

**Improving our**  
standardized operations,  
aimed at enhancing  
**corporate governance**



# *Corporate Governance Report*

Continued progress was made with regard to corporate governance issues such as company management, equity management and investor relations. At the end of 2006, the Company won the Diamond Award (the top prize in the category) in the H-share Companies Category of the “Best Corporate Governance Disclosure Awards” organized by the Hong Kong Institute of Certified Public Accountants.

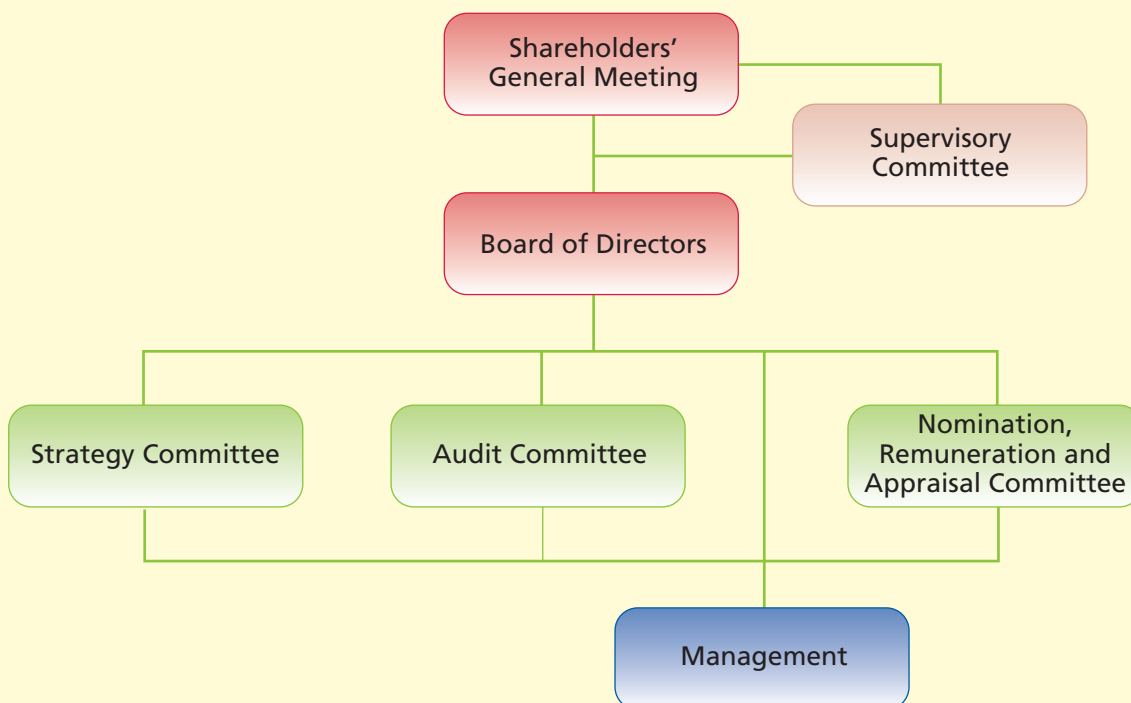


## (I) Corporate Governance

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 obligations under 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. Adhering to the corporate values of integrity and diligence and persisting with a sound principle of corporate governance that enhances transparency and independence of the Company's operations, the Company is committed to enhancing its corporate governance standards on a continuous basis, ensuring a stable development of the Company and striving for the enhancement of shareholder value.

During the reporting period, no discrepancies were identified between the Company's actual state of governance and the requirements stipulated by the relevant laws and regulations of the CSRC. None of the Company, the Board of the Company and the directors were subject to any administrative penalties, written criticisms or public censures by regulatory authorities.

## (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 of and to make decisions on material matters relating to the Company. The Company ensures that all shareholders, in particular, medium and small shareholders, are treated equally and may fully exercise their rights. Any shareholders 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 54.44% and 11.69% 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 integral independence of its business as well as autonomy over its 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

On 5 June 2006, the election for all members of the new session of the Board was held and the fifth session of the Board was formed for a term of three years ending at the date of the 2008 annual general meeting. 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, Fang Hung, Joseph, 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. As at the time of the election for all members of the new session of the Board during the year, the Company has received the annual confirmation letters in respect of their independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers that the independent non-executive directors are independent parties.



