



## Chapter V Structure of Corporate Governance

### Section I Structure of Corporate Governance Disclosed Pursuant to Requirement by the CSRC

#### I. Current Structure of Corporate Governance

Since its establishment, the Company has committed to perfecting its corporate governance structure and established modernized corporate system in compliance with the “Company Law” and “Securities Law”, as to standardize its operations. The Company is, by and large, in compliance with the relevant laws and regulations.

1. Shareholders and General Meeting. The Company is able to endure all shareholders, particularly minority shareholders have equal rights. All disclosures of significant events as required by the relevant laws, administrative stipulations and regulations are disclosed fully, accurately and completely, in the newspapers and websites as designated by the regulatory bodies in PRC and Hong Kong, respectively, in order to ensure access of shareholders to the Company’s information and participation in the decision making process. The Company convenes general meetings strictly pursuant to the Regulation of General Meeting. Connected transactions of the Company are fair and reasonable, with the basis for determining the pricing fully disclosed.
2. Controlling shareholder and the listed company. The controlling shareholder exercises its equity holder’s right in strictly accordance to relevant laws, without any infringement against the General Meeting or intervene either directly or indirectly operations of the Company. In respect of personnel, finance, organization, business and assets, the controlling shareholder and the Company are independent from each other with autonomous financial systems, risks and obligations, thus the Company has an independent operation and business capacity. The election, appointment and dismissals of directors, supervisors and senior management are in strict adherence to procedures set forth in the relevant laws, regulations and Article of Association.
3. Directors and the Board. The Company elects directors in strict accordance with the Articles of Association, and they shall attend Board Meetings in a responsible manner and understand their respective rights, obligations and responsibilities. The independent non-executive directors are able to execute their authorities in strict accordance with relevant laws, regulations and the Articles of Association. In particular, they shall defend the overall interest of the Company as well as those of the minority shareholders.
4. Supervisors and Supervisory Committee. Members of the Supervisory Committee shall have acquired relevant legal, financial and accounting expertise, understand and perform their respective rights, obligations and responsibilities. They shall supervise the financial management of the Company and the directors and senior management to perform their duties in a legitimate manner and in compliance with the relevant laws.
5. Performance evaluation and motivation mechanism. The election, appointment and emolument of directors, supervisors and senior management adhere the relevant requirements as set forth by the Company Law and Articles of Association. The Company will keep perfecting its performance evaluation and incentive system on directors, supervisors and senior management.
6. Stakeholders. The Company respects the legal rights of stakeholders including banks and other creditors, employees, consumers, suppliers and the community. It works closely with stakeholders as to ensure a sustainable and healthy growth of the Company.
7. Information disclosure and transparency. The Company designates the Secretary of the Board on information disclosure, handling of shareholders visits and enquiries. The Company discloses, in the format and content required by law and the Articles of Association, any information that may have significant impact on the shareholders’ decision-making process, in a true, accurate, complete and timely manner.

In accordance with the Securities Law, Company Law and Listing Rules, the Company will keep perfecting its structure of corporate governance, enhance its managerial efficiency to ensure shareholders, and minority shareholders in particular, have equal rights.

## Chapter V Structure of Corporate Governance

### Section I Structure of Corporate Governance Disclosed Pursuant to Requirement by the CSRC (continued)

#### II. Performance of Independent Non-executive Directors

The independent non-executive directors have conscientiously fulfilled their duties in accordance with relevant laws and regulations and the Articles of Association of the Company. They have participated in the work of the Board and in the discussions in respect of significant matters. They also provided advice on the standardized operation and business activities of the Company based on their professional knowledge and experience. The independent non-executive directors offered their independent opinion as to whether certain connected transactions were fair and just. They also participated in the work of Audit Committee to review on the Company's financial statements. The independent non-executive directors preserved the overall interests of the Company as well as the lawful interests of the shareholders as a whole and made positive contribution to the development of the Company.

