

## CORPORATE GOVERNANCE

The current directors are newly appointed to the Board, with Mr. Ding Jianguo appointed on 31 October 2005 and the remaining directors appointed on 12 April 2006. The current Board recognizes the importance of good corporate governance to the Company's healthy growth and will devote considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs in future.

To the best knowledge of and so far as is known to the current members of the Board, the Company has complied with the Code Provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the following provisions:

- A.1.1 Regular board meetings should be held at least 4 times a year.
- A.1.3 Notice of at least 14 days should be given of a regular board meeting.
- A.2.1 The role of chairman and chief executive officer should be separate.
- A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.
- A.4.2 Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.
- A.5.4 The board should establish written guidelines on no less exacting terms than the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the securities of the Company.
- B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.
- C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

To the extent that actions have not been taken to comply with the Code Provisions, the current Board will take appropriate actions to ensure compliance as soon as practicable.