

## **OUR BOARD**

Our Board consists of 11 Directors, five of whom are executive Directors, two of whom are non-executive Directors and four of whom are independent non-executive Directors. Our Directors are elected at Shareholders' meetings for a term of three years, renewable upon re-election. The principal functions and duties conferred on our Board include:

- convening Shareholders' general meetings and reporting our Board's work at Shareholders' general meetings;
- implementing the resolutions passed by our Shareholders in general meetings;
- deciding our business plans and investment plans;
- preparing our annual financial budgets and final reports;
- formulating the proposals for profit distributions, recovery of losses and for the increase or reduction of our registered capital; and
- exercising other powers, functions and duties conferred by the Shareholders in general meetings.

We entered into service contracts with our executive Directors, non-executive Directors and independent non-executive Directors on March 25, 2007.

## **DIRECTORS**

### **Executive Directors**

**Duan Yuxian** (段玉賢), 53, has been our Chairman since August 2006. Mr Duan graduated from the Academy of the Henan Province Chinese Communist Party ("CCP") Committee (中共河南省委黨校) in 1995. From May 1986 to January 1999, Mr Duan served at LCMCC where he held various positions including head of the finance section, deputy manager and manager. From January 1999 to August 2006, he served as vice chairman, general manager, and chairman of LLMG. From January 2006 to December 2006, Mr Duan was the chairman of Luoyang Baima Group. Mr Duan is currently a director and the chairman of LMG.

**Wu Wenjun** (吳文君), 40, has been our Director and general manager since January 2007. Mr Wu graduated from the Luoyang Institute of Technology (洛陽工學院) in July 1987 with a bachelor's degree in machinery processing and equipment and from Tsinghua University School of Economics and Management (清華大學經濟管理學院) in June 1993 with a master's degree in technological economics. Between July 1993 and February 1994, Mr Wu worked as an engineer with CITIC Heavy Machinery Inc. Computing Center (中信重型機械公司計算中心) and between February 1994 and December 2000, he worked as department manager and deputy general manager of CITIC Heavy Machinery Inc. Foreign Trade Company (中信重型機械公司外貿公司) ("CITIC Foreign Trade"). From December 2000 to March 2003, he served as the general manager of CITIC Foreign Trade. From March 2003 to December 2006, he was appointed as the deputy mayor of the Luanchuan County.

**Li Faben** (李發本), 43, has been our Director and executive deputy manager since August 2006. Mr Li graduated from the Central South Mining & Metallurgical College (中南礦冶學院) with a bachelor's degree in engineering in 1983 (major in mining engineering) and the Xi'an Construction Technology University (西安建築科技大學) with a master's degree in engineering in 2004 (specialized in mining engineering). Mr Li is a senior engineer and has over 20 years of experience in the PRC mining industry. Mr Li was appointed as a national class mining inspector by MLR from 2002. From August 1988 to January 1999, Mr Li held various positions at LLMC, in which he served as the deputy head and head of the technical division of LLMC, head of Bijiaogou Mine of LLMC, head of the open-pit mining construction department of LLMC, and deputy manager of LLMC. Mr Li served as deputy general manager of LLMG between January 1999 and November 2002. From November 2002 to August 2006, Mr Li was the deputy general manager and vice Chairman of LLMG. Mr Li is currently a director of LMG.

**Wang Qinxì** (王欽喜), 42, has been our Director and deputy general manager since August 2006. Mr Wang graduated from Beijing Steel College (北京鋼鐵學院) with a bachelor's degree in engineering majoring in ore flotation in 1987. Mr Wang has over 19 years of experience in ore flotation. From August 1987 to January 1999, Mr Wang was a technician and workshop head of No. 1 ore processing branch of Luanchuan Molybdenum Mine of Henan Province (河南省欒川鉬礦一選分廠), head of the ore processing plant of LLMC Mucheng Company (洛陽欒川鉬業公司鉬城公司選礦廠), deputy manager of LLMC Mucheng Enterprise Company (洛陽欒川鉬業公司鉬城企業公司), deputy head and head of Majuan Ore Processing Plant of LLMC (洛陽欒川鉬業公司馬圈選礦廠) and deputy manager of LLMC. From January 1999 to August 2006, Mr Wang served as vice chairman and deputy general manager of LLMG. From January 2006 to December 2006, Mr Wang also served as vice chairman of Luoyang Baima Group.

