

I. CORPORATE GOVERNANCE

In accordance with the principle of safeguarding the interests of the investors, the Company strictly complied with the requirements of the “Code of Corporate Governance for Listed Companies in China”, the “Articles of Association” and other laws and regulations as promulgated by CSRC. The Company improved its operation on corporate governance, so as to establish a modern enterprise system with an objective to perfect its corporate governance system. A description of the Company’s corporate governance activities during the reporting period is stated as follows.

1. Shareholders and its General Meetings

In accordance with the “Standard Opinion on General Meetings of Listed Companies” as issued by CSRC, the Company formulated the “Rules Governing the Operation of the General Meetings”. General meetings were convened and held in strict compliance with the relevant provisions. General meetings become an effective communication channel with its shareholders, and proactively listened to the opinions and recommendations of its shareholders, ensuring that each business shall be fully considered in-depth, and the rights of each shareholder be adequately exercised. The Company’s general meetings were also attended by lawyers with supporting letters of opinion issued, so as to be considered as “open, fair and just” in a genuine stance.

2. Directors and Board of Directors

All Directors of the Company have been elected in accordance with the Articles of Association. The number of directors and the composition of the Board complied with the requirements of relevant laws and regulations. The Directors of the Company have complied with the requirements under the laws, regulations and Articles of Association. They have performed their duties in a fiduciary manner, and protected the interests of the Company. Audit committee, Strategic Development and Investment Committee, as well as Human Resources and Remuneration Committee were established under the Board of Directors with terms of reference. The scientific standard of the Company in decision-making and efficiency were enhanced. The Company also established a system of independent directors relatively early in its history, which had positive effect on the protection of legal interests for middle and minority shareholders not being infringed.

3. Supervisors and Supervisory Committee

The election and number of the Supervisors complied with the requirements of relevant laws and regulations. The Company’s Supervisors have been able to duly perform their respective duties to shareholders in an accountable manner, and provided supervision over the Company’s directors, managers and other senior management as well as the finance of the Company in compliance with the laws and regulations. During the reporting period, the “Regulations on the Work of the Supervisory Committee” was considered and passed in the annual general meeting of the Company in 2002.

4. Information Disclosure and Transparency

The Company has placed a lot of emphasis on information disclosure. During the reporting period, the “System for the Administration of Information Disclosure”, was prepared. Relevant information was truly, accurately, and promptly disclosed in strict compliance with the relevant provisions. It also ensured all shareholders were given equal opportunities to receive such information.

5. Actively Setting Up Various Systems for Corporate Governance

During the reporting period, the Company amended its Articles of Association in accordance with the relevant requirements of the “Code of Corporate Governance for Listed Companies in China” and “Listing Rules of the Shanghai Stock Exchange” issued by CSRC, after taking into account the actual circumstances of the Company. The amended Articles of Association, which have been considered and passed in the annual general meeting in 2002, mainly reflected the factual situation after the Company’s issue of its A Shares, with additional provisions in the section on general meeting, independent shareholders and the various special committees under the Board.

II. INDEPENDENT DIRECTORS AND THEIR DUTIES

The Company established a system of independent directors relatively early in its history, in accordance with the requirements under the “Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies” as promulgated by CSRC. Since their appointment, the independent directors have performed their duties in a fiduciary manner, and strictly complied with the relevant provisions of the laws and regulations and constitutional documents of the State, the Listing Rules of Shanghai Stock Exchange and the Articles of Association. The board meetings and general meetings during the reporting period were attended by the independent directors in a serious manner. Independent advices on the connected transactions and major issues of the Company were given by the Company. The obligations towards standardizing the Company’s operations, as well as safeguarding the rights of middle and minority shareholders were fulfilled accordingly.

25

III. SEGREGATION OF STAFF, ASSET, FINANCE, ORGANIZATION AND BUSINESS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER

The business, assets, organization, staff and finance between the Company, its shareholders and their related parties have achieved “five independence”.

Anhui Expressway Holding Corporation (“AEHC”), the controlling shareholder of the Company, has acted within the standard and did not act ultra vires directly or indirectly against the general meeting in the strategic decisions and operating activities of the Company. The Board, Supervisory Committee and internal organizations can operate independently.

IV. ESTABLISHMENT AND IMPLEMENTATION OF APPRAISAL AND INCENTIVE MECHANISM AND RELATED REWARD SYSTEM FOR SENIOR MANAGEMENT

The human resources and remuneration committee under the Board of the Company is in charge of performance evaluation for senior management and has formulated and implemented medium and long incentive plans to provide corresponding reward measures to persons with excellent performance. Besides, the Company will also actively explore long-term incentive mechanism of share options to be implemented in due course.

V. CODE OF BEST PRACTICE

The Directors are of the opinion that the Company has complied with the requirements of the “Code of Best Practice” as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange in 2003.