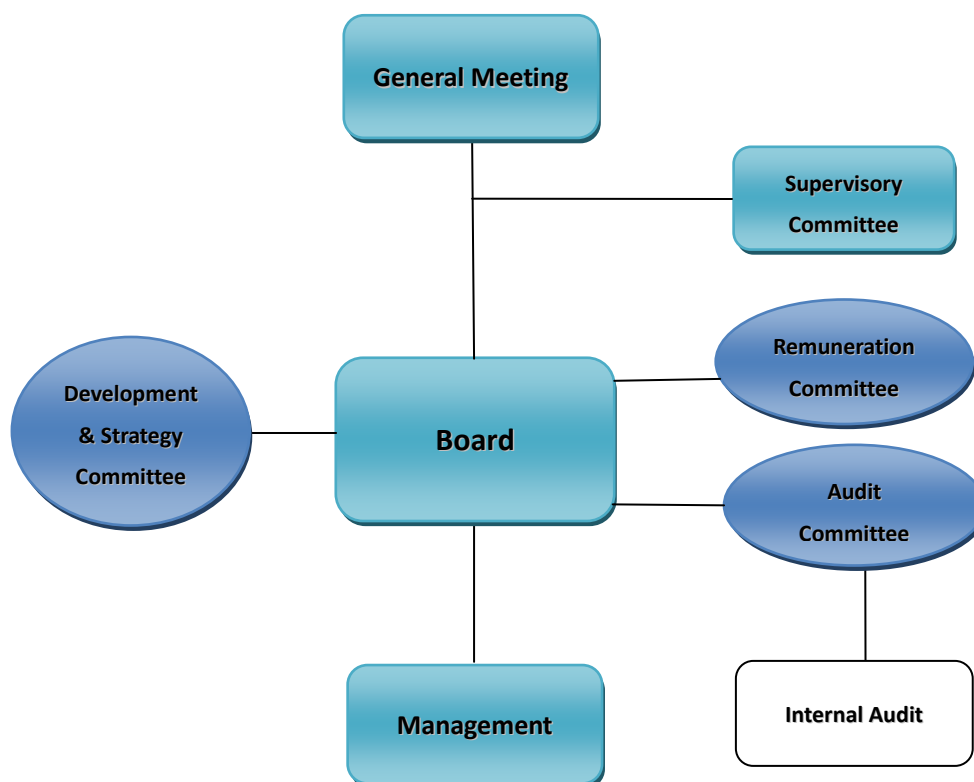


Corporate Governance Report

The Company strictly complies with various applicable laws, rules and regulations as well as the Articles of Association to standardize its operation. In 2009, under the framework guidance of the Articles of Association, Procedural Rules for General Meetings, Procedural Rules for Board Meetings, Procedural Rules for Meetings of Supervisory Committee, Working Guidelines for the Management, Working Guidelines for the Audit Committee, Terms of Reference of the Remuneration Committee and Rules on Information Disclosure, the Company continuously enhanced its corporate governance standard through the co-ordination of general meetings, the Board and the relevant special committees of the Board, the Supervisory Committee and the management.

Governance structure of the Company is set out as follow:



CODE ON CORPORATE GOVERNANCE PRACTICES

The Board reviewed the corporate governance practices adopted by the Company and is of the view that the Company had complied with the principles and code provisions set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Listing Rules during the reporting year.

THE BOARD

The Board is responsible for the leadership and supervision of the Company. The Board assumes the role to promote the business of the Company through directing and supervising the affairs of the

Company.

DIRECTORS

The Board comprises fifteen Directors, including three executive Directors, namely, Mr. Lin Zuoming (Chairman), Mr. Tan Ruisong and Mr. Wu Xiandong, nine non-executive directors, namely, Mr. Gu Huizhong, Mr. Xu Zhanbin, Mr. Geng Ruguang, Mr. Zhang Xinguo, Mr. Gao Jianshe, Mr. Li Fangyong, Mr. Chen Yuanxian, Mr. Wang Yong and Mr. Maurice Savart and three independent non-executive directors, namely, Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis. The Directors have contributed their comprehensive knowledge, skills and experience for the effective management of the Group. With extensive professional knowledge and experience, the independent non-executive directors have assumed the supervisory and balancing roles in order to protect the interests of shareholders of the Company and the Company as a whole. The Board believes that the independent non-executive directors are capable of making judgments independently and comply with the guidelines on the independence of independent non-executive directors as set out in Rule 3.13 of the Listing Rules. In addition, the Company had received a written confirmation from each independent non-executive director on their independency, based on which the Company considers that the independent non-executive directors are independent.

The Company adopts the formal procedures in the appointment of new directors. The Company has not established any nomination committee. During 2009, the Board met once with all directors present to consider referrals from the shareholders and nominate new directors for approval by the shareholders of the Company pursuant to certain standards. These standards include relevant professional knowledge and industry experience, personal ethics, integrity and skills of directors, as well as their time commitment to the affairs of the Company.