The independent directors have been able to perform their obligations 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 expressed their views on the standardized operation of the Company and 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 any substantial shareholders, de facto controllers 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 legitimate rights and interests of all of our shareholders, as well as promoting the healthy development of the Company.

During the reporting period, the independent directors of the Company expressed no disagreement on all matters regarding the Company.

### **3. Supervisors and Supervisory Committee**

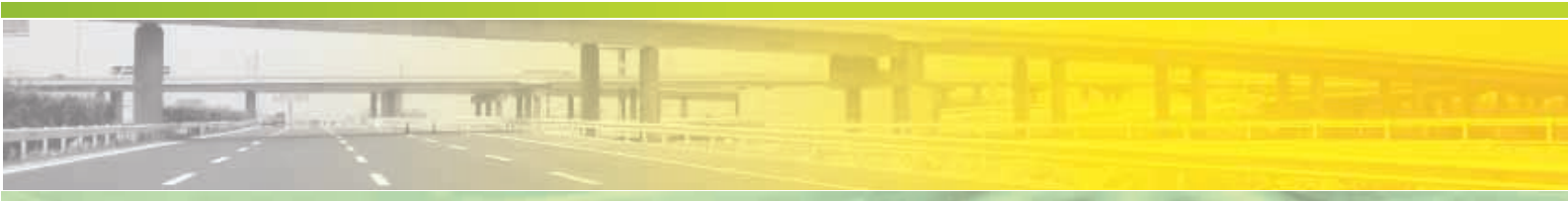
On 5 June 2006, the election for all members of the Supervisory Committee was held and the fifth session of the Supervisory Committee was formed, for a term of three years ending at the date of the 2008 annual general meeting. The Company’s Supervisory Committee comprises five supervisors, of whom three 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 is in compliance with the requirements of the relevant laws and regulations.

The Supervisory Committee is accountable to all shareholders and exercises supervisory duty independently in accordance with the laws. Financial monitoring is the core responsibility among all 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 legitimate interests of the Company and shareholders.

The Secretary of the Board also takes up the duties of the secretary of the Supervisory Committee, responsible for the daily operation of the Supervisory Committee while facilitating communications between the Supervisory Committee and the Board and management of the Company. In 2006, 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 was in attendance at 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 1 January 2005. The Board reviewed the daily governance of the Company in accordance with the relevant provisions of the Code during the reporting period and considered that, from 1 January 2006 to the date of this report, the Company regulated its operation and stringently governed in accordance with the relevant code provisions, striving to achieve the various recommended best practices. The Board has actively implemented measures to improve and comply with the provisions of the Code.

The Board and the management undertake to adhere to high standards of corporate governance. In addition to its 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 shareholders’ general meetings 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>



