

HONG KONG CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2006, the Company complied with the Code on Corporate Governance Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry to all Directors, and all Directors have confirmed that, for the year ended 31 December 2006, they have complied with required standard of dealing set out in the Model Code.

《香港企業管治常規守則》

截至二零零六年十二月三十一日止年度，本公司一直遵守香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載的企業管治常規守則（「守則」）。

《上市公司董事進行證券交易的標準守則》

本公司已採納上市規則附錄十所載的上市公司董事進行證券交易的標準守則（「標準守則」）。本公司已向所有董事作出特別查詢，而所有董事已經確認，截至二零零六年十二月三十一日止年度，他們一直遵守標準守則所載的買賣標準規定。

CORPORATE GOVERNANCE

CSMC recognizes its responsibilities to shareholders and aims to protect and enhance shareholders' value through solid corporate governance. The Group is committed to ensuring transparent, open and accountable disclosures. Good corporate governance is not just a question of regulatory compliance but is ingrained into the Company's culture and emphasized at every level.

The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring that the business is conducted in an honest, ethical and responsible manner.

The Board understands its responsibility to prepare the financial statements, the annual and interim reports in a balanced, clear and understandable manner. This similar responsibility extends to include other price-sensitive announcements and other financial disclosures under the Listing Rules. The Board will also report to regulators any information which is required to be disclosed pursuant to the statutory requirements. The statement of the auditors' about their reporting responsibility on the financial statements is set out in the Auditor's Report on page 97 to 98.

The Board reviews the Group's financial information on a monthly basis and believes that the accounts are prepared on a going concern basis.

企業管治

華潤上華瞭解其對於股東需負的責任，故透過穩固的公司管治，以保障和提升股東價值。本集團承諾確保公司保持透明、公開，並會對各事項作詳細披露。良好的公司管治並非純粹遵守規例，而是要深化到本公司的文化中，關注到每個層面。

董事會一直及將繼續堅持在集團內有適當的公司管治標準，藉以確保能夠真誠和負責地經營業務。

董事會明白其有責任以公允、清晰及淺明的方式編製財務賬目、年報及中期報告，此類責任亦包括根據上市規則規定的其他影響股價的公告及其他財務披露。董事會亦將會向監察人報告根據法定規定須予披露的任何資料。有關核數師對財務報表的報告責任的陳述，載於核數師報告97頁至98頁。

董事會每月審閱本集團的財務資料，並相信賬目按持續經營基準編製。

THE BOARD OF DIRECTORS

The Board consists of ten Directors, including the Chairman of the Board, two of whom are Executive Directors and members of the management. There are eight Non-Executive Directors, of whom three are Independent Non-Executive Directors. The Board benefits from the experience and expertise of each Director. All Board members understand their duties to take decisions objectively in the interests of the shareholders.

The Board held five meetings in 2006 dated 14 March, 5 May, 25 May, 18 August and 10 November, respectively. All Board members participated in meetings except for that Mr. Robert LEE Naii was absent for the Board meeting on May 25, 2006, Mr. YU Yu and Mr. Paul P. WANG were absent for the Board meeting on August 18, 2006, and Mr. Wang Guoping was absent for the Board meeting on November 10, 2006 for they were engaged in other business. The Group ensures that the Board members have access to appropriate financial and relevant documents about the Group's activities on a timely basis.

The Board's primary role is to protect and enhance long-term shareholders' value. It sets the overall strategy for the Group, ensures effective management and provides proper supervision of the Group's business conduct.

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategies of the Group, yearly budget, major acquisition and disposal, dividend policy, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are the responsibility of the Company's management.

On 28 March 2007, each Independent Non-Executive Director has provided a written statement confirming of his/her independence to the Company pursuant to rule 3.13 of the Listing Rules. The Company assessed that each Independent Non-Executive Director continues to be independent.

