

CORPORATE GOVERNANCE REPORT





Corporate Governance Report (continued)

The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC (“Company Law”), the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchanges of Hong Kong Limited (“the Stock Exchange”), the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“CG Code”) and other relevant laws and regulations and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company and to maximise shareholders’ returns.

Corporate Governance Code

As at the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provisions of the CG Code as mentioned below:

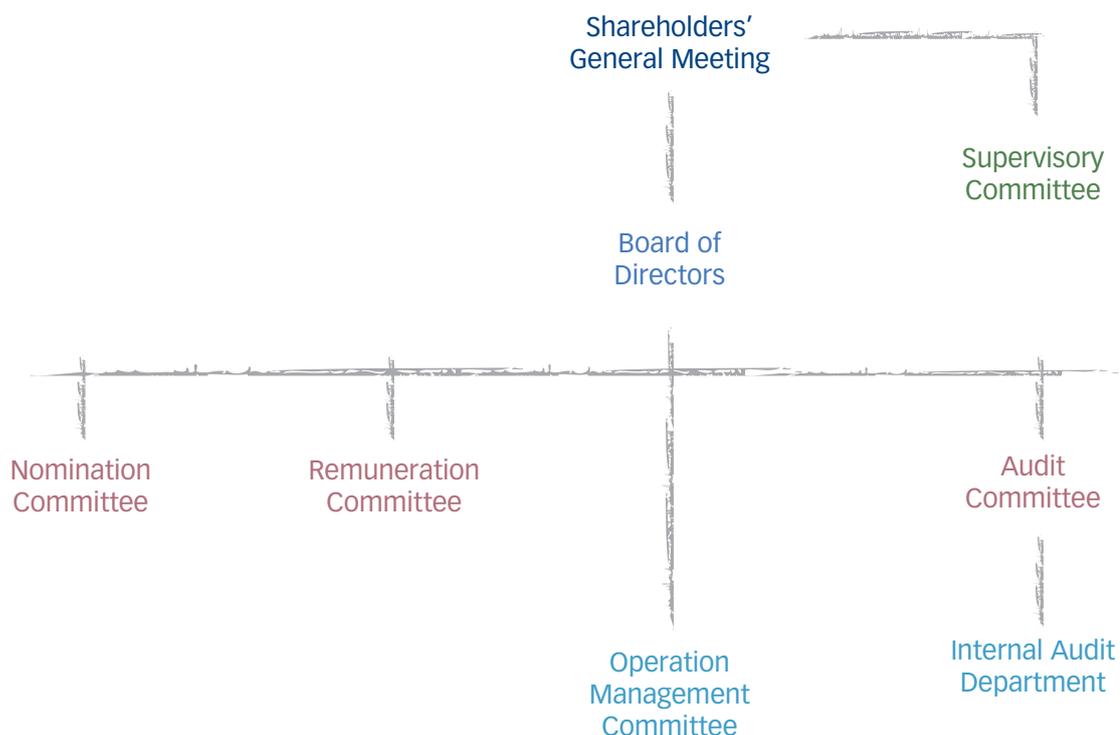
Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Pang Baogen has been performing both the roles of chairman and chief executive officer. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has

installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group’s policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board.

Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, the board of directors of a listed issuer must include at least three independent non-executive directors and the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors. On 2 July 2014, Ms. Jin Juxian resigned as an independent non-executive Director. Since then, the Board only has two independent non executive Directors, and the number of independent non-executive Directors deviated from the requirement under the Listing Rules since on 2 July 2014. On 25 August 2014, the Board appointed two new independent non-executive Directors and since then, the Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors and the Board’s composition has satisfied the requirement under the Listing Rules since 25 August 2014. Please refer to the announcement of the Company dated 25 August 2014 for further details.

The Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Corporate Governance Structure



Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2014.

