

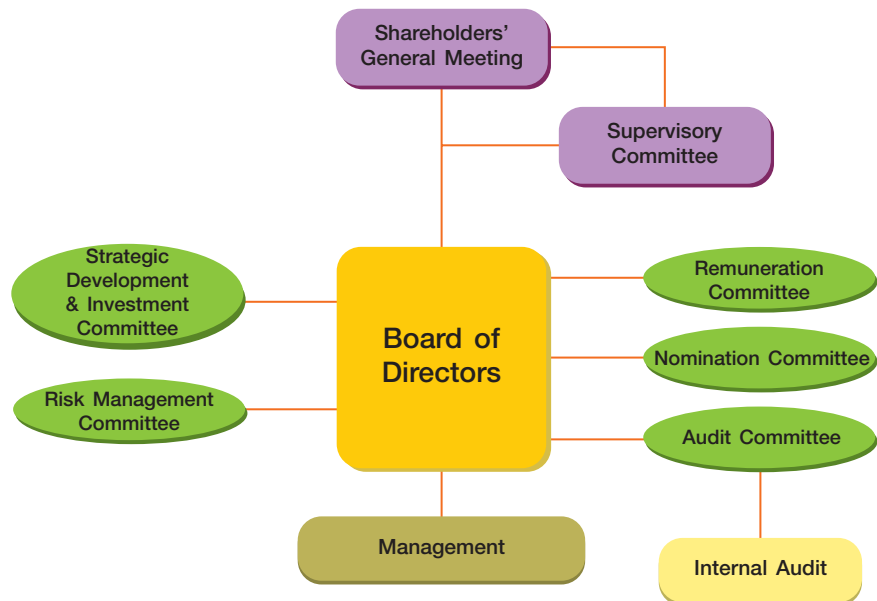
The management seeks to strengthen communication and interaction with investors through various means to enhance the Company's transparency.



Corporate Governance Report

The Company always aims to ensure stable business development and enhance value for shareholders through its commitment to the corporate values of integrity and diligence. It is our belief that such an aim will be achieved by persistent adherence to sound corporate governance principles, efforts to enhance transparency and independence of the Company's operations and the establishment of an effective accountability system.

The Company's corporate governance structure is as follows:



CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, all the provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules of the HKEX (the "Code") have been adopted, with the following exception:

- Three extraordinary general meetings were held in the first half of 2005 for the approval of the Company's connected transactions. The Company did not arrange for members of the independent board committee to attend these meetings but as a transitional arrangement, the independent financial advisor appointed by the independent board committee attended these meetings to respond to questions raised by shareholders. Internal guidelines and arrangements have been made to ensure that members of the independent board committee will attend in future any general meetings to be held for the approval of connected transactions or transactions which require independent approval, so that they will respond to questions raised by shareholders.

The codes on corporate governance currently adopted by the Company go beyond the requirements of the above Code in certain aspects. Relevant details are set out in this report.

BOARD OF DIRECTORS

Directors' Duties

The principal duties of the Board are to exercise management and decision-making authorities as conferred by the shareholders' general meeting in respect of corporate development strategies, management structures, investment and financing, planning, financial control and human resources and so forth. The amended Articles of Association of the Company and the attachments to the Articles of Association, as approved at the extraordinary general meeting held on 26 August 2005, have already spelt out the Board's duties and authorities in respect of corporate development strategies, planning and management thereof; financial management and personnel administration; the Board's duties and authorities to supervise and inspect the Company's development and operation; and the duties and authorities of the Chairman and the General Manager. The roles of the Chairman and the General Manager are distinctively separated and the positions are undertaken by different persons. The Chairman is responsible for overseeing and coordinating the operation of the Board and monitoring the execution of the Board's resolutions, whilst the General Manager is responsible for managing and overseeing the Group's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions with the support and assistance of the Board and other senior management of the Company.

