

(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.

During the reporting period, the Company complies with the provisions under the Notice of the Request to the Listed Company to Amend the Articles of Association (Zheng Jian Gong Si Zi [2005] No. 15) issued by China Securities Regulatory Commission on 22 March 2005, and 2004 the requirement of “the Listed Companies should amend the Articles of Association” in the Notice of amending the Articles of Association enclosed in the Memorandum Report of the year issued by Shanghai Stock Exchange. After the 2004 Annual General Meeting held on 16th June, 2005, Amendment on the Company’s Articles of Association, Regulations on Shareholders’ Meeting and Regulations on Directors’ Meeting.

(2) Independent Non-executive Directors and Their Duties

1. Attendance of Independent Non-executive Directors in the Board of Directors’ Meetings

Name of independent Non-executive Directors	Required attendance (times)	Attended in person (times)	Attended by representative (times)	Absence (times)	Remarks
Yu Chengting	11	9	2	0	
Tong Yunhuan	11	10	1	0	
Dong Juan	11	9	2	0	
Yu Weifeng	8	8	0	0	

There are four Non-Executive Independent Directors in the Company and it shares 1/3 of the total number of directors. The Company’s Independent Non-Executive Independent Directors are those with no relationship with management staff and major shareholders of the Company. Moreover, every Independent Non-Executive Independent Directors is familiar with the rights and obligations of directors and Independent Non-Executive Independent Directors of listed companies. For those independent non-executive directors who were unable to attend the directors’ meeting due to business affairs, representative would be authorized to attend the meeting on behalf of the independent non-executive directors to express opinion. They strictly review the Board Meeting information and give opinion to the Board of Director with an independent view to fulfill their responsibilities and important role.

2. Objects raised by Independent Non-executive Directors

There were no objections raised by independent non-executive directors to the Board of Director’s Meeting or other non-Board of Directors’ meeting during the year.

(3) Segregation of the Company and the Company Shareholders on the Operations, Personnel, Assets, Structure and Finance

- 1) Operations: The Company's operations are completely independent of the holding company and there are not areas of operation which overlap.
- 2) 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.
- 3) 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.
- 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) 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) 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 review of operations and attainment of results, operations budget and their management effectiveness during the year.