Board of Directors Duties of the Board

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment and improving and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board consists of nine Directors, including five executive Directors, namely, Mr. Pang Baogen (the chairman of the Board), Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, namely, Mr. Fung Ching, Simon; and three independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Ms. Liang Jing. Each of Mr. Fung Ching, Simon and Mr. Chan Yin Ming, Dennis has professional accounting qualifications and possesses a breath of experience in accounting and financial management, Mr. Li Wangrong has rich experience in law and Ms. Liang Jing has rich experience in project management and audit. The diverse composition of the Board brings the Board different views, and also reflects a balance between effectiveness and independence.

Corporate Governance Report (continued)

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company’s expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Having made specific enquiries with each Director, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2014.

All members of the Board had entered into their service contracts of not more than three years with the Company respectively. According to the Articles of Association of the Company, all Directors are eligible for re-election when their terms of office expired at the annual general meeting of the Company.

Since its listing, the Company maintained liability insurance for its Directors, Supervisors and senior management each year.

Board Meeting

The Board held a total of four all-members meetings during the year, discussed and approved the 2013 annual report, 2014 interim report and the work report of internal audit department; appointed PricewaterhouseCoopers as the independent auditor. The attendance of each of the Directors is set out in

Brief biographical details of the Directors are set out on pages 46 to 47 of the annual report.

Board Diversity

The Company adopted the Board Diversity Policy with periodical objectives. The nomination committee of the Company evaluates the balance and blend of skills, experience and diversity of the Board. Selection of candidates will be based on a range of diversified perspectives, including but not limited to age, gender, cultural and educational background, professional and industry experience, skills, knowledge and other qualities essential to the Company’s business and merit and contribution that the selected candidates will bring to the Board. The Company sees that increasing diversity at the Board level would enhance the Board’s effectiveness and corporate governance.

The remunerations of each of the Directors of the Company are disclosed on an individual basis, details of which are set out in note 34 to the consolidated financial statements.

The band of remunerations of senior management personal and related number of members of senior management are as follows:

	2014	2013
	Number of individuals	Number of individuals
Below RMB650,000	5	5

the table below. The relevant senior management and members of the Supervisory committee of the Group had all attended the board meetings held during the year. Notices of Board meetings are given to the directors within reasonable time. All of the Directors are offered opportunities to suggest any issue for discussion included in meeting agenda. All the minutes of board meetings are filed and accessible to all Directors at any time.

Attendance of Board Meeting in 2014

Name	Attendance/Number of Board meetings
<i>Executive Directors</i>	
Mr. Pang Baogen	4/4
Mr. Gao Lin	4/4
Mr. Gao Jiming	4/4
Mr. Gao Jun	4/4
Mr. Jin Jixiang	4/4
<i>Non-executive Director</i>	
Mr. Fung Ching, Simon	4/4
<i>Independent Non-executive Directors</i>	
Mr. Chan Yin Ming, Dennis	4/4
Mr. Wang Youqing (Mr. Wang resigned as an independent non-executive Director on 25 August 2014)	3/4
Mr. Zhao Rulong (Mr. Zhao was retired as an independent non-executive Director on 14 June 2014)	1/4
Mr. Li Wangrong (Mr. Li was appointed as an independent non-executive Director on 25 August 2014)	2/4
Ms. Liang Jing (Ms. Liang was appointed as an independent non-executive Director on 25 August 2014)	2/4

Independent Non-executive Directors

Mr. Zhao Rulong was retired as an independent non-executive Director; Ms. Jin Juxian was appointed as an independent non-executive Director on 14 June 2014 and resigned as an independent non-executive Director on 2 July 2014; then Mr. Li Wangrong and Ms Liang Jing were appointed as independent non-executive Directors on 25 August 2014 respectively, the Company's number of independent non-executive Directors has complies with the Rule of 3.10(1) of the Listing Rules. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

Corporate Governance Report (continued)

Directors' Training and Development

Pursuant to the Appendix 14 to the Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The directors' training is a continuous project. The Company invited different professional teams regularly to provide trainings for the Directors about relevant regulations and rules, marketing environment and/or the newest changes of the industry development. During the year ended 31 December 2014, the Company has invited the legal advisers as to Hong Kong law to make the training about the responsibilities and obligations of the company directors for the companies which are listed on the main board of Hong Kong Stock Exchange, the connected transactions memos and a Guide on Directors' Duties. Besides, some Directors also have lessons about Directors' roles, functions and duties, as well as strengthen their professional development by reading some related information or attending professional training sessions on their own. The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code.

