

Corporate Governance Report

The Company has always regarded the consistent maintenance of an excellent, solid and reasonable corporate governance structure as its top priority.

Code on Corporate Governance Practice

For the year ended 31st December, 2006, the Company has reviewed its corporate governance documents and is of the view that the Company has fully complied with the code provisions of the Code of Corporate Governance Practice set out in the Appendix 14 to the Listing Rules other than Code A.2.1, which requires that the roles of chairman and chief executive officer should be two separate roles and should not be performed by the same individual. Currently, Mr. Tan Xuguang (“Mr. Tan”) serves as the Chairman of the Board as well as the Chief Executive Officer of the Company. Despite such deviation, the Directors believe that vesting such roles in Mr. Tan will allow for more effective planning and execution of business strategies of the Company. As all major decisions are made in consultation with other members of the Board, the Company believes that there is adequate balance of power and authority in place.

The Directors believe that the Articles of Association, the scope of responsibilities of the Audit Committee, the scope of responsibilities of the Supervisory Committee and the codes on securities dealings by directors and certain executives, which constitute the basis for the regular codes on corporate governance of the Company, have covered the principles and the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 to Listing Rules. In respect of the following areas, our internal corporate governance documents are more stringent than the Code on Corporate Governance Practices:

1. In addition to the Audit Committee, Remuneration Committee and Nomination Committee, the Company has also established the Strategic Development and Investment Committee (the “SDIC”).
2. All members of the Audit Committee are independent non-executive Directors, of whom Mr. Koo Fook Sun, Louis, the Chairman of the Committee, holds the relevant professional qualification or professional knowledge related to accounting or financial management.

Board of Directors

The key responsibilities of the Board include, among other things, formulating the Company’s overall strategies, setting management targets, regulating internal controls and financial management, and supervising the management’s performance while the day-to-day operations and management are delegated by the Board to the executives of the Company.

The Board currently comprises 15 Directors, whose details are set out on page 15 to page 23 of this annual report. The Board includes four executive Directors, eight non-executive Directors and three independent non-executive Directors, namely, Mr. Tan Xuguang (Chairman and CEO), Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Zhang Quan (executive Directors), Mr. Yeung Sai Hong, Mr. Chen Xuejian, Mr. Yao Yu, Mr. Li San Yim, Mr. Liu Huisheng, Ms. Zhang Fusheng, Mr. Julius G. Kiss, Ms. Han Xiaoqun (non-executive Directors), and Mr. Koo Fook Sun, Louis, Mr. Zhang Xiaoyu and Mr. Fang Zhongchang (independent non-executive Directors).

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The Company has received from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rule and considers each of the independent non-executive Directors to be independent.

The Board has notified each of the Directors and Supervisors in advance that they should not trade in the securities of the Company within the period as stipulated under the Listing Rules. All Directors and Supervisors confirmed that they were in compliance with the Listing Rules in this respect.

Other than their working relationships with the Company, none of the Directors, Supervisors or the senior management has any financial, business or family relationships or any relationships in other material aspects with each other.

Other than the service contracts entered into by them or as otherwise disclosed in this annual report, none of the Directors or the Supervisors has any personal and substantive interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during 2006.

In 2006, the Company held five Board meetings. The principal activities of the Board in 2006 were as follow:

- Review of the Company's annual and interim results;
- Review of annual profit distribution and the 2006 interim dividend and 2005 final dividend distribution proposals;
- Review of the merger with and acquisition of TAGC.

The total remuneration, including the basic salary, performance-linked salary, incentive-linked salary and discretionary bonus of the Directors in 2006 amounted to approximately RMB3.1 million. Independent non-executive Directors were only entitled to receive director's fees but not other salary or remuneration. For details for the remuneration of Directors, please refer to note 11 to the consolidated financial statements of the Company.

Audit Committee

An Audit Committee was established by the Board.

The Audit Committee comprises all the independent non-executive Directors, Mr. Koo Fook Sun, Louis, Mr. Zhang Xiaoyu and Mr. Fang Zhongchang, with Mr. Koo Fook Sun, Louis, with the appropriate professional qualifications and experience in financial matters, acting as the chairman of the Audit Committee. The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee held two meetings during the period, presided over by Mr. Koo Fook Sun, Louis. Details of the attendance are set out on page 43 of this annual report.

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The major works accomplished by the Audit Committee during the year are as follows:

- Review of the annual, interim financial statements of the Company, as well as the management recommendations furnished by the external auditors and responses from the Company's management;
- Review of the accounting policies and practices adopted by the Company and related matters;
- Review of the revised terms for certain existing continuing connected transactions and recommended to independent shareholders to vote in favour of the ordinary resolutions at the extraordinary general meeting of the Company held on 29th December, 2006 to approve the new terms for such continuing connected transactions;
- Recommending the setting up of a supervisory committee to ensure that all connected transactions of the Company are fair, impartial and transparent, offering protection of the interests of minority shareholders; and
- Assisting the Board to monitor the Company's internal audit.

