company secretary and will also be available on the Company's website in May 2008. The Nomination Committee currently comprises Mr. Ning Gaoning (the chairman of the Company and non-executive Director) as the chairman of the Nomination Committee, Mr. Chi Jingtao (non-executive Director), Messrs. Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors).

The Nomination Committee is primarily responsible for the procedure of nominating appropriate persons and appointing its members, either to fill a casual vacancy or as an addition to the Board.

During the Relevant Period, the Nomination Committee held two meetings to review the composition of the Board Committees and to consider the rotation of retirement of Directors at the 2007 annual general meeting of the Company. Details of individual attendance of each Nomination Committee members are as follows:

Name of Nomination Committee member	No. of Nomination Committee meetings held during the member's term of office in the Relevant Period	No. of Nomination Committee meetings attended	Attendance rate
NING Gaoning (Chairman of Nomination Committee)	2	1	50%
CHI Jingtao (Note a)	0	0	N/A
LAM Wai Hon, Ambrose	2	2	100%
Victor YANG	2	2	100%
Patrick Vincent VIZZONE (Note b)	0	0	N/A

Notes:

- a. Appointed on 19 September 2007
- b. Appointed on 20 June 2007

During the Relevant Period, the executive Directors were appointed based on their qualifications and experience in relation to the Group's businesses. The non-executive Directors were appointed based on their qualifications and experience within COFCO Limited ("COFCO") and its subsidiaries ("COFCO Group"). The independent non-executive Directors were appointed based on their professional qualifications and experience in their respective areas.

The circular of the Company dated 29 April 2008 contains detailed information on re-election of Directors including biographies of those Directors standing for re-election to enable shareholders to make an informed decisions.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 16 February 2007 with specific written terms of reference in accordance with the requirements of the Code. The terms of reference of the Remuneration Committee are available in writing upon request to the company secretary and will also be available on the Company's website in May 2008. The Remuneration Committee currently comprises Mr. Chi Jingtao (non-executive Director) as the chairman of the Remuneration Committee, Mr. Ma Wangjun (non-executive Director), Messrs. Lam Wai Hon, Ambrose, Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors).

The primary role of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management.

The Remuneration Committee may consult with the chairman and managing director of the Company regarding proposals for the remuneration of other executive Directors. The remuneration of the non-executive Directors is determined by the chairman of the Company (except for his own remuneration) and the executive Directors. Where necessary, the Remuneration Committee may have access to external professional services at the Company's expenses.

The existing remuneration policy of the executive Directors is determined by the Remuneration Committee having considered the qualifications and experience of each of the executive Directors and with reference to the remuneration policy of other listed companies of similar business and size. The remuneration policy of the non-executive Directors and the independent non-executive Directors is determined by their participation in the Board and the Board Committees.

During the Relevant Period, the Remuneration Committee held two meetings in April and August 2007 respectively to review the existing remuneration packages of the executive Directors and senior management as well as to consider the grant of share options to the relevant Directors and the employees. Details of individual attendance of each Remuneration Committee members are as follows:

Name of Remuneration Committee member	No. of Remuneration Committee meetings held during the member's term of office in the Relevant Period	No. of Remuneration Committee meetings attended	Attendance rate
CHI Jingtao (Chairman of Remuneration Committee)	2	2	100%
MA Wangjun (Note I)	0	0	N/A
LAM Wai Hon, Ambrose	2	2	100%
Victor YANG	2	2	100%
Patrick Vincent VIZZONE (Note II)	1	1	100%

Notes:

- I. Appointed on 19 September 2007
- II. Appointed on 20 June 2007

AUDIT COMMITTEE

The Audit Committee was established in February 2007 with specific written terms of reference which clearly deal with its authority and duties. The terms of reference of the Audit Committee are available in writing upon request to the company secretary and will also be available on the Company's website in May 2008. The Audit Committee currently comprises Mr. Lam Wai Hon, Ambrose (independent non-executive director) as the chairman of the Audit Committee, Messrs. Ma Wangjun and Chi Jingtao (non-executive Directors), Messrs. Victor Yang and Patrick Vincent Vizzone (independent non-executive Directors). In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

Under its terms of reference, the Audit Committee shall assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit functions. The Audit Committee is further authorised by the Board to investigate any activity within its terms of reference, and may make recommendations to the Board to take appropriate actions emanating from such investigations. The Audit Committee has unrestricted access to personnel, records, external auditors and senior management, as may be appropriate in discharging its functions.

