

#### IV. OTHER INFORMATION

##### (i) **Interests and Short Positions of Directors, Supervisors and Senior Executives**

As at 30 June 2005, none of the Directors, Supervisors, chief executives or members of senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which was required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO), or which was otherwise required to be entered in the register of interests to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in force as at 30 June 2005.

##### (ii) **Interest and Short Positions of Substantial Shareholders and Other Persons**

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor, chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30 June 2005 and as entered in the register of interests to be kept pursuant to section 336 of the SFO:

IRICO Group Corporation had interests in 1,455,880,000 domestic shares of the Company (representing 100% of the domestic share capital), whereas HKSCC Nominees Limited had interests in 484,004,000 H shares of the Company (representing 99.73% of the H share capital).

*Notes:*

*Based on the information available to the Directors as at 30 June 2005 and so far as the Directors are aware, as at 30 June 2005 among the 484,004,000 H shares held by HKSCC Nominees Limited:*

*J. P. Morgan Chase & Co. through its controlled corporations had interests in 35,464,000 H shares of the Company (representing approximately 7.31% of the H share capital).*

*Pictet Asset Management on behalf of Pictet Funds Asian Equities had direct interests in 38,100,000 H shares of the Company (representing approximately 7.85% of the H share capital).*

*Derby Steven P., Goldfarb Lawrence and Lamar Steven M. through their controlled corporations had interests in 49,554,000 H shares of the Company (representing approximately 10.21% of the H share capital).*

*Morgan Stanley through its controlled corporations had interests in 83,980,000 H shares of the Company (representing approximately 17.30% of the H share capital) and a short position in 73,000,000 H shares of the Company (representing approximately 15.04% of the H share capital).*

### **(iii) Audit Committee**

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. Pursuant to the resolutions passed by the Directors on 9 September 2004, the Company established an Audit Committee comprising four independent non-executive Directors Zha Jiangqiu, Feng Fei, Feng Bing and Xu Xinzhong and non-executive Director Zhang Xingxi. The Board approved to adopt all duties set out in article C.3.3 of the Code as the principal duties of Audit Committee. The Audit Committee has considered and reviewed the accounting standards, principles and methods adopted by the Company and other matters relating to auditing, internal control and financial reporting including the unaudited interim financial report for the six months ended 30 June 2005.

### **(iv) Independent Non-executive Directors**

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive directors and at least an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed five independent non-executive Directors including one with financial management expertise. Details of their biographies are set out in the prospectus of the Company dated 8 December 2004.

**(v) Corporate Governance Practices**

The Board has reviewed the criteria adopted by the Company for the purpose of corporate governance, and is of the opinion that such criteria are consistent with the principles and provisions as set out in the Code in the Listing Rules.

The Directors are not aware of any matter that would reasonably indicate any non-compliance with the Code by the Company or any of its Directors at any time during the period ended 30 June 2005. The Board is of the opinion that the Company was in full compliance with the principles and provisions set out in the Code during the reporting period.

**(vi) Model Code For Securities Transactions by Directors of Listed Issuers**

For the six months ended 30 June 2005, the Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard set out in the Model Code. After having made specific enquiry in this reporting period, no Director or Supervisor has breached the requirements as set out in the Model Code.

**(vii) Purchase, Sale and Redemption of Shares**

During the reporting period, the Company and its subsidiaries had not redeemed any of its shares. Neither had the Company nor any of its subsidiaries purchased or sold any of its issued shares.

**(viii) Employees, Training and Development**

The Company has a total of 19,968 employees of which approximately 2.9% are management and administrative staff, 5.1% are technicians, 0.5% are financial and auditing staff, 0.6% are sale and marketing staff and 88.1% are production workers. The Company's employment and remuneration policies remain unchanged with those described in the prospectus of the Company dated 8 December 2004. The Company's employees are committed to the provision of high quality products and reliable services.

**(ix) Public Float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the Company had at all times during the reporting period maintained the relevant applicable minimum percentage of listed securities as required under the Listing Rules.

### **(x) Significant Investments**

For the six months ended 30 June 2005, the Company had not made any significant investment.

### **(xi) Material Acquisitions and Disposals**

The Company had not made any material acquisition or disposal of subsidiaries and associated companies for the six months ended 30 June 2005.

### **(xii) Material Litigation**

BayStar Capital II, LP et al. v. Core Pacific-Yamaichi International (HK) Ltd. et al., Case No 05 1091 ABC (CWx) (filed in the United States District Court for the Central District of California) (the "BayStar Litigation"). On or about 11 February 2005, BayStar Capital Management, LLC and BayStar Capital II, L.P. (hereinafter collectively referred to as "BayStar"), a holder of the Company's H shares, commenced a litigation against Core Pacific-Yamaichi International (H.K.) Limited, et. al (hereinafter referred to as "CPYI"), one of the underwriters that offered the Company's H shares to investors in the United States pursuant to Rule 144A of the Securities Act of the USA at the time of the Company's initial public offering. BayStar alleges that it entered into a strategic business development agreement with CPYI, pursuant to which CPYI acted as an investment consultant to BayStar in the greater China area. BayStar claims that CPYI breached the agreement and its fiduciary duties to BayStar. In addition, BayStar alleges that CPYI made material misrepresentations and omissions to BayStar, in violation of United States Federal and State Securities Laws and the common law. BayStar has alleged no claims against the Company.

On or about 20 May 2005, CPYI commenced a third-party lawsuit against the Company and the lead underwriter of the Company, as part of the BayStar Litigation. CPYI seeks contractual and common law indemnification and/or contribution from the Company in the event that CPYI is found liable to BayStar. A copy of the third-party complaint was served on Law Debenture Society on or about 22 June 2005. The Company has retained Jones Day to represent the Company in the litigation. On 18 August 2005, Jones Day on behalf of the Company filed a motion to dismiss the third-party complaint in its entirety. The litigation is in its early stage. The Company denies that CPYI's claims have any merit and will defend itself vigorously.