Composition of the Board

The Board is composed of twelve directors. As at 31 December 2005, members of the Board included:

Executive Directors: Yang Hai (Chairman)
Wu Ya De (Director and General Manager) and Zhang Rong Xing

Non-executive Directors: Li Jing Qi, Wang Ji Zhong, Lin Xiang Ke, Zhang Yang and Chiu Chi Cheong, Clifton

Independent Directors: Li Zhi Zheng, Zhang Zhi Xue, Poon Kai Leung, James and Wong Kam Ling

The Board is in its third session since the establishment of the Company. The terms of office of the current Directors commence from 1 January 2003 or the respective dates of their appointments to 31 December 2005. During the Reporting Period, in accordance with the succession and continuity planning for the Directors or due to personal reasons, Directors, Mr. Chen Chao, Mr. Zhong Shan Qun and Ms. Tao Hong, and an Independent Director, Mr. Ho Pak Cho, Denis Morgie, resigned on 8 April and 3 June 2005 respectively. Mr. Yang Hai, Mr. Li Jing Qi and Mr. Wang Ji Zhong were elected as Directors by shareholders, while Mr. Wong Kam Ling was elected as an Independent Director to take over the position left vacant by the resignation of the above directors. In addition, an extraordinary general meeting of the Company was held on 28 December 2005 for the election of members of the fourth session of the Board. The terms of office of all Directors for the new session commence from 1 January 2006 to 31 December 2008, details of which are set out on page 56 of this annual report.

Directors are elected or replaced at shareholders' general meetings, where the election is conducted by way of cumulative voting. Shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship in writing. Directors serve for a term of three years and may offer themselves for re-election upon expiry of the term. The office of an Independent Director shall be undertaken by a person not related to the Company's management and substantial shareholders in any aspect. Independent Directors are eligible for re-election, subject to a maximum term of six years.

Members of the Board come from different industry's backgrounds with expertise in corporate management, finance and accounting, investment banking, highway management and construction and human resources management. Of these members, more than one Independent Director possess accounting professional qualifications as required by stock exchanges or appropriate expertise in accounting or related financial management. Brief biographies of the members of the Board for the new session are set out on pages 71 to 74 of this annual report.

The Board currently has four Independent Directors, representing 1/3 of the total number of Directors. The incumbent Independent Directors have extensive professional experience, and all have participated in the meetings of the Board and related specialised committees in a highly conscientious and responsible manner. They have played an important check-and-balance role to safeguard the interests of the Company and the shareholders as a whole by ensuring that reporting on the Company's financial or other matters would be properly conducted at the Board and by furnishing independent views and advice to the Board and independent shareholders in respect of significant matters and connected transactions of the Company.

Board Meetings

Ten Board meetings were held in 2005 to discuss the Group's operational and financial performance, management structure, investment and financing proposals and so forth. Major items cover:

- annual final accounts and budgets, work reports of the Board, internal control assessment reports, annual, interim and quarterly reports;
- resignations of Directors, elections of new Directors and Chairman, by-elections of members of specialised committees, formulation of a Directors' remuneration proposal, appointments and renewals of appointments of senior management members of the Company;
- amendments to the Articles of Association and approval of attachments to the Articles of Association, establishment of specialised committees, preparation and revision of terms of reference of specialised committees and formulation of the Company's code on securities transactions
- determination of the Company's annual performance targets and approval of the exercise of the Company's share appreciation rights scheme;
- renewal of appointment of international auditors and statutory auditors;
- repurchase of the Company's H shares;
- issuance of short-term commercial papers.

Corporate Governance Report

Discussions were carried out effectively and decisions made swiftly and prudently at the Board meetings. Attendance of Directors at Board meetings in 2005 was 100% (including attendance by appointing other Directors as proxies). Details of attendance of each Director at Board meetings are as follows:

