

Guidelines on Corporate Governance

1. Introduction

1.1. The Guidelines are made to enhance the Company's integrity standard, sense of corporate responsibility and transparency by improving corporate governance; to encourage the board of directors and the Management to act on the basis of the Company's overall interest and shareholder interest, so as to more effectively use the Company's resources, lower financing cost, improve the Company's competitiveness, and create greater value for the shareholders and stakeholders.

1.2. The Guidelines are formulated in accordance with China's Company Law, Securities Law and other laws and regulations, regulations stipulated in the Articles of Association of the Company, and the corporate governance guidelines of similar companies home and abroad.

2. Shareholders and Shareholders' Meetings

2.1. The Company protects the interest of shareholders. As the owners of the Company, the shareholders shall enjoy the legal rights stipulated by laws and administrative regulations, and they shall assume corresponding obligations. The rights and obligations of shareholders are set forth in Chapter Seven of the Articles of Association.

2.2. The Company ensures fair treatment toward all shareholders, and encourages shareholders to take an active part in the corporate governance. Shareholders have the right to know about and the right to participate in major matters of the Company.

2.3. The shareholders' meeting is the governing body of the Company, and it shall exercise its duties in accordance with relevant laws. The duties of the shareholders' meeting are set forth in Article 53, Chapter Eight of the Articles of Association.

2.4. When voting on connected transactions, any connected person shall abstain from voting at the shareholders' meeting.

2.5. The Company ensures that shareholders' meetings shall provide significant opportunities for the shareholders to communicate with the Company as regards constructive opinions. The convening and voting procedures for shareholders' meetings, including rules governing such matters as notification, registration, review of proposals, voting, counting of votes, announcement of voting results, formulation of resolutions, recording of minutes and signatories, document inspecting, etc., are set forth in Article 55 to 81, Chapter Eight of the Articles of Association.

- (1) The chairman of the board should attend the annual general meeting, while all other directors, supervisors and senior executives shall try to participate in the annual shareholders' meeting;
- (2) In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The chairman shall ensure that a reasonable discussion period is granted for every proposal, and all shareholders are welcomed to present at the shareholders' meeting and voice their opinions;
- (3) The chairman of the board should arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval;
- (4) The Company shall carefully set the time and location of the shareholders' meetings so as to allow the maximum number of shareholders to participate. Besides ensuring that shareholders' meetings proceed legally and effectively, the Company shall make every effort, including fully utilizing modern information technology means, to increase the number of shareholders attending the shareholders' meetings;
- (5) The Company's board of directors, independent directors and qualified shareholders and their agents may solicit for the shareholders' right to vote in a shareholders' meeting. No payments shall be made to the shareholders for such solicitation, and adequate information shall be provided to persons whose voting rights are being solicited;
- (6) The Company encourages institutional investors to play a role in the appointment of the Company's directors, the compensation and supervision of the executives and major decision-making processes;
- (7) The Company shall appoint lawyers with securities business qualification to attend the shareholders' meetings and they shall serve as independent vote counting witnesses;
- (8) Documents in connection with shareholders' meetings shall be delivered at least 21 days before the convening of such meetings;
- (9) The chairman of a meeting should ensure disclosure in the issuer's circulars to shareholders of the procedures for and the rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in rule 13.39(4). In particular, pursuant to rule 13.39(4), the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the

chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands;

(10) The Company should count all proxy votes and, except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The Company should ensure that votes cast are properly counted and recorded;

(11) The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of: -

(a) the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and

(b) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

(12) Upon the completion of shareholders' meetings, the Company shall make a public announcement as regards the resolutions of such meetings on a timely basis; and

(13) The Company encourages financial journalists to attend the shareholders' meetings.

3. Board of Directors

Duties and Responsibilities

3.1. The board of directors shall represent the interest of all shareholders, and shall lead the Company in its sustained success in terms of operation. Apart from the responsibility of increasing shareholder value, the board of directors shall also be responsible for the clients, employees, and suppliers of the Company as well as the communities where the business lies.

