

CHANGE OF DIRECTORS AND SENIOR MANAGEMENT

At a special general meeting convened by the Company on 17 January 2005, it was resolved that the resignation for personal reasons of Mr. Chang Zhenming and Mr. Qiao Zhongtao as independent non-executive director and executive director of the Company respectively be approved and that Ms. Wang Qinfang and Mr. Wang Jincheng be elected as independent non-executive director and executive director of the Company respectively for a term ending on the conclusion of the annual general meeting of shareholders for the year 2006.

At an annual general meeting of shareholders convened by the Company on 20 June 2005, it was resolved that the resignation of Ms. Huang Rongfang and Mr. Gao Keqin as executive directors of the Company for personal reasons be approved and that Mr. Yang Jun and Mr. Li Weisheng be elected as executive directors of the Company for a term ending on the conclusion of the annual general meeting of shareholders for the year 2006.

Mr. Tian Yuchuan resigned as vice president of the Company on 11 July 2005 for personal reasons.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY OR ITS SUBSIDIARIES

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities held by them.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2005, the Company was in compliance with Appendix 14 to Listing Rules – Code on Corporate Governance Practices (the “Code”); although the positions of chairman and chief executive of the Company are held concurrently in name by one person, the Company is at all times complying with the Code in that the roles of the management of the board and the day-to-day management of the Company’s business are separate and are not performed by the same person.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that a sufficient number of independent non-executive directors be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For the profile of the independent non-executive directors of the Company, please see the annual report of the Company for the year 2004.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

During the six months ended 30 June 2005, the Company adopted a set of criteria and a code of conduct which is no less stringent than that set out in Appendix 10 to the Listing Rules – Model Code, for securities transactions by directors and supervisors. The Company has conducted specific enquiries on all of its directors and supervisors. The directors and supervisors have complied with the required standards set out in the Model Code.

AUDIT COMMITTEE

In compliance with the requirements of the Hong Kong Stock Exchange in its Code of Best Practice, an audit committee of the Company (the "Audit Committee") was established in December 1999. The Company has complied with the provisions of Rule 3.21 of the Listing Rules on the establishment of an audit committee. At present, the Audit Committee comprises three members, namely Mr. Li Sanli, Mr. Li Xiaoru and Ms. Wang Qinfang. The principal duties of the Audit Committee include the review of the Company's financial reporting program, internal controls and financial reporting matters of the Group. The Audit Committee of the Company has reviewed the unaudited interim results of the Company and agreed to the accounting treatment adopted by the Company. In addition, the Company's external auditors have reviewed these unaudited interim results in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board

Chen Zhaoxiong

Chairman

18 August 2005