



The Company further improved its human resources system in 2004. We established a staff motivation mechanism which functions from different aspects at different levels, so as to enhance our core competences and to ensure abundant supply of human resources to achieve our operational strategic goals and sustainable development.

In order to optimize our human resources allocation, improve labour productivity and enhance market competitiveness, the Company embarked personnel and corporate structure reorganisation. We compressed organizational hierarchy, streamlined operation work flow, adjusted the staffing structure, reduced the head count of middle-level management personnel and reduced administrative, management and maintenance staff. We strengthened our marketing and sales teams to materialize a market-oriented development.

The Company has provided targeted staff training to improve the quality and capability of our personnel, in particular the strategy formulation skills of our middle-level and senior management. For example, we arranged advanced foreign language training for the middle and senior management. Selected middle-level and senior management personnel participated in the PMD project of Harvard Business School for strategic conceptual training, developing global vision and in-depth management knowledge, and attended the TGMP project and MBA (DBA) for nurturing leadership skills, strategic development capability and monitoring changes. We provided training on capital market knowledge for all staff. Case study course of Harvard Business School is also available on-line. The Company will continue to enhance its training effort in 2005.

The Company further adjusted its remuneration system in 2004 to refine the remuneration mechanism with a market-oriented and performance-based approach. More efforts were devoted to the establishment of a performance evaluation system, with key performance indicators and management by objectives as its core performance management mechanisms. The Company also adopted a share option scheme to enhance the middle-level and senior management reward system and retain high calibre personnel. The purpose of the scheme is to tie the interests of the middle-level and senior management with those of the Company so as to extend the effect of motivation in the long term.

The Company reinforced overall management and control of labour costs by establishing a labour cost model based on efficiency in 2004. The labour costs were linked with performance so as to promote staff's work enthusiasm and labour efficiency.