Board Committees

The Board has established three board committees, namely, Audit Committee, Nomination Committee and Remuneration Committee to strengthen its functions and corporate governance rules. The Audit Committee, Nomination Committee and Remuneration Committee perform their specific duties in accordance with their respective written terms of reference.

Audit Committee

The audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Li Wangrong, and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee.

The terms of reference of the Company's audit committee are formulated in accordance with the Appendix 14 to the Listing Rules and the recommendations in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal audit scheme formulated by the internal audit department of the Company and review the reports submitted by the internal audit department. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors as well as assessing the auditors' performance and whether their audit fees are reasonable, and providing relevant recommendations to the Board. The audit committee has established a whistle blowing policy and system. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange. The audit committee of the Company held three meetings during the year of 2014.

The major tasks accomplished during the year include:

- reviewing the annual and interim results announcement, reports and financial statements of the Group;
- reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practice issues;
- monitoring the work of the internal audit department of the Group and reviewing the reports submitted by it;
- advising on the material transactions of the Group and providing recommendations on related risks to management;
- reviewing the remuneration and terms of engagement of the external auditor, and recommending the Board on the appointment of the external auditor; and
- reviewing the audit fees of auditors and recommending the fees for approval by the Board.

Attendance of Audit Committee Meeting in 2014

Name	Attendance/Number of Audit Committee meetings
Mr. Chan Yin Ming, Dennis	3/3
Mr. Wang Youqing (Mr. Wang resigned as a member of the audit committee on 25 August 2014)	3/3
Mr. Li Wangrong (Mr. Li was appointed as a member of the audit committee on 25 August 2014)	0/3*
Mr. Fung Ching, Simon	3/3

* During the year of 2014, the audit committee meetings were held on 25 March 2014, 21 July 2014 and 25 August 2014, while Mr. Li Wangrong was appointed as a member of audit committee on 25 August 2014, so he didn't attend the meetings.

Remuneration Committee

The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Ms. Liang Jing, and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan Yin Ming, Dennis as the chairman of the remuneration committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approval the management's remuneration recommendation according to the Board's policy and target. To take the market forces and comparable industries into

consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company. The terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange. The remuneration committee of the Company held one meeting during the year of 2014.

The major tasks accomplished during the year include:

- review the remuneration policy, the terms of service contracts; and
- assessing the performance of all executive directors, supervisors and senior managers.

Attendance of Remuneration Committee Meeting in 2014

Name	Attendance/Number of Remuneration Committee meeting
Mr. Chan Yin Ming, Dennis	1/1
Mr. Zhao Rulong (Mr. Zhao resigned as a member of the remuneration committee on 14 June 2014)	1/1
Ms. Liang Jing (Ms. Liang was appointed as a member of the remuneration committee on 25 August 2014)	0/1*
Mr. Pang Baogen	1/1

* During the year of 2014, the remuneration committee was held on 28 March 2014, while Ms. Liang was appointed as a member of the remuneration committee on 25 August 2014, hence she did not attend the meeting.

Corporate Governance Report (continued)

Nomination Committee

The nomination committee comprises two independent non-executive Directors, namely, Mr. Li Wangrong and Ms. Liang Jing, and one executive Director, namely, Mr. Gao Jiming, with Mr. Li Wangrong as the chairman of the nomination committee.

The main duties of the Nomination Committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive directors and providing recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange. The nomination committee held two meetings in 2014.

The major tasks accomplished during the year include:

- reviewing the structure, number of members and composition of the Board and the Supervisory Committee, and providing the Board with recommendations on any intended change;
- identifying appropriate candidates for the position of directors and supervisors, and nominating such persons to be directors and supervisors;
- assessing the independence of the independent non-executive directors; and
- providing recommendation on the plan of the appointment or re-appointment and succession of directors and supervisors to the Board.