Each director (including non-executive director) holds office for a period of three years, and is eligible for re-election upon the expiration of the term of office. A list of directors, their respective profiles and roles in the Board and special committees of the Board are set out in pages 21 to 25 of the Annual Report. Relevant information will also be published on the website of the Company. There are no relationship (including financial, business, family or other material or relevant relationships) among members of the Board.

The Company has arranged for appropriate insurance coverage in respect of any legal actions which may be instituted against its directors and senior management in relation to their services.

RESPONSIBILITIES OF THE BOARD

The Board manages and supervises the Group on behalf of the shareholders of the Company. Each director is deemed to act in the best interest of the Company with prudence and honesty.

The Board regularly reviews the Group' s overall strategy, its business targets and operational results. The Board exercises its power to formulate the objectives and strategies of the Group, and to monitor operational and financial performance of the Group.

The Board will ensure the completeness of the financial information and the effectiveness of internal

control and risk management procedures of the Group. The Board is also responsible for preparing the financial statements of the Group. All Group policies, material transactions or transactions leading to conflicts of interest are decided by the Board. On the other hand, the chief executive officer is responsible for attaining the business targets of the Company and managing the daily operations. Duties reserved to the Board and those delegated to management are clearly set out in the Procedural Rules for Board Meetings and Working Guidelines for the Management. The Board regularly reviews the duties and powers delegated to the chief executive officer to ensure such arrangements are appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and the chief executive officer have been clearly segregated to ensure a balance of power and authority. The current chairman of the Company, Mr. Lin Zuoming, is responsible for leading the Board to ensure the effective operation of the Board. The chief executive officer, Mr. Tan Ruisong, is responsible for business operations of the Company. The roles and duties of the chief executive officer are clearly set out in the Working Guidelines for the Management.

BOARD MEETINGS

The Board has four scheduled meetings every year in April, June, August and December respectively. Matters to be considered at these regular board meetings are put into writing. Further, additional board meetings are held as and when required, and reasonable notices are sent to the Directors before the convening of such meetings.

The company secretaries assist the chairman in preparing the agenda for each board meeting and consider the matters proposed by other directors for inclusion in the agenda. The agenda and relevant materials are usually delivered to the directors at least three days before the relevant board meeting date. The chairman should ensure that all directors are properly briefed on issues to be discussed at the board meeting and provided with relevant documents which contain analysis and background information.

The management has provided the directors and committee members with adequate and sufficient information on a timely basis. This will ensure that the directors and committee members are well-informed of the Company's latest development so that they may discharge their duties effectively. Every director has received comprehensive induction training upon his appointment. Directors are encouraged to constantly update their skills, knowledge and understanding of the business of the Group through the induction training, regular attendance to board meetings and committee meetings, and meetings with key personnel of the head office and various departments of the Group.

All directors have access to the services of the company secretaries. The board secretaries are responsible for ensuring that board procedures are followed and advising the Board accordingly. The company secretaries regularly update the Reference Guide for Directors and Supervisors to ensure that the Board and Supervisors are well-informed of the latest information on corporate governance and supervision as well as the development of the Group. Directors, the audit committee and the

remuneration committee may seek independent professional advice at the Company's expenses in discharging their duties.

Directors are encouraged to discuss issues of the Group openly and frankly at board meetings and every executive director is available for inquiries raised by non-executive directors. Independent non-executive directors may convene meetings amongst themselves if necessary to discuss issues related to the Group. Board minutes as well as any materials related to the board meetings are kept by the company secretaries and made available for inspection by any member of the Board.

The Board has established a development & strategy committee, an audit committee and a remuneration committee to ensure good corporate governance. Duties of these committees are set out in accordance with the principles of the Code. Each committee reports directly to the Board. Minutes of committee meetings are kept by the Board Secretary. In 2009, the Company convened one meeting of the Remuneration Committee and no meeting of the Development & Strategy Committee.

Eight meetings were held by the Board during 2009. The chief executive officer and vice presidents, including the chief financial officer, attended these meetings to brief the Board and reply to issues relating to resolutions discussed at those meetings. The attendance of every director (including the circumstance of appointing another director on his behalf) in the board meetings and the audit committee meetings in 2009 is set out below:

Directors	Times of presence/Times of meetings should present	
	The Board	Audit Committee
Executive directors		
Mr. Lin Zuoming	8/8	
Mr. Tan Ruisong	8/8	
Mr. Wu Xiandong	8/8	
Non-executive directors		
Mr. Gu Huizhong	8/8	2/2
Mr. Xu Zhanbin	8/8	
Mr. Geng Ruguang	8/8	
Mr. Zhang Xinguo	8/8	
Mr. Gao Jianshe (Note)	6/6	
Mr. Li Fangyong	7/8	
Mr. Chen Yuanxian (Note)	5/6	
Mr. Wang Yong	8/8	
Mr. Maurice Savart	8/8	
Independent non-executive directors		
Mr. Guo Chongqing	8/8	2/2

