

CORPORATE GOVERNANCE REPORT

OVERVIEW

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (the “Code”) during the period from 1 January 2013 to 31 December 2013 as set out in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that for the year ended 31 December 2013, they have complied with the required standards set out in the Model Code and the code of conduct regarding directors’ securities transactions.

BOARD OF DIRECTORS

Composition of the Board of Directors

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Board members of the Company currently are:

Executive Directors

Mr. Zhang Bizhuang (*Chairman and Chief Executive Officer*)

Mr. Jiang Yong (*Vice President*)

Mr. Liu Yaohua (*Vice President*)

Ms. Han Aizhi (*Vice President*)

Mr. Song Xichen (*Vice President*)

Non-executive Director

Mr. Yan Tangfeng

Independent non-executive Directors

Mr. Guo Changyu
Mr. Wang Xueyou
Mr. Chen Junzhu (appointed on 30 May 2013)
Mr. Leung Ming Shu (resigned on 9 April 2013)

The biographical details of all Directors are set out in pages 22 to 25 of this annual report. Save as those disclosed in this annual report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Board brings a variety of experience and expertise to the Company.

Functions of the Board

The principal function of the Board is to consider and approve strategies, financial objectives, annual budget and investment proposals of the Group, and assume the responsibilities of corporate governance of the Group. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

Board meetings and Board Practices

During the year ended 31 December 2013, the Board held 18 meetings, four of which were regular meetings.

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's Articles of Association. The company secretary of the Company (the "Company Secretary") assists the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. Generally, at least 14 days notice would be given for the regular meeting by the Company. The Directors will receive details of agenda items for decision at least 3 days before each Board meeting. The Company Secretary is responsible for distributing detailed documents to the Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meetings so that they may receive accurate, timely and clear information. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient details, including the matters considered by the board and decisions reached.

Throughout the year, 18 Board meetings were held. Details of the attendance of each Director are as follows:

Name of the Director	Attendance
Executive Directors	
Mr. Zhang Bizhuang (<i>Chairman and Chief Executive Officer</i>)	17/18
Mr. Jiang Yong (<i>Vice President</i>)	16/18
Mr. Liu Yaohua (<i>Vice President</i>)	16/18
Ms. Han Aizhi (<i>Vice President</i>)	18/18
Mr. Song Xichen (<i>Vice President</i>)	18/18
Non-executive Director	
Mr. Yan Tangfeng	16/18
Independent non-executive Directors	
Mr. Guo Changyu	15/18
Mr. Wang Xueyou	16/18
Mr. Chen Junzhu (appointed on 30 May 2013)	4/6
Mr. Leung Ming Shu (resigned on 9 April 2013)	5/5

Directors' Appointment, Re-election and Removal

Each of the Directors has entered into a service contract or an appointment letter with the Company for a term of three years. The service contract and appointment letter are subject to termination in accordance with the provisions contained therein by one party giving the other not less than 3 months' prior written notice for executive Directors and 1 month prior written notice for non-executive Directors.

In accordance with the Company's Articles of Association, one-third of the Directors (including executive directors, non-executive directors and independent non-executive directors) shall retire from office by rotation. Pursuant to A.4.2 of the code provisions in the Code, all Directors are subject to retirement by rotation at least once every three years.

Independent non-executive Directors

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has three independent non-executive Directors, representing one-third of the members of the Board. Out of the three independent non-executive Directors, one of them is required to possess appropriate professional qualification in accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Company has received a written confirmation from each of the independent non-executive Directors in respect of his independence pursuant to Rule 3.13 of the Listing Rules. Based on the relevant confirmation, the Company considers Mr. Guo Changyu, Mr. Wang Xueyou and Mr. Chen Junzhu to be independent from the Company.

Mr. Leung Ming Shu, a former independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee, tendered his resignations on 9 April 2013. The Board noted that following the resignations of Mr. Leung, the number of independent non-executive Directors and the members of the Audit Committee would fall below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. In addition, the position of the chairman of the Audit Committee would be left vacant and the number of independent non-executive Directors of the Remuneration Committee would fall below a majority required under Rule 3.25 of the Listing Rules and Code Provision A.5.1 in Appendix 14 to the Listing Rules.

The Company appointed Mr. Chen Junzhu as an independent non-executive Director on 30 May 2013 and in replacement of Mr. Leung Ming Shu in all of his positions within the Board. From then on, the Company has re-complied with requirements of Rule 3.10(1), Rule 3.21 and Rule 3.25 of the Listing Rules as well as Code Provision A.5.1 in Appendix 14 to the Listing Rules.

