



Corporate Governance

The motto for the Company's management ...

Integrity and Diligence

In Pursuit of Excellent Returns for Shareholders

Corporate Governance

Since its establishment in December 1996, the Company has made its best endeavours to improve the corporate governance structure of the Company as a legal person. It has established a system of a modern enterprise and standardised the Company's operations. We believe that good corporate governance is the cornerstone for enterprise development, which may enhance corporate competitiveness and ensure that the Company will operate for the maximum benefits of its shareholders.

Board of Directors

The current Board of Directors is the third Board of Directors since the establishment of the Company. In accordance with the Articles of Association of the Company, Directors shall be removed or elected for a term of three years at the shareholders' general meetings. The term of the current Board of Directors is from 1st January 2003 to 31st December 2005.

In order to facilitate an independent, accountable and dutiful operation of the Board of Directors, the roles between the Chairman and the Managing Director of the Company are clearly defined. The Chairman is responsible for formulating strategies and policies of the Company as a whole, whilst the Managing Director is responsible for managing the business, implementing significant strategies, making decisions during the usual course of operation and coordinating the overall business operations of the Group with the assistance and support of other Directors and senior management of the Company.

The Company held eight board meetings during 2003. The attendance was 100% (including those Directors appointing other Directors as proxies) whilst the attendance of Directors in person was 80%. During the board meetings, discussions were effectively conducted and decisions were promptly and prudently made.

Date of board meeting	Total number of Directors	Number of Directors attended	Attendance	Number of Directors attended	
				in person	Attendance
20th January 2003	11	11	100%	9	81.82%
11th April 2003	11	11	100%	9	81.82%
29th April 2003	11	11	100%	9	81.82%
30th May 2003	11	11	100%	9	81.82%
15th August 2003	12	12	100%	12	100%
11th September 2003	12	12	100%	8	66.67%
30th October 2003	12	12	100%	10	83.33%
5th December 2003	12	12	100%	8	66.67%

Directors

Directors are elected at the shareholders' general meetings for a term of three years and are eligible to offer themselves for re-election upon expiry of the term. The Board of Directors of the Company comprises 12 Directors of whom five are recommended by shareholders of domestic legal person shares, whereas three Directors and four independent Directors are recommended by the Board of Directors. The Directors to be elected by the Board of Directors shall be nominated by the Human Resources and Nomination Committee. The proposed Directors shall be reviewed and approved by the Board of Directors before submitting to the shareholders' general meetings for approval. Independent Directors shall not be nominated by the substantial shareholders but by any independent third parties or the Human Resources and Nomination Committee.

The Company has laid down a standardised and transparent process for the election of Directors in the Articles of Association of the Company, which is to ensure that Directors are elected openly, fairly, justifiably and independently. Starting from the course of electing an additional Independent Director at the annual general meeting convened on 28th May 2003, a cumulative voting system has been adopted for electing Directors, so as to adequately reflect the opinions of minority shareholders. Pursuant to the cumulative voting system, the number of votes each shareholder has is equal to the multiple of the number of shares held by him and the number of Directors whom he is entitled to elect. Each shareholder may cast all the votes for a particular candidate, or allocate the votes to all the candidates he is entitled to vote for at his discretion, or cast all the votes to two or more candidates. The candidates who obtain the most votes will be elected. Polls will be separately conducted for Independent Directors and Non-independent Directors.

There are three Directors who are involved in specific operation and management functions of the Company. When performing their duties, the Directors of the Company shall perform on a fiduciary basis and give their independent opinions.

The Directors and the special-purpose committees under the Board of Directors of the Company have the right to engage independent and professional agencies to provide services whilst the fees incurred shall be borne by the Company. In 2003, such special-purpose committees of the Company engaged independent legal advisors and financial advisors to provide professional advices.

In accordance with the Articles of Association of the Company and regulatory requirements it is subjected to, any Director who fail twice consecutively to attend a board meeting in person or to appoint other Directors as proxy to attend the meeting on his behalf shall be deemed as not performing his duties. In such a case, the Board of Directors shall recommend to the general meeting for his removal and replacement accordingly.