Attendance of Nomination Committee Meeting in 2014

Name	Attendance/Number of Nomination Committee meetings
Mr. Wang Youqing (Mr. Wang resigned as a member of the nomination committee on 25 August 2014)	2/2
Mr. Zhao Rulong (Mr. Zhao resigned as a member of the nomination committee on 14 June 2014)	1/2
Mr. Li Wangrong (Mr. Li was appointed as a member of the nomination committee on 25 August 2014)	0/2*
Ms. Liang Jing (Ms. Liang was appointed as a member of the nomination committee on 25 August 2014)	0/2*
Mr. Gao Jiming	2/2

* During the year of 2014, the nomination committee meetings were held on 28 March 2014 and 25 August 2014, while Mr. Li Wangrong and Ms. Liang Jing were appointed as members of nomination committee of the Company on 25 August 2014, hence they did not attend the meetings.

The Board adopted a “Procedure and Criteria for Nomination of Directors”, the details of which are set out below:

Procedure for Nomination of Directors

- When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director);
 - Prepare a description of the role and capabilities required for the particular vacancy;
 - Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors;
 - Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview;
 - Conduct verification on information provided by the candidate; and
 - Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.
- Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company;
 - Significant business or public experience relevant and beneficial to the Board and the Company;
 - Breadth of knowledge about issues affecting the Company;
 - Ability to objectively analyse complex business problems and exercise sound business judgment;
 - Ability and willingness to contribute special competencies to Board activities; and
 - Fit with the Company’s culture.

Criteria Applicable to Independent Non-executive Directors

- Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings;
- Accomplishments of the candidate in his/her field;
- Outstanding professional and personal reputation; and
- The candidate’s ability to meet the independence criteria for directors established in the Listing Rules.

Criteria for Nomination of Directors

Common Criteria for All Directors

- Character and integrity;
- The willingness to assume broad fiduciary responsibility;
- Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;

Corporate Governance Report (continued)

Directors Responsibility on the Financial Statements

The Directors of the Company acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the external auditors on the financial statements are set out in the Independent Auditor's Report on pages 59 to 60 of the annual report.

Corporate Governance Functions

The Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

Company Secretary

Ms. Ngan Lin Chun, Esther resigned as the company secretary of the Company on 31 December 2014 and Mr. Chow Chan Lum was appointed as the company secretary. Mr. Chow has been a member of the Institute of Chartered Accountants of Scotland and is also a member of the Hong Kong Institute of Certified Public Accountants, which fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an external employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. During the period, the Company learns the company secretary has attained not less than 15 hours of relevant professional training.

Shareholders' General Meeting

The shareholders' general meeting of the Company not only makes important and key decisions, but also serves as a direct communication platform for its Directors, management and shareholders. In this respect, notice of shareholders' general meeting stating the particulars of the matters to be discussed, procedures of voting by poll, shareholders' voting rights, will be circulated to shareholders 20 clear business days before the date of shareholders' general meeting according to the Listing Rules. During the period under review, the Group hold one annual general meeting, one domestic shareholders' meeting and one H shareholders' meeting, the details as follows:

Attendance of Shareholders' General Meeting and Class Meetings in 2014

Name	Attendance/Number of shareholders' general meeting and class meetings
<i>Executive Directors</i>	
Mr. Pang Baogen	3/3
Mr. Gao Lin	3/3
Mr. Gao Jiming	3/3
Mr. Gao Jun	3/3
Mr. Jin Jixiang	3/3
<i>Non-executive Director</i>	
Mr. Fung Ching, Simon	3/3
<i>Independent Non-executive Directors</i>	
Mr. Chan Yin Ming, Dennis	3/3
Mr. Wang Youqing (Mr. Wang resigned as an independent non-executive Director on 25 August 2014)	3/3
Mr. Zhao Rulong (Mr. Zhao was retired as an independent non-executive Director on 14 June 2014)	3/3
Mr. Li Wangrong (Mr. Li was appointed as an independent non-executive Director on 25 August 2014)	0/3*
Ms. Liang Jing (Ms. Liang was appointed as an independent non-executive Director on 25 August 2014)	0/3*

* During the year of 2014, the AGM and class meetings were held on 14 June 2014, while Mr. Li Wangrong and Ms. Liang Jing were appointed as independent non-executive directors on 25 August 2014 respectively, hence neither of them attended the AGM and class meetings.