**Li Chaochun** (李朝春), 30, has been our Director and Vice Chairman since January 2007. Mr Li graduated from Shanghai Jiaotong University (上海交通大學) with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was first year senior of the tax division. From April 2002 to February 2003, he was an assistant manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited in Shanghai. From July 2003 to January 2007, Mr Li was an executive director of the industrial investment department of CFC.

### **Non-executive Directors**

**Zhang Yufeng** (張玉峰), 32, has been our non-executive Director since August 2006. Mr Zhang graduated from Shanghai Jiaotong University (上海交通大學) in 1996 with a bachelor's degree in engineering. Mr Zhang obtained qualification as a certified public accountant in China. From January 1997 to August 1998, Mr Zhang was engaged in project development for Shanghai Caohejing Hi-Tech Park West Zone Development Co., Ltd. (漕河涇開發區西區發展有限公司) and from August 1998 to July 2001, he served in the investment and consultancy department of DTZ Debenham Tie Leung Limited (戴德梁行). From July 2001 to September 2002, Mr Zhang worked for Shanghai Bao Rui Technology Investment Company (上海寶瑞科技投資公司). Mr Zhang was engaged in investment services for China Fortune Securities Co., Ltd. (中富證券有限責任公司) from December 2002 to July 2003. From August 2003 to the present, Mr Zhang has been the general manager of the No. 2 Investment Department of CFC.

**Xu Jun** (許軍), 36, has been our non-executive Director since August 2006. Mr Xu graduated from Peking University (北京大學) in 1992 with a bachelor's degree in economics. From June 1998 to July 2003, Mr Xu was the deputy general manager of Leader Investment Co., Ltd. (利德投資有限公司). Since October 2003, Mr Xu has been the chairman and an executive director of CFC.

### Independent Non-Executive Directors

**Gao Dezhu** (高德柱), 67, has been our independent non-executive Director since October 2006. Mr Gao is a senior economist and is currently the executive vice chairman of the China Non-Ferrous Metals Industry Association (中國有色金屬工業協會). Mr Gao graduated from the Chinese Language Department of the Fushun College of Education (撫順師範學院) in September 1962. Mr Gao had been appointed as a part-time professor in various universities in the PRC including the Graduate School of the People's Bank of China (中國人民銀行研究生院), China Renmin University (中國人民大學), Liaoning University (遼寧大學) and Central South University of Technology (中南大學). Mr Gao has more than 36 years of experience in the banking industry and he had been appointed as the vice president and president of various branches of the Bank of China (中國銀行). From 1992 to 1998, Mr Gao was also the general manager of the credit department, and vice president of the headquarters of the Bank of China (中國銀行). From 1998 to present, Mr Gao has been serving as deputy chief of the State Non-Ferrous Metals Industry Administration (國家有色金屬工業局). In the past, Mr Gao also served as chairman of ONFEM Holdings Limited in Hong Kong and chairman of Oriental Metals (Holdings) Company Limited in Hong Kong. Mr Gao currently serves as independent non-executive director of Hunan Zhuye Torche Metals Co., Ltd. (湖南株冶火炬金屬股份有限公司), a PRC company listed on the Shanghai Stock Exchange (stock code: 600961), BGRIMM Magnetic Materials & Technology Co., Ltd. (北礦磁材科技股份有限公司), a PRC company listed on the Shanghai Stock Exchange (stock code: 600980), Anhui Tongdu Copper Co., Ltd. (安徽銅都銅業股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (stock code: 000630) and Western Mining Co., Ltd. (西部礦業股份有限公司), a PRC company.

