

# Structure of Corporate Governance

## 1. CORPORATE GOVERNANCE:

Pursuit to the PRC Company law, PRC Securities Law, Management Standards for Listed Companies and the relevant requirements promulgated by China Securities Regulatory Commission, Shanghai Stock Exchange and Stock Exchange of Hong Kong, the Company continues to improve the legal-person management structure, and organize the operations of the Company. The Company established the Strategic Development Committee, the Assets Management Committee, the Audit and Review Committee. All such special committees shall be held responsible to the Board and only consist of directors of the Company and majority of members of the Audit and Review Committee are independent directors. In 2003, the Company adopted the Rules of Procedures for Independent Directors and Rules of Procedures for Audit and Review Committee under the Board, and further amended and perfected the Rules of Procedures for Strategic Development Committee under the Board and Rules of Procedures for Assets Management Committee under the Board.

## 2. PERFORMANCE OF RESPONSIBILITIES BY THE INDEPENDENT DIRECTORS:

The Board comprises four independent directors who are nominated by the Board and elected by shareholders at the general meeting. In accordance with the requirements of the relevant PRC laws and regulations and Article of Association of the Company, each of the independent directors performed his duties with due diligence and played an active role to be kept informed of and familiarized with the business and operation of the Company. They had attended all meetings of the Board in 2003 either in person or through appointed proxies. For the purpose of production and operation of the Company involved in connected transactions, they had made objective and unprejudiced judgment and given independent opinions in accordance with the relevant provisions, thus effectively exercised their functions as independent directors and protected the interests of the Company and its medium and minority shareholders.

## 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 labor, personnel and salaries management. The Company has its own independent personnel department. Members of senior management are on the payroll of the Company. Save that Mr. Zhu Yuanchao was employed as the Head of DFEW, 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 systems 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. ASSESSMENT AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT OF THE COMPANY:

The appointments and dismissals of senior management are transparent and open processes in compliance with the relevant requirements of the PRC law, regulations and Articles of Association of the Company. The Company will further improve the assessment, incentive, check and balance mechanisms for directors, supervisors and senior management of the Company.