

The Group is committed to maintaining high standards of corporate governance in order to raise the quality of management and protect the interests of shareholders as a whole. To honor these commitments, the Group believes that good corporate governance reflects that a responsible enterprise must be credit worthy, transparent and abide by a high level of code of practice.

Corporate Governance Practices

The Board is of the opinion that the Company has complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules from the Listing Date to 31st December 2006.

Model Code

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 as the code of practice for securities transactions by the Company's directors. The Company had made specific enquiries with all the directors, and all the directors confirmed that they had complied with the practice as contained in the Model Code.

The Board of Directors

The Board is responsible for the formulation of all commercial policies and strategies in relation to the business operation of the Group to ensure that there are ample resources and effective internal controls (including financial controls) are in place. The Board has the responsibility to establish the enterprise's policies and overall strategy of the Group, and provides effective supervision for the management of the Group's affairs. The Board also supervises the financial performance of the Group's business operations and internal controls. All the directors of the Company are able to obtain information on the Group's businesses on a timely basis and to make further inquiries if needed.

The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group. The Board supervises the management of the business and affairs of the Group. The management of the Group carries out the policies set by the Board and supervises the day-to-day management of the Group.

Composition and Appointment

As at 16th May 2006 up to the date of this report, the Board comprises of nine directors, of whom three are non-executive directors and three are independent non-executive directors. Details of the names and biographies of directors are set out on page 21 to page 24 of this report.

The executive directors of the Company are Mr. Yang Senmao, Mr. Yue Lian and Mr. Xu Xiaoping. Mr. Yang Senmao is the chairman and Mr. Yue Lian is the chief executive officer of the Company. Mr. Yue Lian is responsible for the daily operations of the Group and reports to the chairman of the Company.

The Company has complied with Rule 3.10(2) of the Listing Rules, which stipulate that one of the independent non-executive directors must possess appropriate professional qualification. The Board considers that the directors are all independent persons with appropriate qualifications and has complied with the relevant requirements of the Listing Rules.

Corporate Governance Report

Mr. Yang, Mr. Xu and Mr. Meng hold 60%, 18% and 22% equity interest respectively in both Rapid Jump Limited and Kalo Hugh Limited. Save as disclosed above, the Directors confirmed that there was no relationship (including financial, business, family or other material/relevant relationship) among the Board members or other major events or relevant matters that were required to be disclosed.

For the year ended 31st December 2006, the Board has compiled the following statistics for the period since the Listing on 9th June 2006:

Director's Name	Attendance Rate for Board Meeting		Title
	Number	Percentage (%)	
Yang Senmao	2	100	Chairman, Executive Director
Xue Lian	2	100	Executive Director
Xu Xiaoping	2	100	Executive Director
Meng Quanda	2	100	Non-executive Director
Shiu Kit	2	100	Non-executive Director
Dong Renhan	2	100	Non-executive Director
Wong Wai Ling	2	100	Independent non-executive Director
Ni Tongmu	2	100	Independent non-executive Director
Shu Mingding	2	100	Independent non-executive Director

The Board has supervised and controlled the Company's affairs effectively, and relevant decisions were made in the Company's best interests. Since our Listing on the main board of the Stock Exchange on 9th June 2006 up to 31st December 2006, the Board had held 2 Board Meetings, to consider (of which included) the Company's continuing connected transactions, financial affairs and other matters under the articles of associations to carry out its duties. The Board has adopted a tele-conference system to raise the attendance rates, the average rate of attendance was 100%.

During the relevant period, the term of appointment of the non-executive directors and the independent non-executive directors is for two years.

The Appointment and Re-election of Directors

The Company has not established a nomination committee. All members of the Board are responsible for formulating the procedures for appointing Directors, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of Directors or appoint additional Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors.

The Board held one meeting in 2006 to determine the policy for the nomination of directors.

Procedures of Board meetings

The Board has established meeting procedures and has complied with the code provisions of the Code.

The procedures of board meetings provide that the Board shall meet at least four times each year and can convene additional meeting when necessary. Directors can express different opinions at board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflict of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of board meetings and other committee meeting will be drafted by the company secretary and will be sent to all members for their comment and record respectively. Directors are entitled to inspect the minutes at any time.

Chairman and Chief executive officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Yang Senmao is the Chairman and the executive Director of the Company. Mr. Yue Lian is the chief executive officer of the Company. Mr. Yue Lian is responsible for the daily operations of the Group and reports to chairman of the Company.