董事會

董事會由十名董事組成，包括董事會主席、其中兩名是執行董事及管理層成員。董事會包括八名非執行董事，其中三名為獨立非執行董事。董事會因各董事的豐富經驗及知識而受惠。所有董事知曉其職責是為了股東的利益而客觀地作出決定。

董事會於二零零六年舉行了五次會議，日期分別為三月十四日、五月五日、五月二十五日、八月十八日及十一月十日。除因其他業務安排，李乃義先生缺席二零零六年五月二十五日的會議、俞宇先生及王伯元先生缺席二零零六年八月十八日的會議及王國平先生缺席二零零六年十一月十日的會議外，所有董事會成員均有出席所有會議。本集團確保董事會成員已及時取得與本集團業務有關的適當財務及相關文件。

董事會的主要職責是保障及提升股東的長期價值，並制定本集團的整體策略，確保有效管理及適當監察本集團的業務行為。

董事會負責本公司的管理方式及運作方向。本集團的策略、年度預算、重大收購及出售事項、股息政策、董事的委任及退任、薪酬政策及其他主要營運及財務事宜，均須得到董事會批准。本集團的日常營運為本公司管理層的責任。

於二零零七年三月二十八日，各獨立非執行董事已根據上市規則第3.13條提供書面聲明，確認其獨立於本公司。本公司亦評估各獨立非執行董事將繼續保持其獨立性。

THE BOARD OF DIRECTORS (Cont'd)

董事會 (續)

The members of the Board of Directors during year 2006 are:

於二零零六年期間董事會成員為：

Name 姓名	Title 職位	Date Elected 獲委任日期	Period of Term 任期	Date First Elected 首獲委任日期
Peter CHEN Cheng-yu 陳正宇	Chairman/Executive Director 主席／執行董事	27 May, 2005 二零零五年五月二十七日	3 years 三年	28 January, 2003 二零零三年一月二十八日
Robert LEE Naii 李乃義	President/Executive Director 總裁／執行董事	27 May, 2005 二零零五年五月二十七日	3 years 三年	28 January, 2003 二零零三年一月二十八日
ZHU Jinkun 朱金坤	Non-Executive Director 非執行董事	1 September, 2006 二零零六年九月一日	3 years 三年	1 September, 2006 二零零六年九月一日
WANG Guoping 王國平	Non-Executive Director 非執行董事	1 September, 2006 二零零六年九月一日	3 years 三年	1 September, 2006 二零零六年九月一日
Ken ONG Thiam Kin 王添根	Non-Executive Director 非執行董事	26 May, 2006 二零零六年五月二十六日	3 years 三年	1 September, 2003 二零零三年九月一日
YU Yu 俞宇	Non-Executive Director 非執行董事	26 May, 2006 二零零六年五月二十六日	3 years 三年	1 September, 2003 二零零三年九月一日
CHEN Nan-xiang 陳南翔	Non-Executive Director 非執行董事	26 May, 2006 二零零六年五月二十六日	3 years 三年	1 September, 2003 二零零三年九月一日
Kum Loon OON 溫金鸞	Independent Non-Executive Director 獨立非執行董事	27 May, 2005 二零零五年五月二十七日	3 years 三年	8 May, 2004 二零零四年五月八日
Mark HSUE Chi Nan 許奇楠	Independent Non-Executive Director 獨立非執行董事	27 May, 2005 二零零五年五月二十七日	3 years 三年	8 May, 2004 二零零四年五月八日
Ralph Sytze YBEMA 蔡聯南	Independent Non-Executive Director 獨立非執行董事	27 May, 2005 二零零五年五月二十七日	3 years 三年	8 May, 2004 二零零四年五月八日
TSAI Nein-nan 王伯元	Vice President/ Executive Director 副總裁／執行董事	27 May, 2005, resigned on 1 September, 2006 二零零五年五月二十七日， 於二零零六年九月一日退任	3 years 三年	8 May, 2004 二零零四年五月八日
Paul P. WANG 王伯元	Non-Executive Director 非執行董事	5 July, 2005, resigned on 1 September, 2006 二零零五年七月五日， 於二零零六年九月一日退任	3 years 三年	5 July, 2005 二零零五年七月五日

THE BOARD OF DIRECTORS (Cont'd)

The term of office of each Director, including Independent Non-Executive Director, is for a period of three years subject to the requirement that one-third of the Directors shall retire from office by rotation at each annual general meeting pursuant to the Articles 95 and 112 of Article of Association of the Company. Dr. Peter CHEN Cheng-yu, Mr. Mark HSUE Chi Nan and Mr. Ralph Sytze YBEMA will retire at the forthcoming annual general meeting but being eligible to offer themselves for re-election.

Mr. ZHU Jinkun and Mr. WANG Guoping who were appointed on 1 September, 2006 shall hold office only until the 2006 Annual General Meeting of the Company and shall then be eligible for re-election at that meeting.

