

# Governance Report

## CORPORATE GOVERNANCE PRACTICES

To govern the daily functioning of the Board of Directors of the Company, the Company has adopted its own Guidelines on Corporate Governance that closely followed the principles of good governance in Appendix 14 of the Listing Rules (available at [www.hkex.com.hk](http://www.hkex.com.hk)) (“CG Code”).

During the Period, the Company has complied with all code provisions in the CG Code and adopted the recommended best practices in the CG Code as and when applicable.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Rules on Securities Dealings (“Rules on Securities Dealings”) for the Directors, supervisors, senior management personnel and other employees of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules.

Upon specific inquiries to all the Directors, the Directors have confirmed their respective compliance with the required standards for securities transactions by Directors as set out in the Model Code and the Rules on Securities Dealings during the Period.

## BOARD OF DIRECTORS OF THE COMPANY (THE “BOARD”)

The executive directors of the Company during the Period were:

Mr. ZHAN Xiaozhang (*Chairman*)

Mr. CHEN Jisong (*Chairman, retired*)

Ms. LUO Jianhu (*General Manager*)

Mr. JIANG Wenyao (*retired*)

Mr. ZHANG Jingzhong (*retired*)

Mr. DING Huikang

The non-executive directors of the Company during the Period were:

Ms. ZHANG Luyun (*retired*)

Mr. LI Zongsheng

Mr. WANG Weili

WANG Dongjie

The independent non-executive directors of the Company during the Period were:

Mr. TUNG Chee Chen (*retired*)

Mr. ZHANG Junsheng

Mr. ZHANG Liping (*retired*)

Mr. ZHOU Jun

Mr. PEI Ker-Wei

During the Period, the Board held a total of seven meetings. Individual attendances by the directors (as indicated by the numbers of meetings attended/numbers of relevant meetings held) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. ZHAN Xiaozhang ( <i>Chairman</i> )	6/6		1/1
Mr. CHEN Jisong ( <i>Chairman, retired</i> )	3/3		1/1
Ms. LUO Jianhu ( <i>General Manager</i> )	3/3		
Mr. JIANG Wenyao ( <i>retired</i> )	3/3		1/1
Mr. ZHANG Jingzhong ( <i>retired</i> )	3/3		1/1
Mr. DING Huikang	5/6	1/6	1/1
Ms. ZHANG Luyun ( <i>retired</i> )	2/3		1/1
Mr. LI Zongsheng	3/3		
Mr. WANG Weili	2/3	1/3	
Mr. WANG Dongjie	3/3		
Mr. TUNG Chee Chen ( <i>retired</i> )	1/3	2/3	1/1
Mr. ZHANG Junsheng	4/6	1/6	1/1
Mr. ZHANG Liping	2/3	1/3	1/1
Mr. ZHOU Jun	3/3		
Mr. PEI Ker-Wei	3/3		

During the Period, the Company held two general meetings of the shareholders. The meetings were chaired by Chairman, and all executive directors were present at the meetings.

The Board is charged with duties as well as given powers that are expressly specified in the articles of association of the Company, the scope of which includes, amongst others: to determine the business plans and investment proposals of the Company; to prepare the financial budget and final accounts of the Company; to determine the dividend policy of the Company; to appoint or dismiss senior managerial officers of the Company as well as to determine their remuneration; and to draw up proposals for any material acquisition or sale by the Company.

To assist the Board to effectively discharge its duties, the Board has set up the Audit Committee, the Nomination and Remuneration Committee, and the Strategic Committee; the Nomination and Remuneration Committee was later separated into the Nomination Committee and the Remuneration Committee.

While the Board fully retains its power to decide on matters within its scope of duties and powers, relevant preparation and drawing up of plans or proposals were usually delegated to the management.

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of independent non-executive directors, with three independent non-executive directors appointed, at least one of whom possessing the appropriate professional qualification or accounting or related financial management expertise.

Pursuant to Rule 3.13 of the Listing Rules, the Company had specifically inquired with all three independent non-executive directors and received their respective confirmation of independence during the Period. The three independent non-executive directors have all confirmed their compliance with requirements regarding independence under Rule 3.13 of the Listing Rules. The Company still considers the independent non-executive directors to be independent.

There were no financial, business, family or other material or relevant relationships between members of the Board, including that between the Chairman and the General Manager of the Company.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Under code provision A.6.5 of the CG Code, directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills. Each newly appointed director receives induction on the first occasion of his or her appointment, so as to ensure that he or she has appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and industry environments where appropriate in the management's monthly reports to the Board as well as briefings and materials circulated to the Board before board meetings.

