

Corporate Governance Structure



1. The Company has been improving its corporate governance structure and standard operation strictly in accordance with the Company Law, Security Law and other laws and regulations. As at 28 March 2003, the Rules of Procedures for Annual Meeting, the Rules of Procedures for the Board of Directors' Meeting, the Work System for Independent Directors, the Articles of Duties for Secretary of Board of Directors, the Articles of Implementation for the Strategic Committee under the Board of Directors, the Articles of Implementation for the Nomination Committee under the Board of Directors, the Articles of Implementation for the Audit (or Review) Committee under the Board of Directors, the Articles of Implementation for Remuneration and Review Committee under the Board of Directors and Regulations for Financial Management were formulated in accordance with procedures. The Strategic Committee, Nomination Committee, Audit Committee as well as Remuneration and Review Committee under the Board of Directors have been established, which were essentially in compliance with the normative documents published by the China Securities Regulatory Commission regarding corporate governance of listed companies.
2. **“Five Independence”**

Some of the Company's senior managers temporarily hold administrative positions in the holding company due to existing personnel management system. However, these managers only hold the position title and did not involve in the actual work of the holding company, instead, they put entirely their time and energy into the Company's work. Furthermore, some of them did not receive remuneration from the holding company. In addition, the Company and the controlling shareholder basically operate separately in terms of personnel, asset, finance, organisation and business. The Company's directors, supervisors and internal management operate independently.
3. **Independent directors' performance of their duties**

The Company established Work System for Independent Directors (獨立董事制度) once the Company was established. The independent directors performed their duties in strict compliance with the requirements of the Articles of Association of the Company, the Listing Rules and Guideline for Establishment of Work System for Independent Directors on Listed Companies. The independent directors participated in the discussion on the 2002 annual report, 2003 quarterly reports and the 2003 interim report, as well as the changes of senior management members. The independent directors provided opinions based on their professional knowledge and experience and provided independent advice. They performed their duties diligently.
4. **Appraisal and incentive mechanism and relevant reward system for senior management staff during the reporting period**

An annual salary package and risk deposit system have been implemented for the senior management staff. The Board of Directors will directly conduct appraisal of, grant award to or impose punishment on senior management staff in terms of their performance and efficiency on the basis of relevant operation benchmarks and management standards. Besides, the Company has embarked on revising and improving a fair and transparent performance assessment standard and an incentive regulatory mechanism for senior management staff.