



CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to enhance corporate performance and accountability. The Directors of the Company are in the opinion that save for the following deviations, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2008 (the "Relevant Period") :

- (a) Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman of the board of directors of the Company (the "Board") takes a leading role and is responsible for the effective functioning of the Board. During the Relevant Period, with the support of the senior management, the Chairman is also responsible for overall strategic development of the Company. Mr. Han Xiang Li, one of the executive Directors at the material time, was the chief financial officer of the Company and Ms. Zheng Shu Yun, one of the members of the senior management at the material time, was the chief operating officer of the Company. The CFO and COO are responsible for implementation of business strategy and management of the day-to-day operations of the Company's business. Having considered the current business operation and the aforesaid organization structure, the Directors consider that it is not necessary to appoint a chief executive officer of the Company.
- (b) Under the Code provision E.1.2, the chairman of the board should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting held on 28 May 2008 as he was obliged to be away for a business trip on that date. Mr. Han Xiang Li, an executive Director at the material time, had attended the annual general meeting to answer questions from shareholders.

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 respective power and responsibilities of the committees.

THE BOARD

1) Responsibility

The Board has the responsibility of the oversight of the Company including formulation and approval of overall business strategies, financial results, investment proposals, internal control and monitor of the performance of the management of the Group. The Board has to make decision objectively in the best interests of the Company and its shareholders as a whole.

The day-to-day management and operation of the Company are delegated to the management of the Group.

2) Board Composition

As at the date of this report, the Board comprises two executive Directors, Mr. Wang Hung, Roger (Chairman) and Mr. Han Xiang Li; and three independent non-executive Directors, Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Lau Shek Yau, John, whose biographical details are set out in "Biographies of Directors and Senior Management" section of this annual report. Mr. Han Xiang Li has been re-designated as a non-executive Director and Ms. Zheng Shu Yun has been appointed as executive Director all with effect from 15 April 2009.

The Nomination Committee has reviewed the Board's structure, size and composition to ensure that it has a balance of expertise, skills, independence and experience appropriate to the requirements of the business of the Company.

3) Appointments, re-election and removal

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 which the Directors consider that will make a positive contribution to the performance of the Board.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from rotation in accordance with the Company's Articles of Association. 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.

4) Number of meetings and directors' attendance

During the Relevant Period, fourteen 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 fourteen Board meetings was as follows :—

Mr. Wang Hung, Roger (9/14), Mr. Han Xiang Li (14/14), Mr. Wong Chi Keung (13/14), Mr. Wang Yao (13/14) and Mr. Lau Shek Yau, John (9/14).

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, the Company 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 that all the independent non-executive Directors are independent.



ACCOUNTABILITY AND AUDIT AND AUDITORS' REMUNERATION

The Directors acknowledge their responsibility for preparation of the financial statements which give a true and fair presentation of affairs of the Company and its subsidiaries for the Relevant Period. This responsibility has also been mentioned in the Independent Auditor's Report on page 38 of this annual report.

The statement by the auditor of the Company about their reporting responsibilities are set out on page 38 of this annual report. The auditor of the Company received approximately RMB1.8 million for the provision of audit services provided during the Relevant Period. There is no non-audit service fee received by the auditor.

INTERNAL CONTROL

The internal control department was established to conduct independent reviews on the internal control and risk management of the Group. During the Relevant Period, the Directors had conducted a review of the effectiveness of the internal control system in respect of the financial, operational, compliance controls and risk management function of the Group. The internal control department continued to pay attentions on the internal control matters and two semi-annual internal reports had been delivered to all the Directors (including the independent non-executive Directors) for review.

AUDIT COMMITTEE

The Audit Committee, established in compliance with the Listing Rules and 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 internal control system.

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

Mr. Wong Chi Keung (2/2), Mr. Wang Yao (2/2) and Mr. Lau Shek Yau, John (0/2).

During the Relevant Period, the Audit Committee had reviewed the Group's interim and annual accounts and internal control system. The Audit Committee had performed the following works:

- (a) reviewed the financial reports for the six months ended 30 June 2008 and for the year ended 31 December 2008;
- (b) reviewed the accounting principles and practices adopted by the Group and ensured the Company's compliance with the Listing Rules and other statutory requirements;
- (c) reviewed the effectiveness of internal control system;
- (d) reviewed the findings and recommendations of the internal control department on the operations and performance of the Group; and
- (e) reviewed and recommended the audit scope and auditor's remuneration for the year ended 31 December 2008 for the approval by the Board.

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.

During the Relevant Period, one meeting of the Remuneration Committee was held. Their individual attendance was as follows:—

Mr. Wang Hung, Roger (1/1), Mr. Wong Chi Keung (1/1) and Mr. Lau Shek Yau, John (0/1).

During the Relevant Period, the Remuneration Committee had reviewed the Group's policy on remuneration of all the Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee, established as a recommended best practice provided in 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.

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 referred to as the “Covenantors”), the Covenantors have given certain undertakings and the terms and conditions (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”) are set out in the Deed of Non-Competition. Details of the Undertakings are set out in the paragraph headed “Deed of non-competition” of the Directors’ Report on page 36 of this annual 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 were in full compliance of the Undertakings.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company continues to enhance communications and relationships with its shareholders and investors through various channels including the Company’s annual general meeting, press and analysts conference following the release of interim and annual results announcements. The Directors and senior management will answer questions raised by the shareholders and investors on the performance and development of the Group. The Company maintains a website at www.geretail.com.cn where the Company’s announcements, circulars, notices and financial reports, business developments and other information are posted.