Mr. Li Xianzong	8/8	2/2
Mr. Lau Chung Man, Louis	8/8	2/2

Note: Directors appointed on 9th June 2009

INTERESTS HELD AND SECURITIES TRANSACTIONS BY DIRECTORS

All Directors should declare to the Board whether they hold offices or positions in other companies or entities upon their appointments as directors and they are required to update the Board annually in respect of their relevant interests. If the Board considers that a director has conflict of interest in any motion or transaction, the director shall declare his interests and abstain from voting. If required, the director should be excused from the meeting.

Interests of the Company held by the Directors as at 31st December 2009 have been disclosed on page 41 of the Report of the Board of the Annual Report. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own guidelines for securities transactions by Directors, Supervisors and employees of the Company. All directors and supervisors have been provided with a copy of the Model Code upon appointments. The Directors and supervisors of the Company will receive written reminders of the restrictions on dealing in any securities or derivatives of the Company. The written reminders will be provided one month prior to the board meeting of the Company for approving annual or interim results. All Directors and Supervisors of the Company have confirmed their compliance with the Model Code in 2009 upon specific enquiries with them.

Employees who may likely possess unpublished price sensitive information of the Group are also required to comply with the Model Code. The Company is not aware of any breach in this regard in 2009.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board has established a remuneration committee which comprises one non-executive director Mr. Gao Jianshe, as the chairman and three independent non-executive directors, Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis. The remuneration committee is responsible for approving policies on remuneration of all directors, supervisors and senior management, as well as making recommendations to the Board on revising policies and structure for remuneration. In determining the remuneration of directors and supervisors, the Remuneration Committee will take into account factors such as the responsibilities and work experience of the directors and supervisors. The remuneration committee reports to the Board after every meeting. During the year ended 31st December 2009, the Remuneration Committee convened one meeting. The remuneration of the newly appointed directors and supervisors in 2009 was determined by the Board at a Board meeting on 9th April 2010 pursuant to the resolutions passed at the general meeting of the Company on 9th June 2009. Terms of reference of the remuneration committee are published on the website of the Company.

Details of the remunerations of the directors, supervisors and senior management of the Company for

the year ended 31st December 2009 are set out in note 15 to the financial statement.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTS

The Directors are responsible for monitoring the preparation of the financial statements for every financial period and ensuring those financial statements provide a true and fair view on the results of operations, financial position and cash flow of the Group in the relevant financial period. In preparing the financial statements for the year ended 31st December 2009, the directors have:

- selected appropriate accounting policies and applied them consistently;
- adopted all the relevant standards in the International Financial Reporting Standards; and
- made a prudent and reasonable judgment and estimation and prepared financial statements on a going concern basis.

In accordance with the requirements of the Listing Rules, the Company has timely announced its annual and interim results within four and two months respectively after the end of the relevant financial periods.

INTERNAL CONTROL

The Board is responsible for maintaining a steady, appropriate and efficient internal control system of the Group to safeguard the Group's assets. The Board reviews the effectiveness of the internal control system of the Group annually through the audit committee.

The Company has established an Internal Audit Department which acts as a daily operation office of the audit committee of the Board to monitor how the Company and its subsidiaries establish and improve their respective internal control systems and give guidance in this respect, to supervise and review the implementation of regulations on internal control systems at proper times. In 2009, the Internal Audit Department prepared an annual assessment list on the internal control system and carried out a questionnaire, based on which the department evaluates the internal control system of the Group as a whole. The department also requested the senior management of each subsidiary to provide statements on the healthiness, reasonableness and effective implementation of their respective internal control procedures. The Internal Audit Department then conducted an evaluation based on the activities mentioned above and reported the results of such evaluation to the audit committee and the Board.

The audit committee and the Board confirmed that the internal control system of the Group is effective in implementing the measures required in monitoring and controlling material aspects of the Group, preventing critical mistakes or severe damages to the Group, securing the safety of the Group's assets, ensuring proper maintenance of accounting records and compliance with laws and regulations as well as in accordance with the requirements on the internal control system set out in the Code as a whole.

However, due to inherent limits of the internal control system, the establishment of the Group' s internal control system could manage potential risks but is not able to eliminate risks completely. Therefore, the internal control system could only provide a reasonable means, rather than an absolute means for the Group to achieve its operational targets. Likewise, the internal control system will not completely eliminate all material inaccurate statements made or damages done to the Group.

