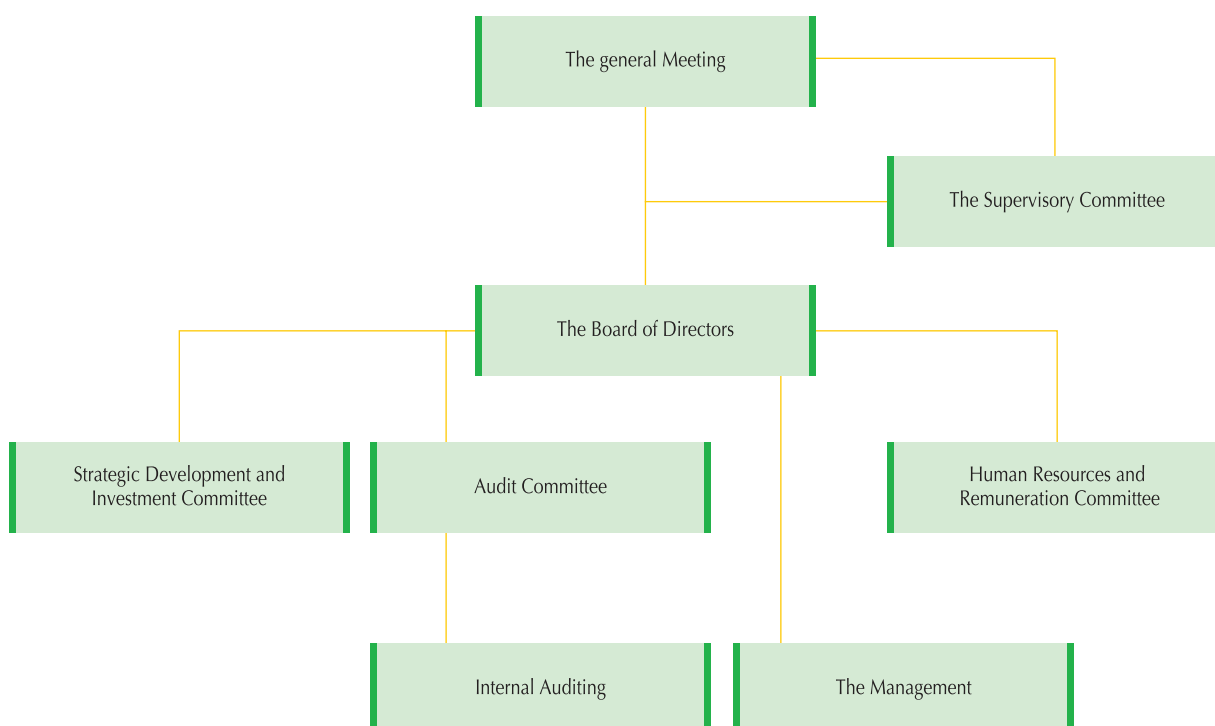


CORPORATE GOVERNANCE STRUCTURE AND GOVERNANCE REPORT

1. Since its incorporation, the Company has strictly complied with the Company Law, Securities Law, the rules and regulations promulgated by the CSRC and relevant requirements of Listing Rules of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. The Company strived to improve its operation on corporate governance, so as to establish a modern enterprise system with an objective to perfect its corporate legal person's governance system.

Legal person governance structure of the Company



2. Directors and the Board of Directors

The Board of the Company consists of 9 directors, of which 4 are executive directors, 2 are non-executive directors and 3 are independent directors that represent one-third of the Board. Directors held their post commencing from 17 August 2005 with a term of three years.

The Board represents interests of all the shareholders and is wholly responsible to General Meetings. It has strictly complied with the “Rules Governing the Operation of the Board” that stipulates the decision-making process related to the development strategies, planning and management and financial control. The Board also supervises and reviews the development and operation of the Company.