Name	Attendance at Board meetings (attendance in person/number of meetings to be attended)	Description
Executive Director		
Yang Hai	8/8	Appointed on 8 April 2005. 8 Board meetings were held during the term of office.
Wu Ya De	10/10	
Zhang Rong Xing	4/10#	Sent to studies in the UK from January to July 2005.
Non-executive Director		
Lin Xiang Ke	10/10	
Zhang Yang	6/10#	
Chiu Chi Cheong, Clifton	8/10#	
Li Jing Qi	8/8	Appointed on 8 April 2005. 8 Board meetings were held during the term of office.
Wang Ji Zhong	6/8#	Appointed on 8 April 2005. 8 Board meetings were held during the term of office.
Chen Chao	2/2	Resigned on 8 April 2005. 2 Board meetings were held during the term of office.
Zhong Shan Qun	2/2	Resigned on 8 April 2005. 2 Board meetings were held during the term of office.
Tao Hong	2/2	Resigned on 8 April 2005. 2 Board meetings were held during the term of office.
Independent Director		
Li Zhi Zheng	9/10#	
Zhang Zhi Xue	9/10#	
Poon Kai Leung, James	10/10	
Wong Kam Ling	6/6	Appointed on 3 June 2005. 6 Board meetings were held during the term of office.
Ho Pak Cho, Denis Morgie	2/4#	Resigned on 3 June 2005. 4 Board meetings were held during the term of office.

Directors who were unable to attend meetings in person had appointed other Directors as their proxies to attend and vote at the meetings on their behalf.

Through the Company Secretary, the Directors obtain timely information and updates relating to statutory, regulatory and other ongoing obligations that the directors of a listed company must comply with, ensuring understanding of their duties and assuring thorough implementation of procedures of the Board and due compliance with applicable laws and regulations. The Directors, as well as the specialised committees of the Board, may seek the services of independent professional institutions in the course of exercising their authorities, performing their duties or fulfilling any business requirements. Reasonable expenses incurred in this connection will be borne by the Company.

SPECIALISED COMMITTEES OF THE BOARD

Five specialised committees have been set up under the Board, each of which has worked out its terms of reference for monitoring the specific areas of the Company's business. Such terms of reference have been approved by the Board.

Strategic Development and Investment Committee ("SDIC")

Established in November 2001, SDIC is principally responsible for examining and reviewing the directions of the Company's strategic plans, formulating strategic planning, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

Members of SDIC are as follows:

Name	Description	No. of meetings to be attended in 2005	Actual attendance
Mr. Yang Hai, Director	(Chairman of the Committee. Appointed on 28 April 2005.)	1	1
Mr. Wu Ya De, Director		1	1
Mr. Chiu Chi Cheong, Clifton, Director		1	1
Mr. Li Zhi Zheng, Independent Director		1	1
Mr. Chen Chao, Director	(Former Chairman of the Committee. Resigned from directorship of the Company on 8 April 2005.)	—	—

One meeting of SDIC was held in 2005, attended by all incumbent members as well as by invited Directors, Supervisors and senior management members of the Company. The Company's "Development Strategies 2005-2009" were reviewed at the meeting.

Audit Committee

The Audit Committee was established in August 1999, with its terms of reference drawn from proposals set forth in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants, the Code and the Corporate Governance Standards for Listed Companies in China issued by the CSRC. The Audit Committee is principally responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting; evaluating whether the Company's internal control regimes are sound and effective; the appointment of independent auditors, work coordination and reviewing the efficiency and quality of their work; and reviewing all written reports furnished by internal audit officers as well as management's feedback to such reports.

Members of the Audit Committee are as follows:

Name	Description	No. of meetings to be attended in 2005	Actual attendance
Mr. Wong Kam Ling, Independent Director	(Chairman of the Committee. Appointed on 3 June 2005.)	4	4
Mr. Poon Kai Leung, James, Independent Director		7	6
Mr. Chiu Chi Cheong, Clifton, Director		7	7
Ho Pak Cho, Denis Morgie, Independent Director	(Former Chairman of the Committee. Resigned from directorship of the Company on 3 June 2005.)	3	3

Seven meetings of the Audit Committee were held in 2005. With a view to enhancing the independence of reporting by the external auditors, some of these meetings were attended only by the committee members and the external auditors.

Report of the Audit Committee

The Audit Committee is principally responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. Pursuant to relevant procedures, the management is responsible for the preparation of the Group's financial statements, including the selection of appropriate accounting policy therefor; the external auditors are responsible for auditing and verifying the Group's financial statements; while the Audit Committee supervises the management's work with the external auditors and approves the procedures and protection measures adopted by the management and the external auditors.

The unaudited financial statements for the first and third quarters of 2005 (prepared under PRC Accounting Standards) and the unaudited financial statements for the first six months of 2005 have been reviewed by the Audit Committee and submitted to the Board for approval prior to their publication.