Independent Directors

Two Independent Directors were engaged by the Company in 1997, and the number increased to three in 1999. There are currently four Independent Directors, representing one-third of the total number of Directors. The Independent Directors come from different industries and are professionals in accounting, finance, enterprise management or human resources. They have considerable experience in their expertise and are independent of the management and substantial shareholders of the Company.

The Independent Directors play an increasingly important role in the Board of Directors of the Company. All of them are familiar with the rights and obligations of directors for listed companies, and have attended board meetings and the shareholders' general meetings in an extremely conscientious and responsible manner. They have actively participated in the Company's introduction meetings to be briefed on the Company's businesses and operations, and have conducted on-site visits to the key expressway projects invested by the Company. In addition, they have given independent opinions and recommendations in respect of significant matters and connected transactions of the Company and have assumed major duties in the special-purpose committees under the Board of Directors. The Independent Directors have ensured that the Board of Directors would maintain reporting obligations on finance and other necessary aspects in a quality manner, and have performed their monitoring and check-and-balance functions for the purpose of safeguarding the interests of the Company and its shareholders as a whole.

Secretary to the Board of Directors

The Secretary to the Board of Directors reports to the Board of Directors and is responsible for ensuring that the Company complies with relevant and appropriate laws and regulations, and that procedures of the Board of Directors are consistently implemented. The Secretary to the Board of Directors is also responsible for the disclosures of information of the Company and providing advice to the Board of Directors in that regard. The Secretary to the Board of Directors is concurrently a director of the Company.

Chief Financial Officer

Chief Financial Officer is the person in charge of the Company's financial matters and reports to the General Manager. It is the responsibility of the Chief Financial Officer to prepare financial statements in accordance with the generally accepted accounting principles in the PRC and Hong Kong and to comply with relevant disclosure requirements under the Listing Rules of HKEX, as well as those of the CSRC and Shanghai Stock Exchange. The Financial Controller is also responsible for formulating annual budget proposals and final accounts of the Company, and monitoring the implementation of the Company's annual financial and operating plans. In addition, the Chief Financial Officer has to work with relevant systems of risk management as formulated by the Board of Directors and make recommendations to the Board of Directors accordingly.

Special-Purpose Committees under the Board of Directors

Audit Committee

The Audit Committee was established by the Board of Directors of the Company in August 1999 pursuant to the Listing Rules. The Audit Committee is responsible for reviewing and overseeing the financial reporting procedures and internal control measures of the Group.

Members of the Audit Committee are generally appointed for a term of three years. The terms of office for existing members are from their respective dates of appointment until 31st December 2005. Members of the current committee include:

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| Ho Pak Cho, Independent Director | - | Chairman of the Committee (appointed on 12th January 2003) |
| Chiu Chi Cheong, Non-executive Director | - | former Independent Director and Chairman of the Committee (appointed on 12th January 2003) |
| Li Zhi Zheng, Independent Director | - | Resigned from the committee on 30th June 2003 due to the heavy workload as he held positions in 3 committees concurrently |
| James K. L. Poon, Independent Director | - | appointed as a member of the Audit Committee by the Board of Directors on 15th August 2003 |

All members of the current Audit Committee are experienced professionals in the fields of accounting, securities or finance, with substantial exposure in the industry as well as financial matters. They have performed their duties with integrity and diligence as well as an independent and objective attitude. They hold themselves accountable to the Company and its shareholders as a whole, in particular the interests of minority shareholders. They have played a very important check-and-balance role during the decision-making process of the Board of Directors.

The major accomplishments made by the Audit Committee during the Year included:

- The “Terms of References for the Audit Committee” were further reviewed and amended, which were then approved by the Board of Directors;
- The annual and interim reports and financial statements of the Group, as well as the recommendations to management as issued by the external auditors and the responses made by the management of the Company, were reviewed;
- The accounting policies being adopted by the Company and matters relating to accounting issues were reviewed;
- Recommendations to the Board of Directors in respect of the appointment of external auditors, audit fees and appropriateness of the audit plan were made;
- Supervision on the work of the audit department of the Company was carried out;
- Assistance was provided to the Board of Directors on the conduct of an independent assessment as to the effectiveness of financial reporting procedures and internal control mechanisms of the Group;
- The implementation and the effect on the Share Appreciation Right Scheme of the Company were reviewed;
- Independent advice in respect of significant matters of the Company was provided and recommendations on management issues were made to the management of the Company.