The attendance at board meetings by the independent non-executive directors during the year is as follows:

Name of Independent Non-executive Directors	Number of board meetings held during the year	Attendance in Person (number)	Attendance by proxy (number)	Absence (number)
Wang Zengjing	10	10	—	—
Kon Hiu King, Kenneth	10	9	1	—
Gao Yong	10	9	1	—
Chen Zhong	10	10	—	—
Yu Shiquan	10	10	—	—

#### III. Establishment and enforcement of Evaluation and Motivation Mechanism on Senior Management

The “Enforcement Measure of Motivation Scheme on the Managerial and Key Personnel of the Company” (Enforcement Measures) were considered and approved at the General Meeting of the Company on 16th June 2004, pursuant to which the Company can, for the three years’ period between 1st January 2004 and 31st December 2006, are empowered to allocate a certain number of ‘virtual shares’ on the managerial level of the Company, including executive directors, management, business department and chairmen, general managers, financial controllers of subsidiaries, as a means to reward for their performance. During the reported period, no virtual shares were allotted to them pursuant to the Enforcement Measures.

#### Section II Disclosures of the Report of Corporate Governance as required by the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”)

The Board, Supervisory Committee and Senior Management are committed for an effective implementation of corporate governance policy, to ensure all decision are on a fair and true basis, on a transparent, equal and impartial manner, with checks and balances that keep improving the corporate governance structure. The Company operates strictly within the respective framework set forth by the Articles of Association, and provides timely, accurate and complete corporate information to all market participants and regulatory bodies. It targets to enhance corporate value, promote governance quality and meet the expectation of shareholders and concerned parties.

During the reporting period, except for the following deviations, the Company has complied in full the provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules of the Stock Exchange:

##### Code Provision A.1.1

Pursuant to Code Provision A.1.1, the board of directors shall convene at least 4 regular meetings per year, at approximately quarter intervals. According to the Company's Articles of Association and the Rules Governing the Proceedings of Board Meetings, the Board is required to hold at least two meetings (regular meetings) per year. Notwithstanding the above, in order to enhance the Company's corporate governance, the Board held a total of 10 meetings during the reporting period, which has de facto fully complied with the requirements under Code Provision A.1.1.

##### Code Provision A.1.3

Pursuant to Code Provision A.1.3, notice shall be given at least 14 days before convening a regular board meeting. According to the Company's Articles of Association and the Rules Governing the Proceedings of Board Meetings, the Board shall serve notice 10 days before convening a Board meeting. Notwithstanding the above, in order to enhance the Company's corporate governance, the Board of the Company has managed to issue notice of not less than 14 days prior to each Board Meeting. Therefore, the directors consider that the Company has de facto fully complied with the requirements under Code Provision A.1.3.



## Section II Disclosures of the Report of Corporate Governance as required by the Listing Rules of the Stock Exchange (continued)

### Code Provision A.2.1

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Liu Haitao is the Company's chairman and executive director. The Board considers that such structure would not affect the balance of power and duties between the Board and the management. The Board of the Company is composed of highly experienced and talented members and meetings are held regularly to discuss issues of significance to the Group's operations. The Board believes that this structure help in establishing a stable and coherent leadership which is beneficial to the Group's business development.

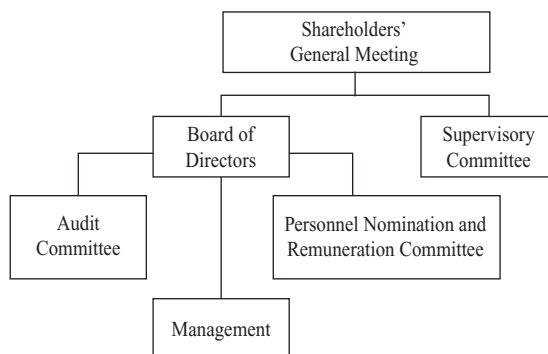
To ensure that the Company is in full compliance with the requirements of the above Code Provisions and enable it to promptly and effectively make and implement its decisions, the Company is considering to make appropriate amendments to its Articles of Association and/or Rules governing the Proceedings of Board Meetings in the following financial year.

### I. Corporate Governance

Since its establishment, the Company has, in strict compliance with the Company Law and Securities Law of the State, as well as the applicable laws and regulations as required by China Securities Regulatory Commission ("CSRC"), the listing rules of Shenzhen Stock Exchange and the Stock Exchange, respectively, perfected its corporate governance structure and established modernized corporate system as well as standardized its operations, and satisfied relevant requirements set forth by the CSRC and other applicable laws and regulations (including the Listing Rules).

Documentations relating to its corporate governance are consist of the Articles of Association, Rules for the Proceeding of General Meeting, Rules for the Proceeding of Board Meeting, and Rules for the Proceeding of Supervisory Committee Meeting. The Board has established two special committees, the Audit Committee and Personnel Nomination and Remuneration Committee.