Shareholders' Rights

In accordance with Article 87 of Article of Association, a shareholder holding individually or shareholders holding collectively in aggregate 10% (including 10%) or more of the shares carrying the voting right at the meeting sought to be held shall have the right to require the board to convene an extraordinary general meeting or a class meeting. The board shall as soon as possible proceed to convene the extraordinary general meeting or a class meeting after receiving the requisition. If the board does not serve the notice of the convening a meeting after 30 days of receiving the written requests aforesaid, such shareholders may convene such a meeting in a manner as similar as possible as that in which shareholders' meeting are to be convened by the board within four months from the date of receipt of

the requisition by the board. Any reasonable expenses incurred by the requisitioners by reason of the failure of the board to duly convene a meeting shall be repaid to the shareholders by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

Subject to applicable laws and regulations, including the Company Law of the People's Republic of China, the Listing Rules and the Articles of Association of the Company as amended from time to time, the Company may in general meeting by ordinary resolution elect any person to be a director of the Company either to fill a casual vacancy or as an additional director.

Corporate Governance Report (continued)

A shareholder of the Company can deposit a written notice at the correspondence address in Hong Kong of the Company for the attention of the company secretary for proposing a person for election as director. The written notice must state the full name of the person proposed for election as director and include such person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and the written notice signed by the candidate proposed to be elected as director indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting for election of directors and ending no later than seven days prior to the date of such meeting.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company secretary of the Company, may also make enquiries with the Board at the general meetings of the Company.

The correspondence address of the Company in Hong Kong is as follows:

Room 1902, Mass Mutual Tower
38 Gloucester Road, Wanchai, Hong Kong

The headquarter address of the Company is as follows:

No.501 Shanyin West Road, Keqiao District
Shaoxing City, Zhejiang Province
The PRC

Controls Mechanism Supervisory Committee

The Supervisory Committee is the standing supervisory organisation of the Company, which is responsible for supervising the functions of the Board and its members and the senior management such as the general manager and deputy general managers. The Supervisory Committee comprises five supervisors, who will serve for a term of three years and are eligible for re-election. The number of members and composition of the Supervisory Committee of the Company comply with the requirements of the relevant laws and regulations.

Mr. Qian Yongjiang and Mr. Yuan Ajin retired as the Supervisors, Mr. Wang Jianguo and Mr. Xugang were appointed as the Supervisors at the annual general meeting held on 14 June 2014. Besides, Mr. Li Yongsheng resigned as an independent supervisor on 25 August 2014 and Mr. Xiao Jianmu was appointed as an independent supervisor on 25 August 2014. As at the date of this report, the Supervisory Committee comprises Mr. Kong Xiangquan (chairman of the Supervisory Committee), Mr. Wang Jianguo and Mr. Xugang, and independent Supervisors, Mr. Zhang Xindao and Mr. Xiao Jianmu. The Supervisory Committee is accountable to the shareholders meeting and exercises the following authority in accordance with the applicable laws.

- examining the financial statements of the Company;
- supervising the directors, general manager, deputy general managers and other senior management in the performance of their duties to prevent them from breaching the laws, administrative regulations or the Company's articles of association;
- requiring the directors, general manager, deputy general managers and other senior management to rectify behaviors which will prejudice the interests of the Company;
- verifying the financial information, such as financial reports and profit appropriation proposals, which intended to be submitted to the shareholders' general meeting by the Board and appointing certified public accountants and auditors in the name of the Company to assist in re-auditing whenever the committee is in doubt with these information;
- proposing to convene extraordinary general meeting; and
- negotiating with or initiating litigations against directors on behalf of the Company.