

# Improving our Standardized operations, Aimed at Corporate governance.

CORPORATE  
GOVERNANCE  
R E P O R T





# enhancing



The Company, through active investor relations programs, aims at increasing its transparency, enhancing communication, increasing investors' understanding of, and trust in, our businesses. It also aims at building investor confidence in our future developments and promoting market recognition and support, so that the Company's business development potential and actual value will be fully reflected in the market.



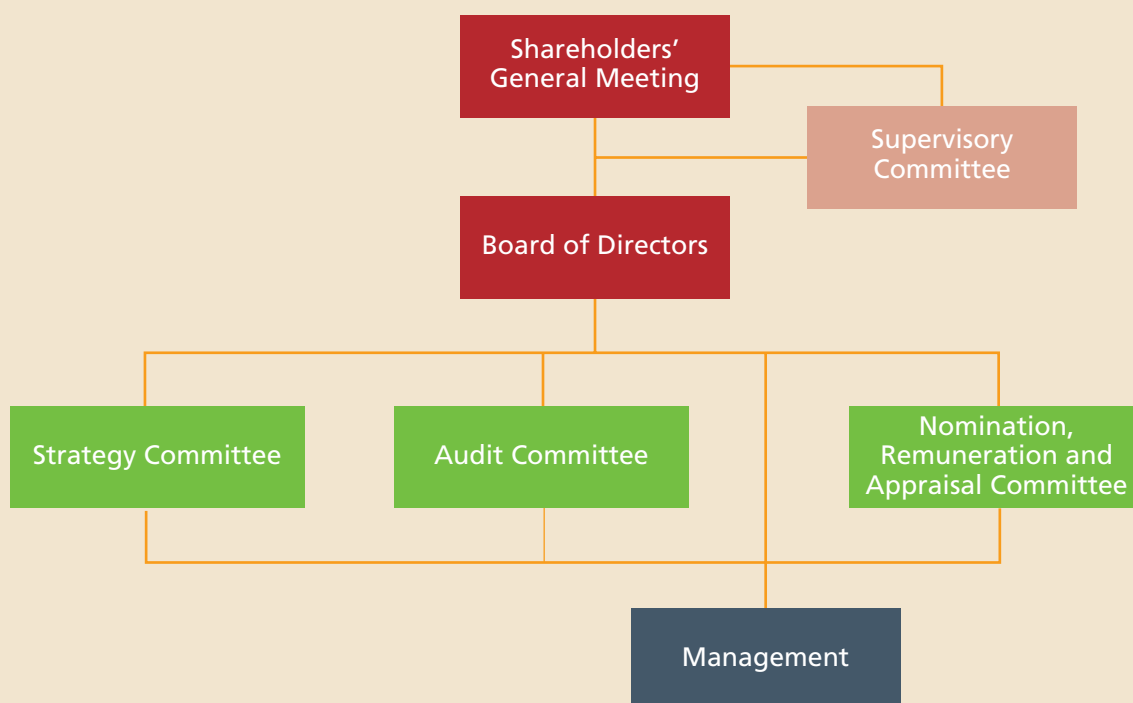
**(I) Corporate Governance**

Sound corporate governance assures investor confidence and is a cornerstone for the healthy development of an enterprise. The Company has complied with the Company Law, Securities Law, the relevant laws and regulations of the CSRC and the requirements of the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange. It has faithfully performed in accordance with the Standard on the Governance of Listed Companies of the CSRC and the Code on Corporate Governance Practices of the Hong Kong Stock Exchange. The Company has also directed its daily activities in strict compliance with various established corporate governance systems and reviewed from time to time its operations and management behaviors, so as to enhance its corporate governance standards on a continuous basis and to establish an image of integrity and diligence in the market, thereby maintaining the Company’s competitive edge.

**Amendments to the Articles of Association**

In accordance with the requirements of the CSRC, the Company made amendments and supplements to the relevant provisions of the articles of association, the “Rules of Proceedings for Shareholders’ General Meetings”, the “Rules of Proceedings for Board of Directors Meetings” and the “Rules of Proceedings for Supervisory Committee Meetings”. The scope of amendments concerned protection of shareholders’ interests, fiduciary duties of the Company, internet voting, the system of independent directors, investor relations and so forth. The amendments and supplements were considered and approved in accordance with the statutory procedures.

**(II) Corporate Governance Structure**





## 1. Shareholders and General meetings

The Company treats all shareholders equally and ensures that all shareholders have the rights to be informed and to make decisions on material matters relating to the Company. The Company ensures that all shareholders, especially medium and small shareholders, are treated equally and may fully exercise their rights. Any shareholders and insiders of the Company are prohibited from any insider dealings with any insiders of the Company or any act that may jeopardize the interests of shareholders and the Company.

### Shareholders' General Meeting

The convening, holding and procedures of the shareholders' general meeting are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information".

### Substantial Shareholders

Jiangsu Communications Holding Company Limited and Huajian Transportation Economic Development Center are the substantial shareholders of the Company, holding approximately 55.22% and 11.86% of the Company's shares, respectively. These two companies have not intervened the decision making process and operation of the Company directly or indirectly bypassing the general meetings.

The Company's businesses, assets, staff, organization and finance are separated from those of the controlling shareholder, allowing the Company to have complete autonomy over its businesses and operations. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the laws. There has been no circumstance in which the controlling shareholder makes use of its special position to pursue benefits that are beyond the entitlement of its legal rights.

## 2. Directors and the Board of Directors

The composition, members and operational procedures of the Board are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information".