The Chart of Corporate Governance:



### II. Board

The Board comprises 13 directors, of which 5 of them are independent non-executive directors. The current Board is the fourth Board since the establishment of the Company and the terms of office of Directors commenced on 15th August 2004 or the date of their respective appointment to the date of re-election of the Board.

The main duties of the Board are to exercise the management decision-making under the authorization of the shareholders' meeting in the aspects of corporate development strategy, management structure, investment and financing, planning and financial control.

The Directors are elected or replaced in shareholders' meeting and a polling system is adopted for the election of Directors. Shareholders representing more than 5% of issued shares and the Board are entitled to nominate Directors in writing. The terms of office of Directors is three years and Directors can be re-elected upon expiry of their term. Independent non-executive Directors are independent parties not connected with the management and major shareholders.

The positions of Chairman and General Manager of the Company are taken up by different persons and there is a clear division of work between the two roles. The Chairman presides the Board meeting and reviews the implementation of the Board's decision. General Manager, supported by other senior management of the Company, is responsible for the management and coordination of the Group's business, and for making daily decisions in accordance with the strategy formulated by the Board.

The Board members come from different industrial background and have expertise in corporate management, financial accounting, investment strategy and textile machinery. Their profiles are set out in "Directors, supervisors and senior management and staff" of the annual report.

## Section II Disclosures of the Report of Corporate Governance as required by the Listing Rules of the Stock Exchange (continued)

### II. Board (continued)

In 2005, two Directors held management positions in the Company, accounting for more than 1/7 of the total number of Directors. This arrangement enabled the Board to review and supervise the procedure of management of the Company.

Currently, the Company has five independent non-executive Directors, representing more than 1/3 of the total number of Directors. Independent non-executive Directors are familiar with the duties and obligations of being the directors of listed companies and independent non-executive directors of listed companies. During the reporting period, independent non-executive Directors, on prudent and serious attitude, fully leveraged on their experiences and expertises in perfecting the corporate governance and formulation of major decisions, and have provided objective opinions on the Company's significant events and connected transactions. Independent non-executive Directors have promoted the scientific approach in the Board's decision and the decision-making process and safeguarded the interests of the Company and shareholders as a whole. Three independent non-executive Directors of the Company held positions in the special committees under the Board.

In 2005, the Company held 10 Board meetings to discuss the Company's overall strategic and investment proposals as well as the operation and financial performance of the Company. The Board meeting achieved efficient discussions and timely and prudent decisions. Independent non-executive Directors of the Company had no objection to the Company's decisions. Attendance percentage of the meetings was 99.3% (including attendance by proxy through other Directors) and the details are as follows:

Name	Position	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance Percentage	Remarks
Liu Haitao	Chairman	10	10	100%	appointed as Chairman on 30th December 2005
Zhang Jie	Chairman (Former), Executive Director	9	10	90%	absent, and resigned as Chairman on 30th December 2005
Ye Maoxin	Vice-chairman, General Manager	10	10	100%	–
Fan Xinmin	Vice-chairman	10	10	100%	–
Liu Hong	Executive Director	10	10	100%	–
Gong Xingen	Executive Director (former)	5	5	100%	resigned on 9th June 2005
Shi Tinghong	Executive Director	5	5	100%	appointed on 9th June 2005
Yao Yuming	Executive Director	10	10	100%	–
Zhang Jianguo	Executive Director	10	10	100%	–
Wang Zengjing	Independent Non-executive Director	10	10	100%	–
Kon Hiu King, Kenneth	Independent Non-executive Director	10	10	100%	–
Gao Yong	Independent Non-executive Director	10	10	100%	–
Chen Zhong	Independent Non-executive Director	10	10	100%	–
Yu Shiquan	Independent Non-executive Director	10	10	100%	–

All the Directors are capable of acquiring the relevant information and latest development from the Board Secretary on the legal, regulatory and other continuing obligations to be complied with by directors of listed companies and such arrangement ensures that Directors fully understand his duties and that the Board meeting will be proceeded smoothly and the relevant laws and regulations are complied with. Directors and Committees under the Board are authorized, pursuant to the requirements for the exercise of duties, performance of obligations or the business requirements, to engage independent professional bodies for providing necessary services to them. Any reasonable costs arising therefrom shall be borne by the Company.

The Company is strictly in compliance with the relevant provisions in respect of securities transactions by directors as promulgated by the regulatory bodies in the Mainland and Hong Kong.

