

Corporate Governance

Section 1 – Corporate Governance Report

The Company believes that sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to promoting sound governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

The Company is listed on both SSE and HKEx. We have to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the Company Law and the relevant requirements issued by China Securities Regulatory Commission. We also complied with the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules of HKEx.

In addition, for corporate governance practice, we implement better practices than the code provisions under the “Corporate Governance Code” of HKEx, mainly in the following aspects:

- ☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- ☑ Preparation and publication of quarterly results announcements;
- ☑ Establishment of the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company;
- ☑ Proactive establishment of the Risk Management Committee to assist the Board in formulating the risk management policy and monitoring the overall risk position for the Group;
- ☑ A regular assessment through the audit department was made by the Board, who was responsible for the internal control system. An external auditor was also appointed for the audit of the internal control of the financial reporting;
- ☑ Formulation of the “Anti-fraudulent Work Regulation” by the Board and provision of an independent channel for the audit committee to obtain information on fraudulent risk;
- ☑ The stipulation on the terms of office for Independent Directors of no more than 6 years;
- ☑ Regular publication of the Social Responsibility Report.

For details thereof, please refer to the relevant sections of this report.

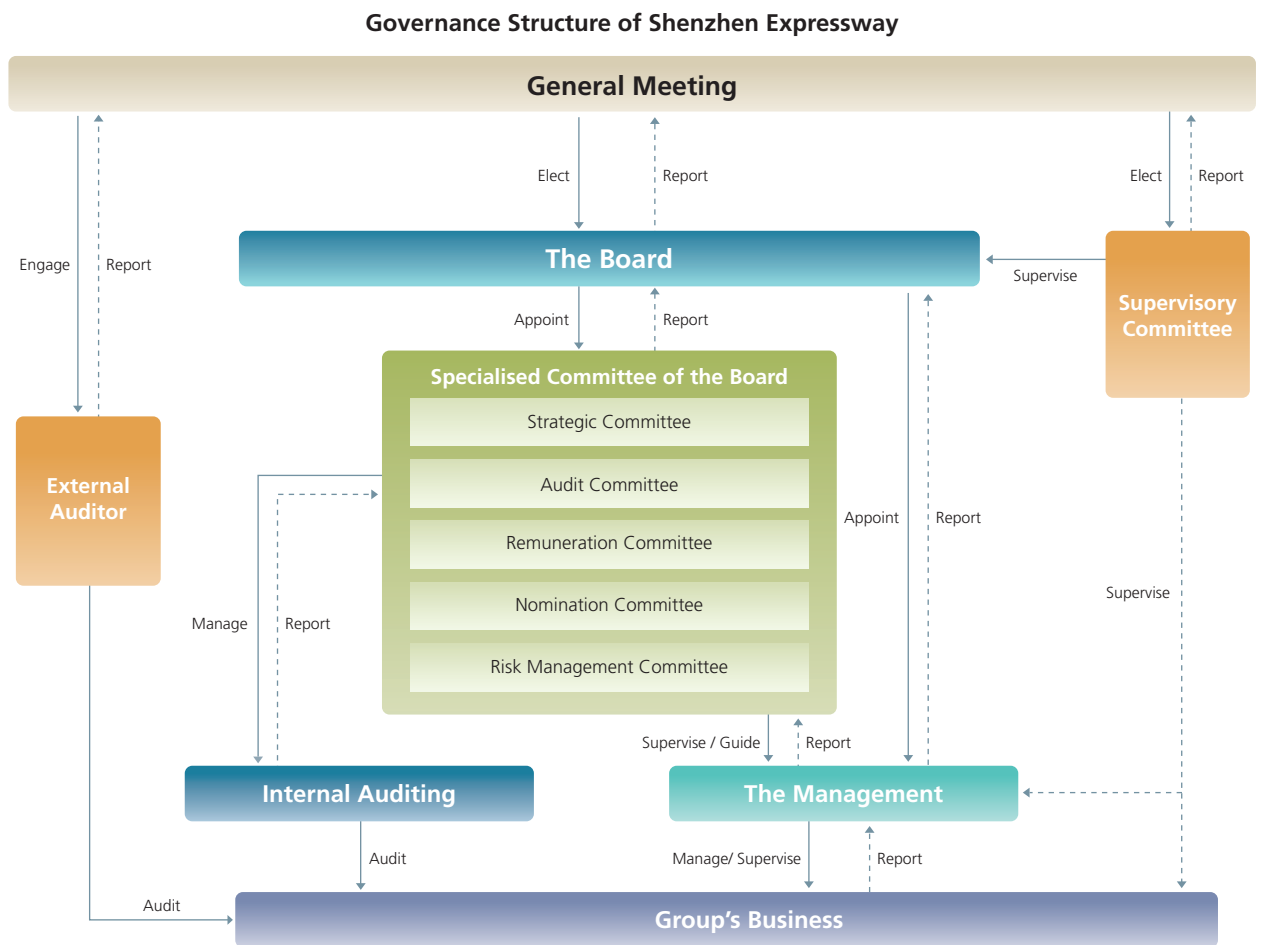
The principles and practices of the corporate governance in various aspects are set out in this report:

1	Governance structure & rules	2	The General Meeting & Rights	3	The Board of Shareholders	4	Directors
5	Specialised Committees of the Board	6	Supervisory Committee	7	Accountability & Administration system	8	Remunerations & incentive

I. Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management. It has formulated multi-tier governance rules based on the Articles of Association, covering overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct.