The Audit Committee has discussed with the management and the external auditors the consolidated financial statements contained in the 2005 Annual Report, and conducted sufficient studies and communications as to the matters relating to the adoption of accounting policies and practices and the impact of the revised Hong Kong Financial Reporting Standards. The Audit Committee has obtained a report from the external auditors and met with them to discuss the scope of their audit.

On the basis of the aforesaid reviews and discussions as well as the report of the external auditors, the Audit Committee proposed that the Board approved the consolidated financial report for the year ended 31 December 2005 and the auditors' report in relation thereto.

The Audit Committee also carried out an independent evaluation of whether the Group's internal control regimes were efficient, monitored and appraised the Company's internal audit and furnished the management with professional advice on the enhancement of internal control and corporate governance standards on an ongoing basis. In addition, the Audit Committee also furnished the management promptly with professional advice on the Company's significant matters or reminded the Company of any risks associated with such matters.

The terms of reference of the Audit Committee have been reviewed and revised in line with the HKEX's revised corporate governance requirements. The Audit Committee will, after each meeting, submit a report to the Board on major items discussed and brief the Board at least every six months on its work and progress.

Members of the Audit Committee

Wong Kam Ling, Chiu Chi Cheong, Clifton, Poon Kai Leung, James

31 March 2006

Remuneration Committee

Established in November 2001 as the Human Resources and Remuneration Committee and subsequently renamed as the Human Resources and Nomination Committee (collectively referred to as “HRNC”) in January 2003, HRNC is responsible for the remunerations of and nominations to the Board. Its principal duties include: examining and devising the Company’s human resources development strategies and planning; examining and reviewing the Company’s human resources policies, remuneration policies and incentive regimes; and making proposals in respect of appraisals, appointments/removals and nominations of Directors and members of the senior management.

Pursuant to a resolution of the Board, HRNC was split into the Remuneration Committee and the Nomination Committee in June 2005 to perform their respective duties. The Remuneration Committee is principally responsible for studying and examining the Company’s remuneration policies and incentive regimes, devising the appraisal standards for the Company’s Directors and members of senior management and conducting appraisals thereof.

Members of the Remuneration Committee are as follows:

Name	Description	No. of meetings to be attended in 2005	Actual attendance
Mr. Li Zhi Zheng, Independent Director	(Chairman of the Committee)	3	3
Mr. Zhang Zhi Xue, Independent Director		3	3
Mr. Yang Hai, Director	(Appointed on 28 April 2005)	3	3
Mr. Chen Chao, Director	(Former member of the Committee. Resigned from the directorship of the Company on 8 April 2005.)	—	—

Three meetings of the Remuneration Committee were held in 2005, attended by all incumbent members. Major tasks accomplished by the Remuneration Committee during the year included: reviewing the coefficient of the Company’s operating performance for 2004; examining the management’s performance targets for 2005; drafting a remuneration proposal for the Directors for the new session of the Board; and providing guidance on, and monitoring of, the review and improvement work on the Company’s remuneration scheme.

Details of the Company’s remuneration policies, Directors’ remunerations, appraisals and incentive regimes for the members of the senior management are set out on pages 56 to 58 of this annual report.

Nomination Committee

As discussed above, HRNC was split into the Remuneration Committee and the Nomination Committee in June 2005. The Nomination Committee is principally responsible for examining and devising the Company’s human resources development strategies and planning, and conducting studies and making proposals in respect of nominees, nomination criteria and nomination procedures for the Company’s Directors and members of the senior management.

Members of the Nomination Committee are as follows:

Name	Description	No. of meetings to be attended in 2005	Actual attendance
Mr. Li Zhi Zheng, Independent Director	(Chairman of the Committee)	3	3
Mr. Zhang Zhi Xue, Independent Director		3	3
Mr. Yang Hai, Director	(Appointed on 28 April 2005)	3	3
Mr. Chen Chao, Director	(Former member of the Committee. Resigned from the directorship of the Company on 8 April 2005.)	—	—

Three meetings of the Nomination Committee were held in 2005, attended by all incumbent members.