### Independent Non-executive Director

The four independent non-executive directors of the Company are Chang Yung Tsung, Fan Keng, Yang Xiong Sheng and Fan Chong Lai, accounting for more than one-third of the members of the Board and including an independent director with professional qualification and financial management experience. The Company has received the yearly confirmation letters in respect of their independence from each of the independent non-executive directors, written pursuant to the requirements of Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that the independent non-executive directors are independent parties.

## Corporate Governance Report



A former independent director, Mr. Hong Yin Xing, has resigned as of the date of the 2004 annual general meeting due to his appointment as a State civil servant. The Company has appointed Mr. Fan Chong Lai as independent non-executive director with a term from the date of the 2004 annual general meeting until the 2007 annual general meeting.

The independent directors have been able to perform their obligations duties faithfully and diligently in compliance with the relevant laws, regulations and "Detailed Rules for the Operation of Independent Directors". The independent directors have participated in the Board and its various specialized committees, and have given their opinions on the decision-making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. They have ensured that their acts are not influenced by the substantial shareholders, the effective controlling parties of the Company or any other units or individuals that have interests in the Company. The independent directors have made active contribution to protecting the interests of the Company as a whole and the lawful rights of all of our shareholders, as well as promoting the healthy development of the Company.

### 3. Supervisors and Supervisory Committee

The Company's Supervisory Committee comprises five supervisors, of whom three are representatives of shareholders and the other two are staff representatives of the Company. The number of members and composition of the Company's Supervisory Committee comply with the requirements of the relevant laws and regulations. The current supervisory committee is the fourth committee of the Company since its establishment. The term of office of each supervisor is from May 2003 or their date of appointment until the election date, being the date of the 2006 annual general meeting.

The Supervisory Committee is accountable to all shareholders and exercises supervisory duty independently and legally. Financial monitoring is the core responsibility of its specific duties. Besides, it is also responsible for supervising the due diligence of directors, managers and other senior management members of the Company. They also safeguard the Company's assets, lower the Company's financial and operational risks and protect the lawful rights of the Company and shareholders.

In 2005, the Supervisory Committee held three meetings and all supervisors were present at each meeting. The Supervisory Committee supervised the Company's financial matters and the lawful and regulatory performance of duties by the Directors and senior management members. The Supervisory Committee attended each of the Board meetings and conscientiously performed its duties.

### 4. The Management

The operational procedures of the Management are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information".



### (III) Compliance with the Code on Corporate Governance Practices and Other Information

The Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules came into effect on 1st January 2005. The Board reviewed the daily governance of the Company in accordance with the relevant provisions in the Code during the reporting period and considered that, from 1st January 2005 to the date of this report, the Company regulated its operation and stringently governed in accordance with the relevant provisions of the relevant code, striving to achieve the various recommended best practices, except for deviations from certain provisions which are mainly related to the rotation of directors and the determination of remuneration policies of executive directors. The Board has actively implemented measures to improve and comply with the provisions of the Code.

The Board and the management adhere to high standards of corporate governance. In addition to the compliance with the Code, the Company has formulated various governance systems which have exceeded the existing and proposed requirements of the Hong Kong Stock Exchange (details of which are included in this report) which include "Rules of Proceedings for General Meetings", "Rules of Proceedings for Board of Directors Meetings", "Rules of Proceedings for Supervisory Committee Meetings", "Detailed Rules for the Operation of Specialized Committees", "Detailed Rules for the Operation of Independent Directors", "Detailed Rules for the Operation of General Manager", the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees", "Work System on Investor Relations Management", and so forth. Each of the systems was strictly followed in order to enhance the level and transparency of the Company's corporate governance.

Detailed explanations on the Company's compliance with the Code are set out below.

#### A. Directors

##### A1. The Board

<b>Code Principle</b>	<ul style="list-style-type: none"> <li>The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should make decision objectively in the interests of the issuer.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board of the Company reports to the general meeting and fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Proceedings for Board of Directors Meetings" within its terms of reference as stipulated by the articles of associations. The Board also monitors the implementation of the Group's operation management and its financial performance, with the primary mission of achieving operating results that generate the best stable long-term returns.</li> </ul>

# Corporate Governance Report



## Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures																																																
<ul style="list-style-type: none"> <li>Regular Board meetings at least four times a year approximately once every quarter. A regular board meeting does not include the practice of obtaining Board consent through the circulation of written resolutions</li> </ul>	Yes	<ul style="list-style-type: none"> <li>In 2005, the Company convened five Board meetings, including four regular meetings and one extraordinary meeting, approximately once every quarter.</li> <li>Each of the Board meetings was actively participated by the majority of directors who were entitled to attend, either voting in person or by proxy or through other means of participation. Details of attendance of 2005 Board meetings: <table border="1"> <thead> <tr> <th></th> <th>Attendance /Number of meetings</th> <th>Attendance Rate</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Chairman</b></td> </tr> <tr> <td>Shen Chang Quan</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td colspan="3"><b>Executive director</b></td> </tr> <tr> <td>Xie Jia Quan</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td colspan="3"><b>Non-executive director</b></td> </tr> <tr> <td>Sun Hong Ning</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td>Chen Xiang Hui</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td>Zhang Wen Sheng</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td>Fan Yu Shu</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td>Cui Xiao Long</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td colspan="3"><b>Independent non-executive director</b></td> </tr> <tr> <td>Chang Yung Tsung</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td>Fan Keng</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td>Yang Xiong Sheng</td> <td>5/5</td> <td>100%</td> </tr> <tr> <td>Fan Chong Lai</td> <td>3/3</td> <td>100%</td> </tr> </tbody> </table> </li> </ul>		Attendance /Number of meetings	Attendance Rate	<b>Chairman</b>			Shen Chang Quan	5/5	100%	<b>Executive director</b>			Xie Jia Quan	5/5	100%	<b>Non-executive director</b>			Sun Hong Ning	5/5	100%	Chen Xiang Hui	5/5	100%	Zhang Wen Sheng	5/5	100%	Fan Yu Shu	5/5	100%	Cui Xiao Long	5/5	100%	<b>Independent non-executive director</b>			Chang Yung Tsung	5/5	100%	Fan Keng	5/5	100%	Yang Xiong Sheng	5/5	100%	Fan Chong Lai	3/3	100%
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<ul style="list-style-type: none"> <li>All directors are given an opportunity to include matters in the agenda for regular Board meetings</li> </ul>	Yes	<ul style="list-style-type: none"> <li>All directors were given an opportunity to include matters in the agenda for regular Board meetings but such right was not exercised during the year.</li> </ul>																																																



Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Notice of at least 14 days should be given of a regular Board meeting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Notice, agenda and the relevant information of each regular Board meetings were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to give all directors an opportunity to attend.</li> </ul>
<ul style="list-style-type: none"> <li>All directors should have access to the advice and services of the company secretary</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The secretary of the Board maintained close communication with all directors and provided timely material information of the Company and the relevant updated rules, as well as contributed advices to the directors on matters arising from corporate governance and rules compliance, ensuring that the Board operation complied with the procedures.</li> </ul>
<ul style="list-style-type: none"> <li>Minutes of meetings should be kept by the Secretary of the Board and open for inspection at any reasonable time by any director</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Secretary of the Board has been responsible for preparing and maintaining all minutes and the relevant meeting materials of the Board and Board committees were available for inspection at any time by any director.</li> </ul>
<ul style="list-style-type: none"> <li>Meeting minutes should record in sufficient detail the matters considered by the Board and decision reached.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The meeting minutes reflected objectively the consideration, voting and opinions given by the directors in detail and were duly signed by directors attending the meetings.</li> </ul>
<ul style="list-style-type: none"> <li>Directors could seek independent advice under an agreed procedure at the Company's expense</li> </ul>	Yes	<ul style="list-style-type: none"> <li>For matters that require advices to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue a written report for the perusal of Directors at the Company's expense. During the year, no director has individually requested the Company to seek professional independent opinion on any relevant matter.</li> </ul>
<ul style="list-style-type: none"> <li>If a substantial shareholder or a director has a conflict of interest in a material matter, the connected director must abstain from voting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company has stated that, if a substantial shareholder or a director has a conflict of interest in any material matter, the connected director must abstain from voting when a Board meeting is held. The relevant matter should not be dealt with by way of circulation of written resolutions or by a Board committee.</li> <li>The voting and quorum as stipulated in the articles of association conform with the provisions of the Code.</li> </ul>

#### Recommended best practices:

Various Board committees of the Company have adopted principles and procedures of broadly the same as stated above.



# Corporate Governance Report



## A2. Chairman and Chief Executive Officer

<b>Code principle</b>	<ul style="list-style-type: none"> <li>There should be a clear division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has clearly defined the responsibilities of the Chairman and the General Manager. The responsibilities of the Board and the management are separated and are set out in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager", ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities.</li> </ul>

### Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Roles of the Chairman and the Chief Executive Officer should be separate and clearly established and set out in writing</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Shen Chang Quan assumes the position of Chairman and Xie Jia Quan was appointed by the Board as the General Manager. The Chairman concentrates his work on the Group's development strategies and matters of the board and the General Manager is in charge of the management and development of the operations specifically. The General Manager assumes the duties of the Chief Executive Officer. The separation of the roles is explained in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager".</li> <li>There was no relationship existing between the Chairman and the Chief Executive Officer, including financial, operational, family or other relevant relations.</li> </ul>
<ul style="list-style-type: none"> <li>The Chairman should ensure all directors be briefed on issues arising at Board meetings</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Board has established a reporting system in which at each regular meeting, the General Manager reports to each director the most updated status of the Company. The Chairman also tabled the decision making on any material matters of the Group to the Board for collective discussion by the directors at the meeting.</li> </ul>
<ul style="list-style-type: none"> <li>The Chairman should ensure that Directors receive adequate information</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Chairman has appointed the Secretary of the Board to timely provide all the information regarding the performance of the Board's obligations and has been committed to improving continuously the quality and timeliness of the information.</li> </ul>



#### Recommended best practices:

- Agenda of the Board meetings have been discussed by the Chairman, Executive Directors and Secretary of the Board and were determined after considering all the matters motioned by the Non-executive Directors.
- The Chairman played a significant role in the development of the Company's corporate governance system. The Chairman assigned the Secretary of the Board to formulate a sound corporate governance system and procedures and supervised the management to faithfully perform the various systems, ensuring the Company's standardized operation.
- The Chairman encouraged all the directors to devote their efforts to the matters of the Board and promoted effective contribution made by the directors to the Board. The Chairman acted as a role model and made sure that the Board acted in the best interests of the Company.
- The Chairman attached great importance to the effective communication between the Company and its shareholders and enhanced investor relations continuously so as to realize maximum returns for shareholders. The Chairman also valued the contributions made by the directors to the Board and strived to ensure that there were constructive relations between Executive Directors and Non-executive Directors.

#### A3. Board Composition

##### Code principle

- The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) to ensure that independent judgment can be made effectively. Non-executive directors should comprise sufficient members and possess sufficient competence so that their opinions will have an impact.