During the Relevant Period, the Audit Committee held eight meetings with the external auditors and the senior management of the Company in April, May, September and December 2007 respectively to review and discuss, among other things, the financial reporting and audit planning, internal control and the financial results of the Group. Details of individual attendance of each Audit Committee members are as follows:

Name of Audit Committee member	No. of Audit Committee meetings held during the member's term of office in the Relevant Period	No. of Audit Committee meetings attended	Attendance rate
LAM Wai Hon, Ambrose (Chairman of Audit Committee)	8	8	100%
MA Wangjun	8	3	38%
CHI Jingtao (Note i)	1	1	100%
Victor YANG	8	8	100%
Patrick Vincent VIZZONE (Note ii)	2	2	100%

Notes:

- i. Appointed on 19 September 2007
- ii. Appointed on 20 June 2007

AUDITORS' REMUNERATION

During the year under review, the remunerations paid or payable to Ernst & Young in respect of its audit services and non-audit services are HK\$3,350,000 and HK\$1,030,000, respectively.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting principles in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management with an appropriate enquires, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The Company's operating results for the year ended 31 December 2007 were reviewed by the management during the annual management meeting. Management personnel of all business units and functional departments of the Company had attended the meeting and the Managing Director presented the Company's overall and divisional operating results during the meeting. Variations from the budget and from the previous year's results were reviewed and analysed. In this review process, the management identified the effects of the key risk factors that affected the Company's businesses during the year and consolidated them with their expectations of the business performance they accumulated during their daily management of the businesses to form a basis for comparison and verification of the details of the reported operating results for the year.

Based on the results of the above management review and the business risks identification, an overall business strategy of the Company for the coming year was also developed during this annual management meeting. To ensure the achievement of the goals and objectives set for the coming year, this overall business strategy also includes plan for continuing risks assessment and the development of the necessary internal control procedures.

INTERNAL CONTROL

The Board acknowledges that a properly designed internal control system is one of the key elements to monitor and safeguard the resources of the Group; to produce reliable financial reports for the stakeholders of the Company, and to enhance better corporate governance and compliance in return reduces the possibility of significant errors and irregularities by timely detection.

The COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework is adopted by the Company in developing its internal control system. The major elements of the governance framework include a stable control environment that supports sustainable growth, a comprehensive risk management system, a system of effective control activities, an efficient information and communications system, and a management monitoring process. The Board empowered the management with the responsibilities and the necessary authorities to develop and implement an effective system of internal controls.

Business objectives set by the Board were fully discussed among the management team during the annual management meeting. Risks associated with achieving or not achieving these objectives were identified and assessed during these management discussions. Based on the results of these discussions, the management developed detailed business strategies for the year. These strategies include the plan for the development and the implementation of the necessary control activities and management monitoring process. Periodic review on the effectiveness of these business strategies are performed by the management to ensure the necessary adjustments be made to accommodate the changes in internal and external environment. The Company's Risk Management Committee which reports directly to the Managing Director is responsible for overseeing the Company's overall risk management practice and the related policies setting process.

INTERNAL AUDIT

In December 2007, the Company successfully recruited a seasoned and well qualified individual to lead its Audit Department and oversee the Company's internal audit practice. The Head of Audit Department reports directly to the Audit Committee and the Managing Director and attends all Audit Committee meetings.

The head office Audit Department is made up of a team of 7 professional staff and its primary responsibilities include:

- Assist the Audit Committee in its review of the Company's overall system of internal controls;
- Perform reviews on the design and the proper implementation of policies, procedures and internal controls of major business units and functional departments;
- Perform reviews on the compliance status on rules and regulations that are relevant to the Company's businesses;
- Perform efficiency and compliance reviews on major investment and construction projects; and
- Perform special reviews on areas of concern identified by the Audit Committee or the management.

An annual internal audit plan is prepared by the Audit Department based on a risk-based auditing approach. The approach focuses on the internal controls of material transactions, business units and functional departments. The annual internal audit plan is reviewed and approved by the Audit Committee at the beginning of the year.

In addition to the review of the Company's internal control activities, the Audit Department is also responsible for providing recommendations to the Board on the continuing development of other aspects of the Company's internal control framework, including the risk management process, information and communication system and management monitoring process.

INTERNAL CONTROL REVIEW

In July 2007, the Company appointed RSM Nelson Wheeler Consulting Limited (“**RSM**”) to carry out an independent review to examine and evaluate, among others, the internal control systems, risk management, compliance status and control of the assets of the Group. The review includes two phases. In March 2008, after its completion of both phases of the review, RSM issued an internal control review report to the Board and the Audit Committee, which concluded the Company’s existing internal control system is effective notwithstanding that some improvement opportunities were identified. The Board would consider and take necessary actions to improve the Company’s internal control system as and when appropriate, and would continue to follow up and monitor the improvement progress to ensure that a sound and effective internal control system is maintained.

INITIATIVES

The management is in the process of developing a comprehensive standard and guidance on the Company’s corporate governance practice (the “**Guidance**”). This Guidance details the Board’s philosophy and methodology on how to realise the vision and long-term goals of the Company. It also includes the Company’s corporate governance structure that stretched from the Board to each business unit, profit centre and functional department. The management will also consolidate the following policies and procedures into the Guidance:

- Budgetary preparation, management and performance evaluation system;
- Annual review and strategy meeting;
- Operational, financial and compliance control systems;
- Internal audit guide; and
- Code of ethics and business conduct.

Once the Guidance is finalised, sufficient training will be provided to all relevant personnel within the Company to ensure throughout understanding and effective running of the new practice.