The method for nominating Directors, recommendation procedures and the qualifications and general quality requirements of Directors have been set out in the Company's Articles of Association and the implementation details thereof. During the Year, the Nomination Committee monitored and provided guidance on the election procedures and work arrangements for the new session of the Board, reviewed and assessed written nomination materials on the candidates for Directors (including details of nominees, their written opinions on the acceptance of nominations, etc.) submitted by shareholders and the Board, and completed the arrangement of the nominations for the fourth session of the Board. In addition, the Nomination Committee guided and monitored the work arrangement and appraisal procedures for the term appraisals on the management, as well as conducting the term appraisal on the general manager and reviewing the results of the term appraisals on other members of the senior management. The Nomination Committee also assisted the Board in the renewal of appointment and appointment of the management.

Risk Management Committee ("RMC")

Established in August 2004, currently the RMC is principally responsible for improving and enhancing the Company's procedures and systems for managing its investment activities and providing support to the Company's business decision making and operations by performing risk analysis and controls in relation to individual investment projects.

Members of RMC are as follows:

Name	Description	No. of meetings to be attended in 2005	Actual attendance
Mr. Poon Kai Leung, James, Independent Director	(Chairman of the Committee)	3	3
Madam Zhang Yang, Director		3	3
Mr. Li Jing Qi, Director	(Appointed on 28 April 2005)	1	1
Mr. Zhong Shan Qun, Director	(Former member of the Committee. Resigned from the directorship of the Company on 8 April 2005.)	2	1

Three meetings of RCM were held in 2005, at which two investment projects proposed by the Company to the Board were considered and recommendations were furnished to the Board, and terms of reference and rules of procedure of the RMC were re-defined.

STATEMENT OF RESPONSIBILITY BY THE BOARD FOR THE FINANCIAL STATEMENTS

This statement intends to clarify for our shareholders the responsibilities to be assumed respectively by the Directors and auditors of the Company for the financial statements. It should be read together with the statement of responsibility by the auditors set out in the Report of the Auditors on page 78.

It is the Board's opinion that the financial statements were prepared on the basis of ongoing operations given that the resources available to the Company are sufficient enough for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements on pages 79 to 148. These policies have been applied throughout the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and in accordance with all accounting standards which the Board deems appropriate.

It is the responsibility of the Board to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial position and that the financial statements are in compliance with the requirements of relevant accounting standards of China and Hong Kong.

SECURITIES TRANSACTIONS BY DIRECTORS

The Securities Transaction Code of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEX entitled "Model Code for Securities Transactions by directors of Listed Issuers" (the "Model Code") and the relevant rules of the SSE in light of the Company's actual situation, as a written guide to regulate dealings in the Company's securities by Directors, Supervisors and relevant staff. The standards set under the Model Code have been incorporated into the Securities Transaction Code, and after specifically inquiring with all the Directors and Supervisors, the Company confirms that all the Directors and Supervisors complied with the standards for securities transactions by directors as stipulated under the aforesaid codes during the Reporting Period.

CONTROL MECHANISMS

Supervisory Committee

The Supervisory Committee exercises independently the power of supervision upon the Company in accordance with the law to protect the lawful rights of the shareholders, the Company and its staff against any infringement. It is composed of three supervisors. As at 31 December 2005, its members were Mr. Chen Chao (Chairman of the Supervisory Committee), Mr. Yang Qin Hua and Mr. Yi Ai Guo. The Supervisory Committee is in its third session since the establishment of the Company. The term of office of the Supervisors commenced from 1 January 2003 or the respective dates of their appointments to 31 December 2005. During the Reporting Period, as a result of internal work re-arrangements by nominating shareholders, Mr. Wang Ji Zhong, a Supervisor, resigned on 8 April 2005 and Mr. Chen Chao was appointed as supervisor on the same date. In addition, following the election of the members of the fourth session of the Supervisory Committee at an extraordinary general meeting held on 28 December 2005, the term of office of all the Supervisors for the new session has commenced from 1 January 2006 to 31 December 2008. Relevant details are set out on page 56 of this annual report.

