

## Chapter V Structure of Corporate Governance

### Section 1. Present Structure of Corporate Governance

Since its establishment, the Company had been pursuing an optimized structure of corporate governance, with constant efforts towards a sound legal-person structure to govern the Company's operations pursuant to the Companies Law and Securities Law. The present structure of corporate governance has basically met the requirements of the Standards for Governance of Listed Companies.

1. Shareholders and General Meetings. The Company has been able to ensure the equal status of all its shareholders, in particular the minority shareholders. The Company had disclosed significant events in compliance with the legislative and administrative requirements in a timely, accurate and complete manner in newspapers and websites specified by the securities regulatory bodies in Hong Kong and the PRC, so as to ensure the rights of the shareholders at large to information and participation in decision-making. The Company had convened and held general meetings in strict compliance with the requirements therewith. The Company's related party transactions had been fair and reasonable and the basis for pricing had been adequately disclosed.
2. Controlling shareholder and listed companies. The controlling shareholder had exercised its rights as an investor in strict compliance with law. It has not overridden the power of general meetings, nor had it, directly or indirectly, intervened with the Company's decision-making and business activities. The Company is independent of the controlling shareholder in terms of manpower, finance, institutional structure, businesses and assets. Each of the Company and the controlling shareholder is subject to separate auditing and assumes its own responsibilities and risks. Election of directors and supervisors as well as employment and dismissal of senior managers are made in strict compliance with the procedures required by law, administrative regulations and the articles of association.
3. Directors and the Board. Directors had been elected according to the procedures stated in the articles of association. The number of directors and the composition of the Board comply with the legal and regulatory requirements. Each of the directors of the Company had demonstrated his or her diligence and commitment in attending the meetings of the Board. Directors are well aware of their rights, obligations and duties. Independent directors of the Company had performed their duties conscientiously in accordance with the relevant law and regulations and the articles of association and had preserved the interests of the Company as a whole, notably in their concern that the lawful rights of the minority shareholders be intact.
4. Supervisors and the Supervisory Committee. Supervisors of the Company possess the expertise in different disciplines such as law, finance and accounting, which enable them to carry out their duties professionally for the interests of the shareholders and to see to it that the duties of the Company's directors and senior management be performed lawfully and professionally.
5. Performance appraisal, incentive awards and check & balance. Election, engagement and remuneration of directors, supervisors and senior managers had been made in compliance with the PRC Companies Law and the relevant provisions in the Articles of Association. The Company will further improve the mechanisms of performance appraisal, incentive awards and check & balance.
6. Interest-related parties. The Company respects the lawful interests of the banks and other creditors, staff and workers, consumers and suppliers as well as the interests of the community. It cooperates with these interest-related parties to promote the Company's continual and healthy development.
7. Information disclosure and transparency. The Company Secretary is particularly made responsible for information disclosure as well as the shareholders' visits and enquiries. The Company had ensured the truth, accuracy and completeness as to the disclosure of information which may had material effect on the decision of the investors at large and the extent and presentation of such disclosures had been made in strict accordance with the law and regulations and the articles of association.

By reference to the Standards for Governance of Listed Companies issued by the China Securities Regulatory Commission (CSRC), the Company will further improve its structure of governance to upgrade the standard and to ensure the equal status of all shareholders, in particular the minority shareholders.



## **Section 2. Performance of Independent Directors**

At present, there are two independent directors. Independent directors are nominated by the Board for election at a general meeting. The independent directors had conscientiously fulfilled their duties in accordance with the relevant laws and regulations and the Articles of Association. They had actively participated in the Board and had been involved in the discussions and decision-making processes in respect of significant issues. They had also provided advice on the standardized operation and business activities of the Company based on their professional knowledge and experience. The independent directors had offered their independent opinion as to whether certain related party transactions are fair and equitable. They had also participated in the Audit Committee to review on the Company's financial statements. The independent directors had preserved the overall interests of the Company as well as the lawful interests of the shareholders as a whole and had made positive contribution to the development of the Company.

## **Section 3. The Company's Relationship with the Controlling Shareholder**

The Company had already been separated from the controlling shareholders in terms of manpower, assets and finance and had autonomy in its businesses and institutional structure. The Company and the controlling shareholder are subject to separate auditing and assumes its own responsibilities and risks. (1) In terms of manpower, the Company had autonomy (and was independent from its controlling shareholder) in its management of labour, personnel and wages. Senior managers receive remunerations from the Company, yet holding no position in the controlling shareholders' company. (2) In terms of assets and businesses, the Company had its own production system, supporting production system and ancillary facilities. Except for the trademark of "Jingwei", all of the other intangible assets, such as industrial property rights, non-patented technologies, are owned by the Company. There is no issue of competition between the Company and the controlling shareholder; the Company had its own sales and purchase system and is independent of the controlling shareholder in terms of businesses. (3) Financially, the Company had established its own finance department as well as an independent accounting and auditing system plus a financial management system; it also had its own bank accounts. (4) Institutionally, each of the Company and the controlling shareholder had its own independent sites and facilities of production operations as well as independent institutional set-up. Accordingly, there exists no single group of people wearing two hats.