

1. CORPORATE GOVERNANCE

The Company complies with the “Company Laws”, the “Securities Laws”, relevant laws and regulations issued by the China Securities Commission, the Listing Rules of the Shanghai Securities Exchange and the Listing Rules of The Stock Exchange of Hong Kong Limited (“SEHK”) to continuously improve its corporate governance and set up an enterprise system. The Company has established the Articles of Association to comply with the requirements of the “Corporate Governance Standards of Listed Company” announced by the China Securities Regulatory Commission (“CSRC”) and the State Economic and Trade Commission. The Company has also set up a plan to improve its corporate governance including the improvement in the internal operations within the organisation, the disclosure requirements of the Company, the scope of work of the secretary to the Board of Directors and amendments on the details of the scope of works for the Board of Directors, the Committee of the Board of Directors, the Supervisory Committee and the General Managers.

2. INDEPENDENT NON-EXECUTIVE DIRECTORS AND THEIR DUTIES

There are 3 independent Non-executive Directors during the year. The independent Non-executive Directors of the Company attend the Board Meeting, strictly review the Board Meeting information, give opinion to the Board of Directors with an independent view and thereby fulfill their responsibilities and important role.

3. SEGREGATION OF THE COMPANY AND THE COMPANY SHAREHOLDERS ON THE OPERATIONS, PERSONNEL, ASSETS, STRUCTURE AND FINANCE

- (1) Personnel: The human resources and payroll management of the Company and its shareholders are completely independent. No operational staff received emoluments from the shareholders' unit.
- (2) Assets: The relationship between the Company and its shareholders are identical and the Company assets are independent and the ownership of these assets are completely owned by the Company.
- (3) Finance: The Company has set up an independent finance department and independent systems for accounting and finance management together with the operating of separate bank accounts.
- (4) Structure: The Company's functional departments operate independently nor is there any relationship along the lines of leading and being led between the Company and the shareholders.
- (5) Operations: The Company's operations are completely independent of the holding company and there are no areas of operation which overlap.

4. SENIOR MANAGEMENT SALARY AND BONUS REVIEW

The remunerations and salaries of the senior management staff are assessed by the Board of Directors and the evaluation committee based on the review of operations and attainment of results, operations budget and their management effectiveness during the year.