The Company has adopted a set of code which is not lower than the standard and the requirements of the “Model Code for Securities Transactions by Directors of Listed Issuers”, appendix 10 to the Listing Rules of the Hong Kong Stock Exchange. The Company has made specific enquiries to all the directors for the purpose of the preparation of the report. All the Directors have confirmed that they are in compliance with such set of code during the reporting period.



## Section II Disclosures of the Report of Corporate Governance as required by the Listing Rules of the Stock Exchange (continued)

### II. Board (continued)

#### Special Committees of the Board

Pursuant to the resolutions of general meeting, the Board has established two special committees and each of which has defined terms of reference. Their respective scope of supervision are as follows:

##### Audit Committee

The terms of reference of the Committee was formulated under the proposal of “Guidelines on Effective Operations of the Audit Committee” promulgated by Institute of Certified Public Accountants. Its duties include: to review the degree of completeness, accuracy and fairness of the financial reports of the Company, to receive the reports from the Company’s management and Auditors, to conduct regular meetings with Finance Department and Auditors annually, to make inquiry to the Finance Department and Auditors in respect of the Company’s financial status and get reasonable explanation thereon and to review the Company’s internal control and financial reporting mechanisms and to report to the Board on the matters thereon.

The members of the Audit Committee under the fourth Board of the Company are Mr. Wang Zengjing (Chairman of the Committee), Mr. Kon Hiu King, Kenneth and Mr. Yu Shiquan. All the three members are independent non-executive Directors and are in compliance with the relevant requirements.

Two meetings of the Audit Committee were held in 2005 and the Audit Committee comprised three independent non-executive Directors, with Mr. Wang Zengjing being the Chairman. All the matters passed by the Audit Committee have been properly recorded and filed according to the relevant rules. The Chairman of the Committee would report to the Board on all the important matters.

The attendance of members is as follows:

Name of the committee member	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Wang Zengjing (Chairman of the Committee)	2	2	100%
Kon Hiu King, Kenneth	2	2	100%
Yu Shiquan	2	2	100%

The work of Audit Committee for the year include: to review the completeness of the 2004 Annual Report, 2005 Interim Report and the relevant accounts of the Company, and reviewed the substantial opinions on financial reporting as set out in financial statements and reports. It also reviewed the Company’s internal financial reporting procedures, financial and accounting policies and practices, and conducted relevant discussions with Executive Directors, General Managers and External Auditors. The Committee examined the independence of External Auditors and considered and approved its terms of employment and remuneration. It also discussed the nature, scope and relevant reporting obligations of Auditors and provided timely written reports and recommendations to the Board.

##### Personnel Nomination and Remuneration Committee

The Personnel Nomination and Remuneration Committee of the Board has specific written terms of reference which deal clearly with its authority and duties. The terms of reference of the Personnel Nomination and Remuneration Committee have included the specific duties set out in the Code Provision B.1.3(a) to (f) of the Code, with appropriate modifications where necessary.

The Personnel Nomination and Remuneration Committee comprises three Independent non-executive Directors and two Executive Directors, including Mr. Wang Zengjing, Mr. Zhang Jie, Mr. Fan Xinmin, Mr. Kon Hiu King, Kenneth and Mr. Yu Shiquan, with Mr. Wang Zengjing being the Chairman. The relevant requirements were complied with.

The main duties of Personnel Nomination and Remuneration Committee are: to provide recommendations to the Board on the scale and composition of the Board on the basis of the Company’s operations, scale of assets and shareholding structure, to study the selection criteria and procedure of Directors and Managers and provide recommendations thereon to the Board, to broadly identify qualified Directors and Managers, to review the candidates of Directors and Managers and to provide recommendations thereon, to formulate the remuneration proposal or policy on the basis of the scope, duties and importance of Directors and senior management and the remuneration of similar positions of other enterprises and the remuneration proposal or policy shall include but not limited to the criteria, procedure and mechanism of appraisal and the major proposal and system of rewards and punishments, to examine the performance of duties of Directors (Non-independent Directors) and senior management and carry out annual performance appraisal, and to supervise the implementation of the Company’s remuneration policy.