3.2. The board of directors shall set the goal of the Company, "Fostering talents, Creating and Sharing Value", as its own goal. The board of directors shall take an active responsibility for the realization of such a goal, and shall evaluate the achievement by the long-term financial return.

3.3. The board of directors shall ensure that the Management could fulfill its obligations under all circumstances. The board of directors shall also supervise, on a regular basis, the effectiveness of the Management's implementation of policy, decision and strategy.

3.4. The directors should at least annually conduct a review of the effectiveness of the system of internal control of the Company and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The

review should cover all material controls, including financial, operational and compliance controls and risk management functions.

3.5. The board's annual review should, in particular, consider:

- (1) the changes since the last annual review in the nature and extend of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- (2) the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance;
- (3) the extent and frequency of the communication of the results of the monitoring to the board (or board committee(s)) which enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness with which risk is being managed;
- (4) the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
- (5) the effectiveness of the Company's processes relating to financial reporting and Listing Rule compliance.

3.6. The board of directors shall include a report on corporate governance practices prepared by the board in their summary financial reports (if any) and annual reports, containing all the information set out in paragraph 2 of Appendix 23 to the Listing Rules under the "Mandatory Disclosure Requirements".

3.7. The board of directors must simultaneously inform the Stock Exchange of Hong Kong of any information released to any of other exchanges. Furthermore, the board must ensure that such information is released to the market in Hong Kong at the same time as it is released to the other markets.

3.8. All directors shall act in the overall interest of the Company in a prudent, honest and diligent manner both legally and morally, they shall also assume joint and individual responsibility for all shareholders as regards the management and operation of the Company. The Model Code for Directors is set forth in Schedule 1 to the Guideline.

Composition

3.9. The number of directors and the structure of the board of directors shall ensure the informed and material decision-making, and shall be set forth in the Articles of Association.

3.10. The board of directors and the Management shall be relatively independent. Accordingly, the Company's board of directors shall comprise executive directors and non-executive directors (including independent directors), the number of non-executive directors shall exceed that of executive directors, and independent directors shall represent at least one-third of the board. In addition, diversification in experience and skill shall also be considered in the composition of the board of directors.

3.11. Non-executive directors refer to directors who do not participate in the Company's administrative affairs, who are conducive to the strict examination and supervision of the management procedure, and who may provide the board of directors with rich experiences in such aspects as business, financial and legal affairs.

3.12. The Company shall retain at least three independent directors, who are conducive to ensure that the board of directors shall represent the interest of all shareholders rather than that of individual persons or groups, and that it shall make fair and objective considerations and decisions as regards related issues. The opinions of independent directors shall have a material impact upon the decision-making of directors.

3.13. Independent directors, at least one of whom shall live in Hong Kong most of the time, shall not participate in the administrative affairs of the Company. In addition to possessing accepted capabilities and sufficient commercial or professional experiences or possessing appropriate professional qualifications so as to ensure that the interest of all shareholders may be represented to its full, independent directors shall comply with guidelines in assessing the independence as set out under rule 3.13 of the Listing Rules and the following conditions:

- (1) The shares they hold shall not exceed 1% of the Company's total number of outstanding shares, and such shares shall not be obtained as a gift from or by means of other financial assistance from a connected person;
- (2) Except for the interest acquired as a result of acting as the Company's directors, they shall not hold any financial or other interest in the Company or its subsidiaries in the past or at present;
- (3) They have not been retained by shareholders who hold over 1% of the Company's total shares, the Company, or any of its subsidiaries;
- (4) They are not the relatives of the Company's employees;
- (5) They do not provide service for the Company, nor are they employed by any enterprise that provides major service for the Company;
- (6) They have not been retained by foundations or universities that receive a large amount of gifts and donations from the Company or its subsidiaries; and
- (7) They do not have any connections that would affect the independent judgment of such directors.