CORPORATE GOVERNANCE STRUCTURE AND GOVERNANCE REPORT

The directors are elected by cumulative voting in the General Meetings. The company shareholders, the Board or Supervisory Committee have the rights to nominate director candidates in writing. The term of directors is 3 years, but is extendable by election. Independent directors are individuals having no connections with the Company's management or its major shareholders.

Members of the board have different industry backgrounds with expertise in investment strategy, corporate management, financial accounting, highway management and construction, investment banking and human resources. Among them, not less than one independent director possesses the professional accounting qualifications required. The biographies of members of the board are set out in "Directors, Supervisors, Senior Management and Staff Profiles" of this annual report.

There are two directors who actually assume management posts in the Company, accounting for more than one fifth of the members of the board. This facilitates the board in strictly reviewing and monitoring the Company's management system and procedures.

The Company has a total of three independent non-executive directors, accounting for more than one third of the members of the board. All of them are familiar with their rights and obligations as independent directors of a listing company and have extensive professional experience. They have attended board meetings and board committee meetings with a consistent prudent and responsible, proactive and serious attitude. Having made great efforts in improving corporate governance, they have also provided independent advice and recommendations to the board on major events and connected transactions of the Company, thereby safeguarding the overall interests of the Company and shareholders.

Attendance of independent non-executive directors at the Board (Attended in person/ Attended by attorney/ Absent/ Number of attendance)

Name of independent directors	The Third Board	The Fourth Board
Zhang Liping	4/0/0/4	
Cao Deyun	4/0/0/4	
Song Youming	4/0/0/4	
Leung Man Kit		3/0/0/3
Li Mei		3/0/0/3
Guo Shan		3/0/0/3

The independent directors did not object to the decisions of the Board aforesaid.

With the assistance of the secretary of the Board, all directors can be informed of the legal, regulatory and other continual obligations that directors of listed companies have to take and their recent amendments in a timely manner. As the directors are truly aware of their fiduciary duties, the Board operates in an effective and comprehensive way in compliance with appropriate rules and regulations.

For securities transactions by directors, the Company has adopted the code provisions on the trading of shares of the Company by relevant directors contained in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code for Securities Transactions") as set out in the Appendix 10 of the "Listing Rules". After making specific enquiries of all directors, the Company confirms that all directors fully complied with the "Model Code for Securities Transactions" in 2005.

All the other directors have attended all the said board meetings and the rate of attendance was 100%.

3. Specific Committees at the Board

The Board of the Company comprises an Audit Committee, a Strategic Development and Investment Committee, and a Human Resources and Remuneration Committee. Each of the committees has formulated a duties handbook respectively that set out the process of decision-making and individual duties.

Audit Committee

The Audit Committee was set up in August 1999 by the Company. It consists of 3 directors, of which 2 are independent directors. The Audit Committee is mainly responsible for supervising the Company's internal control system and its execution, evaluating financial information and related disclosure, reviewing the internal control system, auditing major connected transactions and also communicating, supervising and investigating the Company's internal and external audits.

Composition of the Audit Committee and the Meetings

Name	Explanation	Number of meetings should be attended	Number of meetings actually attended
Cao Deyun	Chairman of the Third Audit Committee of the Board (Terms of office expired on 16 August 2005)	2	2
Song Youming	Member of the Third Audit Committee of the Board (Terms of office expired on 16 August 2005)	2	2
He Kun	Member of the Third Audit Committee of the Board (Terms of office expired on 16 August 2005)	2	2
Leung Man Kit	Chairman of Fourth the Audit Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)	2	2
Li Mei	Member of the Fourth Audit Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)	2	2
Li Zhanglin	Member of the Fourth Audit Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)	2	2



CORPORATE GOVERNANCE STRUCTURE AND GOVERNANCE REPORT

In 2005, the Audit Committee convened 4 meetings, which reviewed the yearly, semi-yearly and quarterly financial statements of the Company. After evaluating these financial statements with regard to their integrity, accuracy and fairness, the members unanimously confirmed that the financial status of the Company was accurately revealed with a complete disclosure of related information in the financial statements.