Continuous Professional Development

The Directors have been informed of the requirement under code provision A.6.5 of the Code regarding continuous professional development. Arrangement was made by the Company to have the Directors and Management participated in a training session on new price-sensitive information disclosure regime of Hong Kong conducted by the Company's former legal advisor as to Hong Kong law Latham & Watkins LLP. in February 2013. In addition, the existing Directors (other than Chen Junzhu, a director of the Company) had completed a 24-hour training session on 8 core subjects and a 4-hour training session on continuous responsibility organised by the Hong Kong Institute of Directors in May 2013.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the Code, the roles of the Chairman and the chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are performed by Mr. Zhang Bi Zhuang, as the Board considers this arrangement is beneficial to the Company's daily operations, while splitting the two roles will involve a separation of power and authority under the existing structure. The Board will review the existing structure from time to time and make necessary arrangements as and when necessary.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

BOARD COMMITTEES

The Board has established (i) an audit committee, (ii) a remuneration committee; and (iii) a nomination committee, with defined terms of reference which are in line with the code provisions of the Code. For the purpose of complying with the Code adopted by the Company on 10 March 2012, the Board has adopted revised terms of reference for the (i) audit committee, (ii) remuneration committee; and (iii) nomination committee on 10 March 2012. The terms of reference of the Board Committees which explain their respective roles and the authority delegated to them by the Board will be made available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

Composition

The audit committee of the Company (the "Audit Committee") was established on 21 November 2009 in compliance with the Listing Rules. The primary functions of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditors and review and monitor the financial reporting system and internal controls of the Group. All members of the Audit Committee are appointed by the Board. The Audit Committee currently consists of one non-executive Director, namely Mr. Yan Tangfeng and two independent non-executive Directors, namely Mr. Chen Junzhu (appointed on 30 May 2013) and Mr. Wang Xueyou, with Mr. Chen Junzhu as chairman. The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2013.

During the year ended 31 December 2013, the Audit Committee held three meetings. Details of the attendance of each member are as follows:

Name of audit committee members	Attendance
Mr. Chen Junzhu (<i>Chairman</i>) (appointed on 30 May 2013)	2/2
Mr. Yan Tangfeng	3/3
Mr. Wang Xueyou	3/3
Mr. Leung Ming Shu (<i>Former Chairman</i>) (resigned on 9 April 2013)	0/0

During the year ended 31 December 2013, the Audit Committee had performed the following functions: reviewing the half-year and full year results, approving of the audit proposal of the auditors, reviewing the report of the auditors, formulating the plan of internal audit for 2013, reviewing the internal audit report summary for 2012 and the internal audit report for first half of 2013, as well as reviewing the internal control system.

Remuneration Committee

Composition

The remuneration committee of the Company (the "Remuneration Committee") was established on 21 November 2009 in compliance with the Listing Rules. The primary duties of the Remuneration Committee are to make recommendation to the Board on Company's policy and structure for all Directors' and senior management's remuneration, review and approve the management's remuneration proposals, and make recommendations to the Board on the remuneration packages of individual executive directors and senior management. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Wang Xueyou and Mr. Chen Junzhu (appointed on 30 May 2013) and one non-executive Director Mr. Yan Tangfeng. Mr. Wang Xueyou currently serves as the chairman.

During the year ended 31 December 2013, the Remuneration Committee held one meeting. Details of the attendance of each member are as follows:

Name of remuneration committee members	Attendance
Mr. Wang Xueyou (<i>Chairman</i>)	1/1
Mr. Yan Tangfeng	1/1
Mr. Chen Junzhu (appointed on 30 May 2013)	1/1
Mr. Leung Ming Shu (resigned on 9 April 2013)	0/0

During the year ended 31 December 2013, the Remuneration Committee had performed the following functions: formulating the remuneration policies for Directors, approving the terms in service contracts of Directors, and reviewing the distribution of bonus for the year based on assessment on performances of the executive Directors and senior management.

Remuneration Policy for Directors and Senior Management

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend. Such amount has to be approved by the Remuneration Committee.

The Company has adopted the Share Option Scheme on 21 November 2009. The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned on pages 30 to 33 of this report) an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going

relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Nomination Committee

Composition

The nomination committee of the Company (the "Nomination Committee") was established on 21 November 2009. The revised terms of reference and procedures of the Nomination Committee were approved by the Board on 11 November 2013 to ensure they continue to meet the needs of the Company and to ensure compliance with the Code. The principal duties of the Nomination Committee of the Company include (a) reviewing the structure, size and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become Board members and selecting or making recommendations on the selection of individuals nominated for directorships; (c) accessing the independence of independent non-executive Director of the Company; (d) making recommendations to the Board on the appointment or re-appointment of Directors of the Company and reviewing succession planning for the chairman, the Chief Executive as well as the senior management, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate; (e) reviewing the Board Diversity Policy, as appropriate and reviewing the measurable objectives that the Board has set for implementing the Board Diversity policy, and the progress on achieving the objectives; (f) attending annual general meeting of the Company and answering questions raised in the annual general meeting. The Nomination Committee consists of two independent non-executive Directors, namely, Mr. Guo Changyu and Mr. Wang Xueyou and one executive Director, namely, Mr. Zhang Bizhuang. Mr. Guo Changyu currently serves as the chairman.