**Zeng Shaojin** (曾紹金), 63, has been our independent non-executive Director since October 2006. Mr Zeng graduated from the department of geophysical exploration (地球物理勘探) of Chengdu College of Geology (成都地質學院) in 1967. Mr Zeng is a senior engineer and was recognized by the State Council for his special contributions to the nation in 1998. From 1968 to 1982, Mr Zeng was a technician and team head of two geological survey teams in Henan Province, and was deputy team head and general engineer of the Henan Province Geophysical Exploration Team (河南省物探隊). From February 1983 to June 1990, Mr Zeng was appointed as the deputy chief and chief of Henan Province Bureau of Geology and Mineral Resources (河南省地質礦產局). From July 1990 to May 1996, Mr Zeng was the chief of the Department of Geological Survey of Ministry of Geology and Mineral Resources (地質礦產部地質勘查司) and from June 1996 to June 1999, Mr Zeng served as the president of the Chinese Academy of Geological Survey Technologies (中國地質勘查技術院). Mr Zeng also served as chief of the Department of Mineral Exploitation of the MLR (國土資源部礦產開發司) from July 1999 to January 2005. Mr Zeng is currently the executive deputy president of the China Association for Geology and Mineral Economics (中國地質礦產經濟學會) and the executive deputy president of China Mining Association (中國礦業聯合會).

**Gu Desheng** (古德生), 69, has been our independent non-executive Director since October 2006. Mr Gu is a professor and an academic advisor to Ph.D. students at Central South University of Technology (中南大學). Mr Gu graduated from Central South Mining & Metallurgical College (中南礦冶學院) in July 1960 and joined the faculty thereafter as a professor, academic advisor to Ph.D. students, department head, head of the research institute and member of the degree-awarding

committee (學位評定委員會). He specializes in theories of continuous mining of metal ore and oscillation ore drawing technology. In 1995, Mr Gu became a fellow of the Chinese Academy of Engineering (中國工程院). Mr Gu has received various awards including the first prize at the National Technology Advancement Award (國家科學技術進步一等獎), second prizes at the National Technological Advancement Awards (國家科學技術進步獎二等獎), and the State Major Technology Contribution and Breakthrough Award (「九五」國家重點科技攻關計劃先進個人榮譽證書). He has authored and published more than 180 professional articles. Mr Gu was the member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference (全國政協第九、第十屆委員會委員) and a member of the Evaluation Committee of the National Natural Science Foundation (國家自然科學基金). Mr Gu also serves as an independent non-executive director of various companies, including Hunan Non-Ferrous Metals Corporation Limited (湖南有色金屬股份有限公司), a PRC company whose H shares are listed on the Stock Exchange, (stock code: 2626), Anhui Tongdu Copper Co., Ltd. (安徽銅都銅業股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (stock code: 000630) and Western Mining Co., Ltd. (西部礦業股份有限公司), a PRC company.

**Ng Ming Wah, Charles** (吳明華), aged 57, an independent non-executive Director since December 2006. Mr Ng graduated from Loughborough University in England in 1972 with a Bachelor of Science degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies in England in 1974 with a Master of Science degree in Business Studies. He is the managing director of Equitas Capital Limited, the business of which is provision of corporate financial advisory services. Mr Ng is also a non-executive director of Goldlion (Holdings) Limited (stock code: 533) and an independent non-executive director of each of Stone Group Holdings Limited (“Stone”) (stock code: 409), China Everbright Limited (“CEL”) (stock code: 165), Dalian Ports (PDA) Company Limited (大連港股份有限公司) (stock code: 2880) and Zhaojin Mining Industry Company Limited (招金礦業股份有限公司) (“Zhaojin”) (stock code: 1818), and has acted as the chairman of the audit committees of CEL, Stone and Zhaojin since August 1999, September 2004 and October 2004, respectively. He is also an independent director of China Everbright Bank Company, Limited (中國光大銀行股份有限公司), which is a licensed commercial bank in the PRC. Mr Ng is also the convener of the audit committee of China Everbright Bank Company, Limited, the duties of which include the supervision of the bank's internal audit system and its implementation, providing guidance to the work of the bank's internal audit department, the review of the bank's accounting policies, financial reporting process and risk and compliance situation and assuming responsibility for the annual audit. In addition, Mr Ng holds a number of community service positions, including as a member of the Council of Lingnan University of Hong Kong and a member of the Board of Governors of Hong Kong Arts Centre. Mr Ng has more than twenty-five years of experience in finance and management and he has had extensive experience in reviewing and analyzing in depth financial statements of public companies together with extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements. The Directors have evaluated Mr Ng's education, qualification and experiences and are satisfied that he has the necessary training and experiences for the purpose of Rule 3.10(2) of the Listing Rules.