Strategic Development and Investment Committee

In August 2002, the Company established a Strategic Development and Investment Committee. It consists of 5 directors, of which 1 is an independent director. The Strategic Development and Investment Committee conducts researches and gives advices on long-term strategic development projects, financial plans of major investments, major capital applications, asset management projects and major events affecting the Company's development.

Composition of the Strategic Development and Investment Committee

Name	Explanation
Wang Shui	Chairman of the Third and Fourth Strategic Development and Investment Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)
Li Yungui	Member of the Third and Fourth Strategic Development and Investment Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)
Tu Xiaobei	Member of the Third and Fourth Strategic Development and Investment Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)
Zhang Wensheng	Member of the Third and Fourth Strategic Development and Investment Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)
Zhang Liping	Member of the Third Strategic Development and Investment Committee of the Board (Terms of office expired on 16 August 2005)
Leung Man Kit	Member of the Fourth Strategic Development and Investment Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)

Human Resources and Remuneration Committee

In June 2002, the Company established a Human Resources and Remuneration Committee. It consists of 3 directors, of which 2 are independent directors. The Human Resources and Remuneration Committee is mainly responsible for formulating the Company's human resources development strategies and plans, approving the human resources development plans, deciding the remuneration standards of directors and senior management, evaluating the gross salary adjustment plans, reward system and option schemes and also modifying the remuneration system.

Composition of the Human Resources and Remuneration Committee

Name	Explanation	Number of meetings should be attended	Number of meetings actually attended
Zhang Wensheng	Chairman of the Third and Fourth Human Resources and Remuneration Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)	1	1
Zhang Liping	Member of the Third Human Resources and Remuneration Committee of the Board (Terms of office expired on 16 August 2005)	1	1
Cao Deyun	Member of the Third Human Resources and Remuneration Committee of the Board (Terms of office expired on 16 August 2005)	1	1
Leung Man Kit	Member of the Fourth Human Resources and Remuneration Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)	0	0
Guo Shan	Member of the Fourth Human Resources and Remuneration Committee of the Board (Terms of office commencing from 17 August 2005 to 16 August 2008)	0	0

In 2005, the Human Resources and Remuneration Committee convened one meeting, which supervised and guided the procedures and works of the selection of the Fourth Board, audited and evaluated the nomination materials of the director candidates presented by shareholders and the Board and drew out the remuneration proposal for the Fourth Board.

4. Control System

Supervisors and Supervisory Committee

The Supervisory Committee of the Company consists of 3 supervisors, of which 2 are shareholders' representatives and 1 is employee's representative. The number of supervisors and the composition has complied with the requirements of the rules and regulations.

The Supervisory Committee is responsible to all shareholders as a whole. Its core duties, among others, are to supervise the corporate finances and also to ensure that the directors and senior management are performing their duties with due diligence with a view to safeguarding corporate assets and protecting legal interests of the Company and its shareholders.

Attendance of Supervisors at the Supervisory Committee (Attended in person/ Attended by attorney/ Absent/ Number of attendance)

Name of independent directors	The Third Board	The Fourth Board
Kan Zhaorong	2/0/0/2	3/0/0/3
Yan Yuhong	2/0/0/2	
Yang Yicong	2/0/0/2	3/0/0/3
He Kun		3/0/0/3

Internal Control and Internal Audit

The board is responsible for establishing and maintaining the internal control system of the Company for reviewing the relevant financial, operating and monitoring control procedures and safeguarding shareholders' interests and assets of the Group. The board authorizes the management to implement the internal control system and reviews its effectiveness through the audit committee.

The Company has established the internal audit department to inspect, supervise and evaluate the financial information disclosure, operating and internal control activities of the Company on a regular basis and when necessary in accordance with risks existing in and the importance of the internal control systems of different businesses and flows so as to ensure the transparency of external information disclosure, the efficiency of operation and internal control system and provide independent and objective evaluations and recommendations in the form of an audit report.

