

GENERAL

Saved as disclosed below, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company (the "Directors"). All the members of the board of Directors (the "Board") have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2008. The Model Code also applies to other specified senior management of the Company.

BOARD OF DIRECTORS

Composition and role

The Board comprises of eleven Executive Directors and four Independent Non-executive Directors. The principal focus of the Board is on the overall strategic development of the Group, while the management is principally responsible for the Group's business operations. The Board also monitors the financial performance and the internal controls of the Group's business operations.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three Independent Non-executive Directors. In addition, at least one Independent Non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Board considers that all Independent Non-executive Directors meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

During the year, three Board meetings were held. This deviates from code provision A.1.1. The Directors consider it is more efficient to hold Board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

BOARD OF DIRECTORS (continued)

Composition and role (continued)

The individual attendance of board meetings is set out below:

Name of Director	Board Meetings
<u>Executive Directors</u>	
Mr. Yi Xiqun (<i>Chairman</i>)	3/3
Mr. Zhang Honghai	3/3
Mr. Li Fucheng	3/3
Mr. Bai Jinrong	3/3
Mr. Zhou Si	3/3
Mr. E Meng	3/3
Mr. Liu Kai	3/3
Mr. Guo Pujin	3/3
Mr. Lei Zhengang	3/3
Mr. Jiang Xinhao	3/3
Mr. Tam Chun Fai	3/3
<u>Independent Non-executive Directors</u>	
Mr. Lau Hon Chuen, Ambrose (resigned on 3 March 2008)	0/0
Dr. Lee Tung Hai, Leo (resigned on 3 March 2008)	0/0
Mr. Wang Xianzhang (resigned on 3 March 2008)	0/0
Mr. Wu Jiesi	2/2
Mr. Robert A. Theleen	1/2
Mr. Lam Hoi Ham (appointed on 3 March 2008)	2/2
Mr. Fu Tingmei (appointed on 1 July 2008)	1/1

Chairman and Chief Executive Officer

The chairman of the Company is Mr. Yi Xiqun and the chief executive officer of the Company is Mr. Zhang Honghai. The Company has complied with code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Non-executive Directors

The Non-executive Directors of the Company (all are Independent Non-executive Directors) are not appointed for specific terms, which deviates from the requirement of code provision A.4.1. However, in view of the fact that they are subject to retirement by rotation in accordance with the Company's Articles of Association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the code provisions.

REMUNERATION COMMITTEE

The current members of the Remuneration Committee are:

Mr. Wu Jiesi – Committee Chairman	
Mr. Lam Hoi Ham	(appointed on 3 March 2008)
Mr. Liu Kai	

REMUNERATION COMMITTEE (continued)

The majority of the Remuneration Committee members are Independent Non-executive Directors. The Remuneration Committee advises the Board on the Company's overall policy and structure for the remuneration of Directors and senior management of the Company. The Remuneration Committee ensures that no director of the Company or any of his associate is involved in deciding his own remuneration. The Company has adopted the terms of reference of the Remuneration Committee in accordance with code provision B.1.3. A copy of the terms of reference is posted on the Company's website.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group. The Remuneration Committee meets regularly to determine the policy for the remuneration of Directors and assess performance of Executive Directors and certain senior management of the Company. During the year ended 31 December 2008, the individual attendance of Remuneration Committee meeting is set out below:

Name of director	Number of meetings attended
Mr. Wu Jiesi	1/1
Dr. Lee Tung Hai, Leo (resigned on 3 March 2008)	1/1
Mr. Lam Hoi Ham (appointed on 3 March 2008)	0/0
Mr. Liu Kai	1/1

COMPENSATION POLICY

The objective of the compensation policy of the Company is to provide an equitable and competitive compensation package so as to attract and retain the best employees to serve corporate needs. The compensation package for each employee is structured to include: base salary which is fixed to commensurate with market rate and each individual's experience and ability; share options granted with reference to an individual employee's position, performance and ability to contribute to the overall corporate success (the granting of share options is subject to shareholders' mandates as required and all applicable laws and regulations of relevant jurisdictions); and other customary and/or mandatory benefits to employees, such as retirement fund scheme, insurance and paid holiday, with reference to prevailing practices in relevant jurisdictions.

AUDITORS' REMUNERATION

For the year ended 31 December 2008, the auditors of the Company only provided audit services to the Company and only received from the Company auditors' remuneration in relation thereto.

AUDIT COMMITTEE

The current members of the Audit Committee are:

Mr. Lam Hoi Ham – Committee Chairman	(appointed on 3 March 2008)
Mr. Wu Jiesi	
Mr. Fu Tingmei	(appointed on 1 July 2008)

AUDIT COMMITTEE (continued)

All Audit Committee members are Independent Non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial procedure and internal controls system of the Company. The Company has adopted the written terms of reference which describe the authority and duties of the Audit Committee in accordance with code provision C.3.3. A copy of the terms of reference is posted on the Company's website.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the accounts for the year ended 31 December 2008. During the year ended 31 December 2008, the individual attendance of Audit Committee meetings is set out below:

Name of director	Number of meetings attended
Mr. Wu Jiesi	2/2
Mr. Robert A. Theleen (appointed on 3 March 2008 and resigned on 1 July 2008)	1/1
Mr. Lam Hoi Ham (appointed on 3 March 2008)	2/2
Mr. Fu Tingmei (appointed on 1 July 2008)	1/1

DIRECTORS' AND AUDITORS' RESPONSIBILITY STATEMENTS

The Directors acknowledged responsibility for reviewing the accounts of the Company prepared by the Executive Board for the year ended 31 December 2008 and ensuring the accounts are prepared in accordance with the Hong Kong Financial Reporting Standards. A statement by the auditors about their reporting responsibilities is contained in the Independent Auditors' Report.

The Board confirmed that it has taken the same view from that of the Audit Committee regarding the appointment of the external auditors.

INTERNAL CONTROL

During the year under review, the Board has conducted an annual review of the effectiveness of the system of internal control of the Group. The review has covered all material controls, including financial, operational and compliance controls and risk management functions.