In addition, during the Period, the Company has arranged for all its executive and non-executive directors to undergo continuous trainings designed to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. However, as the management considers that the independent non-executive directors of the Company are very experienced, knowledgeable and resourceful, the Company did not arrange any professional briefings or training programmes for its independent non-executive directors and has decided to leave it to the independent non-executive directors to undergo appropriate training as they see fit.

## CHAIRMAN AND GENERAL MANAGER

During the Period, Mr. ZHAN Xiaozhang succeeded Mr. CHEN Jisong as Chairman, and Ms. LUO Jianhu succeeded Mr. ZHAN Xiaozhang as General Manager of the Company, respectively. The roles of Chairman and General Manager are fully segregated as expressly set out in the articles of association of the Company.

## NON-EXECUTIVE DIRECTORS

Terms for the non-executive directors of current session of the Board started on June 11, 2012, and will expire on June 30, 2015.

## SPECIAL COMMITTEES UNDER THE BOARD

The Board has set up the Audit Committee, the Nomination and Remuneration Committee, and the Strategic Committee; the Nomination and Remuneration Committee was later separated into the Nomination Committee and the Remuneration Committee. Roles and responsibilities for each committee are specified in its terms of reference, details of which can be found under the “Corporate Governance” section in the Company’s web site.

The Audit Committee comprised of the three independent non-executive directors and two non-executive directors, namely Mr. ZHANG Junsheng, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Mr. WANG Weili and Mr. WANG Dongjie, of whom Mr. ZHOU Jun serves as the Chairman of the Audit Committee.

The Nomination Committee comprised of three independent non-executive directors, one executive director and one non-executive director, namely Mr. ZHANG Junsheng, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Mr. ZHAN Xiaozhang and Mr. LI Zongsheng, of whom Mr. ZHAN Xiaozhang serves as Chairman of the Nomination Committee.

The Remuneration Committee comprised of three independent non-executive directors and two non-executive directors, namely, Mr. ZHANG Junsheng, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Mr. LI Zongsheng and Mr. WANG Weili, of whom Mr. ZHANG Junsheng serves as Chairman of the Remuneration Committee.

The Strategic Committee comprised of three executive directors, namely Mr. ZHAN Xiaozhang, Ms. LUO Jianhu and Mr. DING Huikang as well as Mr. ZHANG Jingzhong, Mr. WU Junyi and several outside experts and advisors, of whom Mr. ZHAN Xiaozhang serves as chairman of the Strategic Committee.

During the Period, the Audit Committee held a total of four meetings. Individual attendances by the members of the Audit Committee (as indicated by the numbers of meetings attended/numbers of meetings held) are as follows:

	Attendance in person	Attendance by proxy
Mr. TUNG Chee Chen ( <i>retired</i> )	1/2	1/2
Mr. ZHANG Junsheng	2/4	1/4
Mr. ZHANG Liping ( <i>retired</i> )	2/2	
Ms. ZHANG Luyun ( <i>retired</i> )	1/2	
Mr. ZHOU Jun	2/2	
Mr. PEI Ker-Wei	2/2	
Mr. WANG Weili	1/2	1/2
Mr. WANG Dongjie	2/2	

In the meetings held during the Period, the Audit Committee conducted, amongst others, review of financial statements for the quarterly, interim and annual results, the effectiveness of the system of internal control and the reporting thereof to the Board, as well as recommendation on the re-appointment of external auditors.

Pursuant to Terms of Reference for the Remuneration Committee, one of the responsibilities of the Remuneration Committee is to offer the Board recommendations on remunerations of executive directors and senior management. Before the separation of Nomination and Remuneration Committee into two independent committees of Nomination Committee and Remuneration Committee, the Nomination and Remuneration Committee held a meeting during the Period, during which it reviewed the candidates for directors and supervisors and their recommended remuneration in relation to change in sessions of the Board and the Supervisory Committee of the Company. Each and every member of the Nomination and Remuneration Committee attended the meeting. Proposed candidates for directors and supervisors for the new session as well as their recommended remuneration that was reviewed by the Nomination and Remuneration Committee were later reviewed and approved by the full Board and the general meeting of shareholders.

During the Period, the Strategic Committee held three meetings, mainly discussed the Company's strategic development and transformation, as well as strategic positioning and development plan for the next three years as proposed by relevant department. Each and every member of the Strategic Committee attended the meetings.

The Board is responsible for developing and reviewing the Company's corporate governance policies and practices, monitoring the Company's compliance with the Code and its disclosure within this report; the Board reviews and monitors the training and continuous professional development of Directors and senior management through the works of human resources department, and review and monitor the Company's policies and practices on compliance with legal and regulatory requirements through the works of legal and internal audit department.

During the Period, the Directors have all confirmed their responsibility for preparing the accounts, and that there were no events or conditions which would have a material impact on the Company's ability to continue to operate as a going concern basis.