CHAIRMAN AND PRESIDENT

Dr. Peter CHEN Cheng-yu is the Chairman of the Board. Mr. Robert LEE Naih is a Director of the Company and the President of the Company. The Chairman ensures that all Directors are properly briefed on issues arising at board meetings and that all Directors receive complete and reliable information in a timely manner whilst the President carries out the decisions made by the Board and is in charge of the Company's day to day management. The roles of the Chairman and the President are separate and not performed by the same individual.

董事會 (續)

每名董事，包括獨立非執行董事的任期均為三年，惟根據本公司組織章程細則第95及112條，佔所有董事人數三分之一的董事須於每屆股東周年大會上輪席退任。陳正宇博士、許奇楠先生及Ralph Sytze YBEMA先生將於下一屆股東周年大會退任，但彼等合資格，並願膺選連任。

朱金坤先生及王國平先生於二零零六年九月一日獲委任，其任期至本公司二零零六年股東周年大會屆滿，但彼等合資格，並於該股東周年大會上膺選連任。

主席及總裁

陳正宇博士為董事會主席，而李乃義先生為本公司董事及總裁。主席確保所有董事均適當知悉於董事會會議提出的事宜，且所有董事可及時獲得完整及可靠的資料；而總裁執行董事會作出的決定，並負責本公司的日常管理事宜。主席及總裁的職務分離及並非由同一人擔任。

NON-EXECUTIVE DIRECTORS

Pursuant to the letters of appointment of the Non-Executive Directors (including the Independent Non-Executive Directors), the term of appointment for each of them is for a term of three years commencing from the date of appointment.

The functions of Non-Executive Directors include the following:

- participating in board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- taking the lead where potential conflicts of interests arise;
- serving on the audit, remuneration and nomination committees; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

REMUNERATION COMMITTEE

The primary aim of the Remuneration Committee is to formulate transparent procedures for developing remuneration policies and compensation packages for the employees of the Group. The Remuneration Committee is also entrusted to adopt appropriate staff development and retention policies.

The Remuneration Committee comprises three members, the majority of whom are Independent Non-Executive Directors. They are:

Mr. Ken ONG Thiam Kin (*Chairperson*)
Mr. Mark HSUE Chi Nan
Mr. Ralph Sytze YBEMA

非執行董事

根據非執行董事的委任函件(包括獨立非執行董事)，各非執行董事的任期由委任日期起計三年。

非執行董事的職務如下：

- 參與本公司的董事會會議，就策略、政策、業績、可靠性、資源、主要委任及行為準則提供獨立判斷；
- 於發生潛在利益衝突時主持大局；
- 為審核、薪酬及提名委員會服務；及
- 監察本集團於達致協定公司目標及目的時的表現，及監察業績的匯報。

薪酬委員會

薪酬委員會的主要目的是為本集團僱員的薪酬制定具透明度的程序及政策。薪酬委員會亦獲委託，採納適當的員工發展及挽留政策。

薪酬委員會由三名成員組成，其中多數為獨立非執行董事。他們是：

王添根先生(委員會主席)
許奇楠先生
Ralph Sytze YBEMA先生

REMUNERATION COMMITTEE (Cont'd)

The roles of the Remuneration Committee as delegated by the Board are as follow:

- To recommend to the Board on the Group's policy and structure for all remuneration of the Directors, senior management and other employees of the Group by the establishment of a formal and transparent procedure for developing policy on such remuneration matters;
- To determine the specific remuneration packages of all directors and senior management;
- To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- To review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive to the Company.
- To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate;
- To make recommendations to the Board on the remuneration for Non-Executive Directors;
- To ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- To consider other relevant matters as referred to it by the Board.

薪酬委員會(續)

薪酬委員會獲董事會授予的職權如下：

- 透過就薪酬事宜的發展政策制定正式及透明的程序，為本集團關於其董事、高級管理層及其他僱員的所有薪酬所採取的政策及架構向董事會提出推薦建議；
- 為所有董事及高級管理層釐定特定薪酬制度；
- 藉著參考公司董事會不時議決的目標，審閱及批准基於業績的薪酬；
- 就執行董事及高級管理層失去或終止職位，審閱及批准應付予他們的補償，以確保該補償乃根據有關合約條款釐定，且該補償對本公司而言屬公平及金額不會過高；
- 審閱及批准有關辭去或撤換行為不檢董事的補償安排，以確保該等安排乃根據有關合約條款作出，而任何補償付款屬合理及適當；
- 就非執行董事的酬金向董事會提出推薦建議；
- 確保董事或其任何聯繫人概無參與決定其薪酬的任何事宜；及
- 考慮董事會向其提及的其他相關事宜。

REMUNERATION COMMITTEE (Cont'd)

For the year ended 31 December 2006, the Remuneration Committee met four times in the presence of members of the Group's senior management. Each member of the Remuneration Committee participated in all meetings. During these meetings, the Remuneration Committee reviewed existing and proposed compensation packages and bonus rewards for the staff as a whole. The Remuneration Committee has full access to the records and details of such packages, upon request.