As part of the annual review of the Company’s system of internal control, the Audit Committee will, through the Audit Department, perform continuing assessment of the appropriateness of this guidance according to the Company’s business development and provide recommendation for improvement accordingly.

The Company has announced its annual results for the financial year ended 31 December 2007 on 16 April 2008. A statement by the external auditors on its reporting responsibility is included in this annual report.

WHISTLE-BLOWING POLICY

A whistle-blowing policy was set up by the Company in 2008 to ensure inappropriate business practices and behaviors are properly reported and handled. The policy includes the set up of an electronic reporting mailbox. The Audit Committee and the Managing Director have full and direct access to this mailbox. Follow up review will be performed by the Audit Department on the request of the Audit Committee or the Managing Director. Procedures and controls are in place to ensure the informant’s identity is kept confidential.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

Our objective

The management of the Company strongly believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. Furthermore, to make market and professional opinions be part of our development plan that will fuel our growth and meet market expectation.

Information disclosure

Currently, we disclose information in compliance with the securities regulations of the Stock Exchange, and publish periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public, to make rational decisions that should result in the Company's securities trading at fair value over the long term.

Our achievement

Before the IPO exercise, the Company formed Investor Relations and Public Relations Department which is responsible for formulating relevant strategies to open up communication channels to ensure clear, accurate, credible and consistent corporate information to the shareholders, financial community and the public. During the period, we organised the following corporate activities:

- (1) Meetings with financial community and media for the Company's interim and final results announcements;
- (2) Annual general meetings and extraordinary shareholders meetings;
- (3) Public announcements;
- (4) Delivery of annual and interim reports;
- (5) Domestic and international roadshows;
- (6) Company visits, one-on-one meetings, group briefings and conferences/forums; and
- (7) Web-based communications (www.cahworld.com).

With the effort of the team, we made the following achievements during the year:

- (1) 6 investment banks covered the Company and published 30 research reports;
- (2) Attended 3 forums: CLSA Forum (Shanghai); CLSA Forum (Hong Kong) and Citigroup Forum (Macau);

- (3) To become one of the constituent stocks of the Hang Seng China-Affiliated Corp. Index in September 2007;
- (4) More than 100 company visits, with meetings over 300 domestic and overseas investors and analysts; and
- (5) Awarded “Hong Kong Outstanding Enterprise” by the Hong Kong Economic Digest in December 2007.

Our planning in 2008

In 2007, we put our efforts on maximising our exposures among the capital markets, financial communities as well as the public and rationalising our corporate image with a clear and positive market positioning.

In 2008, apart from the designated activities for corporate image building mentioned above, we will introduce a more dynamic communication process among the shareholders, financial communities and senior management of the Company. The objective is to establish a feedback process so that the Company will have a clear understanding of the market expectations.

The process to be introduced in the forthcoming period includes:

- (1) Conducting surveys to collect shareholders’ and investor’s expectations on disclosure policies and practices, in order to drive our developments in corporate governance;
- (2) Analysing the Company’s ownership structure in a regular basis to identify the mix of institutional and retail shareholders; and
- (3) Organising reverse roadshows to further develop trust for the Company and the management between the financial communities and shareholders.



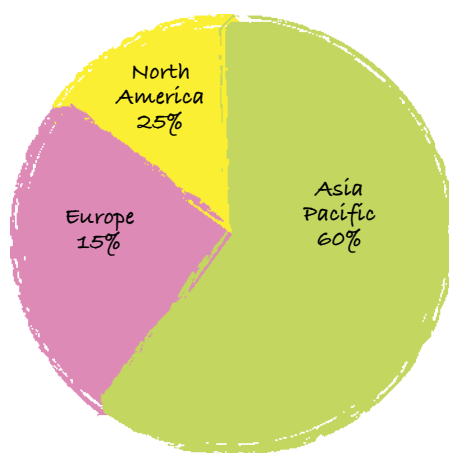
Our shareholders

As at the latest applicable date, there were 17,542 registered shareholders of the Company. It is believed that the actual number of investors in the Company's shares is likely to be greater than the foregoing number, considering certain shares being held through nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

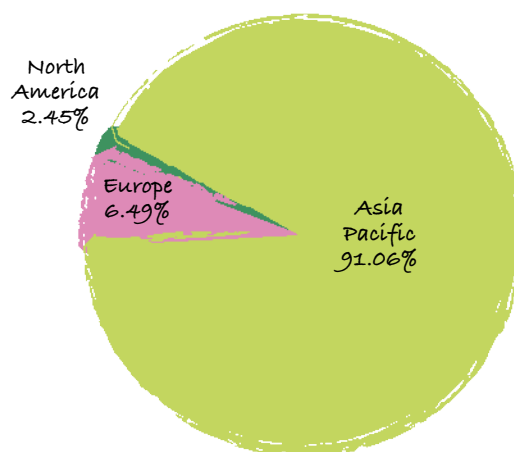
As at the latest applicable date, top 20 investors accounted for approximately 76.4% of total shares, or 2,745,815,231 shares.

Among them, the geographical distributions were shown below:

By number of investors



By number of shares



Analyst Contact List

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