

Structure of Corporate Governance

1. Corporate Governance:

Pursuit to the Company law, Securities Law, Management Standards for Listed Companies (上市公司治理準則) and the relevant requirements imposed by China Securities Regulatory Commission, Shanghai Stock Exchange and Stock Exchange of Hong Kong Limited, the Company continues to improve the legal-person management structure, and organize the operations of the Company. According to the requirements of Notice of Modern Corporate System Inspection on Listed Companies (關於開展上市公司建立現代企業制度檢查的通知) issued by China Securities Regulatory Commission and State Economic and Trade Commission, the Company carried out a thorough and serious self-inspection on its modern corporate system and prepared a report on self-inspection which was examined by the Board of Directors and had been reported timely to the relevant authority. In 2002, the Company established the Rules of Procedures for Annual General Meeting (股東大會議事規則), further amend and perfect the Articles of Association of the Company, Rules of Procedures for the Board of Directors' Meeting (董事會議事規則) and Work Regulation for the General Manager (總經理工作條例). The Company established the Strategic Development Committee (戰略發展委員會), the Assets Management Committee (資產管理委員會), the Audit and Review Committee (審計與審核委員會). All such special committees shall be held responsible to the Board of Directors and consist of only directors of the Company and majority of the Independent directors of the Audit and Review Committee.

2. Performance of responsibilities by the independent directors

The Company established the system for independent directors. The Board of Directors comprises of two independent directors who are nominated by the Board of Directors and elected by shareholders at the general meeting. Each of the independent directors is familiarized with the business and operation condition of the Company. They had attended all meetings of the Board either in person or through appointed proxies, and had given independent opinions on resolutions proposed at the meeting. The independent director followed the relevant rules and regulations of the State and Articles of Association of the Company, diligently performed their duties, protected the overall interest of the Company, especially concerned about the legal interest of medium and minority shareholders not being undermined and fulfilled due diligence with honesty.

3. The Company is independent of its controlling shareholder in such aspects as personnel, assets, financial affairs, organization and operation

- (1) Personnel: The Company is independent of its controlling shareholder in terms of labor, personnel and salaries management. The Company has its own independent labor department. Members of senior management are on the payroll of the Company. Save that Mr. Zhu Yuanchao works as the Head of DFEV, the controlling shareholder of the Company, other members of senior management hold no positions in the controlling shareholder.
- (2) Assets: The Company has independent systems for productions, acquisition and sales.
- (3) Financial affairs: The Company has independent financial department, independent accounting and auditing system and financial management systems, as well as independent bank accounts.
- (4) Organization: The Company is completely independent of its controlling shareholder in terms of organization and has its own independent office.
- (5) Operation: The Company is completely independent of its controlling shareholder in terms of operation and has its own operations and complete power to operate independently at its own discretion.

4. Examination and Incentive Mechanisms for Senior Management of the Company

The appointments and dismissals of senior management are discloseable and open to the public in accordance with the relevant requirements of the law, regulations and Articles of Association of the Company. The Company will further improve examination, incentive and control mechanisms for directors, supervisors and senior management of the Company.