## Section II Disclosures of the Report of Corporate Governance as required by the Listing Rules of the Stock Exchange (continued)

### Personnel Nomination and Remuneration Committee (continued)

The first meeting of the Personnel Nomination and Remuneration Committee of the Board will be convened and held prior to the 2005 Annual General Meeting of the Company at which the Committee will consider the following proposal and make recommendation to the Board:

- Annual salary review for 2005 for all staff

## III. Mechanism of supervision

### Supervisory Committee

The Supervisory Committee, established under the laws of the PRC and pursuant to the “Article of Association”, reviews the financial condition of the Company, and carries out supervision on whether the decisions and management of the Board and senior management are in compliance with the legal requirements for safeguarding the legal interests of shareholders, the Company and the staff. The fourth Supervisory Committee of the Company was elected at the Extraordinary General Meeting held on 15th August 2004 and the terms of office will expire on 15th August 2007. The fourth Supervisory Committee comprises seven members and the Chairman of Supervisory Committee is Mr. Wang Tiankai. The number and the qualification of members are in compliance with the legal requirements. The profiles of Supervisors are set out in “Directors, supervisors and senior management and staff” of the annual report.

In 2005, the Supervisory Committee of the Company held 5 meetings and all the Supervisors attended the meetings and the Board meetings and have performed the duties of Supervisory Committee in diligent manner. The Supervisory Committee reviewed the financial information of the Company’s 2004 annual results and 2005 interim results. The Committee has monitored the management of the Board and senior management of the Company and provided recommendations thereon to the management.

The attendance of members (including attendance by proxy) is as follows:

Name	Position	Attendance of meetings (Number)	Total number of meetings (Number)	Attendance percentage	Remarks
Wang Tiankai	Chairman of Supervisory Committee	5	5	100%	–
Peng Zeqing	Vice-chairman of Supervisory Committee	3	3	100%	appointed on 9th June 2005
Liu Xianming	Vice-chairman of Supervisory Committee, Supervisor (former)	2	2	100%	resigned on 9th June 2005
Yan Fuquan	Supervisor	5	5	100%	–
Tu Kelin	Supervisor	5	5	100%	–
Shi Jianping	Supervisor (former)	2	2	100%	resigned on 9th June 2005
Dong Min	Supervisor	3	3	100%	appointed on 9th June 2005
Lian Jinhua	Supervisor	5	5	100%	–
Bao Weiguo	Supervisor	5	5	100%	–

### Internal Control and Internal Audit

The Board is responsible for establishing and maintaining the Company’s internal control to review the control procedures in relation to finance, operation and supervision, so as to safeguard the interests of shareholders and assets of the Company. The Board authorizes the management to carry out internal control mechanism, and the effectiveness of which will be reviewed by Audit Committee.

The Company has established the Internal Audit Department which regularly, or whenever necessary, reviews the possible risks and significance of the financial, operating and internal control activities of the Company’s subsidiaries are subject to in accordance with the internal control system of different business operations of the Company, so as to provide independent and objective evaluation and recommendations for ensuring the compliance of the Company’s operations with regulations, the efficiency of operations and the effectiveness of the control mechanism of the Company.



## **Section II Disclosures of the Report of Corporate Governance as required by the Listing Rules of the Stock Exchange (continued)**

### **III. Mechanism of supervision (continued)**

#### **Internal Control and Internal Audit (continued)**

The Company has always placed a lot of emphasis to internal control and has established corresponding internal management mechanism and procedures in aspects of operations, finance and human resources. In order to better govern the operation of the Company, the Board of the Company will review its internal control system on annual basis.

#### **Fee of External Auditors and Term of Service**

The Company has reviewed and satisfied with the independence of the Company's external auditors, PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPA Limited Company for performing the audit of the Group's accounts.

The remuneration of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company (as International and the PRC Certified Public Accountants) for the audit services rendered in 2005 was RMB4,900,000 in total. In addition to audit related services, PricewaterhouseCoopers have not provided non-audit services during the year.

PricewaterhouseCoopers (Hong Kong Certified Public Accountant) and PricewaterhouseCoopers Zhong Tian CPA Limited Company (Certified Public Accountants in the PRC) have been the international auditors and PRC auditors for the Company for 10 consecutive years. The Board agrees to re-appoint PricewaterhouseCoopers (Hong Kong Certified Public Accountant) and PricewaterhouseCoopers Zhong Tian CPA Co., Ltd. (Certified Public Accountants in PRC) as the international auditors and PRC auditors for the Company for the year ending on 31st December 2006 and will propose the re-appointment to the General Meeting of 2005 for approval.

