



CORPORATE GOVERNANCE PRACTICES

The Company has a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2007, the Company has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “Code”) and complied with all the applicable code provisions of the Code, except for the deviation from the Code Provision A.4.1 as one of the independent non-executive directors was not appointed for a specific term, the reason being that such director is subject to retirement by rotation at each annual general meeting under the By-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure the Company has good corporate governance practices.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2007, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

Composition

Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Cai Yuan,

Chairman

Luk Kin Peter Joseph,

Deputy Chairman and

Chief Executive Officer

(resigned on 6 July 2007)

Dong Wenxue,

Vice Chairman and

Chief Executive Officer

(appointed on 5 July 2007 and resigned
on 31 January 2008)

You Xian Sheng,

Deputy Chairman and

Chief Executive Officer

(appointed on 31 January 2008)

Wang Hui

(appointed on 5 July 2007)

Yeung Kwok Kuen,

Chief Financial Officer

(appointed on 17 January 2007)

Chen Shou Wu,

Chief Investment Officer

(appointed on 21 December 2007)



BOARD OF DIRECTORS *(CONTINUED)*

Non-executive Directors:

Wu King Shiu Kelvin	(appointed on 11 June 2007 as an executive director of the Company and re-designated as a non-executive director of the Company on 31 January 2008)
Lam Ming Yung	(appointed on 8 January 2007 as an independent non-executive director of the Company and re-designated as a non-executive director of the Company on 8 February 2007)
Chan Siu Tat	(appointed on 17 November 2006 as an independent non-executive director of the Company and re-designated as a non-executive director of the Company on 5 December 2007)

Independent Non-executive Directors:

Tang Tin Sek	(retired on 16 May 2007)
Lee Kwan Hung	(resigned on 7 February 2007)
Wong Hon Sum	(appointed on 8 January 2007 and resigned on 5 December 2007)
Chan Sze Hon	(appointed on 5 December 2007)
Chu Kang Nam	(appointed on 16 May 2007)
Goh Choo Hwee	(appointed on 5 December 2007)
Lin Xiang Min	(appointed on 31 January 2008)

There is no relationship between members of the Board.

During the year ended 31 December 2007, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

BOARD OF DIRECTORS *(CONTINUED)*

During the year, a total of thirty-two full Board meetings were held and the attendance records are as follows:

Name of Director	Number of Board Meetings Attended	Attendance Rate
Cai Yuan	31/32	97%
Luk Kin Peter Joseph (resigned on 6 July 2007)	20/20	100%
Dong Wenxue (appointed on 5 July 2007)	7/12	58%
Wang Hui (appointed on 5 July 2007)	11/12	92%
Yeung Kwok Kuen (appointed on 17 January 2007)	31/31	100%
Chen Shou Wu (appointed on 21 December 2007)	0/0	N/A
Wu King Shiu Kelvin (appointed on 11 June 2007)	13/18	72%
Lam Ming Yung (appointed on 8 January 2007)	26/32	81%
Chan Siu Tat	25/32	78%
Tang Tin Sek (retired on 16 May 2007)	11/11	100%
Lee Kwan Hung (resigned on 7 February 2007)	1/2	50%
Wong Hon Sum (appointed on 8 January 2007 and resigned on 5 December 2007)	27/31	87%
Chan Sze Hon (appointed on 5 December 2007)	1/1	100%
Chu Kang Nam (appointed on 16 May 2007)	17/20	85%
Goh Choo Hwee (appointed on 5 December 2007)	0/1	0%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Cai Yuan was appointed as the Chairman of the Company on 28 November 2005. Mr. Dong Wenxue was appointed as the Chief Executive Officer of the Company on 11 July 2007 and resigned on 31 January 2008. Dr. You Xian Sheng was appointed as the Chief Executive Officer of the Company on 31 January 2008.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman and the Chief Executive Officer of the Company are independent and not connected with each other except for being officers of the same company.

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company and non-executive directors of the Company were appointed for an initial term of one year, except Dr. Tang Tin Sek, the reason being that such director is subject to retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices. Further, Dr. Tang Tin Sek has retired as an independent non-executive director of the Company on 16 May 2007. Since then, there is no deviation from the Code Provision A4.1. All directors of the Company appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.



REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Chan Sze Hon, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Chu Kang Nam, *Independent Non-executive Director*
Goh Choo Hwee, *Independent Non-executive Director*
Yeung Kwok Kuen, *Executive Director*

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of other executive directors and senior management of the Company;
3. to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors of the Company;
4. to review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;
5. to review and approve the compensation payable to executive directors and senior management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
6. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
7. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and
8. to deal with any other matters delegated by the Board.

REMUNERATION OF DIRECTORS *(CONTINUED)*

The Remuneration Committee met eleven times during the year to review the remuneration policy and remuneration packages of the executive directors and members of the senior management of the Company, share options granted during the year and approve the service contracts of the executive directors of the Company.

Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Remuneration Committee Meetings Attended	Attendance Rate
Lee Kwan Hung (Resigned as Chairman and member of the Remuneration Committee on 7 February 2007)	1/1	100%
Tang Tin Sek (Resigned as member of the Remuneration Committee on 16 May 2007)	2/2	100%
Luk Kin Peter Joseph (Resigned as member of the Remuneration Committee on 17 May 2007)	3/3	100%
Chan Siu Tat (Appointed as the Chairman of the Remuneration Committee on 8 February 2007 and resigned as member and the Chairman of the Remuneration Committee on 5 December 2007)	6/9	67%
Wong Hon Sum (Appointed as member of the Remuneration Committee on 8 January 2007 and resigned as member of the Remuneration Committee on 5 December 2007)	8/9	89%
Lam Ming Yung (Appointed as member of the Remuneration Committee on 8 January 2007 and resigned as member of the Remuneration Committee on 8 February 2007)	1/1	100%
Chan Sze Hon (Appointed as member and the Chairman of the Remuneration Committee on 5 December 2007)	2/2	100%
Chu Kang Nam (Appointed as member of the Remuneration Committee on 16 May 2007)	7/8	88%
Goh Choo Hwee (Appointed as member of the Remuneration Committee on 5 December 2007)	1/2	50%
Yeung Kwok Kuen (Appointed as member of the Remuneration Committee on 17 May 2007)	8/8	100%

CORPORATE GOVERNANCE REPORT



NOMINATION OF DIRECTORS

Directors were nominated by members of the Board during the year to fill casual vacancies or as an addition to the existing Board. The nominations were submitted to the Board for decision with reference to criteria which include the candidates' experience, qualifications, professional knowledge, personal ethics and integrity. During the year, seven Board meetings were held for approving the nomination and appointment of directors of the Company. Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next annual general meeting of the Company after his appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

No director of the Company is involved in fixing his own terms of appointment and nominations and no independent non-executive director of the Company is involved in assessing his own independence.

Individual attendance of each member of the Board of Board meetings in relation to the nomination and appointment of directors of the Company is set out below:

Name of Directors	Number of Board Meetings Attended	Attendance Rate
Cai Yuan	6/7	86%
Luk Kin Peter Joseph	5/5	100%
Dong Wenxue	2/2	100%
Wang Hui	2/2	100%
Yeung Kwok Kuen	6/6	100%
Wu King Shiu Kelvin	2/4	50%
Lam Ming Yung	6/7	86%
Chan Siu Tat	5/7	71%
Tang Tin Sek	1/1	100%
Lee Kwan Hung	1/1	100%
Wong Hon Sum	5/6	83%
Chan Sze Hon	1/1	100%
Chu Kang Nam	4/5	80%
Goh Choo Hwee	0/1	0%

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the Group engaged KPMG, auditors of the Company, to perform audit service and non-audit services. The fees were as follows:

Nature of services	Amount HK\$'000
Audit services in relation to annual result	3,600
Audit services in relation to continuing connected transaction	30
Audit services in relation to a very substantial acquisition	4,560
Review of interim results	370
Non-audit services	856
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	9,416
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AUDIT COMMITTEE

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Chan Sze Hon, *Independent Non-executive Director of the Company, Chairman of the Audit Committee*

(Appointed as member and Chairman of the Audit Committee on 5 December 2007)

Chu Kang Nam, *Independent Non-executive Director of the Company*

(Appointed as member of the Audit Committee on 16 May 2007)

Goh Choo Hwee, *Independent Non-executive Director of the Company*

(Appointed as member of the Audit Committee on 5 December 2007)

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

1. to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
2. to discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firms are involved;
3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;
4. to review the interim and annual financial statements of the Company before submission to the Board;
5. to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management of the Company where necessary);
6. to review the external auditors management letter and management's response;
7. to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
8. (Where an internal audit function exists) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and appropriately standing within the Company;
9. to consider major findings of internal investigations and management's response; and
10. to consider other topics, as defined by the Board.

CORPORATE GOVERNANCE REPORT



AUDIT COMMITTEE *(CONTINUED)*

The Audit Committee reviewed the external auditor's plan for the audit of the Group's accounts, the internal control procedures and the financial reporting systems of the Group during the year. The Audit Committee also made recommendations with respect to the appointment and reappointment of the auditors of the Company. The Audit Committee met four times during the year to review, discuss the Group's annual and interim financial statements and appointment of the auditors of the Company before the same were presented to the Board for approval. Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Audit Committee Meetings Attended	Attendance Rate
Tang Tin Sek (Resigned as member and the Chairman of the Audit Committee on 16 May 2007)	2/2	100%
Lee Kwan Hung (Resigned as member of the Audit Committee on 11 January 2007)	0/0	N/A
Chan Siu Tat (Appointed as the Chairman of the Audit Committee on 17 May 2007 and resigned as member and the Chairman of the Audit Committee on 5 December 2007)	3/4	75%
Wong Hon Sum (Appointed as member of the Audit Committee on 8 January 2007 and resigned as member of the Audit Committee on 5 December 2007)	4/4	100%
Lam Ming Yung (Appointed as member of the Audit Committee on 8 January 2007 and resigned as member of the Audit Committee on 8 February 2007)	0/0	N/A
Chan Sze Hon (Appointed as member and the Chairman of the Audit Committee on 5 December 2007)	0/0	N/A
Chu Kang Nam (Appointed as member of the Audit Committee on 16 May 2007)	2/2	100%
Goh Choo Hwee (Appointed as member of the Audit Committee on 5 December 2007)	0/0	N/A

The financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board should maintain a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The directors of the Company have reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2007, which covered financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements.

On behalf of the Board

China Mining Resources Group Limited

Cai Yuan

Chairman

Hong Kong, 11 April 2008