The current governance structure of the Company is shown as follows:

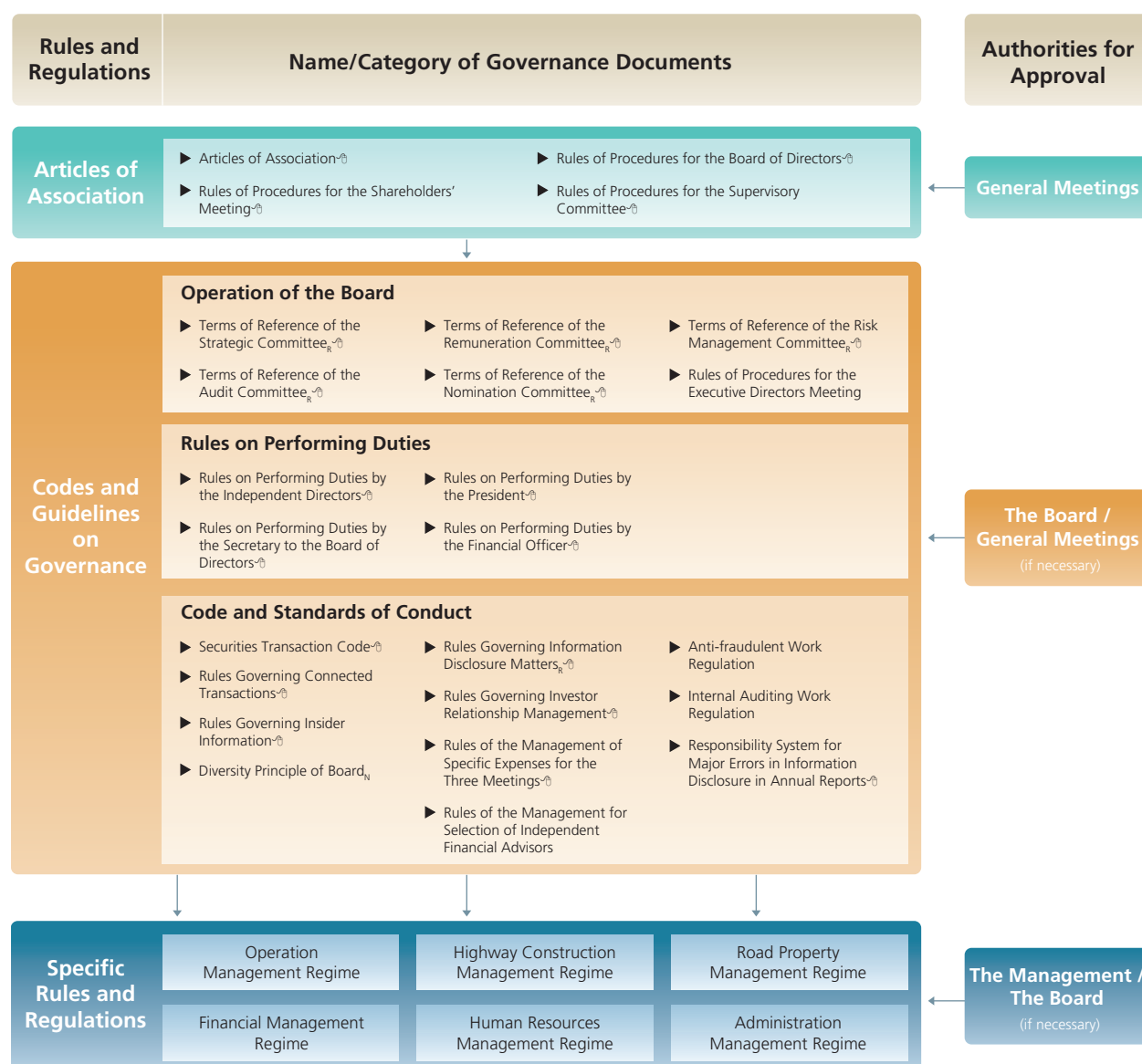


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During the reporting period, a centralised revision and review on the terms of reference of each specialised committee under the Board were made by the Company. The Company also revised and improved “The Rules Governing Raised Capital Management” and “The Rules Governing Information Disclosure Matters” and its relevant guidelines on information disclosure. In addition, the Company established the Board Diversity Policy and its quantifiable objectives to enhance the corporate governance standard continuously.

The system of rules on corporate governance, the key documents on corporate governance and the development and improvement thereof during the Reporting Period are as follows:



[Ⓜ]: Available on the Company's website (only Chinese version available for some documents)

[Ⓜ]: Documents for corporate governance amended during the Reporting Period

ⁿ: New documents for corporate governance prepared during the Reporting Period

The key documents on corporate governance of the Company have been published on the SSE and HKEx websites and can be found or downloaded in the section of “Corporate Governance” on the Company's website. During the Reporting Period, the Company was able to earnestly execute and implement various administrative requirements in respect of corporate governance.

II. The General Meeting and Rights of Shareholders

The Company encourages all shareholders to attend the general meetings. During the year 2013, a general meeting was held by the Company at the conference room of the Company. The total number of Shares entitling the shareholders and their proxies to attend and vote at the general meeting of the Company represent 65.6% of the total number of voting shares of the Company. Details of the general meeting is as follows:

Name of the meeting	Convening date	Major newspapers and websites for disclosure of resolutions	Date of disclosure on newspapers
The 2012 Annual General Meeting	15 May 2013	《Shanghai Securities News》, 《Securities Times》 http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com http://www.sz-expressway-ir.com.hk (H share)	16 May 2013

The following matters were considered and approved as ordinary resolutions at the general meetings:

- ◆ The report of the Directors for the year 2012;
- ◆ The report of the Supervisory Committee for the year 2012;
- ◆ The audited financial statements for the year 2012;
- ◆ The profit distribution scheme for the year 2012;
- ◆ The budget report for the year 2013;
- ◆ The re-appointment of auditor for the year 2013.