The Company has established corresponding management systems and procedures in corporate governance, operations, finance and administration and conducts one comprehensive inspection and monitoring each year, which has met the relevant requirements of the Appendix 14 "Code on Corporate Governance Practice" of the Listing Rules of the Hong Kong Stock Exchange.

Auditor and Auditor's Remuneration

See the "Major Events" section in the annual report for this year.

Person in charge of financial function

The person in charge of financial function of the Company is directly responsible to the general manager and is responsible for preparing financial statement pursuant to the accounting principles generally accepted in China and Hong Kong and complying with the relevant Requirements on disclosure of the CSRC, Shanghai Stock Exchange and Hong Kong Stock Exchange. The person in charge of financial function is also responsible for organizing the preparation of the annual budget plan and annual final accounts of the Company and monitoring the implementation of the annual financial and operating plans of the Company. The person in charge of financial function should also work with the board to develop the relevant internal control system and make recommendations to the board.

The Company has appointed Mr. Yan Qinghua as the Hong Kong qualified accountant to assist the person in charge of financial function in his work. Mr. Yan started his work in this reporting period and reviewed the financial flow and internal control of the Company.

Shareholders, Investors and other Stakeholders

The Company is committed to ensuring all shareholders, particularly medium and small shareholders enjoy equal position and exercise their own rights in full.

General Meeting

General Meeting is the organ of supreme power of the Company and exercises its powers according to law to determine major events of the Company. The annual general meeting and extraordinary general meetings provide direct channel for communication between the board and shareholders of the Company. Therefore, the Company has put great emphasis on general meetings and issues a meeting notice 45 days before the holding of a meeting requesting all directors and senior management to attend so far as possible. The Company encourages all shareholders to attend general meetings and welcomes them to deliver speeches at the meetings. For the details of the general meetings convened by the Company during the reporting period, see the "Profile of the General Meetings" section in the annual report for this year.

Substantial Shareholders

The substantial shareholders of the Company include AEHC and Huajian Center. The Company separates from the substantial shareholders in operations, assets, staff, organizations and finance and has complete business and self-operating capabilities. As the substantial shareholders of the Company, the above shareholders have exercised their rights as capital contributors strictly in accordance with legal requirements and have not directly or indirectly intervened in the Company's decision-making and operations by surpassing the general meeting.

For the details of other shareholders as at the end of the reporting period, see the "Change of Share Capital and Shareholders" section in the annual report for this year.

Information Disclosure and Investor Relations Management

The secretary of the board of the Company is responsible for information disclosure and investor relations management of the Company. The Company has formulated the “Information Disclosure Management System” and “Investor Relations Management System” to ensure information disclosure in an open, fair and just way and that all shareholders can enjoy equal and full right of accessing information, and increase the transparency of the Company.

The Company has persisted in enhancing mutual communication through active investor relations activities. The Company communicates with investors through a wide variety of forms such as web site, result presentations, large investor promotional activities, analyst meetings, one-to-one meetings and telephone enquires to strengthen recognition from investors and increase the transparency of the Company.

Other Stakeholders

While providing good returns to shareholders, the Company has also been committed to providing satisfactory services to customers and space for development to staff.

Senior Management’s Performance Appraisal and Incentive

The human resources and remuneration committee of the board of the company is responsible for the performance appraisal of senior management and for formulating and implementing medium- and long-term incentive plans to offer corresponding incentives to those with outstanding performance. The Company will also actively explore a long-term incentive mechanism based on shareholding for implementation in due course.

Summary

The governance system adopted by an enterprise can reflect its management and business operation capabilities. Good corporate governance facilitates the healthy development of the Company and helps increase investors’ confidence. To achieve good corporate governance, it is necessary to conduct regular reviews on whether corporate governance measures are in line with market trends and meet the requirements of relevant regulatory bodies. The Company will continue to be committed to increasing the standard of corporate governance so as to ensure steady growth of the Company and increase shareholders’ value.