## 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 to be held at least four times a year approximately once every quarter. A regular Board meeting does not include the practice of obtaining Board approval through circulation of written resolutions</li> </ul>	Yes	<ul style="list-style-type: none"> <li>In 2006, the Company convened seven Board meetings, including four regular meetings and three extraordinary meetings, 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 2006 Board meetings: <table border="1" style="margin-left: 20px;"> <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>7/7</td> <td>100%</td> </tr> <tr> <td colspan="3"><b>Executive director</b></td> </tr> <tr> <td>Xie Jia Quan</td> <td>7/7</td> <td>100%</td> </tr> <tr> <td colspan="3"><b>Non-executive director</b></td> </tr> <tr> <td>Sun Hong Ning</td> <td>6/7</td> <td>86%</td> </tr> <tr> <td>Chen Xiang Hui</td> <td>7/7</td> <td>100%</td> </tr> <tr> <td>Zhang Wen Sheng</td> <td>6/7</td> <td>86%</td> </tr> <tr> <td>Fan Yu Shu</td> <td>7/7</td> <td>100%</td> </tr> <tr> <td>Cui Xiao Long</td> <td>7/7</td> <td>100%</td> </tr> <tr> <td colspan="3"><b>Independent non-executive director</b></td> </tr> <tr> <td>Chang Yung Tsung</td> <td>6/7</td> <td>86%</td> </tr> <tr> <td>Fang Hung, Kenneth</td> <td>6/7</td> <td>86%</td> </tr> <tr> <td>Yang Xiong Sheng</td> <td>6/7</td> <td>86%</td> </tr> <tr> <td>Fan Chong Lai</td> <td>6/7</td> <td>86%</td> </tr> </tbody> </table> </li> </ul>		Attendance /Number of meetings	Attendance Rate	<b>Chairman</b>			Shen Chang Quan	7/7	100%	<b>Executive director</b>			Xie Jia Quan	7/7	100%	<b>Non-executive director</b>			Sun Hong Ning	6/7	86%	Chen Xiang Hui	7/7	100%	Zhang Wen Sheng	6/7	86%	Fan Yu Shu	7/7	100%	Cui Xiao Long	7/7	100%	<b>Independent non-executive director</b>			Chang Yung Tsung	6/7	86%	Fang Hung, Kenneth	6/7	86%	Yang Xiong Sheng	6/7	86%	Fan Chong Lai	6/7	86%
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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 shall 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 meeting were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to ensure that all directors were given an opportunity to attend.</li> </ul>
<ul style="list-style-type: none"> <li>• All directors shall 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 communications with all directors and provided timely material information of the Company and the relevant updated rules, as well as contributed advice to the directors on matters arising from corporate governance and rules compliance, ensuring that the Board operation was in compliance with the procedures.</li> </ul>
<ul style="list-style-type: none"> <li>• Minutes of meetings shall be kept by the Secretary of the Board and open for inspection by any director at any reasonable time</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 which were available for inspection by any director at any reasonable time.</li> </ul>
<ul style="list-style-type: none"> <li>• Minutes of meetings shall record in sufficient detail the matters considered by the directors and decision reached at meetings</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• The minutes of meetings 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>• In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports 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 respect of 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 respect of any material matter, the connected director must abstain from voting when a Board meeting is held. The relevant matter shall 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.



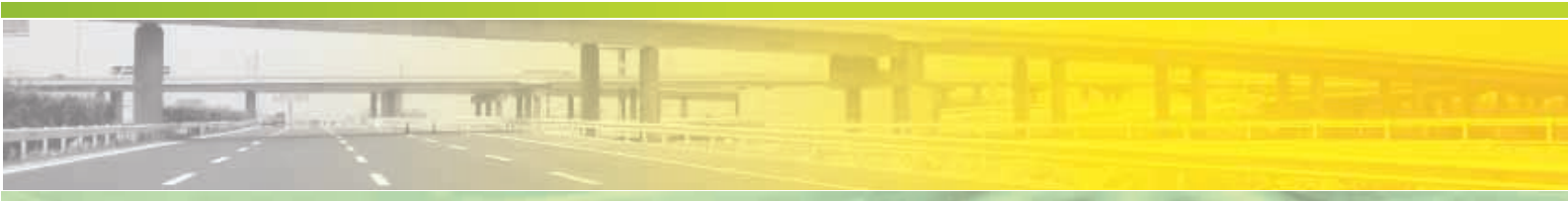


## A2. Chairman and Chief Executive Officer

<b>Code principle</b>	<ul style="list-style-type: none"> <li>There should be a clear division of responsibility between the Chairman of the Board 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, at least four times per year. 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 in a timely manner</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. In 2006, the election of all members of the new session of the Board session was held and the fifth session of the Board was formed. The term of the directors commenced from June 2006 and will end at the 2009 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 three 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.
- There exists no relationship among Board members, including financial, operational, family or other relevant relations.