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The Audit Committee held seven meetings in 2003. The meetings were chaired by Mr Ho Pak Cho and all members attended the meetings. Information relating to attendance of the meetings was as follows:

Date of committee meeting	Total number of members	Number of members attended	Attendance
20th January 2003	3	3	100%
20th March 2003	3	3	100%
23th April 2003	3	3	100%
20th June 2003	3	3	100%
11th August 2003	2	2	100%
21th October 2003	3	3	100%
19th December 2003	3	3	100%

The Chairman, Managing Director, Secretary to the Board of Directors, Chief Financial Officer and Manager of Audit Department of the Company were also invited to attend the aforesaid meetings. In order to enhance the independence of reporting by the auditors, meetings were separately held between all members of the Committee and the external auditors. In addition, the Committee also required the external auditors to change the partners in charge of the Company on a regular basis.

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All the matters passed at meetings of the Audit Committee were recorded and filed appropriately pursuant to the relevant rules. The Chairman of the Audit Committee would submit a report to the Board of Directors in respect of the significant matters discussed after each meeting, and reported to the Board of Directors in respect of work and progress of the Committee at least once every six months.

The Company has established its internal audit department since August 2000. In accordance with possible risks (and their significance) pertaining to the internal control system of the Company's various businesses and workflows, the internal audit department will review, oversee and evaluate the disclosures of financial information, operation and internal control activities of the Company on a regular and as-needed basis. Transparency of external information disclosure, efficiency of operation and effectiveness of corporate control mechanisms of the Company are thus assured. In addition, independent and objective assessments and recommendations will be provided in the form of the audit reports.

Internal staff of the audit department have access to all information of the Company and may make enquiries to relevant staff. The manager of the audit department reports directly to the Audit Committee on the results and opinions of the relevant tasks, upon the review of which the Committee will make relevant recommendations to the management and report regularly to the Board of Directors. Such reporting mechanisms effectively maintain, and capitalise on, the independence of the internal audit function, and ensure that significant issues found during the internal audit process will be given sufficient regard and will be improved thereupon.

Strategic Development and Investment Committee

The Company established the Strategic Development and Investment Committee on 19th November 2001. Its main duties include the review and evaluation on the Company's strategic directions, deliberation on the Company's strategic plans and its long and medium term development strategies and objectives, and monitoring on the implementation of strategies.

On 20th January 2003, the Company elected members of the committee for another session. Mr. Chen Chao, the Chairman, is the chairman of the Strategic Development and Investment Committee. Other members include Mr. Chiu Chi Cheong, a Director; Mr. Wu Ya De, a Director; and Mr. Li Zhi Zheng, an Independent Director and a professional from the community. The new term of the committee commenced from the date the members were elected until 31st December 2005.

In 2003, the committee and the Company's task force on strategies have put forward preliminary proposals on the Company's strategic development after in-depth analysis and research on the external environment, internal conditions and mechanisms, and the characteristics and conditions of resources available.

Human Resources and Nomination Committee

The Company established the Human Resources and Remuneration Committee on 19th November 2001. The authorities and duties of the committee include human resources management; salaries, remuneration and share options scheme management; appraisal, appointment, removal and nomination, etc. The Company elected members of the committee for a new term and renamed the committee as the Human Resources and Nomination Committee on 20th January 2003. The committee is chaired by Mr. Li Zhi Zheng, an Independent Director. Other members include Mr. Chen Chao, the Chairman, and Mr. Zhang Zhi Xue, an Independent Director and a professional from the community. The term of office of the above members commenced from the date they were elected until 31st December 2005.