The following matters were considered and approved as special resolutions at the general meeting:

- ◆ The grant of a general mandate to the Board to issue such financial instruments as debentures denominated in RMB;

The Company had served a notice of 45 days prior to the date of the general meeting, and provided the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter submitted to the general meeting to consider was put forth respectively as separate resolution. The Company provided detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders were familiar with the voting procedures by way of poll. A shareholder who was unable to attend the general meeting in person might appoint his or her proxy (regardless of whether the proxy was a shareholder of the Company or not) to attend and vote at the general meeting.

The Chairman of the Company attended the annual general meeting and all chairmen of the specialised committees under the Board and the representative of the auditor for the year were also arranged to attend the annual general meeting to answer enquiries from the shareholders when necessary. Details of the attendance of the Directors of the Company during the year are set out in the point IV regarding Performance of Duties by the Directors below.

According to the provisions of the Articles of Association of the Company, the qualified shareholders of the Company have the right to call general meetings in accordance with the established procedures, propose impromptu motions or collect voting rights from other shareholders. Also, a cumulative voting system is adopted for the election of the Directors and the Supervisors by the shareholders. These arrangements are made to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in detail in the "Articles of Association of the Company" and the "Rules of Procedures for the General Meetings", the schedules to the Articles. In 2013, none of the abovementioned situations had occurred during the general meeting.

At a general meeting, all shareholders are entitled to make enquiries to the Directors and the other management regarding the issues in relation to the resolutions. At any other time other than at the general meeting, the shareholders may make their enquiries or express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the shareholders and annual reports for the shareholders to express their opinions or make any enquiries. The Board has formulated the Rules of Investor Relationship Management and the Standards of Work for Investor Relationship Management, which clearly define the principles, responsible person, channel and standards of work for the communication with the shareholders. The Board keeps in touch with the shareholders in various ways. For the details of investor relationship management, please refer to Section 3 of this Chapter.

Details of matters of the Company such as total share capital, categories of shareholders, major shareholders and market value of the shares held by the public are set out in Chapter VII Share Capital and Shareholders of this Annual Report.

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III. The Board

The Board exercises management and decision-making powers according to the authorities granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Group's development, ensuring the availability of necessary resources to achieve pre-set strategic goals and supervising and inspecting the Company's development and operation.

1. Composition

The Board comprises 12 Directors, of which two are Executive Directors, six are Non-executive Directors and four are Independent Directors. For details of the composition, please refer to point IV of "Directors" below. The current Board was elected by the shareholders at the Extraordinary General Meeting of the Company held in December, 2011, with a term from 1 January 2012 to 31 December 2014.

The current Board members came from various industry backgrounds with professional expertise in highway industry, project construction, accounting and auditing, finance and securities, law, property development and administration and human resources, and three of them (including one Independent Director) possess professional financial and accounting qualifications. Biographies of the Directors (including their terms, professional qualifications and principal positions) are set out in Chapter VIII of this annual report.

2. Responsibilities and Division of Work

The Chairman of the Board of the Company is Yang Hai, while the President is Wu Ya De. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals, ensuring the Board functions effectively and assuring good corporate governance practice and procedures for the Company. The President, with the support and assistance of the Board and other senior management members of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and senior management are separated (details are set out in the Articles of Association of the Company, Rules of Procedures for the Board of Directors and the Rules on performing Duties by the President) to protect the balance of power and authority and the relative independence of the Board's decision-making and operating and management activities.

3. Nomination and Appointment

In accordance with the Article of Association of the Company and its attachments, Directors are elected or replaced at general meetings. The shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointment is subject to further consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years.

The requirements on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the Rules of Procedures for the Board of Directors of the Company. The Nomination Committee is responsible for qualification inspection and quality assessment on the candidates for directorship, as well as making proposals to the Board and providing explanations to the general meetings. In order to make the shareholders clearly understanding the ways of nomination of directors, the Company has extracted the relevant clause for the ways of nomination of directors and posted it on the Company's website. In the year of 2013, there was no nomination of Directors or appointment of new Directors.

Election of the Company's previous Board has followed the principle of pluralism, in identifying and evaluating the candidates for dealings, the factors including balanced and diversified tenure, professional experience, industrial background are considered. On this basis, during the year, the Board has further cleared and improved the pluralism policy on Board members of the Company and formulated certain measurable targets to assess the implementation of the policy. Under the policy, the Board shall opt for the capability of the Director candidates during the selection, evaluation and nomination of its members. It will also consider the actual situation and development needs of the Company and the diversity principle of Board members. The Board will consider and assess the availability of diversification for a member in the aspects of age, cultural background, educational background, experience and expertise and the length of service, and authorise the Nomination Committee to oversee the implementation of policy, and when appropriate, review the policy, expand and review the measurable targets. After the review, the members of current Board embody pluralism in the aspects of experience and background, length of service, age, cultural background and independence in a better manner.

4. Procedures

In 2013, the Board convened six plenary Board meetings to discuss and make decisions on issues covering the Group's operating and financial performance, planning and supervision, business development, investment and financing plans, and rules on governance. Major issues included:

- ◆ The annual accounts and budgets; significant accounting matters and result reports for annual, interim and quarterly;
- ◆ The annual internal control assessment report; the annual social responsibility report;
- ◆ Proposed annual profit distribution;
- ◆ The proposed appointment of auditor for the year;
- ◆ Annual financing plans, proposal to issue financial instruments such as debentures denominated in RMB, pledge of assets and relevant financing plans;
- ◆ The upgrade and reconstruction of assets related to Guangdong Province Highway Network Toll, second-level development of 300 mou of land in Guilong Project and entrusted management of the share interest of Longda Company;
- ◆ Assessment of the achievement of the Group's operating performance targets for the prior year and the determination of the operating performance targets for the year;
- ◆ Implementation of the site visit comments of CSRC Shenzhen Regulatory Bureau, better the governance rules, policies and relevant management systems of the Company; etc.