Starting from 2004, the Company has been observing the "Regulations on the Regular Rotation of Signatory Certified Public Accountant for Auditing Securities and Futures Transactions", and rotates the signatory certified public accountants on its regular domestic auditor's reports. The signatory PRC certified public accountants for the domestic auditor's report in the 2005 Annual Report are Zhang Guojun and Lan Shihong.

#### **Financial Controller**

Financial Controller is in charge of the Company's financial matters and is responsible to General Manager. Financial Controller is responsible for preparing the financial statements pursuant to the generally accepted accounting principles in China and Hong Kong Financial Reporting Standards and the relevant disclosure requirements of CSRC, Shenzhen Stock Exchange and the Stock Exchange. Financial Controller is also responsible for preparing the annual budget and annual accounts and supervising the implementation of the financial and operation plans. Chief Accountant and Financial Controller shall comply with the relevant systems of internal control as formulated by the Board and make recommendations to the Board.

The Company has determined to engage a Hong Kong qualified accountant to provide assistance to the person in-charge of the financial matters. The Company wants to identify a candidate who satisfies the professional requirements of the Stock Exchange, as well as having the industry background of textile machinery and is familiar with the operation of the enterprise. During the reporting period, although the Company used its endeavours to identify such candidate, no appropriate candidate was identified. In 2006, the Company will also continue to identify appropriate candidate and offer employment to the chosen candidate in 2006 so as to satisfy the requirements of relevant provisions of the Listing Rules of the Stock Exchange and facilitate the further governance on the operations of the Company.

#### **Equity Interests in Shares and securities transactions by directors, supervisors and senior management**

Please refer to: *Movement of shareholding of directors, supervisors and senior management and their remuneration*

#### **Substantial shareholders' interests in shareholdings**

Save as disclosed in "Movement of share capital and information on shareholders", to the best knowledge of the directors, supervisors and senior management of the Company, as of 31st December 2005, no person (other than the directors, supervisors and senior management of the Company) holds any interests or short positions in the shares or underlying shares of the Company (as appropriate) which shall be disclosed to the Company and the Stock Exchange as set forth in Divisions 2 and 3 of Part XV of Securities and Futures Ordinance ("SFO") or any interests or short positions recorded in the register required to be maintained pursuant to section 336 of the SFO.



## **Section II Disclosures of the Report of Corporate Governance as required by the Listing Rules of the Stock Exchange (continued)**

### **III. Mechanism of supervision (continued)**

#### **Shareholders, investors' relationship and other stakeholders**

The Company is devoted to ensure that all the shareholders, in particular the minority shareholders, are able to enjoy equal status and sufficiently exercise their respective rights.

#### **General Meeting**

General Meeting is highest authority of the Company and will exercise its authority pursuant to laws and regulations and makes decisions on major events. Annual General Meeting and Extraordinary General Meeting held will serve as the channel of direct communications between the Board and shareholders. Therefore, the Company places strong emphasis on General Meeting and will request all the Directors, Supervisors and senior management to attend by serving a 45 days notice. The Company encourages all the shareholders to attend the meeting and welcome shareholders to voice their opinions on the meeting.

#### **Substantial shareholder**

The Company's substantial shareholder is China Textile Machinery (Group) Co., Ltd. (holding 36.44% of shares). Being the Company's substantial shareholder, it has not, directly or indirectly, intervened the decision and operation of the Company. The Company maintains independence with respect to the staff, resources, finance, structure and business of its substantial shareholder.

#### **Information disclosure and management of investors' relationship**

The Board Secretary and the stock representative are responsible for information disclosure and reception of shareholders and investors. To optimize the management over investors' relationship, the Company formulated "Information Disclosure System" and "Management System of Investors Relationship" to ensure the openness, fairness and equity of information disclosed and to enhance the transparency of the Company.

#### **Evaluation and Incentive of Senior Management**

The Personnel Nomination and Remuneration Committee is responsible for the appraisal of senior management. The details for the incentive provided are set out in the section of Directors, supervisors and senior management and staff.

### **IV Summary**

The Company has adopted a corporate governance mechanism that reflects its capability in management and business operation and good corporate governance is essential to the healthy development of the Company and the promotion of investors' confidence. To achieve good corporate governance, it is essential for the Company to review whether the measures on corporate governance are in compliance with the market development trend and the requirements of regulatory bodies. It is the Company's objective to establish itself as a leading, healthy and modernized corporation. The Company will continue to devote efforts in promoting the standard of corporate governance so as to ensure the stable development of the Company and to increase the shareholders' values.