

## (I) CORPORATE GOVERNANCE OF THE COMPANY

The Company further enhanced the structure of the Company's corporate governance. Having regard to the principle of protecting the benefits of investors at large the Company's own unique features and requirements and the "Principles for the governance of listed companies", in the following aspects:

### 1. Equal treatment to all shareholders, protect the lawful interests of shareholders

- (1) The Company treats all shareholders equally, in particular, the minority shareholders, and it has always been the policy of the Company to prohibit insider transactions between the Company's shareholders and insiders and any connection which is prejudicial to the interests of the Company and the shareholders;
- (2) The lawful interests of shareholders are protected. The Company makes timely, accurate and complete disclosures on newspapers and websites specified by either the PRC regulatory authorities or overseas regulatory authorities for information disclosures on material matters as required by the laws and administrative regulations so that the right of information and right of decision of shareholders are guaranteed;
- (3) The Company has begun setting the procedural rules for the general meetings of shareholders, which clearly define that the general meeting of shareholders represents the ultimate authority of the Company, and the rules and resolution procedures of the general meeting of shareholders are improved and refined so as to guarantee the legitimacy and validity of the convening of meetings and the rules and resolution procedures;
- (4) The Company continues to standardize the relationship between the controlling shareholder and the Company. The controlling shareholders exercise their respective rights of contributors strictly in accordance with the laws, and there has not been any manipulation of its special position to secure additional benefits. Decisions of material importance to the Company shall be made at the shareholders general meeting in accordance with the laws. Procedures as required by the laws, administrative regulations and the Articles of Association. Election of the Company's Directors and Supervisors and the appointment and removal of the senior management shall be strictly followed. The Company and the controlling shareholders are independent of each other in three aspects, namely personnel, assets and finance, whereby accounting and auditing shall be carried out independently and any liability and risk shall be undertaken independently;
- (5) During the period of the report, there had not been any occupation or transfer of the assets, funds and other resources of the Company in any way by shareholders, and there had not been any guarantee provided to shareholders and its related parties.

# STRUCTURE OF CORPORATE GOVERNANCE

## 2. The Board of Directors carried out its fiduciary and diligent obligations and responsibilities in serious efforts

- (1) The Company's Board of Directors has been adhering to the principle of being accountable to the general meeting of shareholders, and it had exercised its power in strict compliance with the laws, administrative regulations and the Articles of Association, and had treated all shareholders equally;
- (2) The Company has begun setting the procedural rules for the Board of Directors, which clearly define that the Board of Directors is the executive arm of the Company's general meeting of shareholders in deciding the Company's operations, investments and internal management, and in providing regulating and guiding opinions on the day-to-day operations of the Board of Directors and on the convening of meetings, so as to ensure efficiency and scientific decisions;
- (3) The Company's Board of Directors implements the resolutions of the general meetings of shareholders the undertakings made in the prospectuses and made by other means strictly in compliance with the relevant laws, regulations, rules and the Articles of Association;
- (4) The Company has established the system of independent directors and refined bye-laws in respect of duties of independent directors. The Strategic Committee, Nominating, Salary and Review Committee and Audit Committee is being set up under the Board of Directors, with separate bye-laws, thereby further enhancing the system of independent directors;
- (5) By standardizing the duties of the secretary to the Board, the Company has made use of the active role of the secretary to the Board to the fullest extent, and the secretary to the Board as the bridge of communication between the Company and the regulatory authorities ensures that the working procedure of the Board of Directors are lawful and efficient, and ensures that the operations of the Company are standardized;
- (6) The Company's secretary to the Board recorded and compiled all matters discussed at the Board meetings in his/her best efforts, and implemented the system of having the minutes of meetings signed by all the Directors and the recorder attending the meeting, and kept the minutes of meetings properly.

## 3. Making the most of the role of supervision by the Supervisory Committee

- (1) The Company's Supervisory Committee is accountable to all the shareholders with financial supervision as its core role, whereas at the same time it makes sure that the Company's Directors, managers and other senior management have performed their duties faithfully, thereby safeguarding the Company's assets, minimizing the Company's financial and operating risks and protecting the lawful interests of the Company and the shareholders;
- (2) The Company is currently working on the drawing up of the procedural rules for the Supervisory Committee, which clearly define the duties of the Supervisory Committee in supervising the resolutions of the Company's Board, the implementation of the resolutions of the general meetings of shareholders and the operation of the management. The duties of the Supervisory Committee shall be performed in strict compliance with the rules and procedures;

# STRUCTURE OF CORPORATE GOVERNANCE

- (3) Members of the Company's Supervisory Committee shall have knowledge in law and finance, and shall be able to communicate with shareholders, staff and other related parties on a broad basis, thereby ensuring that its supervisory duties are discharged smoothly;
  - (4) The Company implements the system of having the minutes of meetings signed by all the Supervisors and recorder present at the meeting, and that the minutes of meetings are kept properly.
4. The Company makes true, accurate and complete disclosures of information which may have material importance to the decisions of investors at large in strict compliance with the requirements of the laws, regulations and the Articles of Association regarding information disclosure, so as to ensure that all shareholders shall have equal opportunities to obtain such information and that the Company's transparency can be enhanced.