The term of office of Mr Ng's directorship in Zhaojin is to expire on April 16, 2007 and he has informed Zhaojin that he does not intend to seek re-election for another term. In the three years prior to the Latest Practicable Date, Mr Ng had been an independent director of Huangshan Novel Co., Ltd. (黃山永新股份有限公司), a company listed on the Shenzhen Stock Exchange. Mr Ng was also a non-executive director of Man Wah Enterprise Company Limited (“Man Wah Enterprise”) from December 6, 1994 to July 27, 1995. Man Wah Enterprise was a Hong Kong company incorporated on November 24, 1970 and was engaged in silk flower manufacturing business. On

September 19, 1995, the directors of Man Wah Enterprise filed a statutory declaration with the Companies Registry pursuant to Section 228A of the Companies Ordinance to the effect that they were of the opinion that the company could not by reason of its liabilities continue its business and that it was necessary that the company be wound up. On October 13, 1995, a petition for the winding up of Man Wah Enterprise was filed by a creditor in court. On November 22, 1995, a winding up order on Man Wah Enterprise was made by the court pursuant to the said petition. On April 3, 1996, an application was made by the liquidators to the court pursuant to Section 209A of the Companies Ordinance to have the liquidation of Man Wah Enterprise conducted as if it were a creditors' voluntary winding up. Upon such application, an order was made by the court on May 2, 1996 that the winding up of Man Wah Enterprise should be conducted as if the winding-up were a creditors' voluntary winding-up. Man Wah Enterprise was dissolved on September 24, 1999. Mr Ng has confirmed that there was no wrongful act on his part leading to the winding up of Man Wah Enterprise and that, as far as he was aware as at the Latest Practicable Date, no actual or potential claim had been or would be made against him as a result of such winding up. The liquidators concluded in their report in 1996 that they were of the view that this liquidation was not a matter of public concern.

### **SUPERVISORS**

**Shu Hedong** (舒鶴棟), 43, has been our Supervisor since August 2006. Mr Shu graduated from Nanjing University (南京大學) in 1985 with a bachelor's degree in radio-geology and from the Third Institute of the Ministry of Nuclear Industry (核工業部第三研究所) in 1988 with a master's degree in radio-geology. From May 1989 to March 1993, Mr Shu worked for the former Ministry of Energy (能源部) and from April 1993 to January 1995, he served as the business development manager of Unisono Limited. Subsequently from February 1995 to November 1998, Mr Shu served as the business development manager of PowerGen International. From December 1998 to March 2001, Mr Shu served as the director of corporate strategy and new business development of Unisono Limited and from April 2001 to March 2004, he served as the deputy general manager of Beijing Leader & Harvest Technology Co., Ltd. (北京利德華福技術有限公司). Since April 2004, Mr Shu has been an assistant to the president of CFC. Mr Shu is currently an executive director of CFC.

**Yin Dongfang** (尹東方), 45 has been our Supervisor since January 2007. Mr Yin graduated from Zhengzhou University (鄭州大學) with a diploma in law in June 1988 and obtained his lawyer's qualifications certificate in May 1989. Between 1994 and 1998, Mr Yin practiced as a lawyer in Luoyang City No. 2 Law Firm (洛陽市第二律師事務所) and between April 1998 and December 2004, he set up his own legal practice with two other partners. Between August 2002 and December 2004, Mr Yin was appointed as the executive deputy chairman of Luoyang City Bar Association (洛陽市律師協會常務副會長). From May 2005 to the present, he was appointed as the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries (河南省城鎮集體工業聯合社洛陽市聯社).

**Deng Jiaoyun** (鄧交雲), 54, has been our Supervisor since August 2006. From 1969 to 1984, Mr Deng worked at the Wood Construction Society (木建社), No. 2 Light Industry Bureau (第二輕工業局), and Planning Committee (計劃委員會) of Luanchuan County. From 1984 to 1988, Mr Deng was the deputy chief of Luanchuan County Bureau of Statistics (欒川縣統計局) and from 1988 to 1989, he was appointed the deputy head of the policy research office of Luanchuan County CCP Committee (中共欒川縣委政研室). In addition, from April 1989 to March 1993, Mr Deng served as the head of the finance department, labor and personnel department, and organization department of LLMC. From 1999 to August 2006, Mr Deng also served as the head of organization department, and Director of LLMG. He is also the chairman of the labor union of our Company.



