



Corporate Governance

Sound corporate governance is a guaranty for investors' confidence and healthy development of an enterprise. In strict compliance with the Listing Rules, the Company continued to improve its corporate governance structure in 2004, and proactively carried out system innovations to accelerate improvement of corporate governance towards a higher level, thus achieving its stable operations and healthy development.

I. General Meeting

Shareholders of the Company rank *pari passu* in all aspects. All shareholders, especially minority shareholders, are entitled to access to and decision-making on material events of the Company. No action in violation of the interests of the Company and its shareholders is allowed.

The Company has separate personnel, assets, finance, organisation and business independent from its controlling shareholder, and therefore owns entire business and independent operation capability. The controlling shareholder has acted properly and never exploited its special position to intervene, in *ultra vires* over the general meeting, in the decisions or the operation of the Company or advance an extra interest.

As the highest authority of the Company, the general meeting performs its functions and power in determining on material events of the Company under the laws. During the year, the Company convened an annual general meeting and an extraordinary meeting.

II. Directors and the Board

Directors of the Company are elected at the general meeting, with a 3-year term of office and eligible for re-election upon the expiry of the term.

Corporate Governance (*Continued*)

Positions of the Chairman and the General Manager of the Company are taken up by different persons. The Chairman takes charge in affairs of the Board and formulating the Company's development strategies and capital operation, whereas the General Manager is responsible for the Company's day-to-day operation and management activities. The definite responsibilities ensure a balance between power and obligations with clear-cut and efficient decisions and implementations by the Board and the management.

The Company has 4 independent directors, representing one third of the total directors. Two of them were appointed this year. The independent directors are professionals experienced in various industries in Hong Kong and the PRC including transportation, accounting, finance or corporate management. With a responsible attitude and extensive professional knowledge and experience, the independent directors have in good faith performed their independent duties of honesty and diligence in participating in discussion and making decision on material events of the Company, reviewing the fairness and justness of connected transactions and capital transactions as well as giving their independent opinions and suggestions, whereby the overall interests of the Company and the lawful interests of the shareholders as a whole have been effectively safeguarded. Independent directors are playing an increasingly important role in the Board.

The third Board consists of 12 members. The Board acts on behalf of the interests of shareholders as a whole and reports to the general meeting. It makes decisions on the material events of the Company in strict compliance with relevant legal procedures and exercises supervision on the development and operating activities of the Company.

During the year, the Company convened a total of 4 Board meetings, with 100% attendance (including the attendance by proxy) and 90% attendance in person.

Through the Board office of the Company, all directors of the Company are able to keep informed of relevant information and the latest movements in laws, regulations, regulatory ordinances and other continuing obligations that directors of listed companies shall comply with, on a timely basis, for a comprehensive understanding of their duties and to rightly follow relevant statutory procedures and strictly comply with applicable laws and regulations.

III. Special Committee of the Board

In November 2004, an Audit Committee was set up in accordance with the Listing Rules to review and exercise supervision on the Group's financial reporting procedures, internal control and risk management mechanism. (Such duties had been fulfilled by the Supervisory Committee before establishment of the committee.)

The Audit Committee comprises 3 independent non-executive directors, namely Madam Luo Xia, Madam Zang Dihua and Mr. Feng Jian. Madam Luo Xia serves as the chairman of the Audit Committee. The term of office for members of the Audit Committee is the same as theirs as independent non-executive directors.

IV. Supervisors and the Supervisory Committee

The Supervisory Committee of the Company consists of 4 members, which is in compliance with the laws and regulations.

The Supervisory Committee reports to all shareholders and has honestly performed its duties in reviewing and monitoring the Company's financial reporting procedures and internal control to safeguard the lawful interests of the shareholders and the Company.

V. Investor Relations

In light of the good faith principle, the Company strictly complies with and implements the Listing Rules to disclose discloseable information on a true, accurate, complete and timely basis and all other information that might have a significant impact on the decisions of shareholders and other concerned parties in an active and timely manner. Also, the Company takes effort in ensuring all shareholders with equal access to information. As such, the Company has honestly performed its statutory obligation in respect of information disclosure.

Investor relation management is a strategic managerial behaviour to maximize the corporate value. Accordingly, the Company has been always attaching much importance to it and regards it as a significant measure to improve corporate governance. Through information websites, overseas roadshows, teleconference and investors' call-in enquiries and visits, the Company takes initiatives for agreeable communications with investors to enable them to have a clear and in-depth understanding of the Company's business environment, operating strategies and prospects, whereby their sense of identity was strengthened. In delivering information to investors, the Company also listens for their advice and collects the feedbacks from them, aiming to form interactive and mutual beneficial relations between the Company and the investors.