The size and composition of the Company's Supervisory Committee are in compliance with the requirements of the relevant laws and regulations. Seven meetings of the Supervisory Committee were held during 2005 to supervise, on behalf of the shareholders, the Company's financial matters and whether the discharge of duties by the Directors and senior management was lawful and compliant. The Supervisory Committee's members attended all Board meetings and general meetings, and diligently performed their supervisory duties. Details relating to the work of the Supervisory Committee are set out in the Report of the Supervisory Committee on page 68 of this annual report.

Internal Control and Internal Audit

The Board is responsible for developing and maintaining an internal control system of the Company to protect shareholders' interest and to safeguard the Group's assets by reviewing major control procedures for financial, operational, compliance and risk management matters. Such internal control system is implemented by the management upon the authorisation of the Board and the effectiveness of the system is reviewed by the Audit Committee.

The Company's internal audit department has been operating since August 2000 for the purpose of reviewing, in a more effective manner, whether the internal control system is effective. Depending on the materiality of potential risks existing in the internal control systems of various businesses and processes of the Company, the internal audit department carries out inspection, monitoring and evaluation of the Company's financial information disclosures, operations and internal control activities on a regular or as-needed basis, with a view to ensuring transparency in information disclosures, operational efficiencies and effectiveness of the corporate control regimes. It furnishes independent and objective evaluations and recommendations in the form of an audit report. Internal audit staff are authorised to access any information relating to the Company and to make enquiries to staff concerned, and the audit manager will directly report to the Audit Committee on the findings and views, on the basis of which the Audit Committee will make recommendations to the management and submit regular reports to the Board.

In December 2004, the Company's Internal Control System manual was considered and approved by the Board. This manual contains a comprehensive overview and description of the objectives, content, methods and duties of the internal control system, and will facilitate the ongoing examination and evaluation of the Company's compliance with existing rules and regulations and of the effectiveness of internal control. The Board plans to carry out a comprehensive examination and monitoring of the internal control system annually for the purpose of complying with the relevant requirements of the Code. During the Year and as at the date of this annual report, the Company consistently had a full set of the internal control system covering the areas of corporate governance, operation, construction, finance, administration and personnel management. The Board has, through the Audit Committee and its internal audit department, carried out ongoing examination and monitoring of the Company's internal control system and completed an evaluation of the internal control system for the Year.

Given the limitations inherent to any internal control system, the Company's internal control system has been established for the purpose of managing potential risks. It is impossible for the system to eliminate all risks. Thus the system can only offer a reasonable, rather than absolute, assurance for the achievement of the Company's operating objectives. Accordingly, it is impossible for the system to eliminate all false representations or losses.

Financial Controller

The Financial Controller oversees all financial matters of the Company and is accountable to the General Manager. The Financial Controller is responsible for preparing financial statements in accordance with the PRC and Hong Kong general accounting standards and in compliance with the rules of securities regulatory body, HKEX and SSE in relation to disclosures. The Financial Controller is also responsible for arranging the preparation of the Company's annual budget plans and annual accounts and monitoring the implementation of annual financial and operational plans. The Financial Controller is also required to collaborate with the Board in the formulation of relevant internal control systems and to make recommendations thereon to the Board.

Auditors and Auditors' Remuneration

The financial statements contained in the Company's 2005 annual report were prepared in accordance with the PRC accounting standards and Hong Kong accounting principles respectively, and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian") and PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) ("PwC") respectively.

The Audit Committee is responsible for reviewing the appointment, resignation or replacement of independent auditors, as well as assessing the quality of the auditors' services and whether their audit fees are reasonable and making recommendations to the Board in this regard. The appointment and replacement of auditors as well as the audit fees are proposed by the Board to the general meetings for approval.

PwC as the Company's international auditors has been providing audit services to the Company for ten consecutive years since 1996. Its partners in charge of the Company's audit were changed in 2003. PwC Zhong Tian was appointed as statutory auditors from 2004, and it has been providing audit services to the Company for two consecutive years.

