



Structure of Corporate Governance

(1) CURRENT STATUS

The Company has been engaged in ongoing efforts to improve its corporate governance structure, to develop a modernised corporate regime and to regulate its operations in strict accordance with the PRC Company Law and the PRC Securities Law, relevant laws and regulations promulgated by the China Securities Regulatory Commission (“CSRC”) and the State Economic and Trade Commission, rules and regulations of the Shanghai Stock Exchange and the Listing Rules. The Company has developed its Articles of Association, “Rules of Proceedings for General Meetings”, “Rules of Proceedings for Board of Directors Meetings”, “Rules of Proceedings for Supervisory Committee Meetings”, “Rules for the Office of Independent Directors”, “Regulations for the Office of the Audit Committee”, “Internal Financial and Accounting Control System” and “Rules Governing Information Disclosure”, and has been operating properly in accordance with these regulations.

The Company has convened general meetings in strict accordance with the “Standard Opinion for General Meetings” issued by the CSRC. Connected transactions of the Company have been conducted in accordance with commercial principles. Connected shareholders and directors have waived their voting rights in respect of the relevant resolutions, and such transactions have been endorsed by independent directors. Details of connected transactions and their implementations have been fully disclosed. The controlling shareholder has exercised its lawful rights as a capital contributor through general meetings, and has not sought to interfere with the Company’s decision-making process and operating activities. Nominations of candidates by the controlling shareholder for election as Directors and Supervisors were conducted in strict accordance with the relevant laws and regulations, and with conditions and procedures as stipulated in the Articles of Association. The Company is independent from the controlling shareholder in terms of employees, assets, finance, organisation and business operations.

Directors of the Company have been elected in strict accordance with the procedures for appointing directors as stipulated in the PRC Company Law and the Articles of Association. The size and composition of the Board of Directors have been in full compliance with the relevant regulations. The Company has established a system of independent directors and has appointed four independent directors. These four independent directors have also formed an Audit Committee and fulfilled their obligations in accordance with the “Rules for the Office of Independent Directors” and “Regulations for the Office of the Audit Committee”.

Supervisors of the Company have been elected in accordance with the relevant regulations, and the size and composition of the Supervisory Committee have also been in full compliance with the relevant regulations. The Supervisory Committee has developed the “Rules of Proceedings for Supervisory Committee Meetings” The Company has established a system of independent supervisors and has appointed three independent supervisors.

The appointment and dismissal of the Company’s senior management personnel have been conducted in an open and transparent manner in accordance with the relevant laws and regulations and the Articles of Association. The Company has adopted an annual salary system for its directors and senior management. The system of performance appraisal will be based on indicators such as the Company’s asset value growth rate, net profit, etc.

(1) CURRENT STATUS (continued)

The Company has designated the Secretary to the Board of Directors to be in charge of information disclosure. A designated department has been set up to be responsible for the reception of visiting shareholders and intermediaries, responding to enquiries, furnishing to investors information required to be disclosed and promoting the Company through the media.

(2) PERFORMANCE OF DUTIES BY THE COMPANY'S INDEPENDENT DIRECTORS

The Company's Board of Directors consists of four independent directors, who were nominated by the Board and elected at the general meetings. They are completely independent from the Company and its major shareholders, and do not assume any other duties at the Company. The independent directors have carried out their duties in accordance with relevant laws and regulations and the Articles of Association. They have attended Board of Directors' meetings and taken part in the discussion and determination of significant matters; reviewed connected transactions and furnished independent opinions; and audited the Company's financial reports as members of the Audit Committee.

(3) SEPARATION OF EMPLOYEES, ASSETS, FINANCE, ORGANISATIONS AND BUSINESS OPERATIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

1. **Employees:** The Company is independent in labour, personnel and remuneration management. Senior management personnel such as General Manager and Deputy General Manager are on the Company's payroll without holding any important positions at Holding.
2. **Assets:** The Company owns separate production systems, auxiliary systems and complementary facilities. Intangible assets such as industry property rights, trademarks and non-patent technologies are owned by the Company, as are systems for purchasing and marketing.
3. **Finance:** The Company is supported by an independent financial accounting department. Independent systems for auditing and financial management have been developed with separate bank accounts.
4. **Organisation:** The Company has established a sound corporate organisation. The Board of Directors, the Supervisory Committee and other internal departments have been operating independently without any subordination to departments at the controlling shareholder.
5. **Business operations:** The Company operates an independent and stand-alone business with the competence of self determination on its operation. The controlling shareholder has not competed in the same business with the Company, nor is it allowed to do so.