



## 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 legislations, including the Company Law and the Securities Law. The present structure of corporate governance of the Company 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 Mainland China, 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 relevant requirements. The Company's connected transactions had been conducted in fair and reasonable terms and the basis for determining the transaction price 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 has it, directly or indirectly, intervened with the Company's decision-making and business operation. 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 of the Company are made in strict compliance with the procedures required by law, administrative regulations and the articles of association of the Company.
3. Directors and the Board. Directors had been elected in strict compliance with the procedures stated in the articles of association of the Company. 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 as directors of the Company. Independent non-executive directors of the Company had performed their duties conscientiously in accordance with the relevant law and regulations and the articles of association of the Company 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 Company Law and the relevant provisions in the Articles of Association of the Company. The Company will continue to improve the mechanisms of performance appraisal, incentive awards and check & balance.
6. Stakeholders. The Company respects the lawful interests of its bankers and other creditors, staff and workers, consumers and suppliers as well as the interests of the community. It cooperates with these stakeholders 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 have material impact on the decision of the investors at large and the extent and presentation of such disclosures had been made in strict compliance with the relevant law and regulations and the articles of association of the Company.

By reference to the Standards for Governance of Listed Companies issued by the China Securities Regulatory Commission ("CSRC"), the Company will continue to 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 non-executive directors of the Company who are nominated by the Board and elected by the shareholders at the general meeting. The independent non-executive directors had conscientiously fulfilled their duties in accordance with the relevant laws and regulations and the Articles of Association of the Company. They had participated in the work of the Board and had been involved in the discussions in respect of significant matters. They had also provided advice on the standardized operation and business activities of the Company based on their professional knowledge and experience. The independent non-executive directors had offered their independent opinion as to whether certain connected transactions are fair and equitable. They had also participated in the Audit Committee to review on the Company's financial statements. The independent non-executive 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's manpower, assets and finance were separated from those of its controlling shareholder and the Company's businesses and institutional structure were independent from its controlling shareholder. 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 was independent from its controlling shareholder in its management of labour, personnel and wages. (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" which is owned by Jingwei Machinery (Group) Company Limited, all of the other intangible assets, such as industrial property rights, non-patented technologies, were 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) In terms of finance, the Company had established its own finance department as well as an independent accounting and auditing system and a financial management system; it also had its own bank accounts. (4) In terms of institution, 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".