The main work completed by the committee during the year included:

- The Share Appreciation Right Scheme being implemented by the Company was considered and reviewed, with proposals for amendments and improvements being put forward;
- The performance of the General Manager upon the expiry of the probation period was assessed on behalf of the Board of Directors;
- The performance of senior management officers of the Company during the period was assessed;
- The salaries structure and the incentive scheme of the Company were reviewed, and the proposals on restructuring the salaries and fringe benefits system of the Company were considered.

During year 2003, the committee conducted 4 meetings, chaired by Mr. Li Zhi Zheng and attended by all committee members.

Shareholders' General Meetings

A shareholders' general meeting is the organ of power for the Company. The meeting exercises its power on deciding major issues of the Company pursuant to the laws. Annual general meetings and extraordinary general meetings provide channels of communication directly between the Board of Directors and its shareholders every year. As such, the Company has placed great emphasis on the shareholders' general meetings and requires all directors and senior management officers to attend the meetings as much as possible. The Company will give notice on any meeting 45 days in advance. It encourages all shareholders to attend the annual general meetings and other shareholders' general meetings, and welcomes questions from shareholders during the meetings.

Supervisory Committee

In accordance with the requirements as stipulated by relevant laws and regulations, the Company has set up a supervisory committee which comprised two supervisors as appointed by shareholders and one supervisor as elected by staff. Supervisors shall conscientiously fulfill their duties, and oversee the financial affairs as well as the performance of duties by the Directors, Managers and other senior management officers of the Company to ensure compliance with relevant laws and regulations.

The Controlling Shareholder

The activities of the Company's controlling shareholder have been governed. There have been no circumstances in which the controlling shareholder directly or indirectly interfered with the decision by, or the operation of, the Company beyond the shareholders' general meetings in an *ultra vires* manner. The Company maintains its own staff, assets, finance, corporate structure and operation independently from those of the controlling shareholder.

Corporate Governance

The top two shareholders of the Company have undertaken in writing upon the establishment of the Company not to engage in any business which competes with the principal operation of the Company. Such undertaking has been abided by during the previous years.

Regulations on Corporate Governance

The Company formulated and approved the “Regulations on the Operation of Shareholders’ General Meetings” and the “Regulations on the Operation of the Supervisory Committee” on 23rd May 2000. These two set of Regulations have been prepared under the premises of the Company Law and the Articles of Association with an emphasis on procedures, and have expressly defined the rights and obligations of the shareholders, in particular the controlling shareholder, so as to ensure compliance with relevant provisions.

Between 2000 and 2001, an internationally renowned consultant was engaged by the Company and with its advice, the Company formulated and approved in August 2001 the “Regulations on the Operation of the Board of Directors” and the “Regulations on the Operation of General Manager” after considering the uniqueness of the Company’s business and subsequent to several discussions and revisions. In November 2001, the Company promulgated the Company’s “Corporate Governance Handbook” by incorporating the above-mentioned four sets of rules together with the Terms of References for its three special-purpose committees, namely the Audit Committee, the Strategic Development and Investment Committee and the Human Resources and Nomination Committee. Full implementations of the rules and the terms of references have been rolled out within the Company’s scope of operation.

Investor Relations

The Directors consider that corporate governance enhancement is the premises of its investors relations endeavours. A sound corporate governance structure is key to building a most effective operation of the Board of Directors. The Company has placed emphasis on its relations with investors. Analysis was made on the management of investor relations activities and weaknesses were identified, where proposals for improvements were made and an investor relations management system was formulated accordingly. Such a system aims to cultivate expertise in investor relations management and to establish a sound investor relations management structure. It embraces investor relations management into the scope of the Company’s strategic management. Different channels and means are applied to promote and present the Company’s development strategies to its investors, including shareholders, prospective investors, securities analysts and the financial media, so as to seek their recognition of such strategies.

The Company endeavours to ensure that all shareholders, in particular minority shareholders, shall rank *pari passu* with each other and to ensure that all shareholders can fully exercise their rights. The Company has established an investor hotline to collect comments, opinions and suggestions from investors and to respond to their enquiries about the Company.

The Company is committed to safeguarding the legal interests of its stakeholders, including banks and other creditors, staff and consumers. It cares about environmental protection and community welfare, and will pursue a sustainable and healthy development of the Company.