The Board holds one regular meeting each quarter and convenes ad hoc meetings when necessary. The Company has issued a written notice to all Directors in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings have been dispatched to all Directors at least 14 days before the meeting is convened, while notices of ad hoc meetings have been dispatched at least 7-10 days before the meeting is convened.

If the substantial shareholder or a Director has material conflict of interest on the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorisation. When considering the related issues, any Director who is affiliated with or interested in the same do not have the voting right and shall be absent when necessary. In 2013, the related Directors complied with the Avoidance Principle and abstained from voting when the Board of the Company reviewed the unannounced information required by law to be released to controlling shareholders and the escrow of connected transactions in significant projects.

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5. The Management Function

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the monitoring and management on the authorised matters through establishing a regime on procedural management, documentation and regular reviews. Specific information regarding the authorisation and management procedures has been clearly set out in the Articles of Association of the Company and the schedules to the Articles of Association (Rules of Procedures for the Board of Directors). In 2013, the Executive Directors held seven meetings, in which they discussed and made decisions on matters regarding investments, commissioned construction management, human resource management and charity donations within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

Five specialised committees have been set up under the Board, and each committee has its terms of reference which explicitly explain and define their duties and powers and they have been approved by the Board. These committees are responsible for reviewing and monitoring specific matters of the Company, such as the Company's strategies, financial reports, accounting policies, project investments and the recommendation, assessment and remuneration of the management, and make corresponding recommendations to the Board. The Chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for recording. In 2013, the five specialised committees convened 14 meetings. For details, please refer to point V of "Specialised Committees of the Board" below.

6. The Secretary to the Board

The Secretary to the Board, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific practices. In 2013, the Secretary to the Board completed a total of not less than 15 hours of related training sessions organised by the SSE, HKEx and Hong Kong Institute of Chartered Secretaries so as to keep his professional knowledge up-to-date and better support the operation of the Board.

During their respective terms of office, all Directors are able to duly obtain from the Secretary to the Board the information and updates on the relevant statutory, regulatory and other continuing obligations, and directly contact the Secretary to the Board individually and independently when necessary to obtain more information.

7. Support for Performance of Duties

During the year, the management of the Company has provided the Board and the Specialised Committees with the materials and information necessary for the consideration of each resolution. After the Board has raised enquiries, the management is able to make response or provide further information as soon as possible, so that the Board and the Specialised Committee will be able to make appropriate and scientific decisions based on a full understanding of necessary information. In addition, each Director is provided with channels to independently contact and communicate with the Company's senior management and secretaries to specialised committees when necessary.

In accordance with the Rules of Procedures for the Board of Directors and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. During the year, no Director and specialised committees proposed on his own to seek independent professional advice.

During the Reporting Period, the Company has been dispatching "Operation Information Monthly" to Directors each month, which regularly reports information such as the operation performances of the Group's highway projects, progress of construction projects, updates on invested enterprises, monitoring of the early warning of financial risks and work progress during adjournments. At the beginning of the year, the management arranged an annual working presentation to report to the Board in details the completion of projects in 2012 and the work plans for 2013. During the year, three site visits and studies were organised for the Directors to understand the progress of construction projects such as the reconstruction and expansion for Meiguan Expressway, Coastal Project, GZ W2 Expressway and Guangwu Project or operations projects, in order to get a direct and in-depth understanding of the business of the Company and its performance.

In 2013, the Directors attended three training sessions held by the Company on specific topics of prevention and control of insider dealings, investor relationship management and macroeconomics and corporate development. In addition, the Company prepared five issues of "Reference Document Summaries", seven issues of "Market New Briefings" and two issues of "Quarterly Analysis Report on Investors' Relation". It can assist the Directors to timely obtain and understand the most updated regulations and policies, market performance of the Company and the news and evaluation on the securities market and news media through the distribution of documents and lectures with written explanations.

In accordance with the approval and authorisation of the general meeting, the Company has purchased liability insurance for the Directors, the Supervisors and senior management since 2008, and purchased insurance for any legal actions that the management may face, in order to promote the stamina of the Company against risks, protect the legal rights and interests of shareholders and build the professional risk prevention mechanism of the management to create the conditions for the Company to attract more competent management talents.

IV. Directors

During the Reporting Period, the Company's Directors attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company's operation and operating development, they adequately capitalised on their respective professional experience and expertise and provided independent judgment, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work to the best interests of the Company as its objective.

1. Performance of Duties in the Year

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2013 was 100%, while attendance in person was 88%. Attendance of members in person at the meetings of the specialised committees of the Board was 91%. Attendance of members in person at the general meeting was 83%. The attendance of each Director at the Board meetings, specialised committee meetings and the general meeting during the year is showed in the following table:

Director	⁽¹⁾ Attendance in person/Total number of meeting							
	Board	Attendance in person at Board meetings	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	General Meeting
Executive Directors:								
Yang Hai	6/6	100%	2/2	⁽³⁾ 5	⁽³⁾ 2	2/2	⁽³⁾ 1	1/1
Wu Ya De	⁽²⁾ 5/6	83%	2/2	⁽³⁾ 6	⁽³⁾ 2	⁽³⁾ 1	⁽³⁾ 1	1/1
Non-executive Directors:								
Li Jing Qi	⁽²⁾ 4/6	67%	2/2	N/A	N/A	N/A	N/A	1/1
Zhao Jun Rong	6/6	100%	⁽³⁾ 2	N/A	N/A	N/A	N/A	⁽⁴⁾ 0/1
Hu Wei	6/6	100%	⁽³⁾ 2	N/A	N/A	N/A	2/2	⁽⁴⁾ 0/1
Tse Yat Hong	⁽²⁾ 4/6	67%	N/A	N/A	N/A	N/A	N/A	1/1
Zhang Yang	⁽²⁾ 5/6	83%	N/A	N/A	N/A	N/A	2/2	1/1
Chiu Chi Cheong, Clifton	⁽²⁾ 5/6	83%	2/2	4/6	1/2	N/A	N/A	1/1
Independent Directors:								
Wang Hai Tao	6/6	100%	⁽³⁾ 1	N/A	2/2	2/2	N/A	1/1
Zhang Li Min	⁽²⁾ 5/6	83%	⁽³⁾ 2	5/6	2/2	N/A	N/A	1/1
Au Sing Kun	6/6	100%	⁽³⁾ 2	6/6	N/A	N/A	2/2	1/1
Lin Chu Chang	⁽²⁾ 5/6	83%	2/2	N/A	N/A	2/2	N/A	1/1

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Notes:

- (1) According to the Articles of Association of the Company, Directors who attend a meeting by way of telecommunication devices such as telephones will be deemed as attending the meeting in person. In 2013, the number of the meetings attended by way of telecommunication by Directors Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton, Zhang Li Min and Lin Chu Chang was 1, 1, 1, 1 and 3 respectively.
- (2) Directors who were unable to attend meetings in person had appointed other Directors to attend and vote at the meetings on their behalf.
- (3) Observed at the meeting.
- (4) Directors Zhao Jun Rong and Hu Wei were unable to attend general meetings for official businesses.

2. Independent Directors and Their Independence

The Company has appointed four Independent Directors, representing one-third of the number of the Board, which complies with the relevant requirements.

The Company's Independent Directors were able to perform their duties independently. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that the current Independent Directors of the Board have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent.

In 2013, apart from attending board meetings and specialised committee meetings in a serious manner, the four Independent Directors of the Company have provided written independent letter of advice on matters such as annual review of the Company's external guarantees, profit distribution plan, changes in accounting estimates, connected transactions and continuing connected transactions and convened two meetings with the external auditor to discuss the annual audit arrangement and problems identified in the audit. During the Year, the Independent Directors gave no dissent to the matters discussed by the Board and did not propose to convene any Board meeting and general meeting or publicly collect voting rights from the shareholders.

3. Non-executive Directors

Non-executive Directors (including Independent Directors) are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors through several channels to ensure their proper performance of such duties. The Board encourages the Directors to maintain a prudent and doubtful attitude, build an open discussion atmosphere to encourage any dissenting Directors to raise their point of views, and motivate the Directors, especially Non-executive Directors to have effective contributions in the Board. In 2013, Chairman of the Board convened one meeting with Non-executive Directors and heard the independent opinions from those external Directors, shared ideas and discussed on various issues, such as the work focus and missions of the Board in the following year and issues of concern to the Directors.

4. Remunerations of Directors

The Company has been disclosing the remunerations of the Directors, the Supervisors and senior management on a named basis. For details of the policies of remunerations of Directors, the appraisals and incentive regimes for senior management and the annual remunerations of the management, please refer to the content relating to Remuneration and Incentive system in point VIII below and Chapter VIII of this annual report.

5. Securities Transactions by Directors

In accordance with Appendix 10 to the Listing Rules of HKEx entitled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions by the Directors, the Supervisors and relevant staff members. The "Securities Transaction Code" of the Company has incorporated the standards as set out in under Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to certain extents.

After making specific enquiry to all of the Directors, the Supervisors and senior management, the Company confirms that all of them had complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period. Details on interests held by the Directors, the Supervisors and senior management are set out in Chapter VIII of this annual report.

6. Continuing Professional Development

In 2013, according to their own needs, the Directors of the Company participated in the specific training on the prevention and control of insider trading, investors relationship management and macroeconomics seminar held and arranged by the Company. Meanwhile, the Company also arranged some directors to participate in the training courses or seminars by Securities Regulatory Authorities. In addition, some Directors took the initiative to participate in training courses held by such professional institutions such as The Hong Kong Institute of Directors, the HKEx and law firms and provided the records of their attendance to the Company. Details for the Company's Directors to participate in training in 2013 are set out as follows:

Directors	Training Programs attended in 2013			
	Directors' liabilities of listed companies	Updates of Listing Rules and regulations	Practice of corporate governance	Financial management and related issues
Executive Directors:				
Yang Hai	✓	✓	✓	✓
Wu Ya De	✓	—	✓	—
Non-executive Directors:				
Li Jing Qi	✓	✓	✓	✓
Zhao Jun Rong	✓	—	—	—
Hu Wei	✓	—	✓	✓
Tse Yat Hong	✓	✓	✓	—
Zhang Yang	✓	—	✓	—
Chiu Chi Cheong, Clifton	—	—	—	✓
Independent Directors:				
Wang Hai Tao	✓	—	✓	—
Zhang Li Min	✓	✓	✓	—
Au Sing Kun	✓	✓	✓	—
Lin Chu Chang	✓	✓	✓	—

