

## SHAREHOLDERS GENERAL MEETINGS

The shareholding structure of the Company remained unchanged in 2003, with Zhejiang Communications Investment Group Co., Ltd. holding 56.01% of (domestic) shares in the Company, and Huajian Transportation Economic Development Center holding 10.98% of (domestic) shares, while the remaining 33.01% were held by holders of H Shares of the Company.

One annual general meeting and two extraordinary general meetings were held in 2003, approving, among others, the election of members of the third sessions of the Board of Directors of the Company and Supervisory Committee of the Company for a term of three years starting from March 1, 2003, as well as the Widening Project on the Shanghai-Hangzhou-Ningbo Expressway.

## BOARD OF DIRECTORS

The third session of the Board of Directors of the Company comprises nine members, four of whom are executive directors, while the remaining five are non-executive directors, amongst whom three are independent directors.

Three Board meetings were held by the Directors in 2003, two of which were attended by all nine members, one in the first half of the year, and the other in the second half of the year.

In conjunction with the two fully attended Board meetings held, two meetings were held by the audit committee under the Board of Directors of the Company to review, among others, the financial statements of the Group and work reports of the Company's internal audit department.

## SUPERVISORY COMMITTEE

The newly elected members of the Supervisory Committee of the Company comprise five supervisors, amongst whom one acts as shareholders' representative, one as employees' representative, and the remaining three are independent supervisors.

Two meetings were held by the Supervisory Committee of the Company. In addition, the supervisors attended all Board meetings held during 2003.

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As announced by the Company on March 16, 2004, the Company proposes to its shareholders to approve, in the annual general meeting to be held on May 21, 2004, certain amendments to its Articles of Association ("Articles"). The proposed amendments are made in accordance with the relevant requirements under the revised Listing Rules which came into effect on March 31, 2004. The following sets out in further details of the proposed amendments to the Articles.

#### **Article 40 — Fees for registration of securities title transfer documents**

The Listing Rules require the Articles to provide that any fees charged by the Company for the registration of transfer and other documents relating to or affecting title to any registered securities shall not exceed the maximum fees prescribed by the Stock Exchange from time to time in the Listing Rules. To reflect this requirement, the existing paragraph (1) of Article 40 is proposed to be deleted in its entirety and substituted therefor by the following:

“(1) a fee of such amount as may be prescribed from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the registration of the transfer documents of the shares and other documents relating to or affecting the ownership of shares is paid;”.

#### **Article 48A — Rights attached to shares not impaired by failure to disclose interests**

The Listing Rules require the Articles to provide that no power shall be taken to freeze or otherwise impair any rights attaching to any share of the Company by reason only that the person(s) who are interested directly or indirectly therein have failed to disclose their interests to the Company. To reflect this requirement, a new Article 48A is proposed to be inserted after the existing Article 48 and before the existing Article 49 as follows:

“**Article 48A** The Company shall not exercise any powers to freeze or otherwise impair any of the rights attaching to any share of the

Company by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.”

#### **Article 70 — Voting by poll**

The revised Listing Rules provide that, any vote of shareholders taken at a general meeting to approve (i) connected transactions; (ii) transactions that are subject to independent shareholders' approval pursuant to the Listing Rules; (iii) granting of options to a substantial shareholder or an independent non-executive director or any of their respective associates; and (iv) any other transaction in which a shareholder has a material interest and is therefore required to abstain from voting, must be taken on a poll. To reflect this new requirement, the existing first paragraph of Article 70 is proposed to be deleted in its entirety and substituted therefor by the following:

“**Article 70** At any shareholders' general meeting a resolution shall be passed by a show of hands, subject to any requirement in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, or unless a poll is demanded by the following persons (prior to or after a show of hands):

- (1) chairman of the meeting;
- (2) at least two shareholders or proxies having the right to vote;
- (3) a shareholder or shareholders (including proxy or proxies) representing 10% or more of the total voting rights of all the shareholders having the right to vote at such meeting.”