Throughout the Period under review, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control system of the Company.

In accordance with the requirements of Appendix 16 to the Listing Rules, the Audit Committee has reviewed the consolidated financial statements for the year ended 31st December, 2006. The non-PRC auditors of the Company have audited the consolidated financial statements and have issued an unqualified auditors' report.

Strategic Development and Investment Committee

The SDIC was established by the Board.

The SDIC is principally responsible for examining and reviewing the Company's strategic plans, monitoring the implementation of strategic planning, and facilitating timely adjustments to the Company's strategies and governance structure.

The SDIC currently comprises Mr. Tan Xuguang (Chairman of the Board and of the SDIC), Mr. Sun Shao Jun, Mr. Lui Huisheng, Mr. Chen Xuejian, Mr. Zhang Quan, Mr. Li San Yim, Mr. Zhang Xiaoyu and Mr. Julius G. Kiss.

Remuneration Committee

A Remuneration Committee was established by the Board.

The Remuneration Committee is responsible for recommendation to the Board on the remuneration packages and terms of employment for Directors, Supervisors and senior management of the Company. The Committee also determines the relevant remuneration policy for Directors, Supervisors and senior management of the Company and their participations in incentive schemes operated by the Company.

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The Remuneration Committee currently comprises all the independent non-executive directors and two non-executive Directors, being Mr. Koo Fook Sun, Louis (chairman of the Remuneration Committee), Mr. Zhang Xiaoyu, Mr. Fang Zhongchang, Ms. Zhang Fusheng and Mr. Yao Yu.

Nomination Committee

A Nomination Committee was established by the Board

The Nomination Committee comprises all the independent non-executive Directors and two executive directors, being Mr. Fang Zhongchang (chairman of the Nomination Committee), Mr. Koo Fook Sun, Louis, Mr. Zhang Xiaoyu, Mr. Xu Xinyu and Mr. Zhang Quan. The meetings of the Nomination Committee were arranged and held on an as-needed basis. The Nomination Committee will identify qualified candidates to fill the Board membership whenever such vacancy arises, it will nominate such candidates for the Board to consider, regularly review the composition of the Board and make suggestions as to any change in the membership of the Board that may be required.

Supervisory Committee

The Supervisory Committee consists of three members, with one Supervisor being elected from the staff as a representative of employees and the other two elected by the shareholders of the Company. The Supervisory Committee is responsible for supervision of the Board and its members and the senior management of the Company, so as to prevent them from abusing their authorities and violating the interests of the Company, its shareholders and staff. The size and composition of the Supervisory Committee are in compliance with the requirements of the relevant laws and regulations of the PRC. The Supervisory Committee held two meetings during the year to carry out its supervision on behalf of the shareholders in respect of the Company's financial matters and the lawfulness and compliance in respect of the discharge of duties by the Directors and senior management of the Company. The members of the Supervisory Committee attended all Board meetings and shareholders' meetings of the Company and diligently performed their supervisory duties.

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Attendances at meetings of the Board, Supervisory Committee and specialised committees (attendance in person/ number of meetings) during the year are as follows:

Name	Board	Supervisory Committee	Audit Committee
Directors			
Tan Xuguang	5/5		
Xu Xinyu	5/5		
Zhang Quan	5/5		
Sun Shaojun	5/5		
Yeung Sai Hong	5/5		
Chen Xuejian	5/5		
Yao Yu	5/5		
Li San Yim	5/5		
Tong Jingen	2/2		
Liu Huisheng	3/3		
Zhang Fusheng	5/5		
Han Xiaoqun	5/5		
Julius G. Kiss	5/5		
Independent Non-executive Directors			
Koo Fook Sun, Louis	5/5		2/2
Zhang Xiaoyu	5/5		2/2
Fang Zhongchang	5/5		2/2
Supervisors			
Sun Chengping		2/2	
Wang Yong		2/2	
Jiang Jianfang		2/2	

The Directors and Supervisors who were unable to attend any meeting in person, had appointed another Director or Supervisor (as the case may be), as his representative to attend and vote at the meeting on his behalf and was treated as having attended the meeting in person.

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Shareholders Meeting and Investor Relations

The shareholders' meeting is the highest authority of the Company, providing an opportunity for direct communications and building a sound relationship between the Board and the shareholders of the Company. Therefore, the Company places great importance to such meetings. In 2006, the Company convened four general meetings. Matters reviewed and approved at the meetings include the following:

- the Report of the Directors, Report of Supervisory Committee for 2005;
- the profit distribution and final dividend distribution proposals for 2005;
- re-appointment of Directors;
- re-appointment of the external auditors and determination of its remuneration;
- remuneration proposals for Directors and Supervisors;
- renewal of continuing connected transactions;
- approval of the merger with and acquisition of TAGC;
- amendment to the Articles of Association of the Company.