3.14. The independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the Company.

3.15. The Company should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.

Core Competence

3.16. As a whole, the board of directors shall possess the following core competence, and each director shall contribute his knowledge, experience and skills in at least one field:

(1) Accounting and financial affairs: the board of directors shall ensure that its members have expertise in financial affairs, especially in the capital market, investment and auditing.

(2) Commercial judgment: members of the board of directors shall have sound commercial decision-making track records.

(3) Management capabilities: some members of the board of directors shall understand and track optimal management measures, and they can put them into use under circumstances that are complicated and are rapidly changing.

(4) Crisis response: members of the board of directors shall have the capability and time to act during times of crisis.

(5) Expertise: one or more members of the board of directors shall possess expertise in the infrastructure industry.

(6) Leadership: members of the board of directors shall understand and grasp authorization skills, and shall have the track record of motivating outstanding performers.

(7) Strategy/perspective: members of the board of directors shall have the skills and capabilities to provide strategic perspectives and directors by motivating innovation, grasping key trends, evaluating strategic decisions, and providing the Company with sustained challenges to make its future clearer.

Delegation by the Board

3.17. When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the Company.

3.18. The Company should formalize the functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

3.19. The Company should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.

3.20. Directors should clearly understand delegation arrangements in place. To that end, the Company should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.

Board Meetings

3.21. The board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected that such regular board meetings will normally involve the active participation, either in person or through other electronic means of communication, of a majority of directors entitled to be present. Accordingly, a regular meeting does not include the practice of obtaining board consent through the circulation of written resolutions. Extraordinary meetings may be convened when necessary. Telephone conference may be deemed as meetings in which directors attend in person as long as everyone can clearly hear the voice of the others.

3.22. Before issuing notice of regular board meeting, the Company Secretary should write to all directors to seek their comments on proposed resolutions, so as to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.

3.23. In principle, the notice of regular board meetings shall be given at least 14 days in advance to give all directors an opportunity to attend. In the event that such notice fails to be given at least 14 days in advance, the Chairman shall make explanations at the meeting, and shall obtain the consent of directors. When three or more directors request to postpone the board meeting due to a delayed delivery of such notice, the board of directors shall grant the request. For all other board meetings, reasonable notice should be given.

3.24. The Chairman shall ensure that the board of directors should notify all directors in accordance with the stipulated time. In respect of regular board meetings, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least three days before the intended date of a board or board committee meeting (or such other period as agreed). All other board meetings should follow the above arrangement so far as practicable.

3.25. The Management is responsible for providing the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfill his duties properly a

director may not in all circumstances be able to rely purely on what is volunteered by management and further enquiries may be required. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. The board and each director should have separate and independent access to the Company's senior management.

3.26. All directors are entitled to have access to board papers and related materials. Such papers and related materials should be prepared in such form and quality as will enable the board to make an informed decision on matters placed before it. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.

3.27. When two or more independent directors deem the materials inadequate or unclear, they may jointly submit a written request to postpone the meeting or to postpone the discussion of the related matter, which shall be granted by the board of directors.

3.28. The directors, upon reasonable request, may seek independent professional advice in appropriate circumstances at the Company's expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant directors or directors to discharge his/their duties to the Company. Procedures for directors to seek independent professional advice are provided in Appendix IV.

3.29. If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.

3.30. A director shall not vote on any board resolution in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.

3.31. Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed. As regards items on the agenda of the board meeting, in the event that independent directors disagree with executive directors, such disagreement shall be recorded in the minute of the meeting. Draft and final versions of minutes of board meeting should be sent to all directors for

their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

3.32. The duly appointed secretary of board of directors shall preserve the complete minutes of every board meeting and meetings of board committees. Such minutes should be open for inspection to all directors at any reasonable time on reasonable notice by any director.

3.33. The Company should arrange appropriate insurance cover in respect of legal action against its directors.

Committees

3.34. Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.

3.35. The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

3.36. The board of directors may establish an audit committee, a strategy committee, and a nomination and remuneration committee. Except for issues that shall be decided by board meetings as stipulated by the Articles of Association and other relevant laws and regulations, the board of directors may confer certain powers to special committees.