V. Specialised Committees of the Board

Members of the specialised committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. Other than the Strategic Committee, the chairmen of other specialised committees are held by the Independent Directors. During the Reporting Period, the composition of each committee was as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Yang Hai <small>Executive Director</small>	Zhang Li Min <small>Independent Director</small>	Wang Hai Tao <small>Independent Director</small>	Wang Hai Tao <small>Independent Director</small>	Au Sing Kun <small>Independent Director</small>
Members:	Wu Ya De <small>Executive Director</small> Li Jing Qi <small>Non-Executive Director</small> Chiu Chi Cheong, Clifton <small>Non-Executive Director</small> Lin Chu Chang <small>Independent Director</small>	Chiu Chi Cheong, Clifton <small>Non-Executive Director</small> Au Sing Kun <small>Independent Director</small>	Chiu Chi Cheong, Clifton <small>Non-Executive Director</small> Zhang Li Min <small>Independent Director</small>	Yang Hai <small>Executive Director</small> Lin Chu Chang <small>Independent Director</small>	Zhang Yang <small>Non-Executive Director</small> Hu Wei <small>Non-Executive Director</small>

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In 2013, members of committees were able to participate in the committee affairs proactively. With the benign co-operation among the Specialised Committees, they made material contributions to enhance the efficiency and quality of the Board's decision. Details for the attendance of the committee members in committee meetings, please refer to point IV set out above of the Directors' performance on their duties. The duties of each committee in the year are set out as follows:

1. Strategic Committee

The Strategic Committee was established in November 2001. It is responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

In 2013, the Strategic Committee held two meetings, in which the committee was informed of the progress of the specific implementation of the development strategies of the Company, the initial plan and concept of the business development, and had discussions on the progress in the implementation of strategies, development of main business and the expansion into new industry.

2. Audit Committee

The Audit Committee was established in August 1999. It is mainly responsible for the independent review on the Company's financial report and the quality and efficiency of internal regulation. The Committee comprises Non-executive Directors, with the majority being Independent Directors. The Audit Committee has a mechanism in place and is entitled to convene independent meetings, and held such meetings at the request of the auditor, the management or the Audit Department, so as to ensure independence and objectivity of reporting.

In 2013, the Audit Committee held six meetings, in which auditor were invited to observe at the meeting. No independent meeting was required to be held in the year. The specific works of the Committee included:

- ◆ periodical review of the Group's financial statements, including the annual financial statements of 2012 and the unaudited financial statements for the first quarter, interim and the third quarter of 2013, and making recommendation to the Board for approval;
- ◆ assisting the Board in making independent evaluation on the effectiveness of the Group's internal control;
- ◆ supervision and guidance for the internal auditing work;
- ◆ supervision on control and routine management work of connected transactions;
- ◆ supervision and guidance for the Group's anti-fraudulent work;
- ◆ coordination and evaluation of the work of auditor and recommendations for appointments.

The Audit Committee held two meetings in early 2014 (up to the date of this report) to review the 2013 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the Committee had the opinion that the Group's 2013 financial statements truthfully and reasonably reflected the operating results for the year of 2013 and the financial position ended 31 December 2013 of the Group, and thus recommend the Board for approval.

Details for the Group's financial report, internal control and auditor are set out in point VII and Section 2 of this Chapter.

3. Remuneration Committee

The Remuneration Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for studying and examining the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Directors and senior management of the Company, and conducting appraisals thereof. For the remuneration of the Directors, the Committee only made recommendations to the Board and the remuneration of the Directors and senior management shall be specifically determined in the General Meetings or by the Board. The committee will assist the Board to review the remuneration policies and incentive regime of the Company on an ongoing basis, and ensure that none of the Directors, senior management members or their associates is allowed to set his/her own remuneration.

In 2013, the Remuneration Committee held two meetings, and the major tasks completed in the year include:

- ◆ evaluating the operating performance of the management and the Executive Directors for 2012, and submitting the appraisal results and recommendation on rewards to the Board;
- ◆ reviewing the remuneration disclosure proposal for 2012 for the Directors and senior management;
- ◆ reviewing the formulation of the operating performance target of the Company for 2013 and giving the review opinions.

The Remuneration Committee held one meeting in early 2014 (up to the date of this report) to assess and evaluate the operating performance of the management and the Executive Directors for 2013, and review the annual disclosure proposal for the remunerations for the Directors and senior management and concluded that the relevant disclosure met the requirements of securities regulations. Details of the remuneration policies and incentive regime of the Company are set out in point VIII below.

4. Nomination Committee

The Nomination Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for examining or 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 Directors and senior management of the Company.

In 2013, the Nomination Committee held two meetings, the major tasks completed in the year include:

- ◆ reviewing the structure, number of members and composition of the Board;
- ◆ reviewing the diversity of the Board members of the Company and advising the Board on policy improvements;
- ◆ managing the record of the appointment and removal of the representatives of investee companies in an ongoing basis.

5. Risk Management Committee

The Risk Management Committee was established in August 2004 and comprises Non-executive Directors. The Committee is responsible for formulating policies on risk management of the Company, instructing the management to establish a risk management system, supervising the group's overall risk position, and analysing and monitoring the risk position of the Company's material projects.

In 2013, the Risk Management Committee held two meetings, and the major tasks completed in the year include:

- ◆ reviewing the annual risk report and risk management plans of the Group;
- ◆ reviewing the updates of financial warning indicator system and monitoring the material changes of the warning indicator;
- ◆ reviewing the land development resolution of the Guilong Project and advising the Board on the major risk control points and responsive measures.

6. Corporate Governance Function

The Board is responsible for the performance of its duty on corporate governance stipulated in the Corporate Governance Code. As mentioned above, the Company has in place a relatively established governance structure, formulated multi-tier governance rules and is able to timely review and improve the structure in line with the internal and external environments.

During the year, the Board regularly received reports on the reviews of the rules on governance, the compliant operation of the Company, the Directors' compliant performance of duties and the training and growth for the management, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the internal review reports for periodic reports and relevant review checklists submitted by the Audit Department, examined the periodic reports in terms of the compliance with statutory disclosure rules and completeness and accuracy of the disclosed matters and examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related issues are disclosed appropriately.