## 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, Fang Hung, Kenneth, 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 had received from each of its Independent Non-executive Directors confirmation letter of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company still considers that the Independent Non-executive Directors are independent parties.
- The Company has maintained the list and profiles of updated Board members, together with their roles, responsibilities and independence on its website.

## 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 shareholders' 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 2006, the Nomination, Remuneration and Appraisal Committee met twice to assess the due diligence of the directors in the previous year and considered that all directors had conscientiously performed their service contracts. Meanwhile, the qualifications of the candidates for the new session of the Board were reviewed and submitted to the Board for consideration. Nominations of directors of subsidiaries were also recommended.</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>	Yes	<ul style="list-style-type: none"> <li>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 election of all members of the new session of the Board was held at the 2006 annual general meeting and the fifth session of the Board was formed.</li> </ul>

#### Recommended best practices:

- The Board of the Company has established the Nomination, Remuneration and Appraisal Committee. The election of the members of the new session of the committee was held at the first meeting of the fifth session of the Board. Chang Yung Tsung, Fang Hung, Kenneth, Yang Xiong Sheng, Zhang Wen Sheng and Sun Hong Ning are members of the committee, of whom three are Independent Non-executive Directors. The Chairman of the committee is Chang Yung Tsung.
- 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 the shareholders' circular.
- During the year, the committee met twice and primarily considered the following issues:
  - proposing the list of nominated directors for the fifth session of the Board;
  - proposing the annual remuneration for independent directors;
  - considering the remuneration management policies of the Company;
  - nominating directors of subsidiaries.



## 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 Proceedings of Board of Directors Meetings”, “Detailed Rules for the Operation of Committees” and “Detailed Rules for the Operation of 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 with 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:                             <ul style="list-style-type: none"> <li>Independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings of the issuer;</li> <li>Take a leading and guiding role on potential conflicts of interests;</li> <li>Serve on the audit, remuneration, nomination and other governance committees, if invited, and;</li> <li>Scrutinize the Company’s performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.</li> </ul> </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 2006.</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 2006. 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 contributed 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>



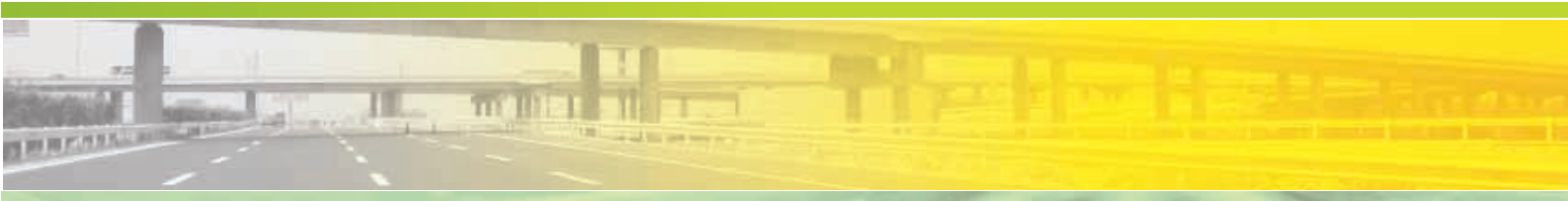
## Compliance procedures of the Code – Code provisions and recommended best practices

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 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 committee meeting.</li> </ul>
<ul style="list-style-type: none"> <li>The management has the responsibility to provide sufficient information to the Board and its committees in a timely manner 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 and the Company's current status.</li> <li>During the year, the remuneration paid by the Company to two foreign independent directors amounted to HK\$200,000 each person per year. The remuneration paid to two domestic independent directors amounted to RMB50,000 each person per year. Other than remuneration, independent directors have not received other compensation from the Company, with total compensation amounting to approximately RMB500,000.</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 are independent non-executive 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, Fang Hung, Kenneth, Zhang Wen Sheng, Yang Xiong Sheng and Sun Hong Ning, 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:               <ul style="list-style-type: none"> <li>– formulating and reviewing the remuneration policy and plan for the Company’s directors and managers;</li> <li>– determining the remuneration of executive directors and senior management.</li> </ul> </li> <li>The relevant articles are published on the Company’s website.</li> </ul>
<ul style="list-style-type: none"> <li>The Remuneration Committee should consult the Chairman or the Chief Executive Officer 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.