Auditor's Remuneration

During the year under review, the amount of fee paid or payable to Deloitte Touche Tohmatsu, the auditor of the Company was as follows:

Type of service	Amount paid/payable (HK\$)
Professional services in relation to the Listing of the Group	2,900,000
Annual audit	1,200,000

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Accountability and Audit

The Directors understand their responsibility to prepare the Group's financial statements according to relevant legal provisions and the Hong Kong GAAP to ensure that the financial reports present a true and fair view of the Group's financial conditions. In the preparation of the Group's financial reports for the year ended 31st December 2006, the Directors had adopted and implemented the appropriate accounting policies; made prudent and reasonable judgments and projections; and prepared the financial statements on a going concern basis.

The Board of Directors had presented information on the Group's developments and various corporate information which aimed to be comprehensive, balanced and easily understood, including but not limited to the interim and year end financial reports as stipulated in the Listing Rules, disclosure of and public announcement of information which influence the shares, and submitted reports to the regulatory authorities and made other disclosures pursuant to regulatory provisions.

The auditor's responsibilities are set out in the Auditor's Report on page 42.

Through the Audit Committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The Audit Committee considers that the Group has established all necessary mechanisms. The above control mechanism has ensured compliance in respect of the Group's operations. The Board considers that the Company has complied with the code provisions on internal control of the Code.

Audit Committee

The audit committee comprises of the three independent non-executive directors, and Ms. Wong Wai Ling is the chairman of the audit committee.

For the year ended 31st December 2006 and since the Company's Listing on 9th June 2006, two meeting were held. The attendance rates of every member of the audit committee were as follows:

Name of member	Attendance Rate		Title
	Number	Percentage (%)	
Wong Wai Ling	2	100	Independent non-executive director
Ni Tongmu	2	100	Independent non-executive director
Shu Mingding	2	100	Independent non-executive director

Duties of the audit committee include:

- (1) Review the form of the Company's reporting, internal control systems and the completeness of the financial reports;
- (2) Will be responsible for the appointment of external auditors, and matters such as audit fees, the retirement or dismissal of external auditors;
- (3) To discuss with the external auditors the nature and scope of audits before commencement of audit work; and
- (4) To review interim and year end accounts.

The audit committee has reviewed the audit performance, internal controls and audited accounts for the year ended 31st December 2006.

Remuneration Committee

The Company has set up a remuneration committee on 16th May 2006 to decide on directors' emoluments. Members of the remuneration committee include:

Mr. Yang Senmao (Chairman), Ms. Wong Wai Ling, Mr. Ni Tongmu and Mr. Shu Mingding.

The remuneration committee is responsible for the following functions: to determine the remuneration policies for Directors and the senior management, to assess the performance of Directors, and to decide on the Company's remuneration policies and long term bonus scheme.

As the Company was listed on the Stock Exchange on 9 June 2006, no meeting was convened by the Remuneration Committee after the Listing Date and up to 31 December 2006. Starting from 2007, the Remunerating Committee will meet at least once a year.

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Directors' Remuneration

The Group paid total Directors' remuneration amounts of approximately RMB818,000, RMB520,000, RMB513,000, RMB28,000, RMB54,000, RMB28,000, RMB54,000, RMB28,000 and RMB28,000 to Mr. Yang Senmao, Mr. Yue Lian, Mr. Xu Xiaoping, Mr. Meng Quanda, Mr. Shiu Kit, Mr. Dong Renhan, Ms. Wong Wai Ling, Mr. Ni Tongmu and Mr. Shu Mingding respectively for the year ended 31 December 2006.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2006, there was no arrangement in which Directors waived their remuneration.

Securities Transactions by Senior Management and Staff

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company.

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Financial Officer

The Financial Officer of the Company is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensures that the financial statements truly reflect the Group's results and financial position as well as in compliance with the Companies Ordinance, the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the Chairman of the Audit Committee and co-ordinates with external auditors on a regular basis. In addition, the Financial Officer will review the control of financial risks of the Group and provide advices thereon to the Board.

Company Secretary

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and price-sensitive information.

The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance code so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times. The Company Secretary is also responsible for supervising and managing the Group's investors relationship.

Investors Relationship

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels such as seminars with the media, analysts and fund managers. Designated senior management holds regular dialogue with institutional investors and analysts which enables them to keep abreast of the Group's latest developments. In addition, the Group sets up a company website in 2006, timely presenting the most updated information and the status of the business development of the Group.

Communication with Shareholders

The Board and senior management recognize the responsibility of safeguarding the interest of shareholders of the Company. The Company reports its financial and operating performance to shareholders through annual reports and interim reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Group's company website. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group at annual general meetings.