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VI. Supervisory Committee

The Supervisory Committee is accountable to the shareholders' general meetings and independently exercises its supervising authority upon the Company in a lawful manner, to prevent the legal rights and interests of the shareholders, the Company and its staff from being infringed. The Articles of Association and its appendix (the Rules of Procedure for the Supervisory Committee) of the Company set out the powers and authorities of the Supervisory Committee in details.

The Supervisory Committee of the Company is composed of three supervisors, comprising two shareholders' representative supervisors and one staff representative supervisor. The current Supervisory Committee was elected by the shareholders at the extraordinary general meeting held in December 2011. The term of office of all supervisors was from 1 January 2012 to 31 December 2014. The members of the Supervisory Committee were Zhong Shan Qun (the Chairman of the Supervisory Committee and a shareholders' representative supervisor), He Sen (a shareholders' representative supervisor) and Fang Jie (a staff representative supervisor). Details for the biographies of the supervisors (including their terms of office, professional qualifications and principal positions) are set out in Chapter VIII of this annual report.

In 2013, the Supervisory Committee held five meetings, and the supervisors also attended and observed all the shareholders' meetings and Board meetings. They reviewed all resolutions of the Board meetings and shareholders' meetings, considered the matters including the annual reports, interim reports and quarterly reports of the Company, the financial accounts and budget reports, proposed profit distribution, changes in accounting estimates and connected transactions, and supervised the legality and compliance of the decision-making procedures in the shareholders' meetings and Board meetings, the implementation of the resolutions of the shareholders' meetings by the Board, the implementation of Company's profit distribution policy, the disclosures of periodic reports and other information, the performance of the duties by the directors and senior management and the implementation of relevant regulatory requirements.

During the Reporting Period, there was no incident about which the supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

During the year, the Supervisory Committee and the Board simultaneously received the resources and information required for the performance of their duties. Please refer to Point III above for the relevant content on supporting the performance of duties. Moreover, the supervisors participated in the fieldwork and research activities in relation to the Company's projects and the relevant trainings, allowing them to obtain the updated information and materials about the supervisory in order to perform their duties. Details for the supervisors participating in the trainings in 2013 are set out as follows:

Supervisors	Participation in Training Programs in 2013		
	Liabilities of a supervisor of a listed company	Practice of corporate governance	Treasury/Financial/Managing and related issues
Zhong Shan Qun	✓	—	✓
He Sen	✓	—	—
Fang Jie	✓	✓	✓

VII. Accountability and Supervision

1. Statement of the Responsibilities towards the Financial Statements by the Board

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company's auditor for the year – PricewaterhouseCoopers Zhong Tian LLP (originally "PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.", hereinafter "PwC Zhong Tian").

This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in Auditor's Report in Chapter X of this annual report.

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

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

2. Financial Reporting

Under the authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During the year, the Committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the Committee include the following:

- ◆ The Committee reviewed the interim and the quarterly financial statements of the Group, heard the report on the reviewing from the auditor and discussed the handling of the significant financial and accounting matters with the management and the auditor.
- ◆ Before the annual audit began, the Committee held meetings with the auditor and discussed the composition of its audit team, risks for the year, scope of audit, method of audit and focus of audit, and the schedule for the annual audit.
- ◆ During the annual audit process, the Committee maintained an ongoing communication with the management and auditor and discusses and confirmed over the handling of the significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.
- ◆ The Committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and provided its written opinions.

In the periodical financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepare necessary documents and disclose information under the principle of as more and strict as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, in order to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Other than a deep and comprehensive analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that our business faced in operating activities, operational environment, responsive measures, development strategies and plans etc. in the annual report to enhance investors' understanding on the company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 30 days upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The information disclosed by the Board should be sufficient to allow the shareholders to assess the Company's performance, financial positions and prospects.

The Company has been complying with the principle of equal treatment of all investors, and has taken the initiative to conduct adequate and effective communication and interaction with investors to enhance mutual understanding and loyalty while observing various regulations. For details, please refer to the investor relations in Section 3 of this Chapter.

3. Internal Control

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining an internal control system of the Company for the review of the effectiveness of those important control procedures such as finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets.

The Company carried out annual reviews on the soundness and effectiveness of the internal control system of the Group and issued an internal control self-assessment report. Since 2011, the Company has been engaging an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in accordance with the requirements of the CSRC and the SSE. For details, please refer to Section 2 Internal Control of this Chapter.

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4. Internal Audit and Supervision

In August 2000, the Company established the Audit Department, and has carried out an independent internal audit system and reviewed the Group's operating and management activities and the effectiveness of the internal control system since then. Internal audit personnel had the authority to access all information about the Company and made inquiries to relevant personnel at work. The General Manager of Audit Department directly reported to the Audit Committee the result of his work, and the Audit Committee would then make recommendation to the management of the Company after reviewing the result and examine the implementation of the reform plan by way of follow-up inspection. In addition, the Standards Management Department was set up by the Company as an internal quality control unit of the Company to continuously examine the compliance of the internal control system of the Group.

The Board established the Anti-fraudulent Work Regulation and specified the key areas of anti-fraudulent work and the matters including the division of labour, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and Audit Department has set up independent hotlines and email boxes for reporting any suspected cases, and posted on the internal and external websites of the Company, as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues and suspected fraud cases in connection to the Company and its staff.

