

Structure of Corporate Governance

(1) CORPORATE GOVERNANCE

Pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, Management Standards for Listed Companies and the relevant requirements promulgated by China Securities Regulatory Commission, Shanghai Stock Exchange and Code on Corporate Governance Practices under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, the Company continues to actively improve the legal-person governance structure, and to regulate 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 consist of only directors of the Company. The majority of members of the Audit and Review Committee are independent non-executive directors and the position of committee's chairman is assumed by independent non-executive directors. The Company has formulated a series of corporate governance systems including Articles of Association, the Rules of Procedures for Shareholders' General Meeting, the Rules of Procedures for the Board of Directors, the Rules of Procedures for the Supervisory Committee, the Rules of Procedures for the General Manager, the Rules of Procedures for independent non-executive directors and the Rules of Procedures for all special committees. In accordance with the Articles of Associations, Rules of Procedures of the Board of Directors and Rules of Procedures of General Manager, the Company's Board of Directors and Management carried out division of responsibilities with each worked according to its duties as a way to regulate operations.

The Company continues to strengthen its works on information disclosure and promote investors' relationship management. The person in charge of information disclosure for the Company is the Secretary to the Board of Directors, while the organisation in charge is the office of the Board of Directors. The Company has formulated the Management Method for Information Disclosure and strictly complied with the requirements concerning information disclosure to disclose information in an open, fair and impartial manner, so as to enhance the transparency of the Company. In strengthening investors' relationship management, the Company attaches importance in meeting investors, participating in investors' forums, holding teleconferences and holding talks to elaborate on its performance, recent directions and development prospect for investors.

(2). PERFORMANCE OF DUTIES BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

1. Attendance of Independent Non-executive Directors at the Board Meeting

Name of Independent Non-executive Directors	Number of required attendance	Attendance in person (times)	Attendance through appointed proxies (times)	Absent (times)	Note
Chen Zhangwu	5	3	2	—	—
Xie Songlin	5	3	2	—	—
Zheng Peimin	5	4	1	—	—

2. Independent non-executive directors' objection to the relevant matters of the Company

In accordance with the requirements of the relevant PRC laws and regulations and Article of Association of the Company, each of the independent non-executive directors performed his duties with due diligence and actively get to know and be familiarized with the business and operation of the Company. They had attended all meetings of the Board in 2004 either in person or through appointed proxies. For matters which involved connected transactions in the Company's production and operation, they had made objective and fair judgment and had given independent opinions in accordance with the relevant provisions, thus effectively exercised their functions as independent non-executive directors and protected the interests of the Company and medium and minority shareholders.

Structure of Corporate Governance *(continued)*

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

- (1) Operation: The Company is completely independent from its controlling shareholder in terms of operation and has a completely independent business which can operate on its own accord.
- (2) Personnel: The Company is independent from its controlling shareholder in labor, personnel and salary management. The Company has its own independent personnel department. The senior management members are on the payroll of the Company. Save that director Zhu Yuanchao was employed as the Head of DFEW, the controlling shareholder of the Company, other members of the senior management hold no positions in the controlling shareholder.
- (3) Assets: The Company has independent systems for production, procurement and sales.
- (4) Organization: The Company is completely independent from its controlling shareholder in terms of organization and has its own independent office and operating premise.
- (5) Financial activities: The Company has an independent finance department, independent accounting and auditing systems and financial management systems as well as independent bank accounts.

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

The appointments and dismissals of senior management are open, transparent, and are in compliance with the relevant requirements of the PRC law, regulations and Articles of Association of the Company. Subject to the approval of the shareholders' general meeting, the remuneration scheme for senior management was examined and implemented in accordance with its annual operating performance.



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