## (II) PERFORMANCE OF DUTIES BY INDEPENDENT DIRECTORS

The Company's Board of Directors has currently two independent Directors who meet the requirements of the Listing Rules of the Hong Kong Stock Exchange and Shanghai Stock Exchange. The independent Directors shall honestly implement their fiduciary and diligence duties, protect the overall interests of the Company in accordance with the requirements of the relevant laws, regulations and the Articles of Association, and they shall emphasize that the lawful interests of minority shareholders are not prejudiced, and formulate independent opinions on the Company's connected transactions and material events, thereby performing their duties independently.

The Company is in active efforts in identifying other candidates of independent directors for the addition of two independent directors, so as to meet the requirements of "Guiding opinion regarding the establishment of the system of independent directors by listed companies" issued by CSRC, to make use of the functions of independent directors to the fullest extent and improve the structure of corporate governance.

## (III) SEPARATION IN OPERATIONS, ASSETS, PERSONNEL, ORGANIZATION AND FINANCE BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

The Company and Communications Holdings, the controlling shareholder of the Company are independent of each other in operations, assets, personnel, organization and finance. The Company is independent in personnel, finance, assets and organization, and has its own independent production and operation legal entity.

### 1. Separation in operations between the Company and the controlling shareholder

The Company is independent of the controlling shareholder in operations. The Company is mainly engaged in toll collection, maintenance, management of its expressways and the investment management of its subsidiaries. Communications Holding, the controlling shareholder, is a State-owned assets operating unit, the principal operations of which are confined by the scope as authorized by the provincial government, and it is engaged in the operation and management of State-owned assets. There is no upstream or downstream relationship between the operations of the two, and they are not competing against each other. The Company is an independent operating entity.

# STRUCTURE OF CORPORATE GOVERNANCE

## 2. Integrity of the Company's assets

Relationship between the Company and the controlling shareholder is clearly defined. The Company has the right of ownership of its operating assets in its entirety. The assets are strictly separated from the assets of the controlling shareholder, and the operations are absolutely independent.

## 3. Independence of the Company's personnel

The Company is completely independent of the controlling shareholder in respect of staff, personnel and salary management. The Company's senior management such as the general manager, assistant general manager and secretary to the Board receive salary from the Company, and hold no offices at any entity under the controlling shareholder.

Recommendations of candidates for directors and supervisors by the controlling shareholders to the Company shall be made pursuant to lawful procedures, and decisions made by the Board of Directors and general meetings of shareholders on the appointment or removal of personnel can be validly implemented. There is no question of any interference on the decisions of the Board and general meetings of shareholders on the appointment or removal of personnel.

## 4. Independence of the Company's organization

The office organization and place of operation of the Company are separate from the controlling shareholder, and there is no question of any mixed operation in one same office using "Two brands under one team of personnel".

## 5. Independence of the Company's finance

The Company has set up an independent financial division, and established an independent accounting and auditing system and financial management system, with separate bank accounts, and it pays taxes in compliance with the law and makes financial decisions independently. There is no question of any interference by the controlling shareholder on the financial operations of the Company.

## (IV) CODE OF BEST PRACTICE

The Board of Directors of the Company has not yet established an audit committee (the "audit committee") to review and supervise the Company's financial reporting process and internal controls pursuant to paragraph 14 of the Code of Best Practice set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange (the "Code of Best Practice"). The Company has instead formed a Supervisory Committee in its corporate structure, which carries out functions similar to that of an audit committee. The difference is that the Company's Supervisory Committee comprises of five representatives (one of whom shall be an employee of the Company) who shall be elected or removed by the general meeting of shareholders, and who shall be accountable to the general meeting of shareholders instead of the Board of Directors, whereas an audit committee comprises of the non-executive directors of a company. Other than this, none of the Directors is aware of any information that would reasonably indicate that the Company is, or was for any part of the period under review, not in compliance with the Code of Best Practice.