

The Company is committed to establish and ensure a high standard of corporate governance practices which places emphasis on quality of the Board, sound and efficient internal control and accountability and transparency to the equity holders. The Directors are in the opinion that the Company has complied with the code provision as set out in the Code on Corporate Governance Practice (the “Code”) under Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange (the “Listing Rules”) since 8 February 2007 (the “Listing Date”).

The Company’s corporate governance structure includes the Board and two committees under the Board, namely the audit committee (the “Audit Committee”) and the remuneration committee (the “Remuneration Committee”). The terms of reference of all committees specify clearly the power and responsibilities of the respective committees.

Board of Directors

The Board comprises (i) nine executive Directors, Mr Li Xuechun, Mr. Wang Longxiang, Mr. Wu Xindong, Mr Yan Ruliang, Mr Feng Zhenquan, Mr. Xu Guohua, Mr Li Deheng, Ms. Li Hongyu and Mr. Gong Qingli; and (ii) three independent non-executive Directors, Mr. Choi Tze Kit, Sammy, Mr. Chen Ning and Mr. Liang Wenjun. Mr Li Xuechun is the chairman of the Board and Mr. Wang Longxiang is the general manager of the Group. Mr. Li Xuechun is the father of Ms. Li Hongyu and brother-in-law of Mr. Li Deheng.

For details of the Directors’ biographical information, please refer to the section headed “Biographies of Directors and Senior Management”.

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

The roles of the chairman and general manager are segregated. Mr. Li Xuechun, being chairman of the Group, is responsible for the orderly conduct and operation of the Board while Mr. Wang Longxiang, being the general manager of the Group, is responsible for the daily operations of the Group.

Independent non-executive Directors have been appointed for a term of two years.

Regular Board meetings will be held at least four times a year and the Board will convene other meetings when necessary. 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. Since the Listing Date, one regular Board meeting was held on 17 April 2007 at which all Directors attended the meeting.

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 of the independent non-executive Directors are independent.

Model code on 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 of the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with the Model Code since the Listing Date.

Corporate Governance Report

Accountability and Auditor's remuneration

The Directors acknowledge their responsibility for preparation of consolidated financial statements of the Group. This responsibility has also been mentioned in the independent auditor's report on page 26.

The Board had conducted a review on the system of internal control of the Group and considers that the system of internal control is effectively operated.

The professional fee payable to the auditor of the Company amounts to RMB1.8 million for the provision of audit services for the year ended 31 December 2006. The auditor of the Company also received approximately RMB 8.9 million for acting as Reporting Accountants for the IPO of the Company.

Audit Committee

The Audit Committee, established in compliance with the Code, comprises three independent non-executive Directors, Mr. Choi Tze Kit, Sammy, Mr. Chen Ning and Mr. Liang Wenjun. Mr. Choi Tze Kit, Sammy is the chairman of the Audit Committee.

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

The Audit Committee meetings will be held at least twice a year. Since the Listing Date, one Audit Committee meeting was held on 12 April 2007 with all committee members attended the meeting to review the Group's results for the year 2006.

Remuneration Committee

The Remuneration Committee established in compliance with the Code, comprises an executive Director, Mr. Li Xuechun and three independent non-executive Directors, Mr. Choi Tze Kit, Sammy, Mr. Chen Ning and Mr. Liang Wenjun. Mr. Choi Tze Kit, Sammy 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 Directors and senior management for the purpose of retaining and attracting talent to manage the Group effectively. The Directors and their associates do not participate in the decisions in relation to their own remuneration.

The Remuneration Committee meetings will be held at least once a year. No meeting was held by the Remuneration Committee after the Listing Date.

Nomination of Directors

The Company has not established a nomination committee. The Board is collectively responsible for the appointing of new directors either to fill casual vacancies or as additional Board members.

In nominating candidates for appointment of directors, the Board considers whether the candidates have the necessary expertise and experience to assist the Board to perform its duties.