Auditing Committee

3.37. The auditing committee comprises of non-executive directors, most of whom shall be independent directors. The committee shall convene a minimum of two meetings annually so as to review the completeness, accuracy and fairness of the Company's financial report, and to review the nature and scope of the Company's auditing consideration as well as effectiveness of the internal control system.

3.38. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Company's audit committee for a period of one year commencing on the date of his ceasing:

- (1) to be a partner of the firm; or
 - (2) to have any financial interest in the firm,
- whichever is the later.

3.39. Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

3.40. The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

3.41. Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.

3.42. The audit committee should be provided with sufficient resources to discharge its duties.

Strategic Committee

3.43. The strategic committee comprises of executive directors. The major duties of the strategic committee is to evaluate the Company's medium- and long-term goals, plans and strategies so as to ensure that such goals, plans and strategies comply with the long-term interest of all of the Company's shareholders, clients, employees and the society; to review M&A plans that are substantial and/or involved in connected transactions and plans of investment in new fields before they are submitted to the board of directors for decision-making so as to ensure that the board of directors could have sufficient written materials at the time of decision-making and that it can make a wise decision; and to evaluate the implementation of plans and strategies.

Nomination and Remuneration Committee

3.44. The nomination and remuneration committee comprises of three independent directors, whose major duties are as follows:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis, formulate standards and procedures for the election of directors and make recommendations to the board regarding any proposed changes;

(2) to extensively seek qualified candidates for directorship, identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships;

(3) to assess the independence of independent non-executive directors; and

(4) to review and supervise the Company's remuneration scheme and the

remuneration and welfare system for the Company's senior executives; to recommend, to the board of directors, the design principles of the Company's remuneration and welfare system, the service agreement as well as remuneration and welfare scheme of the president and other senior executives; and to review and discuss the Company's stock option scheme, pension scheme and other long-term incentive schemes.

3.45. The remuneration committee should consult the chairman and/or general manager about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.

3.46. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

3.47. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

3.48. Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.

3.49. The remuneration committee should be provided with sufficient resources to discharge its duties.

Qualifications for Directors

3.50. The board of directors shall elect persons who are learned and experienced and who would like to devote sufficient time and attention to the Company's affairs to serve as the Company's directors. The directors shall have knowledge in strategy, financial and legal affairs as well as relevant work experiences, and they shall also have the following qualities:

(1) Integrity and responsibility: members of the board of directors shall manifest high moral standards and integrity in their personal life and professional behavior, they shall be willing to act in accordance with the decision of the board of directors and be willing to be accountable for their own actions.

(2) Acute judgment: directors or candidates shall be intelligent, they shall have a wise and deliberate judgment as regards all kinds of issues, and they shall be able to put such judgment into decision-making.

(3) Financial knowledge: one of the most important tasks of the board of directors is to monitor the Company's financial performance, so the directors shall be able to comprehend the balance sheet, income sheet and the cash flow sheet, they shall also understand financial ratios and other necessary indexes that are used to evaluate the Company's performance.

(4) A sense of team work: the directors shall recognize the importance of the overall performance of the board of directors, they shall be willing to listen to opinions of other people, they shall be convincingly communicative, and they shall be willing to put forward some harsh problems by means of open discussion.

(5) High professional and performance standard: directors or candidates shall have a leading position in their professional fields, they shall be familiar with the latest development in such fields, and they shall have track records that indicate high performance standard.

3.51. Directors do not have to hold shares of the Company.

3.52. The functions of non-executive directors should include but should not be limited to the following:

- (1) participating in board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (2) taking the lead where potential conflicts of interests arise;
- (3) serving on the audit, remuneration, nomination and other governance committees, if invited; and
- (4) scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

3.53. Directors must comply with their obligations under the Model Code set out in Appendix 10 and, in addition, the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company. For this purpose, "relevant employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

3.54. Each director should disclose to the Company at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organizations and other significant commitments, with the identity of the public companies or organizations and an indication of the time involved.