## 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 circulars 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 and 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>• Currently, 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 regulated 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 circulars 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. The election of the members of the new session of the committee was held at the first meeting of the fifth session of the Board in 2006. Yang Xiong Sheng, Fan Chong Lai and Fan Yu Shu are members of the committee. 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 Sheng, 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 2006 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’s, 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

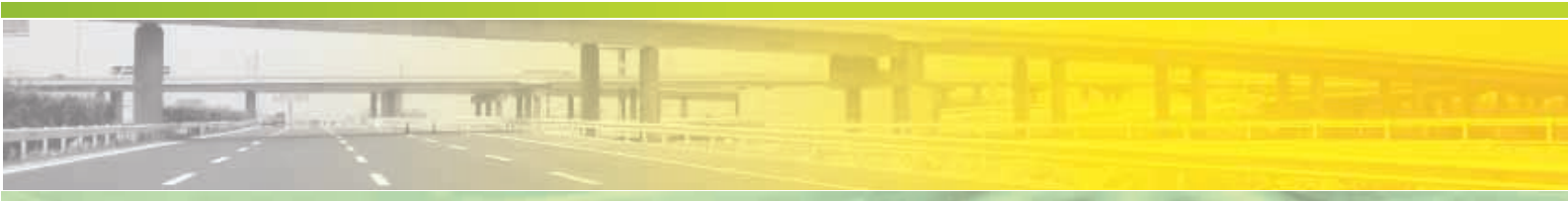
<b>Code principle</b>	<ul style="list-style-type: none"> <li>The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The main 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, demerger, 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. 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, and implementation of the resolutions passed by the Board. 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 rules for operation 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	Nomination, Remuneration and Appraisal Committee	
			Audit Committee	Appraisal Committee
Sheng Chang Quan	Chairman and Non-executive Director	3/3	—	—
Xie Jia Quan	Executive Director	—	—	—
Sun Hong Ning	Non-executive Director	2/3	—	—
Chen Xian Hui	Non-executive Director	3/3	—	2/2
Zhang Wen Sheng	Non-executive Director	—	—	2/2
Fan Yu Shu	Non-executive Director	—	4/4	—
Cui Xiao Long	Non-executive Director	3/3	—	—
Chang Yung Tsung	Independent Non-executive Director	—	—	1/2
Fang Hung, Kenneth	Independent Non-executive Director	—	1/2	—
Yang Xiong Sheng	Independent Non-executive Director	—	4/4	2/2
Fan Cong Lai	Independent Non-executive Director	2/3	2/2	2/2



## 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>

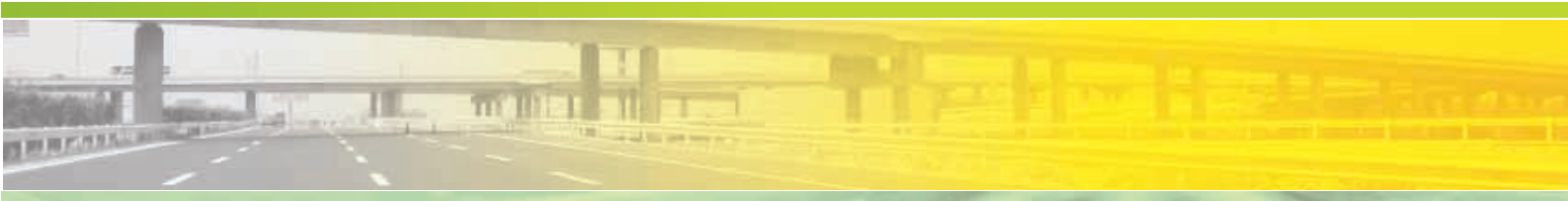
## E. Communication with Shareholders

### 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 on-going 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 shareholders’ 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) Information Disclosure

The Company performs its statutory obligation of disclosing information faithfully and strictly in compliance with the reporting regulations and procedures for disclosing such information. In order to ensure that all shareholders be informed in an equal and comprehensive manner, the Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the public investors. The Secretary of the Board is responsible for performing information disclosure.