During the year ended 31 December 2013, the Nomination Committee held two meetings. Details of the attendance of each member are as follows:

Name of nomination committee members	Attendance
Mr. Guo Changyu (<i>Chairman</i>)	2/2
Mr. Zhang Bizhuang	2/2
Mr. Wang Xueyou	2/2

During the year ended 31 December 2013, the Nomination Committee had performed the following functions: advising the Board on selection of candidates to fill the vacancy of the Board, reviewing the structure, size and composition of the Board, and giving full review on the professional qualifications and career background of all candidates to directorship and members of the Board committees as well as the independence of the independent Directors.

In addition, the Nomination Committee has adopted the Board Diversity Policy in compliance with the Code in 2013. The Company recognizes and embraces the benefits of diversity in the Board to the performance of the Company. To achieve a sustainable and balanced development, the Company sees increasing diversity in the composition of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Therefore, the Board has set measurable objectives for the implementation of the Board Diversity Policy. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. With reference to measurable objectives, the Nomination Committee is satisfied with the successful implementation of the Board Diversity Policy. The Nomination Committee will continue to monitor the implementation of the Board Diversity Policy and review the policy as appropriate to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the New Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Code and disclosure in the corporate governance report.

ACCOUNTABILITY AND AUDIT

Directors and Auditors' Responsibilities for the Financial Statements

The Board of Directors acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2013, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the remuneration paid or payable to ZHONGHUI ANDA CPA Limited, in respect of their audit and non-audit services were as follows:

Type of Services	Total RMB'000
Audit Services	1,183
Non-audit Services	
— Review on interim report	382
— Report on continuing connected transaction	12
— Review on preliminary results announcement	9
	403
Total	1,586

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Board and the audit committee have reviewed the effectiveness of the Group's internal control systems on all major operations of the Group during the year under review. The Board and the audit committee considered that the key areas of the Group's internal control systems, including financial and operational aspects, are reasonably implemented and the Group has fully complied with provisions of the Code regarding internal control systems in general for the year ended 31 December 2013.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board is well aware of the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognises that an effective communication with investors is the key for us to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency, in order to ensure that the investors and the shareholders of the Company can receive accurate, clear, comprehensive and timely information of the Group via the issue of annual reports, interim reports, announcements and circulars. The Company also publishes all documents on the Company's website at www.slogp.com.

We promptly respond to investors' enquiries. We also organise and plan exchange activities on a regular basis, such as investor conferences, seminars and conferences. These initiatives can help us extend an in-depth reach of our strengths and competitive advantages into the market, and ultimately reflect the market value of the Company.

The investor relations team regularly informs the Board of the latest market perceptions and developments of the Company, in order for the Board to immediately keep abreast of the concerns of investors, to get deeper understanding of the prevailing policies, and to make better efforts in the Company's own investor relations with reference to the best international standards. The Directors and members of the Board Committees had attended the annual general meeting and the extraordinary general meeting to answer questions. Separate resolutions on each distinct issue would be proposed at the general meeting.

Throughout the year, two general meetings were held. Details of the attendance of each Director are as follows:

Name of the Director	Attendance
Executive Directors	
Mr. Zhang Bizhuang (<i>Chairman and Chief Executive Officer</i>)	2/2
Mr. Jiang Yong (<i>Vice President</i>)	2/2
Mr. Liu Yaohua (<i>Vice President</i>)	2/2
Ms. Han Aizhi (<i>Vice President</i>)	2/2
Mr. Song Xichen (<i>Vice President</i>)	2/2
Non-executive Director	
Mr. Yan Tangfeng	2/2
Independent non-executive Directors	
Mr. Guo Changyu	2/2
Mr. Wang Xueyou	2/2
Mr. Chen Junzhu (appointed on 30 May 2013)	2/2
Mr. Leung Ming Shu (resigned on 9 April 2013)	0/0

Shareholders' Rights

How Shareholders can convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the Articles of Association of the Company, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company by mail at Unit 2111, 21st Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong or by email at ir@slogp.com. The Company will forward communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the Chief Executive Officer of the Company.

Significant Change in Constitutional Documents

During the year ended 31 December 2013, there has been no significant change in the Company's constitutional documents.