5. Auditor

Upon the approval of general meeting, the Company appointed PwC Zhong Tian as the Company's auditor for the year 2013 to carry out a comprehensive audit for the annual financial statements and the internal control system and perform such duties as performed by the Company's international auditor as provided for by the Listing Rules of the Stock Exchange. PwC Zhong Tian has been appointed by the Company as its official auditor since 2004. It has been providing audit services to the Group for 10 consecutive years and has changed its endorsing certified public accountants in the year of 2006, 2008, 2009, 2011 and 2013 respectively.

The remunerations of the Company's auditor (PwC Zhong Tian and any other entities under the common control, ownership or management, including but not limited to PricewaterhouseCoopers) for the year 2013 are set out as follows:

(Unit: RMB'000)	2013	2012
Financial statements audit/review fees	3,570	3,480
Internal control audit fees	630	630
Others (non-audit service)	240	80

Note: The auditor have submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.

Save as the above-mentioned, Qinglian Company and Advertising Company, the subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP to perform financial audit services, Magerk Company, a subsidiary of the Company, engaged Wuhan Ronghua Certified Public Accountants Company Limited to perform financial audit services. The financial audit fees for the year 2013 amounted to RMB80,000, RMB25,000 and RMB180,000 respectively (2012: RMB80,000, RMB25,000 and RMB100,000).

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. According to the stipulated procedures of the Company, the Audit Committee had assessed and summarised the 2013 auditing work of PwC Zhong Tian. The Committee had the opinion that PwC Zhong Tian performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure, and the communication with the Company and proposed to re-appoint it as the Company's auditor for the year 2014.

VIII. Remuneration and Incentive Systems

1. Remuneration Policies of the Directors/Supervisors

The remuneration of the Directors and the Supervisors of the Company are determined in accordance with the relevant PRC policies/regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting upon review by the Board and the Supervisory Committee respectively. The Remuneration Committee is responsible for advising the Board on formulating the proposals in respect of the Directors' remuneration.

According to the proposed plans approved by the shareholders at the extraordinary general meeting held in December 2011, four Independent Directors and one Director who were not nominated by the shareholders in the sixth session of the Board of the Company received Directors' emoluments, and the Company would not separately determine or pay any additional emoluments to the Directors and the Supervisors who are entitled to receive management remuneration in the Company or shareholder entities. Details of the remuneration received by the Directors and the Supervisors for the year are set out in Chapter VIII of this annual report.

2. Remuneration and Benefits Policies

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefits (《薪酬福利管理程序》) of the Company. Staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined according to the market value of the position and the overall performance of the staff members, which are strategy, market and performance oriented and internally and externally impartial.

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the Housing Provident Fund Plan, and has adopted various protection plans such as medical insurance, work injury insurance, and unemployment insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labor and social security authorities and housing provident fund management center respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2013, the Group has a total of 21 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, and there is no obligation for the Group to bear the retirement costs. For details of the remuneration and benefits for employees during the reporting period, please refer to note 5(15) to the Financial Statements in Chapter X of this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management remuneration based on their specific management positions in the Company. Monthly salaries and performance bonuses of senior management account for approximately 60% and 40% of their total remuneration respectively, of which performance bonuses are calculated based on how the annual performance targets are met by them, and are proposed or reviewed by the Remuneration Committee.

3. Performance Evaluation and Incentive System

The Board determines the Company's annual operating performance targets at the beginning of each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2013, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project plan completion ratio, new business expansion and other specific work, safety production and material risk control and employees' satisfaction.

Based on the operating performance targets approved by the Board, the Company is required to determine the annual tasks and targets for staff members of all ranks, segregate and delegate the Company's objectives to the relevant departments and staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the Executive Directors and other senior management members accordingly. The remuneration of all senior management members are subject to review by the Remuneration Committee and are required to be reported to the Board.

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Currently, the Company has not yet established any long-term incentive regime or implemented any share option incentive scheme for the time being. In order to encourage the management to pay more attention on the long-term performance and strengthen the restrictive regime, the Company established a deferred payment scheme of annual bonus for the core management members by the establishment of bonus pool. The payment of their annual performance bonus shall be deferred in accordance with a certain proportion and principles. The amount deferred is to be reviewed, confirmed and paid upon completion of the proposed target so as to attract, motivate and retain the talents. In 2013, based on the completion of the proposed target, the deferred annual bonus (before tax) receivable for senior management Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian were RMB104,000, RMB100,000, RMB100,000, RMB118,000, RMB98,000, RMB92,000, and RMB98,000 respectively. The Remuneration Committee of the Company considers that based on the factors such as difficulty in implementation of the strategy, stimulating enthusiasm and creativity of core team as well as guiding the behavior for a long-term operation, the Company should taking into account the regulatory policies and requirements, timely conduct the research and discussion on long-term incentives.

IX. Conclusion

Both harmonious internal and external environment is essential for the sustainable and healthy development of a company. Also, a noble company practice can also help improve its competitiveness. Therefore, while providing promising rewards for shareholders, the Company is committed to being a responsible corporate citizen. Since 2009, the Company completes the preparation and publication of the annual social responsibility report before April every year, to strengthen the mutual understanding and relationship between the stakeholders and the Company, and accept supervision of society. The social responsibility report of the Company for the year 2013 was disclosed on the website of the exchanges in separate report and is available under the column of “Social Responsibility” of “Company Overview” on the website of the Company. Through the report, investors can obtain more comprehensive and detailed information and data in relation to the performance of social responsibility of the Company.

The Company’s adherence to sound corporate governance principles, efforts to enhance transparency and independence of its operations and the establishment of an effective accountability system all contribute to ensure its steady development and enhance shareholders’ value. The Company will continue to review and optimise its governance structure, establish various sound operational rules, and continuously improve the management efficiency and corporate governance.

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 19 March 2014