

CORPORATE GOVERNANCE STRUCTURE

I CORPORATE GOVERNANCE

During the reporting period, the Company established and strengthened internal control and supervision system, attentively implemented the governance principle and regulation required for a listing company. In practice, the Company enhanced legal awareness and managed the company by law. To optimize and improve the system of independent directors, the shareholders' General Meeting as at 8 March 2004 discussed and approved to increase the number of Independent Directors to five people representing over one-third of the total number of directors. The Company has also amended "Articles of Association" in accordance with the supervisory regulations of CSRC focusing on the specific supplement to the contents and standards related to the procedures of approving guarantee to loan. In general, the actual performance of the Company's governance is in compliance with the Opinions of Corporate Governance on Listed Companies issued by CSRC.

II EXECUTION OF DUTIES BY INDEPENDENT DIRECTORS

During the reporting period, the independent director of the Company, Mr. Gao Chuang, Mr. Kang Kinjiang, Ms. Liang Jie, Mr. Lin Wenbin and Mr Liu Hongguang strictly complied with the regulation of related laws and regulations and performed their duties diligently and conscientiously by putting forward independent opinions on the significant events of the Company, considered the connected transactions were fair and reasonable or caused detriments to the benefits of shareholders and all of the directors and safeguarded the interests of the Company and its medium and small investors.

(1) The attendance of independent directors

Name of independent directors	Attendance of Board meeting in the year	Attendance (times)	Attending by proxy (times)	Absentness (times)
Gao Chuang	11	7	4	0
Kang Kinjiang	11	10	1	0
Liang Jie	10	10	0	0
Lin Wenbin	10	6	4	0
Luo Hongguang	10	6	4	0

(2) The dissenting opinions of independent directors to related matters of the Company

During the reporting period, the independent directors considered various resolutions in the Board meeting seriously and no dissenting opinion to the approved resolutions.

III INDEPENDENCE OF BUSINESS, PERSONNEL, ASSET, ORGANIZATIONAL STRUCTURE AND FINANCE AMONG THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

The Company operated independently from the its controlling shareholders in terms of business, personnel, asset, organizational structure and finance.

IV ASSESSMENT AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT

The Company has adopted position-related salary system and floating annual salary system for senior management. The floating annual salary was linked with the Company's overall results. The senior management was assessed on basis of overall individual performance and the realization of assigned operational target.