During the reporting period, the Company published four periodic reports and 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. Announcements of the Company were published in China Securities Journal, Shanghai Securities News, Hong Kong Economic Times and South China Morning Post. For details of the announcements, please refer to the publications on the said dates or visit [www.sse.com.cn](http://www.sse.com.cn), [www.hkex.com.hk](http://www.hkex.com.hk) or [www.jsexpressway.com](http://www.jsexpressway.com).

No.	Publication Date	Item
1	20 February 2006	Indicative Announcement of the Meeting of Holders of Non-circulating A Shares
2	22 February 2006	Indicative Announcement of the Meeting of Holders of Non-circulating A Shares
3	24 February 2006	Indicative Announcement of the Meeting of Holders of Non-circulating A Shares
4	6 March 2006	Announcement of Investor On-line Roadshow for Share Segregation Reform
5	6 March 2006	Notice of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform
6	15 March 2006	Announcement of the Delayed Disclosure of Adjustment to the Share Segregation Reform Proposal
7	22 March 2006	Announcement of the Delayed Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform
8	7 April 2006	Announcement of the Share Registration Date and Date of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform
9	7 April 2006	Announcement of Adjustments to the Share Segregation Reform Proposal
10	10 April 2006	Announcement of the Connected Transaction of 2006 Road Maintenance Service Contract between Guangjing Xicheng and Jiangsu Sundian
11	10 April 2006	Announcement of 2005 Annual Results
12	10 April 2006	Announcement of the 15th Meeting of the Fourth Session of the Board of Directors and Announcement of the 9th Meeting of the Fourth Session of the Supervisory Committee
13	12 April 2006	Indicative Announcement of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform
14	18 April 2006	Indicative Announcement of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform



No.	Publication Date	Item
15	19 April 2006	Announcement of the Approval of the Company's Share Segregation Reform Proposal by the State Asset Supervision and Administration Commission of the People's Government of the Jiangsu Province
16	20 April 2006	Notice of 2005 Annual General Meeting
17	25 April 2006	Announcement of the Voting Results of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform
18	8 May 2006	2006 First Quarterly Report
19	11 May 2006	Announcement of the Implementation of the Share Segregation Reform Proposal
20	2 June 2006	Announcement of the Transfer of Equity Interests in China Transportation HEAD New Technology (Shanghai) Co., Ltd.
21	6 June 2006	Announcement of the Resolutions of the 2005 Annual General Meeting
22	6 June 2006	Announcement of the Resolutions of the First Meeting of the Fifth Session of the Board of Directors and the First Meeting of the Fifth Session of the Supervisory Committee
23	12 June 2006	Announcement of the Implementation of 2005 Profit Distribution Scheme
24	7 July 2006	Announcement in Respect of Expected Increase in Profit for the First Half of 2006
25	13 July 2006	Announcement of the Second Meeting of the Fifth Session of the Board of Directors
26	19 July 2006	Notice of the 2006 First Extraordinary General Meeting
27	21 August 2006	2006 Interim Results Announcement
28	2 September 2006	Publication of Information of the Extraordinary General Meeting
29	5 September 2006	Announcement of the Resolution of the Extraordinary General Meeting and Legal Opinion
30	27 October 2006	Announcement of the Fourth Meeting of the Fifth Session of the Board of Directors
31	27 October 2006	2006 Third Quarterly Report
32	28 December 2006	Removal Notice of the Company's Office

## 2. Investor Relations and Communication

Investor relations is a pro-active way for a listed company to maximize its value. The management of the Company attaches great importance to investor relations. The Company has formulated the "Work System of Investor Relations Management" which sets out a move-forward approach, content and scope of work and corresponding work procedures for investor relations management.



