

## 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 2008, 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.

## 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 2008, 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*

Dong Wenxue,

*Vice Chairman and*

*Chief Executive Officer*

(resigned on 31 January 2008)

You Xian Sheng,

*Deputy Chairman and*

*Chief Executive Officer*

(appointed on 31 January 2008)

Wang Hui

Yeung Kwok Kuen,

*Chief Financial Officer*

Chen Shou Wu,

*Chief Investment Officer*

#### **Non-executive Directors:**

Wu King Shiu Kelvin

(re-designated as a non-executive director of the Company on 31 January 2008 and retired on 23 May 2008)

Lam Ming Yung

Chan Siu Tat

(retired on 23 May 2008)

#### **Independent Non-executive Directors:**

Chan Sze Hon

Chu Kang Nam

Goh Choo Hwee

Lin Xiang Min

(appointed on 31 January 2008)

## BOARD OF DIRECTORS *(CONTINUED)*

There is no relationship between members of the Board.

During the year ended 31 December 2008, 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.

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

Name of Director	Number of Board Meetings Attended	Attendance Rate
Cai Yuan	15/15	100%
Dong Wenxue (resigned on 31 January 2008)	0/1	0%
You Xian Sheng (appointed on 31 January 2008)	14/14	100%
Wang Hui	14/15	93%
Yeung Kwok Kuen	14/15	93%
Chen Shou Wu	14/15	93%
Wu King Shiu Kelvin (retired on 23 May 2008)	5/5	100%
Lam Ming Yung	14/15	93%
Chan Siu Tat (retired on 23 May 2008)	5/5	100%
Chan Sze Hon	15/15	100%
Chu Kang Nam	15/15	100%
Goh Choo Hwee	10/15	67%
Lin Xiang Min (appointed on 31 January 2008)	12/14	86%

## 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. 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 six 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
Chan Sze Hon	6/6	100%
Chu Kang Nam	6/6	100%
Goh Choo Hwee	5/6	83%
Yeung Kwok Kuen	6/6	100%

## 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, three 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	3/3	100%
Dong Wenxue	0/1	0%
You Xian Sheng	2/2	100%
Wang Hui	2/3	67%
Yeung Kwok Kuen	3/3	100%
Chen Shou Wu	3/3	100%
Wu King Shiu Kelvin	2/2	100%
Lam Ming Yung	3/3	100%
Chan Siu Tat	2/2	100%
Chan Sze Hon	3/3	100%
Chu Kang Nam	3/3	100%
Goh Choo Hwee	2/3	67%
Lin Xiang Min	2/2	100%

## AUDITORS' REMUNERATION

For the year ended 31 December 2008, the Group engaged Deloitte Touche Tohmatsu ("DTT"), auditors of the Company and KPMG, ex-auditors of the Company, to perform audit service and non-audit services. The fees were as follows:

Nature of services	Name of auditors	Amount HK\$'000
Audit services in relation to annual result	DTT	1,970
Audit services in relation to continuing connected transaction	DTT	30
Review of interim results	KPMG	1,378
		3,378

## 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*

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

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

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 make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is 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 Company's financial control, internal control and risk management systems;
7. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

## AUDIT COMMITTEE (CONTINUED)

8. to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
9. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
10. to review the group's financial and accounting policies and practices;
11. to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
13. to report to the Board on the matters set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited "Code on Corporate Governance Practices";
14. to consider major findings of internal investigations and management's response; and
15. to consider other topics, as defined by the Board.

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 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
Chan Sze Hon	4/4	100%
Chu Kang Nam	4/4	100%
Goh Choo Hwee	4/4	100%

The financial statements for the year ended 31 December 2008 have been reviewed by the Audit Committee.

## 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 2008, 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, 20 April 2009