

Status

After listing, the Company observed closely the Company Law, the Securities Law and other relevant laws and regulations of the CSRC in order to continuously improve the corporate governance, standardize its operation and increase its efforts in disclosing the Company's information.

The articles of association of the Company are prepared in accordance with "The Guidance of Memorandum for Listed Companies", "Terms for Overseas Listed Companies' Memorandum" and the "Listing Rules". After the issuance of the "Standard for Corporate Governance for Listed Companies" by CSRC and The Ministry of Economic and Trading Commission, on 7 January 2002 the Company has improved the governing details in the articles and associations, "The Rules of Shareholders Meeting", "The Rules Of Directors' Meetings", "The Rules For Independent Directors", "The Rules For Supervisory Committee", "The Rules For Information Disclosure", "Working Regulations of General Manager", and "Regulations for Internal Finance Management of the Company". The amendments to the articles of association and "The Rules of Shareholders' Meetings" will be presented at the 2001 annual general meeting for approval.

- 1 Shareholders and the General Meeting: the Company treated all the shareholders equally and protected their legal rights and interests. The Company strictly adhered to the requirements of "General Views of Shareholders' Meeting". In 2001, the Company held two general meetings. Quorum and the number of shares they represented met the Company Law and the Company's articles of association. The general meetings were held in a venue convenient to all shareholders.
- 2 Controlling Shareholder and the Company: the Company's controlling shareholder - GZPHL has standardised its operations and it would not act beyond the shareholders' meeting and interfere directly or indirectly the Company's decision making or operations. The controlling shareholder strictly followed the conditions and procedures specified in the Company's articles of association and other relevant laws regarding the nominations of candidates for the Company's directors and supervisors. The Company and its controlling shareholder worked separately in respects of business, human resources, assets, organisation and financing, therefore, the Board, Supervisory Committee and internal organisation mechanism were able to function independently and appropriately. The Company's related parties transactions were carried out on a fair and reasonable basis, and the information in terms of pricing basis, setting up and compliance of respective agreements was adequately disclosed.
- 3 Directors and the Board: the directors were elected in accordance with the Company's articles of association. The numbers of directors and the Board's composition met the requirements of the relevant laws and regulations. The Board is responsible for setting the regulations for Board Meeting. Each director placed utmost honesty and diligence in fulfilling their responsibilities. Directors actively took part in training courses, had a strong knowledge in the relevant laws and regulations, and fully understood their rights, responsibilities and obligations. The Company has elected independent non-executive directors and specialized committee. This fully utilized the function of independent non-executive directors.
- 4 Supervisors and the Supervisory Committee: the number of Supervisors and the composition of the Committee are in compliance with the relevant laws and regulations. The Supervisory Committee is responsible for setting the regulations. In keeping with the best interests of the shareholders, the Supervisors fulfilled their duties in a diligent manner and supervised the legitimate performance of the directors and management.

- 5 Interested parties : the Company has respected and protected the legal interests of its banks and other creditors, staff, consumers and other interested parties so as to mutually promote the sustainable and healthy development of the Company.
- 6 Disclosure of information: the Company delegated the Company Secretary to be responsible for disclosing the Company's information, handling queries from shareholders and consulting on the Company's matters. In accordance with the relevant laws and regulations and the articles of association, the Company continued to disclose information in an honest, diligent, objective, truthful, accurate, timely, and comprehensive manner. The Company also ensured that shareholders have fair access to information relating to the Company. In addition, the Company disclosed on a timely basis the detailed information regarding the major shareholders, controllers of the Company and changes in share capital.

After the amendment to the articles of association and "The Rules of Shareholders' Meetings" passed in the 2001 annual general meeting, the Company will prepare "The Rules For The Meeting Of Investment Committee Of The Board", "The Rules For the Meeting Of Audit Committee Of The Board", "The Rules for Meeting of the Committee For Nomination of Directors" and "The Rules For Meeting Of The Committee For Assessment Of Performance Of Director And Their Remuneration" as soon as practical. The setting of the above rules will ensure that the committee under the Board will be operated in a more efficient and effective manner.

Independent non-executive directors' fulfilment of duties:

Independent non-executive directors have fulfilled their duties by actively protecting the overall interests of the Company and minority shareholders, and providing constructive advice towards the Company's development in accordance with the relevant laws and regulations. In fulfilling their duties, the independent directors were independent from the major shareholders, ultimate controlling person and other persons or companies with relevant interests in the Company.

Business, human resource, assets, organization and finance arrangements with ultimate holding company

- 1 Separation of business: the Company operated with an extensive business scope that was independent from the ultimate holding company.
- 2 Human resource: the Company was independent in human resource management included payroll. The General Manager, Vice Manager, Company Secretary, Financial Controller, and other senior executives were remunerated by the Company and its subsidiaries and did not play any important role in any of the Company's fellow subsidiaries.
- 3 Assets: the Company was equipped with an independent manufacturing system, a supplementary manufacturing system and related equipment. It also has an independent purchases and sales systems. There are currently 38 trademarks used by the Company, the title of which belongs to GZPHL. The company signed an agreement with GZPHL in relation to the use of trademarks. In addition, the company owns 6 valid trademarks.
- 4 Organisation: the Company has established an independent and comprehensive organizational structure. The Board, Supervisory Committee and other departments operated independently from the organization of the ultimate holding company.
- 5 Finance arrangements: the Company has established an independent finance department, accounting system, and formulated independent financial management policy. In addition, the Company has maintained independent bank accounts which are used for its business activities.

Directors, Supervisors and Senior Management's performance assessment, incentive mechanism, and relevant reward system

A long-range incentive scheme had been discussed and approved at the 2001 1st EGM. The scheme is available for the directors (excluding independent directors), supervisors (excluding external supervisors), senior management, middle management, and key technicians. A share option scheme, the pre-requisite of which is based on meeting certain pre-determined targets and linked to the Company's and management's performance, shall be established as a reward system for The Company's management. A Remuneration and Evaluation Committee, under the Board's direction, has been established and is responsible for investigating and approving performance evaluation standards and remuneration policies and schemes for the directors, supervisors and senior management.