NOMINATION COMMITTEE

The Nomination Committee comprises five members, the majority of whom are Independent Non-Executive Directors. They are:

Mr. Ralph Sytze YBEMA (*Chairperson*)

Mrs. Kum Loon OON

Mr. Mark HSUE Chi Nan

Dr. CHEN Nan-xiang

Dr. Peter CHEN Cheng-yu

The Nomination Committee is responsible for considering any nominations of new members to the Board and makes recommendations to the Board after a due consideration to the candidate's background and experience. The Board will ultimately decide on appointment.

薪酬委員會 (續)

截至二零零六年十二月三十一日止年度，薪酬委員會舉行了四次會議，本集團的高級管理層亦有出席。薪酬委員會的每名成員均出席所有會議。於該等會議上，薪酬委員會回顧有關全體員工的現有薪金及獎金，並提出建議。薪酬委員會於提出要求時，可隨時獲提供該等薪酬的記錄及詳情。

提名委員會

提名委員會由五名成員組成，其中多數為獨立非執行董事。他們為：

Ralph Sytze YBEMA先生 (委員會主席)

溫金鸞女士

許奇楠先生

陳南翔先生

陳正宇博士

提名委員會負責考慮提名新成員加入董事會，並於審慎考慮候選人的背景及經驗後向董事會提供推薦建議。董事會擁有是否聘用的最終決定權。

NOMINATION COMMITTEE (Cont'd)

The roles of Nomination Committee as delegated by the Board are as follow:

- To review the structure, size and composition of the Board on a regular basis and to make recommendations to the Board regarding any proposed changes;
- To identify individuals suitable and qualified to become Board members and to make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of Independent Non-Executive Directors, having regard to the requirements under the Listing Rules; and
- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman and the Executive Directors.

Meetings of Nomination Committee are held when necessary. During the year, one meeting was held on August 28, 2006. Each member of the Nomination Committee participated in the meeting. During the meeting, the Nomination Committee accepted Mr. TSAI Nein-nan and Mr. Paul P. Wang's voluntary resignation and made recommendation to the Board to appoint Mr. ZHU Jinkun and Mr. WANG Guoping as Non-Executive Directors of CSMC.

提名委員會(續)

提名委員會獲董事授予的職權如下：

- 定期審閱董事會的架構、規模及組成，並就任何建議改動向董事會提供推薦建議；
- 物色適合及有資格成為董事會成員的人選，並於董事會遴選獲提名候選人出任董事時提供推薦建議；
- 根據上市規則的規定，評估獨立非執行董事的獨立性；及
- 就有關委任重選董事及董事(特別是主席及執行董事)的繼任計劃的相關事宜向董事會提供推薦建議。

提名委員會於有需要時召開會議。年內，於二零零六年八月二十八日舉行了一次會議。提名委員會各成員均出席了會議。會議期間，提名委員會接納蔡聯南先生及王伯元先生的自願退任，並向董事會推薦委任朱金坤先生及王國平先生為華潤上華的非執行董事。

AUDIT COMMITTEE

All of the members of the Audit Committee are Non-Executive Directors, with a majority serving as Independent Non-Executive Directors. The Audit Committee members include:

Mrs. Kum Loon OON (*Chairperson*)

Mr. YU Yu

Mr. Ralph Sytze YBEMA

The roles of Audit Committee as delegated by the Board are as follows:

- To make recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process annually in accordance with applicable standard, to review audit plans and reports of the external and internal auditors, to review the nature and extent of non-audit services performed by the external auditors;
- To review financial statements and formal announcements relating to financial performance, and review significant financial reporting judgments contained in them before submission to the Board, to ensure integrity of such statements and announcements;
- To ensure that the internal audit function is adequately resourced and has appropriate standing within the Group at least annually; and
- Perform such other functions as the Board may determine.