3.55. Non-executive directors, as equal board members, should give the board and any committees on which they serve such as the audit, remuneration or nomination committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

3.56. Non-executive directors should make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

3.57. The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the Company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. When the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information so as to enable investors to understand the severity and significance of the matters at hand. To the extent that it is reasonable and appropriate, the Company may refer to the other relevant parts of the annual report. Any such references should be clear and unambiguous and the Corporate Governance Report should not only contain a cross-reference without any discussion of the matter.

3.58. The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Exchange Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Replacement of Directors

3.59. The following principles shall be observed when directors are replaced:

- (1) The specific term of a director expires, but he may be re-elected and re-appointed;
- (2) All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement at least once every three years;
- (3) It shall be deemed that a director cannot perform his duties if the director fails to attend Board meetings in person or mandate another director to attend such meetings for two consecutive times, or the director fails to attend Board meetings in person for twelve consecutive months, or the director casts abstention votes at Board meetings for four consecutive times, and the board of directors shall recommend to the shareholders' meeting to replace such director;
- (4) A director may propose a resignation prior to the expiry of his term, in which case, the director shall submit a resignation in writing to the board of directors;

(5) In the event that the Company's board of directors fails to reach the quorum as a result of a director's resignation, the resignation of such director shall become effective when such vacancy is filled by his successor. The board of directors shall convene an extraordinary shareholders' meeting on a timely basis to elect a director to fill such vacancy due to the resignation of the director.

When a director resigns or his term expires, his obligations to the Company and shareholders shall not be relieved prior to or after the effectiveness of the resignation or during a reasonable period upon the completion of his term, and his confidentiality obligation as regards the Company's business secrets shall be valid until such secrets become public information. The duration of other obligations shall be determined in accordance with the principle of fairness, the length of intervening period from the occurrence of the event to the date on which he leaves his post, and the circumstance and condition under which he severs his connection with the Company.

Election of Directors

3.60. At the time of electing a new session of directors, the following conditions shall be guaranteed:

- (1) The candidates are qualified to serve as directors;
- (2) The candidates are conducive to form the overall core competence of the board of directors; and
- (3) The candidates undertake that they would devote sufficient time and energy, they would carefully and critically review all conference materials provided, they would actively participate in Board meetings and related committee meetings by putting forward thought-provoking problems and perspectives, they would provide advisory and recommendation at the request of the president and other senior executives, and they would actively make recommendations for the General Manager.

3.61. The board of directors shall review and approve the list of qualified director candidates submitted by the nomination and remuneration committee before forty-five days prior to the shareholders' meeting convened for the election, and in the meantime, it shall deliver the notice of the shareholders' meeting convened for electing directors.

3.62. The Company shall provide shareholders with the list of director candidates and the personal information of such candidates twenty-one days prior to the convening of the shareholders' meeting.

3.63. In the event that the number of director candidates exceeds that of directors that should be elected, the election of directors shall take the form of cumulative voting, i.e., when shareholders vote for directors, the number of votes that each share

represents shall be equivalent to that of directors that should be elected, and shareholders may vote either for one candidate or for several candidates.

3.64. When over one half of the votes cast by shareholders (including agents of shareholders) present at shareholders' meetings go to a director, he may be elected, and those candidates with the most votes shall be elected. Independent directors and other directors shall be counted separately to ensure the proportion of independent directors in the board.

3.65. Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.

Chairman and General Manager

3.66. The chairman and the General Manager of the Company shall be directors of the Company.

3.67. In order to ensure the balance of power and responsibility between the chairman and the General Manager, and to clearly define the duties associated with heading the board of directors and those associated with heading the Company's operation, the chairman and president of the Company shall be assumed by different directors.