AUDIT COMMITTEE

The Board has established an audit committee and set out the terms of reference of the audit committee in accordance with the Guide for the Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee is responsible for monitoring the financial operation and audit procedures of the Company, assessing effectiveness of the internal control system and risk control system of the Company, maintaining effective communication with the management, internal audit department and external auditors of the Company, as well as performing other duties and responsibilities assigned by the Board. The audit committee comprises four members, namely, Mr. Guo Chongqing, Mr. Li Xianzong, Mr. Lau Chung Man, Louis, who are independent non-executive directors, and Mr. Gu Huizhong who is a non-executive director. Mr. Li Xianzong is the chairman of the committee. Mr. Li Xianzong, Mr. Lau Chung Man, Louis and Mr. Gu Huizhong have appropriate professional qualifications in accounting or related financial management expertise as required by the Listing Rules.

The terms of reference of the audit committee are published on the website of the Company.

The audit committee held two meetings during 2009 with the presence of all members of the audit committee, the Supervisors, the management, chief financial officer and external auditors of the Company. In 2009, the audit committee reviewed and evaluated the audit results of the Company' s external auditors, the accounting principles and standards applied by the Group and the internal control system and the financial statements of the Company. The audit committee reported to the Board its scope of work, discussion results and advice after every meeting. During 2009, the audit committee:

- reviewed the audited financial statements and the relevant annual results announcement of the Group for the year ended 31st December 2008;
- reviewed the interim financial information and the relevant interim results announcement of the Group for the six months ended 30th June 2009;
- reviewed resolution relating to appointments of international and PRC auditors of the Company for the financial year 2009 and determination of their respective remunerations;
- approving and revising the Rules of Audit Committee of the Board of the Company and

establishing the Management Practice on Connected Transactions of the Company; and

- reviewed the reports on operation results of the Company for the year 2008 and the first half of 2009, the self-assessment report on the internal control of the Company, reports from the external auditor on audit in the year 2008 and review on 2009 interim report and provided recommendations to the management of the Company.

The audit committee had reviewed the Group's annual results and consolidated financial statements for the year ended 31st December 2009.

SUPERVISORY COMMITTEE

The Supervisory Committee is accountable to the general meetings of the Company. The committee comprises three supervisors selected from representatives of the Company's shareholders and two supervisors selected from employees of the Company. In 2009, the Supervisory Committee held three meetings and considered and approved 11 resolutions. It supervised, on behalf of shareholders of the Company, the financial position of the Group, the legality of directors and senior management of the Company during the performance of their duties, attended the board meetings and general meetings and fulfilled its duties diligently.

EXTERNAL AUDITORS

In 2009, the payment to the Company's external auditors in relation to auditing services amounted to RMB5.5 million. The payments mentioned above had been approved by the audit committee, the Board and the general meeting.

The Board has resolved to propose at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international and PRC auditors of the Company to assume statutory audit work of the Company for the financial year 2010. The resolution is subject to the approval of shareholders at the annual general meeting of the Company for the year 2009.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out on pages 53 to 54 of this annual report.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Board secretaries are responsible for information disclosure of the Company. The Company has established Rules on Information Disclosure to ensure information disclosed by the Company is accurate, complete and timely made. During the reporting period, the Company published its annual report, interim report and relevant announcements (including the overseas regulatory announcements which covered the announcements published by the subsidiaries of the Company whose shares are listed on other stock exchanges) in accordance with the Listing Rules and made detailed disclosures on material information and reported the progress of any significant issues relating to the Company.

General meetings of the Company have absolute power to perform its functions according to laws and regulations and make decisions on significant issues. The annual general meeting and extraordinary general meetings of the Company provide an open platform for shareholders to exchange opinions with the Board. In 2009, the Company convened one annual general meeting and three extraordinary general meetings, at which thirty eight resolutions were considered and approved. Directors, Supervisors and management of the Company endeavored to attend the general meetings.

At the general meetings, each resolution such as the appointment of directors would be dealt with and resolved separately. Details about the procedures for voting by poll at the general meeting and the right of the shareholders to require a voting by poll are set out in the circular despatched to the shareholders. The circular will also contain details of the proposed resolutions. Results of voting by poll are published on the websites of the Company and the Stock Exchange respectively.

The Company has assigned specific employees to assume the role of contacting and communicating with investors. During the reporting period, due to the change of information disclosure methods required by the Stock Exchange, the Company had put more efforts in the maintenance of its websites to ensure that information is disclosed accurately and in a timely manner. The Company not only renews and modifies its Chinese and English websites continuously, but also regularly publishes and updates business news and information contained in its website to help investors understand the up-to-date situation of the Company clearly and timely. Details on the businesses of the Group and announcements such as interim results and annual results could also be downloaded from the Company' s websites.

The Company also emphasized the mutual communication with its investors. During 2009, the Company communicated effectively with its investors through receiving investors during their visits or holding telephone conferences and effectively exchanged opinions with them.