##### The best corporate governance status

- The Board of the Company comprises a total of 11 directors, including 1 executive directors, 6 non-executive directors and 4 independent non-executive directors, where the independent non-executive directors represent over one-third of the Board members. The present Board is the Company's fourth session since incorporation. The term of the directors commence from May 2003 or the date of election to the date of re-election at the 2006 Annual General Meeting.
- The Directors are elected or replaced by Shareholders' General Meetings. The Company adopts cumulative voting in the election process for directors. The term of a director is 3 years. The appointment of all directors is determined by Shareholders' General Meeting. Directors can be re-elected when their terms expire.
- Members of the Board have different industry background. They diversify in experience, competence and judgment, which makes the Board more prudent and considerate when making decisions (see the industry background descriptions of the Board members below).
- There exists no relationship among Board members, including financial, family or other material/related relations.

# Corporate Governance Report



## Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Identify the Independent Non-executive Directors in all corporate communications</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Board members are disclosed in all corporate communications according to the types of directorship (including Chairman, Executive directors, Non-executive Directors and Independent Non-executive Directors).</li> </ul>

### Recommended best practices:

- The four Independent Directors, namely Chang Yung Tsung, Fan Keng, Yang Xiong Sheng and Fan Chong Lai, account for over one-third of the members of the Board with one independent director possessing professional qualifications and financial management experience. The Company, pursuant to Rule 3.13 of the Hong Kong Listing Rules, has received from each of its Independent Non-executive Directors annual confirmation letter of his/her independence. The Company considers that the Independent Non-executive Directors are independent parties.
- The Company has maintained the list of updated Board members, together with their roles, responsibilities and independence.

## A4. Appointment, Re-election and Removal

<b>Code principle</b>	<ul style="list-style-type: none"> <li>There should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals. The issuer should provide reasons for the resignation or dismissal of any director.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board of the Company has established the Nomination, Remuneration and Appraisal Committee which makes recommendations on the procedures for the appointment, re-election, removal and performance of director candidates for consideration by the Board. Their appointment will ultimately be determined at a general meeting. During the process of selection, the criteria considered by the Nomination Committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of devotion, including the amount of time that he/she can devote and his/her concern about relevant affairs, and so forth.</li> <li>In 2005, the Nomination, Remuneration and Appraisal Committee met once to assess the due diligence of the directors in the previous year and considered that all directors had conscientiously performed their service contracts. Meanwhile, in view of the resignation of independent non-executive director, Hong Yin Xing for taking up a position as a State civil servant (the Company has disclosed his reason for resignation in the announcement dated 21 March, 2005), the committee recommended the appointment of Fan Chong Lai as independent non-executive director to fill the vacancy and has conducted a review on his independence for submission to the Board. The appointment of Director Fan Chong Lai was approved at a general meeting.</li> </ul>



### Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Non-executive directors should be appointed for a specific term, subject to re-election.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Directors are appointed for a term of three years. All directors are appointed at a general meeting and can be re-appointed upon expiry of the term.</li> </ul>
<ul style="list-style-type: none"> <li>Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>All directors are elected or replaced by Shareholders' General Meetings. The Company has introduced the cumulative voting system for the election of directors.</li> </ul>
<ul style="list-style-type: none"> <li>Each director should be subject to retirement by rotation at least once every three years.</li> </ul>	No	<ul style="list-style-type: none"> <li>For each board of directors, there are directors retiring during the term of office. However, the requirement that some directors shall retire by rotation each year has not been attained. Besides, there are some difficulties in re-selecting directors. The articles of association of the Company stipulate that each director is appointed for a term of three years but is eligible for re-election at a Shareholders' General Meeting after retirement.</li> <li>The Company will elect the new board of directors at the forthcoming annual general meeting in 2006. Most members of existing Board will retire and be subject to re-election at the meeting.</li> </ul>

#### Recommended best practices:

- The Board of the Company has established the Nomination, Remuneration and Appraisal Committee whose members comprise Chang Yung Tsung, Chen Xiang Hui, Zhang Wen Sheng, Yang Xiong Sheng and Fan Chong Lai, of whom three are independent non-executive directors. The chairman of the committee is former independent director Mr. Hong Yin Xing. The new chairman has not been elected following the resignation of Mr. Hong.
- The Company has formulated the "Articles for the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the committee and has published its terms of reference on web sites. The Company provides sufficient resources for the committee to perform its duties. The major responsibilities of the committee are:
  - to regularly review the structure, number of members and composition (including skills, knowledge and experience) of the Board and to make recommendations to the Board on any intended changes;
  - to identify suitably qualified people for directorships and select and nominate relevant persons for directorships or to give advice to the Board in this respect;
  - to assess the independence of independent non-executive directors; and
  - to make recommendations to the Board on matters related to the appointment or re-appointment of directors and the director (particularly chairman and managing director) succession plan.
- As far as the election of an independent non-executive director is concerned, the Company will include the reasons for appointing the person and the independence statement in the notice of the general meeting and (if applicable) the shareholders' circular.
- During the year, the committee met once to propose the candidates for filling the vacancies of independent directors of the Company and to review the performance of service contracts by the directors.