The remuneration of the auditors in the year 2005 is set out as follows:

(Unit: RMB'000)	2005		2004	
	Audit fees	Other fees	Audit fees	Other fees
PwC	1,650	1,265	1,230	1,006
PwC Zhong Tian	800	—	500	150

Notes:

- The above audit fees include audit and review service fees of the auditors. Other fees represent specific audit fees and evaluation service fees for due diligence reviews on the Company's investments provided by the auditors. The Company was not required to pay for overseas travel expenses of the auditors incurred for providing audit and review services, but should pay for overseas travel expenses incurred for providing specific audit and evaluation services for due diligence reviews.
- As other fees are all about specific audit fees and evaluation service fees for due diligence reviews on the Company's investment projects provided by the auditors, the Board believes this would not affect the independence of the auditors.

SHAREHOLDERS, INVESTOR RELATIONS AND OTHER STAKEHOLDERS

The Company strives to ensure that all shareholders, especially the minority shareholders, are able to fully exercise their rights on an equal basis.

General Meetings

The general meeting is vested with the supreme authority of the Company, where duties and powers are exercised in accordance with the law to make decisions on the significant matters of the Company. The annual or extraordinary general meeting provides a channel of direct communication between the Board and the shareholders. The Company puts high regard to general meetings. The notice on the convening of a general meeting is issued 45 days prior to the date of the meeting, and all Directors and members of the senior management are requested to make their best effort to attend. All shareholders are encouraged to attend general meetings and make their voice heard. Details of general meetings held during the Reporting Period are set out on page 53 of this annual report.

Substantial shareholders

As substantial shareholders of the Company, XTC Company and SGH Company conducted their activities in a regulated manner. The Company and the substantial shareholders are independent from each other in terms of staffing, assets, finance, institution and business. They have never been involved in any acts of by-passing the general meetings in ultra vires interference, whether direct or indirect, with the Company's policy decisions or operations.

Information about other shareholders as at the end of the Reporting Period are set out in the Report of the Directors, on pages 59 to 61 of this annual report.

Information Disclosures and Investor Relations Management

The Company Secretary is responsible for information disclosures and investor relations management of the Company. The Rules Governing Information Disclosure and the Rules Governing Information Management of the Company have been formulated to ensure that information disclosures are open, fair and impartial. The Company has been committed to strengthening investor relations management, and an investor relations department was set up in 2004 in order to communicate better with investors and to enhance transparency of the Company. The Company's philosophy, communication channels and accomplishments during the year in the area of investor relations are set out on pages 50 to 51 of this annual report.

Other stakeholders

While dedicated to seeking satisfactory rewards for shareholders, the Company is also committed to its customers, in terms of provision of quality services, and to its staff, by making available opportunities for career development. With strong commitment to shareholders, investors, staff, customers, suppliers and the community at large and always acting with integrity and in good faith, the Company pledges to contribute to the society while pursuing profit growth, by managing and growing its business within the bounds of laws and environmental regulations, improving its standard of corporate governance and actively participating in social charities and environmental protection. It is our belief that the sustainable development of a company cannot be achieved in isolation from a healthy social environment. Noble corporate conduct is also instrumental for enhancing a company's competitiveness, and it is our duty and obligation to help improve the society and environment on which our very existence depends.

RULES ON CORPORATE GOVERNANCE

During the Reporting Period, parts of the Company's Articles of Association were amended, and Rules of Procedures for the Shareholders' General Meeting, Rules of Procedures for the Board of Directors and Rules of Procedures for the Supervisory Committee were tabled to the general meetings for consideration as attachments to the Articles of Association, pursuant to the requirements of the CSRC's "Notice for Supervising Listed Companies over Amendments to Articles of Association" in light of the actual situation of the Company. These amendments and rules of procedures were approved at an extraordinary general meeting held on 26 August 2005. During the Reporting Period, the terms of reference of SDIC and the Audit Committee were revised and the terms of reference of the Remuneration Committee and the Nomination Committee were devised.

CONCLUSION

The corporate governance regime adopted by a company is an indication of its abilities in managing and operating its business. Sound corporate governance contributes to the healthy development of a company and enhances investors' confidence in the company. To be effective in corporate governance, relevant measures must be reviewed on a regular basis to ensure that they are in tandem with market trends and the requirements of regulatory authorities. As such, we will continue to enhance corporate governance as part of our efforts to ensure a stable development of the Company and to enhance shareholder value.