## JOINT COMPANY SECRETARIES

**Lo Yee Har Susan** (盧綺霞), aged 48, is the joint company secretary of the Company for the purpose of Listing Rule 8.17. Ms Lo is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms Lo has over 20 years of experience in the company secretarial area and is currently the company secretary of several Stock Exchange listed companies including Shanghai Forte Land Co., Ltd., Dongfeng Motor Group Company Limited, Chia Hsin Cement Greater China Holding Corporation, China National Building Material Company Limited and SPG Land (Holdings) Limited.

**Ho Siu Pik** (何小碧), aged 43, is the joint company secretary of the Company for the purpose of Listing Rule 8.17. Ms Ho is a director of Corporate Services Division of Tricor Services Limited and an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms Ho has about 20 years of experience in the company secretarial area.

## QUALIFIED ACCOUNTANT

**Fang Ying** (方穎), 33, is the Qualified Accountant of our Company and joined us in January 2007. Mr Fang is a fellow member of the Association of Chartered Certified Accountants and a member of the Chartered Institution of Management Accountants. Mr Fang graduated from Shanghai Jiaotong University (上海交通大學) in 1995. From July 1995 to May 1996, Mr Fang worked for Shanghai Finance Tax Consulting Co., Ltd. (上海財稅諮詢服務公司涉外稅務分公司) in providing tax consulting service and from June 1996 to July 1997, he was engaged in accounting services for Chang Xing Real Estate Co., Ltd. (長興房地產公司). Subsequently, from August 1997 to January 2001, Mr Fang was engaged in accounting services for Luo De Certified Public Accountants (Limited Liability) Cooperative Group, Shanghai Representative Office (羅德會計師事務所). From July 2001 to June 2004, Mr Fang was a finance manager of Hayward Industrial Products (Shanghai) Co., Ltd. (恒維工業過濾(上海)有限公司) and from October 2004 to June 2006, he was the finance controller of XD Shanghai Trading Co., Ltd. (上海愛克迪貿易有限公司). Mr Fang is a member of our senior management and is employed by us on a full time basis.

## SENIOR MANAGEMENT

Our senior management comprises our executive Directors, our qualified accountant, joint company secretaries and the following persons:

**Wang Bin** (王斌), 40, has been our deputy general manager since August 2006. Mr Wang graduated from Central South University of Technology (中南工業大學) in 1989 with a bachelor's degree in geology. From 1989 to 1996, Mr Wang was a technician and a deputy head of Luanchuan County Mineral Company (欒川縣礦產公司). From 1996 to 1998, Mr Wang served as an office secretary of Luanchuan County People's Government (欒川縣人民政府辦公室秘書). From 1998 to 1999, Mr Wang was a deputy manager of LCMCC. From 1999 to 2002, Mr Wang served LLMG in the positions of board secretary, deputy head of the business planning department, and manager of the mine branch company. From November 2002 to August 2006, Mr Wang served as a deputy general manager and director of LLMG.

**Yang Jianbo** (楊劍波), 41, has been our deputy general manager since August 2006. Mr Yang graduated from Northeast Industrial College (東北工學院) in 1988 with a bachelor's degree in ore processing. From 1988 to 1992, Mr Yang served as a technician of Lengshui ore processing

## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

(冷水選礦廠) and deputy head of the control center of LLMC. From 1992 to 1999, Mr Yang served as deputy manager of LLMC, deputy head of the Lengshui ore processing plant (冷水選礦廠) and deputy head of the Majuan ore processing plant (馬圈選礦廠). From 1999 to 2002, Mr Yang served as deputy head of the science and technology department of LLMG and manager of the No. 2 ore processing branch company of LLMG. From November 2002 to August 2006, Mr Yang served as a deputy general manager and director of LLMG.