### **Article 81A — Voting restrictions**

Under the revised Listing Rules, the Articles must provide that where any shareholder is subject to voting restrictions under the Listing Rules, any votes cast by or on behalf of such shareholder in contravention of such restriction shall not be counted. It is proposed that a new Article 81A be inserted after the existing Article 81 and before the existing Article 82 as follows:

**“Article 81A** Where any shareholder of the Company is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”

### **Article 91 — Notice period for appointment of Directors**

In accordance with the revised Listing Rules, it is proposed that the existing second paragraph of Article 91 be deleted in its entirety and substituted therefor by the following, to specify the period for lodgment of notices for the nomination of Directors by shareholders and the acceptance of nomination by the nominated directors shall not be less than 7 days, such period to commence no earlier than the day after the despatch of the notice of the meeting appointed for the election of the nominated Directors and end no later than 7 days prior to the date of such meeting:

“The period during which a written notice of intention to propose a person for election as

director and a written notice by that person of his willingness to be elected are to be given to the Company shall be at least 7 days, such period shall commence on the day after the date when the notice of the general meeting convened for such election is despatched and end no later than 7 days prior to the date of such meeting.”

### **Articles 126, 127 and 133 — Disclosure of material interests by Directors etc.**

It is proposed that the existing second and third paragraphs of Article 126 be deleted in their entirety and substituted therefor by the following, in accordance with the revised Listing Rules requirements, to provide that Directors, Supervisors, managers and other officers of the Company shall disclose material interests of themselves or of their associates in transactions, and that the Directors shall not vote in such transactions:

“Unless the director, supervisor, general manager and other officers of the Company so interested has disclosed such interest to the board of directors as required in this Article and the board of directors has approved the same in a meeting in which he has not been counted in the quorum and has refrained from voting, the Company shall have the right to revoke such contract, transaction or arrangement except as against a bona fide party without notice of the breach of the duty by the director, supervisor, general manager and other officers concerned.

If any connected person or any associate (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Associate") of a director, supervisor, general manager or other officers of the Company is interested in certain contracts, transactions or arrangements, such director, supervisor, general manager or officers shall also be deemed as interested in the same."

To correspond with the proposed amendments to Article 126, it is proposed that the existing Articles 127 and 133 be deleted in their entirety and substituted therefor by the following:

**"Article 127** If, before the Company first considers the entering into of the relevant contract, transaction or arrangement, a director, supervisor, general manager and other officer of the Company gives written notice to the board of directors, stating that by reasons of the facts contained in the notice, he, or any of his Associates, is interested in such contract, transaction or arrangement to be entered into by the Company subsequently, such director, supervisor, general manager and other officers shall be deemed to have made such disclosure as stipulated in the preceding Article of this Chapter to the extent as stated in the notice."

**"Article 133** Where a director, supervisor, general manager or other officer of the Company is in breach of his obligations to the Company, the Company shall apart from the various rights and remedies provided by laws and administrative regulations be entitled to take the following measures:

- (1) to demand the relevant director, supervisor, general manager or officer pay

damages for the losses sustained by the Company as a result of the dereliction of duties on his part;

- (2) to revoke any contract or transaction made between the Company and the relevant director, supervisor, general manager or officer, or any Associate of such persons, and a contract or transaction made between the Company and a third party (if such third party knows or should have known that the director, supervisor, general manager or officer representing the Company are in breach of the obligations to the Company);
- (3) to demand the relevant director, supervisor, general manager or officer account for the profits received by him as a result of the breach of the obligations;
- (4) to recover from the relevant director, supervisor, general manager or officer the monies which should have been received by the Company including, but not limited to, commission received by them;
- (5) to demand the relevant director, supervisor or officer return the interest earned or that may be earned from the monies which should have been payable to the Company;
- (6) through legal proceedings, to demand a verdict that the properties which the relevant director, supervisor or officer received as a result of the breach of the obligations shall be the properties of the Company."