# Corporate Governance Report



## A5. Responsibilities of Directors

<b>Code principle</b>	<ul style="list-style-type: none"> <li>Each director is required to keep abreast of responsibilities as a Director of the issuer and of the conduct, business activities and development of the issuer.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has formulated the “Rules of Procedure of Board of Directors Meetings”, “Articles for Committees” and “Articles for Independent Directors” to specify the responsibilities of all directors so as to ensure that all directors understand their roles and duties thoroughly.</li> <li>The Secretary of the Board is responsible for ensuring that all directors obtain updated statutory information on the Company’s latest business development.</li> </ul>

### Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Each new director should receive an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of his/her responsibilities under legal requirements and the regulatory policy.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>A comprehensive information package containing an introduction to the Group’s operations, a brief introduction to directors’ responsibilities and duties and other statutory requirements will be provided to new directors upon their appointment.</li> <li>All non-executive directors will be provided reports on business progress, financial objectives, development plans and strategic plans regularly by the management.</li> <li>The Secretary of the Board is responsible for ensuring that all directors obtain the latest information on the Listing Rules and other statutory requirements.</li> </ul>
<ul style="list-style-type: none"> <li>Responsibilities of Non-executive directors</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Non-executive directors have actively participated in board meetings and served as committee members, reviewed the achievement of the Company’s business objectives and provided independent opinions on the Board’s decision making.</li> <li>Responsibilities of Non-executive directors include:               <ol style="list-style-type: none"> <li>(1) Independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings of the issuer;</li> <li>(2) Take a leading and guiding role on potential conflicts of interests;</li> <li>(3) Serve on the audit, remuneration, nomination and other governance committees, if invited, and;</li> <li>(4) Scrutinize the Company’s performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.</li> </ol> </li> </ul>



Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Each director should ensure that he/she can give sufficient time to the affairs of the Company</li> </ul>	Yes	<ul style="list-style-type: none"> <li>All directors have worked hard and faithfully performed their duties. There was satisfactory attendance at board meetings and meetings of the various committees in 2005.</li> </ul>
<ul style="list-style-type: none"> <li>Directors must comply with the Model Code as set out in Appendix 10</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The directors of the Company have complied with the "Model Code for Securities Transactions by Directors" as set out in Appendix 10 of the Hong Kong Listing Rules in 2005. The Board has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees" as a written guideline for the trading of securities of the Company by the relevant employees.</li> </ul>

**Recommended best practices:**

- All directors will have opportunities to receive professional training arranged by the Company for them during their terms of office.
- Each director has provided information on his/her employment with other companies and other major commitments to the Company upon accepting his/her appointment.
- All non-executive directors have attended board meetings and meetings of various committees regularly and contribute their skills and expertise to the Company's decision making. Most non-executive directors have attended the Shareholders' General Meetings of the Company.

**A6. Supply of and Access to Information**

<b>Code principle</b>	<ul style="list-style-type: none"> <li>Directors should be provided in a timely manner with appropriate information to enable them to make an informed decision and to discharge their duties and responsibilities.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Secretary of the Board is responsible for providing all information to directors, including documents of all meetings of the Board and specialized committees; providing reports on business progress, financial objectives, development plans and strategic plans regularly and the latest information on the Listing Rules and other statutory requirements; and improving the quality and timeliness of information on a continued basis.</li> </ul>

# Corporate Governance Report



## Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Meeting documents should be sent to directors at least three days before the date of a Board or Board committee meeting.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Meeting materials were sent to directors at least three days before the date of each Board or Board committee meeting.</li> </ul>
<ul style="list-style-type: none"> <li>The management has the responsibility to provide sufficient timely information to the Board and its committees so that the Board can make informed decisions. Each director could have separate and independent access to the Company's senior management for making further enquiries.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The management provided sufficient information to the Board and its committees in a timely manner. Directors could have separate and independent access to the Company's senior management for obtaining necessary information. The Board and the committees would make arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations, including the background or explanatory information on matters to be submitted to the Board for consideration, disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements.</li> </ul>
<ul style="list-style-type: none"> <li>All directors are entitled to have access to Board papers and related materials. Steps must be taken by the Issuer to respond as promptly and fully as possible to queries raised by directors.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>All Board papers and related materials have been kept by the Secretary of the Board for inspection by directors at any time. The Board and the committees have also made arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations and respond to queries.</li> </ul>

## B. Remuneration of Directors and Senior Management

### B1. The Level and Make-up of Remuneration and Disclosure

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The Company should establish a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration package for all directors. No director should be involved in deciding his/her own remuneration.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has established the Nomination, Remuneration and Appraisal Committee, with its scope of duties including formulating and reviewing the remuneration policy and plan for the Company's directors and managers. However, other than four independent non-executive directors, the remaining directors have not received any directors' remuneration from the Company. Executive directors have received management remuneration from the Company. The remuneration for independent non-executive directors is determined with reference to the average market level.</li> <li>During the year, the remuneration paid by the Company to two foreign independent directors amounted to RMB105,000 each person per year. The remuneration paid to two domestic independent directors amounted to RMB40,000 each person per year. Other than remuneration, independent directors have not received other compensation from the Company, with total compensation amounting to approximately RMB290,000.</li> </ul>



## Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The Issuer should establish the Remuneration Committee with a majority of members of the committee being independent directors.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Board of the Company has established the Nomination, Remuneration and Appraisal Committee whose members comprise Chang Yung Tsung, Chen Xiang Hui, Zhang Wen Sheng, Yang Xiong Sheng and Fan Chong Lai, of whom three are independent non-executive directors. The Company has formulated the "Articles for the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the Committee. Its authorities and roles include: (1) formulating and reviewing the remuneration policy and plan for the Company's directors and managers; (2) determining the remuneration of executive directors and senior management. The details have been published on the web site of the Company.</li> <li>Former independent non-executive director Hong Yin Xing was Chairman of the Committee. Following the resignation of Mr. Hong, the Company has appointed Fan Chong Lai as a member of the Committee. The new committee chairman has not been elected so far and will be re-elected after the new Board of Directors is formed in 2006.</li> </ul>
<ul style="list-style-type: none"> <li>The Remuneration Committee should consult the Chairman or the CEO about their proposals relating to the remuneration of other executive directors.</li> </ul>	No	<ul style="list-style-type: none"> <li>Other than the General Manager who serves as executive director, the Company does not have other executive directors. The General Manager receives management remuneration but not directors' remuneration.</li> </ul>
<ul style="list-style-type: none"> <li>The responsibilities of the Remuneration Committee</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company has formulated the "Articles for the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the Committee.</li> </ul>
<ul style="list-style-type: none"> <li>The Remuneration Committee should make available its terms of reference and be provided with sufficient resources to discharge its duties.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The terms of reference have been published on the Company web site. The Company will provide sufficient resources for the Committee to discharge its duties.</li> </ul>