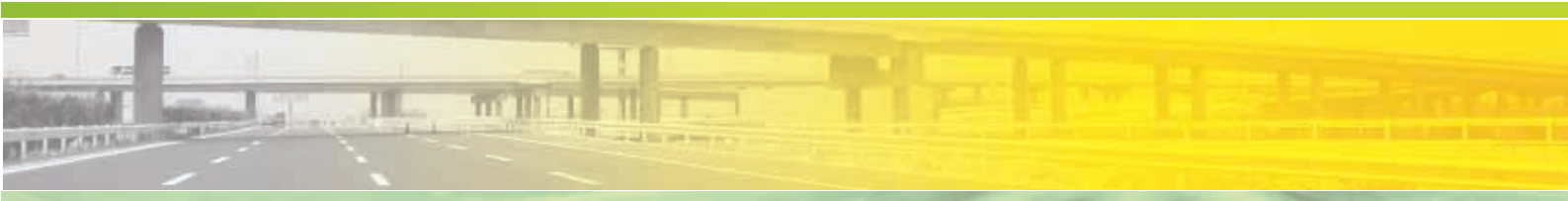
During the reporting period, the Company has, in strict compliance with relevant requirements, adequately disclosed its information to investors. The Company disclosed important information and matters which may affect investors' interests by issuing periodic and ad hoc announcements, aiming at raising its standards on information disclosure. It also fully utilized the Company's website to regularly announce information which is of interests to investors such as operating activities and news to update investors on the latest developments of the Company, which has in turn increased its transparency.



The core of investor relations is effective communication. Through two-way and interactive communications with investors, a win-win situation is achieved for both parties. During the year, the Company also kept close contact with domestic and foreign media and investors through various means such as results announcement presentations, press conferences, domestic and overseas roadshows, regular meetings with investors and analysts, teleconferences and on-line roadshows. During the year, nine large-scale roadshows and presentation events were held, as well as over 60 regular investor meetings and teleconferences, having discussions and presentations with over 300 investment fund managers and analysts. Details of the activities are as follow:

<b>January</b>	<ul style="list-style-type: none"> <li>Participated in the "Greater China Conference" organized by UBS Warburg in Shanghai</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>Participated in the "Access China Conference" organized by Deutsche Bank AG in Beijing</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>Held pre-share segregation reform meetings with institutional investors</li> <li>Held on-line roadshow for share segregation reform</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>Held 2005 annual results presentation and roadshows in Hong Kong</li> <li>Participated in the "China Conference" organized by JPMorgan Chase in Beijing</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>Participated in the "China Forum" organized by Credit Lyonnais Securities in Shanghai</li> </ul>
<b>August</b>	<ul style="list-style-type: none"> <li>Held 2006 interim results presentation and roadshows in Hong Kong</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>Organized investor roadshows in the United States</li> </ul>
<b>November</b>	<ul style="list-style-type: none"> <li>Participated in "Investment Summit" (「投資峰會」) organized by Goldman Sachs in Beijing</li> </ul>

The Company, through active investor relations programs, aims at increasing its transparency, enhancing communications, and increasing investors' understanding of and trust in our businesses. It also aims at building investors' confidence in its 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.



### 3. Shareholder Return

Since its listing, the Company has been maintaining high return for shareholders. The Company has been paying cash dividends for 9 consecutive years, with an aggregate of RMB4.845 billion cash dividend distributed. The annual average dividend payout ratio is an impressive 72%. For 2006, the Board recommended the distribution of a cash dividend of RMB0.19 per share, equivalent to 96.5% of the distributable profit of the year.

In order to achieve the objective of sustained development and ultimately to create long-term and stable return for shareholders, the Company has never halted its project investment strategy of acquiring quality projects to expand the scope of its operations. While the Company's gearing and financing costs have risen due to a substantial increase in capital expenditures in recent years, ensuring a long-term and stable return for shareholders remains the top priority of the Company. In the coming years, the Company will maintain the policy of high dividend payout ratio. The Board has made the undertaking that from 2005 to 2008, the Company will continue to distribute cash dividends each year with the dividend payout level not lower than 85% of the distributable profit of the year concerned.