Chairman

3.68. The chairman is the leader of the board of directors. Besides the statutory duties set forth in Article 95, Chapter Ten of the Articles of Association, the chairman's major duties are described as follows:

- (1) Lead the board of directors;
- (2) Take responsibility for ensuring that good corporate governance practices and procedures are established;
- (3) Ensure that the board of directors works effectively, discharges its responsibilities adequately, and that all key and appropriate issues are discussed by the board in a timely manner;
- (4) Arrange board meetings with all directors present, and coordinate with the chairmen of special committees in arranging meetings of the committees;
- (5) Sponsor regular and interim board meetings in accordance with the proposal of directors and arrange the agenda of such meetings. The chairman may delegate such responsibility to a designated director or the company secretary;
- (6) Ensure that the board of directors is given appropriate information flow, which must be complete and reliable, review the adequacy and timeliness of materials that

- support the management's proposal;
- (7) Ensure that a sufficient preparation period is allocated for issues in question so as to conduct effective research and discussion;
 - (8) Supervise the preparation and delivery of agent materials of shareholders;
 - (9) Ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole;
 - (10) Assist the board of directors in achieving the set goal by assigning special tasks for members of the board of directors;
 - (11) Encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the issuer;
 - (12) Formulate the norms of directors so that every director shall make a significant contribution, especially the non-executive directors, and ensure constructive relations between executive and non-executive directors;
 - (13) Serve as the coordinator between the board of directors and the Management;
 - (14) Represent, together with the president, the Company as regards shareholders, creditors, consumer groups, local communities and governmental agencies;
 - (15) Ensure, together with the nomination and remuneration committee, a proper committee structure, including the division of labor between the members and the chairmen of committees; and
 - (16) Perform other duties required by the board of directors as a whole in accordance with the environment and special requirement.

General Manager

3.69. The General Manager is the chief executive officer of the Company, who shall be appointed or dismissed by the board of directors. The president shall be accountable for the board of directors, and he is mainly responsible for the management of the Company's business. Besides the statutory duties set forth in Article 105, Chapter Twelve of the Articles of Association, the president's major duties are described as follows:

- (1) Create a corporate culture that promotes high moral standards and motivates individuals to be honest and socially responsible;
- (2) Maintain a diversified, active and moral working environment that is conducive to the attraction, maintenance and motivation of employees with highest quality at all levels;
- (3) Develop and recommend, for the board of directors, long-term strategies and perspectives that may produce shareholder value and that suit the Company;
- (4) Develop and recommend, for the board of directors, annual business plans and budgets that may support the Company's long-term plans;
- (5) Ensure the proper management of the Company's routine business;
- (6) Endeavor to realize the Company's financial and operational goals;
- (7) Ensure that the quality and value of the Company's products or services keep on

rising;

(8) Ensure that the Company could command and maintain a satisfactory and competitive position in the industry;

(9) Ensure that the Company has a strong Management under the leadership of the president, and it shall have an effective development and replacement plan for the Management;

(10) Coordinate with the board of directors to ensure an effective replacement plan for the president;

(11) Formulate and supervise the implementation of the Company's policies; and

(12) Serve as the Company's major spokesperson.

Training of New Directors and Continuous Education for Directors

3.70. New directors shall first and foremost possess rich knowledge and experiences, they shall make an active contribution for the performance of duties by the board of directors, and they shall allocate sufficient time and attention to the Company's affairs.

3.71. The secretary of the board shall provide new directors with necessary assistance, explain the statement and commitment that shall be executed by new directors, and submit such documents to the stock exchange concerned.

3.72. Once a new director is appointed, the secretary of the board shall provide him a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

3.73. All directors shall obtain proper bulletins in connection with relevant Company affairs and the latest information prepared by relevant organizations as regards corporate governance.

3.74. All directors may make inquiries from the secretary of the board or request him to provide service as regards any item (including the application and implementation of corporate governance principles) at any time with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

3.75. All directors should participate in a program of continuous professional development to develop and refresh their knowledge and skills to help ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding a suitable development program.

4. Supervisory Board

Duties and Responsibilities

4.1. The supervisory board shall be accountable to all shareholders. The supervisory board shall supervise the corporate finance, the legitimacy of directors, the General Manager and other senior executives' performance of duties, and shall protect the legal rights and interests of the Company and the shareholders.