**Gu Meifeng** (顧美鳳), 42, senior accountant, has been our chief financial officer since August 2006. Ms Gu graduated from Henan University (河南大學) in 1995. Ms Gu obtained qualifications as a certified public accountant, registered asset appraiser and senior accountant in China. From 1986 to 1994, Ms Gu worked on cost accounting with China YTO Group Corporation Equipment Repairment & Manufacturing Plant (中國一拖集團有限公司設備修造廠). From 1994 to June 2006, Ms Gu was a deputy general manager of Luoyang Zhonghua Certified Public Accountants Co., Ltd. (洛陽中華會計師事務所有限責任公司).

**He Feng** (賀楓), 43, has been our board secretary, board secretary-general and director of the general manager office since September 2006. Mr He graduated from Luoyang Normal University (洛陽師範專科學校) in 1987 with a diploma in Chinese. From 1987 to 1989, Mr He worked in Henan Province Luoyang Luanchuan Molybdenum Mine Workers' Children School (河南省樂川鉬礦子弟學校) and became the Secretary of the Communist Youth League General Branch (團總支書記) of the school in 1989. From 1991 to 1995, Mr He served as an editor and journalist in newspaper office of LLMC (洛陽樂川鉬業公司企業報社). From 1995 to 1999, Mr He was a secretary in the manager office of LLMC. From 1999 to 2006, Mr He served LLMG as section chief of general manager office secretary section, deputy director of general manager office and board secretary-general. Mr He is responsible for assisting the Board in preparing internal documents (e.g. reports/memorandums for circulation within members of the Group), acting as a principal communication channel between the Board and various business departments. In addition, Mr He is also in charge of the relevant duties stipulated under Mandatory Provisions and Company Law.

For details of other members of our senior management, please refer to the paragraphs headed “Executive Directors”, “Joint Company Secretaries” and “Qualified Accountant” in this section.

### **AUDIT COMMITTEE**

We have established an audit committee. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system and provide advice to our Board. As at the Latest Practicable Date, the Audit Committee consisted of four members: Ng Ming Wah, Charles, Gao Dezhu, Gu Desheng and Zhang Yufeng, with Ng Ming Wah, Charles serving as its chairman.

### **REMUNERATION COMMITTEE**

We have established a remuneration committee. The remuneration committee considers and recommends to our Board the remuneration and other benefits of our Directors and members of senior management. As at the Latest Practicable Date, the remuneration committee consisted of four members: Gao Dezhu, Zeng Shaojin, Gu Desheng and Xu Jun, with Gao Dezhu serving as its chairman.

# **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES**

## **COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

We reimburse our Directors and Supervisors for expenses which are necessarily and reasonably incurred for providing services to us or executing matters in relation to our operations. Our executive Directors and Supervisors who are also our employees receive, in their capacity as our employees, compensation in the form of salaries, housing allowances, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors and Supervisors in accordance with relevant PRC law.

The aggregate amount of compensation paid by us to the five highest paid individuals (including three of our Directors) for the years ended December 31, 2004, 2005 and 2006 was approximately RMB3,430,000, RMB590,000 and RMB2,474,000, respectively. The emoluments of the two highest paid individuals (excluding Directors) for the years ended December 31, 2004, 2005 and 2006 were approximately RMB2,132,000, RMB367,000, and RMB962,000, respectively.

During the years ended December 31, 2004, 2005 and 2006, the following table sets out salaries, housing allowances, pension scheme contributions, other allowances and benefits in kind paid by us to our Directors and to our Supervisors.

	Year ended December 31,		
	2004	2005	2006
	RMB'000		
Directors . . . . .	1,298	223	1,512
Supervisors. . . . .	85	188	236
Total . . . . .	1,383	411	1,748

The relatively high remuneration paid to our Directors in 2004 was due to a one-off remuneration offered to our Directors for their satisfactory performance in 2004 pursuant to a Shareholders' resolution passed in 2005. Such a one-off remuneration was substantially reduced in 2005 pursuant to a shareholders' resolution in 2006.

No emoluments were paid to Messrs Sun Kezhi (former Director), Xu Jun, Chen Gang (former Board representatives of CFC) and Zhao Yi (former Board representative of Luoyang SASAC) because Messrs Sun Kezhi, Xu Jun, Chen Gang and Zhao Yi were not involved in the day-to-day operations and management of the Company or any of its subsidiaries during the Track Record Period. Such arrangement had been agreed by LMG and CFC.