審核委員會

審核委員會所有成員均為非執行董事，多數為獨立非執行董事。審核委員會成員包括：

溫金鸞女士 (委員會主席)

俞宇先生

Ralph Sytze YBEMA先生

審核委員會獲董事會授予的職權如下：

- 就委任、重新委任及撤換外聘核數師向董事會提供推薦建議，批准外聘核數師的酬金及委聘條款，以及就該名核數師請辭或免職的任何問題向董事會提供建議；
- 根據適用標準每年審閱及監察外聘核數師的獨立性及審核程序是否有效、審核外聘及內部核數師的核數計劃及報告，以及審核外聘核數師履行的非核數服務的性質及範圍；
- 審閱有關財務表現的財務報表及正式公告，並於將有關資料提交董事會前審閱當中所載的重大財務報告判斷，以確保該等報表及公佈的完整性；
- 至少每年審核確保內部審核獲提供足夠資源履行其職責，並於本集團內擁有資格；及
- 履行董事會可能決定的其他職責。

AUDIT COMMITTEE (Cont'd)

The Audit Committee meets four times every year on a regular basis. For the year ended 31 December 2006, the Audit Committee met four times in the presence of the Group's CFO, internal auditors and senior management. Each member of the Audit Committee participated in all meetings, except for that Mr. Ralph Sytze YBEMA was absent for the meeting on August 10, 2006 as he had other business engagement. During these meetings, the Audit Committee reviewed the financial statements and results announcement for year 2005 and half-year of 2006, the continuing connected transactions of the Company, the internal audit reports prepared by the Company's internal audit division on the effectiveness of internal control system, and the service plan and independence of the Company's external auditors. The Audit Committee has full access to the external auditor in these reviews when it sees fit and has been provided with sufficient resources to discharge its duties.

AUDITORS' REMUNERATION

The Group re-appointed PricewaterhouseCoopers as independent auditor for the year 2006. The remuneration paid to PricewaterhouseCoopers includes:

Service 服務		Remuneration 酬金	Type (Audit/ Non-Audit) 類別 (核數 /非核數)
2005 Annual Audit Report	二零零五年年度核數報告	US\$117,847	Audit 核數
2006 Interim Review	二零零六年中期審閱	US\$49,957	Audit 核數
Special Review for Takeover	收購特別審閱	US\$39,000	Non-Audit 非核數
2006 Tax Service	二零零六年稅務服務	US\$10,027	Non-Audit 非核數

審核委員會 (續)

審核委員會每年定期舉行四次會議。截至二零零六年十二月三十一日止年度，審核委員會舉行了四次會議，本集團的財務長、內部核數師及高級管理層均有出席。審核委員會各成員均有出席所有會議，除 Ralph Sytze YBEMA 先生因其他業務事宜而缺席二零零六年八月十日的會議。於該等會議上，審核委員會審閱二零零五年度及二零零六年半年度的財務報表及業績公告、本公司的持續關連交易、由本公司內部審核部編製的內部審核報告，以及本公司外聘核數師的服務計劃及獨立性。審核委員會在進行審核工作時，當其認為適當時可隨時聯絡外聘核數師，並擁有足夠資源履行其職責。

核數師酬金

本集團續聘羅兵咸永道會計師事務所為二零零六年度的獨立核數師。支付予羅兵咸永道的酬金包括：

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board and management understand that proper internal controls not only facilitate the effectiveness and efficiency of operations, ensuring compliance with laws and regulations, but most importantly, they serve to minimize risk exposure for the Group. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented practical and effective control systems, including:

- A clearly defined organizational structure;
- Budgeting and forecasting systems for performance measurement and monitoring of strategic business units;
- Regular reviews of financial performance.

The Board has the overall responsibility of maintaining an effective internal control system. During the year, the Board has reviewed the effectiveness of such internal control system in operation. This is achieved through works done by the Company's Internal Audit Division, which regularly carries out internal audit reviews and reports its findings to the Audit Committee for their consideration and guidance for improvement to the internal control system.

內部控制及風險管理

董事會及管理層人員瞭解到，適當的內部控制不但促使營運的有效性及效率，確保遵守法律和規例，最重要的是，盡量減低本集團所面對的風險。本集團致力於識別、監察和管理與其業務有關的風險。本集團實行了可行及有效的控制制度，包括：

- 清楚定義的組織架構；
- 衡量業績的預算和預測制度，監察策略性業務單位；
- 定期審核財務表現。

董事會須負責維持有效的內部控制系統。年內，董事會已檢討該內部控制系統的運作效用，檢討工作由本公司的內部審核部門負責，內部審核部門會定期進行內部審核檢討，並會向審核委員會匯報檢討結果，供審核委員會考慮及作為改善內部控制系統的指引。