**Recommended best practices:**

- The remuneration of executive directors and senior management has been generally linked with corporate and individual performance.
- The Company has disclosed the remuneration of each director, supervisor and member of senior management with their names in the annual report and accounts.



# Corporate Governance Report



## C. Accountability and Audit

### C1. Financial Reporting

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The Board should present a clear, comprehensive assessment of the Company's performance, position and prospects.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board has strived to provide comprehensive information in all regular financial reports issued to shareholders so as to comply with the regulatory requirements of the stock exchanges in both Hong Kong and Shanghai and continues to improve the "Management Discussion and Analysis" section, thereby disclosing comprehensive information on the Company's production and operation, finance and project development. Meanwhile, it will also take the initiative to increase the amount of information, including information on the Company's operating environment, development strategies and corporate culture, and to enhance the corporate governance report, so as to give a comprehensive, objective, fair and clear presentation of the Group's operating management conditions and prospects.</li> </ul>

#### Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The management will provide such explanation and information to enable the Board to make assessment of the relevant matters.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all directors to make assessment with merits on the financial and other information submitted to them for approval.</li> </ul>
<ul style="list-style-type: none"> <li>Directors should acknowledge their responsibilities for preparing the accounts; there should be a statement by the auditors about their reporting responsibilities in the report.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Directors have been responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year.</li> <li>The auditors' report stated the reporting responsibilities.</li> </ul>
<ul style="list-style-type: none"> <li>The board should present a balanced, clear and comprehensible assessment of the Company's performance in regular reports, announcements on share price-sensitive information and other financial information required to be disclosed.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Board gave an objective, fair and clear presentation of the Group's position and prospects in all communications issued to shareholders.</li> </ul>



#### Recommended best practices:

- Apart from issuing annual results and interim results reports, the Company has prepared and issued the results reports for the first and third quarters pursuant to the requirements of the Shanghai Stock Exchange. The Company announced and issued quarterly financial results within 30 days after the end of the relevant quarter. The information disclosed would be sufficient for shareholders to assess the performance, financial position and prospects of the Company.

## C2. Internal Control

<b>Code principle</b>	<ul style="list-style-type: none"> <li>• The board should ensure that the issuer maintains sound and effective internal control to safeguard the shareholders' investment and the issuer's assets.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>• The Board has authorized the management of the Company to establish and implement the internal control system and conduct reviews on the financial, operating and regulatory procedures from time to time to safeguard the Group's assets and shareholders' interests. Currently, the system is under further establishment and improvement.</li> <li>• The Company has established the internal audit department in the organizational structure to examine, supervise and evaluate the Company's financial position, operating and internal control activities regularly pursuant to different businesses and flows. Besides, it has appointed external audit institutions to audit the financial reports of the Company regularly pursuant to the PRC and Hong Kong accounting standards and provide independent and objective evaluations and recommendations in the form of an audit report.</li> <li>• The Company has appointed accountants with qualifications of the Hong Kong Institute of Certified Public Accountants pursuant to the requirements of the Hong Kong Stock Exchange to assist the accountants of the Company, and cooperated with the Audit Committee to audit the Company's financial reports and relevant accounts regularly and reported to the Board.</li> </ul>

### Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>• Directors should conduct at least once a year a review of the effectiveness of the internal control system (including financial control, operating control, compliance control and risk management functions).</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• The Company has established the internal control system. In actual operation, the Company has established the internal audit department in the organizational structure to examine, supervise and evaluate the Company's financial position, operating and internal compliance control activities regularly to minimize risks pursuant to different businesses and flows. Meanwhile, the management and the financial controller of the Company will report the internal control situation to the Audit Committee and the Board each year for evaluation by all directors.</li> </ul>



#### Recommended best practices:

- The Company has ensured that the information disclosed in all communications issued to shareholders are meaningful information and that the information do not contain misrepresentations, misleading statements or major omissions and is jointly and severally responsible for the truth, accuracy and integrity of the statements contained therein.

### C3. Audit Committee

#### Code principle

- The Audit Committee should have clear terms of reference, including the establishment of arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

#### The best corporate governance status

- The Company has established the Audit Committee comprising members including Yang Xiong Sheng, Fan Yu Shu and Fang Keng. All of them have expertise and experience in financial management. All members are non-executive directors of whom two are independent non-executive directors. Independent director Mr. Yang Xiong Shen, who possesses professional qualifications and professional experience in financial management, is appointed chairman of the Committee.
- The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company.
- The Audit Committee held four meetings in 2005 at which the management and the financial controller reported on the financial position of the Company and major matters related to internal control.
- The Audit Committee makes at least one direct contact with external auditors of the Company each year to understand the procedures and principles for the preparation of the auditors' report so as to serve as a basis for evaluation.



### Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary of the meeting and should be confirmed by all members of the Committee</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Secretary of the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the Committee. The minutes reflected the consideration and voting situations of the meetings in an objective and detailed way and were signed by all directors attending the meetings for confirmation.</li> </ul>
<ul style="list-style-type: none"> <li>A former partner of the existing auditors should not sit on the Audit Committee</li> </ul>	Yes	<ul style="list-style-type: none"> <li>None of the Audit Committee members is a former partner of the external auditors.</li> </ul>
<ul style="list-style-type: none"> <li>The terms of reference of the Audit Committee should be made available in a timely manner</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company has formulated the “Detailed Rules for the Operation of the Audit Committee” to specify the terms of reference and the working procedures for the Committee so as to meet the Code, requirements. This has been published on the Company’s web site. The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control systems of the Company and its subsidiaries, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company.</li> </ul>
<ul style="list-style-type: none"> <li>The Board should obtain opinions from the Audit Committee on the selection or removal of external auditors</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Audit Committee makes recommendations on the selection or removal of external auditors to the Board, subject to approval at the general meeting after consideration by the Board.</li> </ul>
<ul style="list-style-type: none"> <li>The Audit Committee should be provided with sufficient resources to discharge its duties.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Audit Committee may seek necessary independent professional advices pursuant to the established procedures at the costs of the Company.</li> </ul>

#### Recommended best practices:

- There are members of the Audit Committee who act as main representatives between the Company and external auditors and are responsible for monitoring and coordinating the relationship between the parties.



## D. Delegation by the Board

### D1. Management Functions

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The functions and duties of the Board include convening the shareholders' general meetings; making decisions on the Company's operational plans, investment proposals and establishment of the internal management organization; preparing the Company's annual budget, final accounts and profit distribution scheme; formulating corporate merger, separation, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the shareholders' general meetings.</li> <li>The Board may delegate part of its functions and duties to specialized committees, directors' working groups and the management and specify matters requiring approval by the Board.</li> </ul>

### Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>When the Board delegates aspects of its management and administration functions to the management, it must at the same time give clear directions as to the authorities of the management</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The management is accountable to the Board of Directors. Its main functions and duties include being in charge of the Company's production and operation management, organization and implementation of the annual operational plans and investment proposals approved by the Board of Directors, and implementation of the resolutions passed by the Board of Directors. When exercising its power, the management cannot surpass its terms of reference and resolutions of Board meetings.</li> </ul>
<ul style="list-style-type: none"> <li>The Issuer should separately identify functions reserved to the Board and those delegated to the management and conduct reviews on a regular basis</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company has specified the matters that required to be resolved at Board meetings in the "Detailed Rules for the Operation of General Manager".</li> </ul>

#### Recommended best practices:

- The Company has specified the separate functions and duties between the Board and the management in the "Articles of Association", the "Rules of Proceedings for Board of Directors Meetings" and the "Detailed Rules for the Operation of General Manager", which have been published on the Company's web site.
- Each newly appointed director will receive a formal appointment letter specifying the major terms and conditions of the appointment.



## D2. Board Committees

## Code principle

- Board committees should be formed with specific written terms of reference which deal clearly with the committees' authorities and duties.

## The best corporate governance status

- The Board of the Company has established three specialized committees, including the Strategy Committee, the Audit Committee and the Nomination, Remuneration and Appraisal Committee. The Board selects and appoints members of each committee by taking into account the expertise and experience of each director so that each committee can commence its work with high efficiency. Most members of the Audit Committee and the Nomination, Remuneration and Appraisal Committee are independent non-executive directors.
- Each committee has defined working articles which deal clearly with the committee's authority and duties as well as the procedures for handling matters.
- Meetings of all committees will be convened regularly to report their working progress and discussion results to the Board. Most members have actively participated in committee affairs. The Secretary of the Board offers comprehensive assistance to facilitate commencement of the work of all committees.

Records of Attendance of Meetings of Specialized Committees (Attendance/ Number of Meetings)

Name	Position	Strategy Committee	Audit Committee	Nomination, Remuneration and Appraisal Committee
Sheng Chang Quan	Chairman and Non-executive Director	2/2	—	—
Xie Jia Quan	Executive Director	—	—	—
Sun Hong Ning	Non-executive Director	2/2	—	—
Chen Xian Hui	Non-executive Director	2/2	—	1/1
Zhang Wen Sheng	Non-executive Director	—	—	1/1
Fan Yu Shu	Non-executive Director	—	4/4	—
Cui Xiao Long	Non-executive Director	2/2	—	—
Chang Yung Tsung	Independent Non-executive Director	—	—	0/1
Fang Keng	Independent Non-executive Director	—	2/4	—
Yang Xiong Sheng	Independent Non-executive Director	—	—	1/1
Fan Chong Lai	Independent Non-executive Director	—	4/4	—

# Corporate Governance Report



## Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The Board should specify clearly the terms of reference of the committees so that the committees can perform their duties properly</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The three committees established by the Board have adopted their respective Detailed Rules of Operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee".</li> </ul>
<ul style="list-style-type: none"> <li>The terms of reference of the committees should require them to report to the Board their decisions and recommendations</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The committees have reported their decisions and recommendations to the Board after each meeting and submitted to the Board for consideration the matters that required to be decided by the Board.</li> </ul>

## E. Communication with Shareholders

### E1. Effective Communications

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The Board should endeavour to maintain on-going dialogues with shareholders and in particular, by means of annual general meetings or other general meetings to communicate with shareholders and encourage their participation.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board endeavored to maintain ongoing communications with shareholders and regarded the annual general meeting as a major opportunity to contact individual shareholders. All shareholders holding shares of the Company are entitled to attend the annual general meeting.</li> <li>The Company issues shareholders' circular at least 21 days before a general meeting. The Company issues the notice and the attached annual report, which contain the matters for consideration at the meeting and the voting procedures in detail, at least 45 days before the annual general meeting.</li> </ul>

## Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Separate resolutions were proposed at the general meeting on each substantially separate issue, including the election of individual directors.</li> </ul>
<ul style="list-style-type: none"> <li>The chairman of the Board should attend the annual general meeting and arrange for chairmen or members of the committees to be available to answer questions at the meeting.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The chairman of the Board has attended and presided over the annual general meeting and has arranged for representatives of all committees and the management of the Company to be available to answer questions raised by shareholders at the meeting.</li> </ul>



**E2. Voting by Poll**

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The issuer should regularly inform shareholders of the procedures for voting by poll and ensure compliance with the requirements contained in the "Listing Rules" and the "Articles of Association".</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has formulated the "Rules of Proceedings for General Meetings" specifying the voting format and the voting procedures of General Meetings and ensured that the procedures comply with the requirements contained in the "Listing Rules" and the "Articles of Association".</li> <li>The Company confirmed the validity of all the voting shares present at the meeting and appointed external auditors as scrutineers and appointed lawyers to issue letters of legal opinions on the final voting results. The voting results have been published in designated newspapers and websites.</li> </ul>

**Compliance procedures of the Code – Code provisions and recommended best practices**

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The procedures for voting by poll and the right of shareholders demanding voting by poll should be disclosed in the circular of the general meeting. The chairman of a meeting and/or directors who individually or collectively hold proxies should disclose the votes represented by all proxies held by directors at the meeting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The notice of a general meeting and the attached circular contained the details of the matters for consideration at the meeting and the voting procedures. The relevant procedures were also explained at the meeting. The chairman of the meeting disclosed the voting rights represented by proxies during voting.</li> </ul>
<ul style="list-style-type: none"> <li>Ensure the votes cast are properly counted and recorded.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company appointed external auditors as scrutineers to properly count and record the valid votes. The Company appointed lawyers to issue letters of legal opinions on the final voting results.</li> </ul>
<ul style="list-style-type: none"> <li>The chairman of a meeting should explain the procedures for voting by poll and for raising questions by shareholders before the commencement of the meeting.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The chairman of the meeting took care of the meeting procedures and questions raised by shareholders, and conducted a poll after all shareholders had gained a full understanding of the resolutions.</li> </ul>





## (IV) The Model Code for Securities Transactions by Directors

Upon specific enquiries made to all the Directors and Supervisors of the Company, the Directors and Supervisors of the Company have complied with the provisions on securities transactions under the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Hong Kong Listing Rules. During the reporting period, the Company formulated the Standard Regulations for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees governing the conduct of securities transactions by the relevant personnel pursuant to the Model Code.

## (V) Auditors' Remuneration

At the 2004 Annual General Meeting of the Company, Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd. and Deloitte Touche Tohmatsu were appointed as the domestic and international auditors of the Company for the year 2005 respectively. In view of an increase in the audit projects and work load, the audit fees for the year increased to RMB1.3 million. The Company did not pay any other fees for non-audit services and any charges that might have affected the auditors' independence.

## (VI) Information Disclosure and Investor Relations

### 1. Information Disclosure

In order to ensure that all shareholders be informed in an equal and comprehensive manner and to perform the Company's obligation of disclosing information faithfully, the Company truthfully, accurately and completely disclosed such information that may materially affect the decision-making of the public investors strictly in accordance with the contents and formats as required under the laws and regulations for disclosing such information. The Secretary of the Board is responsible for performing information disclosure.



During the reporting period, the Company published 4 periodic reports and 17 ad hoc announcements to disclose details on important corporate information and the progress on major matters in accordance with the requirements of the listing rules of the Shanghai and Hong Kong stock exchanges.



## 2. Investor Relations

Investor relations is a pro-active way for a listed company to maximize its value. The management of the Company puts a high regard on investor relations. The Company has, in strict compliance with relevant requirements, adequately disclosed its information to investors, and has enhanced communications and relations with them through various channels, which has in turn increased its transparency. The Company has formulated the “Work System of Investor Relations Management” which sets out the move-forward approach, content and scope of work and the corresponding work procedures for investor relations management.



During the reporting period, the Company disclosed important information and matters which may affect investors' interests by issuing periodic and ad hoc announcements, aiming at raising its standards on information disclosure. It also fully utilized the Company's website to regularly announce relevant operating activities and information to update investors on the latest developments of the Company.

Moreover, the Company emphasizes two-way and interactive communications with investors. During the year, the Company held two roadshows for results announcements, and participated in various major marketing activities for investors. It has received analysts and senior representatives from large reputable fund management companies, both from China and overseas numbering more than 70 companies or 100 persons. During the year, the Company also invited nearly 20 international investors and analysts and more than 10 journalists from financial media in Hong Kong to pay on-site visits to the Company's assets. The Company also keeps close contact with domestic and foreign news media and institutional investors through various means such as press conferences, analysts' conferences and teleconferences.

The Company, through active investor relations programs, aims at increasing its transparency, enhancing communications, increasing investors' understanding of and trust in our businesses. It also aims at building investors' confidence in our future developments and promoting market recognition and support to the Company, so that the Company's business development potential and actual value will be fully reflected in the market.

As at the end of the reporting period, the closing price of the Company's circulating A shares was RMB6.38 per share, with the total market capitalization of circulating A shares amounting to RMB957 million. The closing price of H shares was HK\$4.375 per share, with the total market capitalization of H shares amounting to HK\$5.346 billion.