Save as disclosed above, no other payments have been paid or are payable in respect of the three years ended December 31, 2004, 2005 and 2006 by us or any of our subsidiaries to our Directors and Supervisors.

Under the arrangements currently in force, we estimate the aggregate remuneration of our Directors payable for service of the year 2007 to be approximately RMB3.0 million.

Our senior management are entitled to a performance related bonus which is linked to the return on net assets, asset value growth rate, growth in sales profit margin and costs-to-profit ratio.



**STRATEGIC COMMITTEE**

We have established a strategic committee whose primary duties are to formulate our overall development plans and investment decision-making procedures. As at the Latest Practicable Date, the strategic committee currently consisted of seven members, including Duan Yuxian, Gao Dezhu, Gu Desheng, Zeng Shaojin, Li Chaochun, Li Faben and Wang Qinxi, with Duan Yuxian serving as its Chairman.

**SUPERVISORY COMMITTEE**

As reflected in our Articles of Association, the Company Law requires that a joint stock limited company establish a supervisory committee. Our supervisory committee is responsible for monitoring our financial matters and overseeing the actions of our Board and our management personnel. Our supervisory committee consists of three Supervisors. Two of the Supervisors are elected by our Shareholders in the Shareholders' meeting, including one Supervisor elected as Shareholder representative. The other Supervisor is elected by our employees. Supervisors serve for a term of three years, after which they may be re-elected. An elected Supervisor cannot concurrently hold the position of Director or other senior executive. The principal functions and powers conferred on our supervisory committee include:

- attending Board meetings;
- examining our financial affairs and information;
- inspecting the balance sheets, profit and loss accounts, business reports, dividend distribution proposals and other financial information proposed at Shareholders' general meetings by our Directors from time to time; and
- overseeing the actions of our Board and other senior management and ensuring they are properly carrying out their duties.

Adoption of any resolution proposed at a meeting of the supervisory committee requires the approval of two-thirds of our Supervisors.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## EMPLOYEES

As at December 31, 2006, we had approximately 5,200 full-time employees. Breakdowns of our employees by function as at December 31, 2006 are as follows:

<u>Division</u>	<u>Employees</u>
Management and administration . . . . .	712
Quality control . . . . .	190
Research and development . . . . .	131
Production staff . . . . .	3,700
Repair and maintenance . . . . .	182
Safety inspection and environment protection . . . . .	204
Sales . . . . .	<u>37</u>
Total . . . . .	<u><u>5,156</u></u>

The remuneration package of our employees includes salary, bonuses and allowances. We participate in the social insurance contribution plans organized by local governments in the PRC. We make full contributions to the social insurance premium covering pension insurance, medical insurance (including supplemental medical insurance and work-related casualty insurance) and unemployment insurance. In addition, we make contributions to housing reserve fund. According to the currently applicable local regulations, the respective percentages of certain insurances are as follows: the percentage of pension insurance is 20%, the percentage of medical insurance is 6%, the percentage of unemployment is 2%, and the percentage of the housing reserve fund is 5% to 12% of our employees' total monthly basic salary. Our PRC legal advisor confirms that we are in compliance with the applicable PRC laws and regulations on labor and social welfare.

## Retirement Benefits

Our employees in the PRC are members of State-managed retirement benefit scheme operated by the local governments. We are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. Our contribution to the various pension schemes during the years ended December 31, 2004, 2005 and 2006 amounted to approximately RMB11.6 million, RMB3.9 million and RMB12.9 million, respectively.

## COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Guotai Junan Capital Limited will ensure that we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines in Hong Kong, including the publication of regulatory announcement, circular or financial report and the entry into notifiable or connected transactions.

Guotai Junan Capital Limited, as our compliance advisor, undertakes to the Stock Exchange that it will comply with the Listing Rules and cooperate in any investigation conducted by the Listing Division and/or the Listing Committee of the Stock Exchange.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date (i.e., the date of dispatch of our annual reports in respect of our results for the financial year ending December 31, 2008).