4.2. Supervisors shall have the right to learn about the operating status of the Company and shall have the corresponding obligation of confidentiality. The supervisory board may independently retain intermediary institutions to provide professional opinions.

4.3. In order to guarantee the right to know of supervisors, they shall be present at board meetings, and they shall participate in other meetings of the Company's Management when necessary. The Company will provide necessary assistance to supervisors for their normal performance of duties when they request to review the Company's accounts and other documents. No one shall interfere with or obstruct supervisors' work. A supervisor's reasonable expenses necessary to perform his duties shall be borne by the Company.

4.4. The record of the supervisory committee's supervision as well as the results of financial or other specific investigations shall be used as an important basis for performance assessment of directors, managers and other senior management personnel.

4.5. The supervisory board may report directly to securities regulatory authorities and other related authorities as well as reporting to the board of directors and shareholders' meetings when the supervisory board learns of any violation of laws, regulations or the Company's Articles of Association by directors, the president or other senior management personnel.

Composition

4.6. Supervisors shall have expertise or work experience in such fields as law and accounting. The supervisory board comprises of one shareholder representative, one employee representative and three independent supervisors so as to ensure its capability to independently and effectively conduct its supervision of directors, managers and other senior management personnel and to supervise and examine the company's financial affairs.

Meetings

4.7. The Company has formulated rules governing the steering of the supervisory board. The supervisory board's meetings shall be convened in strict compliance with the stipulated procedures.

4.8. A meeting of the supervisory committee shall be attended by two-thirds or more of the supervisors. Each supervisor shall have one vote. A resolution of the supervisory committee shall be passed by two-thirds or more of the supervisors.

4.9. The supervisory board shall convene at least one meeting annually, and it shall convene interim meetings when necessary.

4.10. The supervisory board may ask the Company's directors, managers and other senior management personnel as well as internal and external auditing personnel to attend the meetings of supervisory board and to answer the questions that the supervisory board is concerned with.

4.11. Minutes shall be drafted for the meetings of the supervisory board, which shall be signed by the supervisors that attended the meetings and the person who drafted the minutes. The supervisors shall have the right to request to record in the minutes explanatory notes to their statements in the meetings. Minutes of the meetings of the supervisory board shall be properly maintained and stored as important records of the Company.

5. Performance Assessments and Incentive and Disciplinary Systems

Performance Assessment for Directors, Supervisors and Management Personnel

5.1. The evaluation of the directors and management personnel shall be conducted by the nomination and remuneration committee of the board of directors. The evaluation of the performance of the board of directors and directors shall be conducted through a combination of self-review and peer review. See Schedule 2 "Self-review Questionnaire of the Board of Directors" and Schedule 3 "Director Review" for the review questionnaire.

5.2. The board of directors shall propose a scheme for the amount and method of compensation for directors to the shareholders' meeting for approval. When the board of directors or the remuneration and appraisal committee reviews the performance of or discusses the compensation for a certain director, such director shall withdraw.

5.3. The board of directors and the supervisory board shall report to shareholders' meetings the performance of the directors and the supervisors, the results of the assessment of their work and their compensation, and shall disclose such information.

Selection of Management Personnel

5.4. The recruiting of management personnel of the Company shall, to the extent possible, be carried out in a fair and transparent manner, through domestic and international markets for professional management, making full use of intermediary agencies.

5.5. Employment agreements shall be entered into by the Company and its management personnel to clarify each party's rights and obligations.

5.6. The appointment and removal of senior management personnel shall be determined by the board of directors, and shall be disclosed on a timely basis.

Incentive and Disciplinary Systems for the Management

5.7. To attract qualified personnel and to maintain the stability of the Management, the Company shall establish an incentive system that links the compensation for management personnel to the Company's performance and to the individual's work performance.

5.8. The performance assessment for senior management personnel shall become a basis for determining the compensation and other incentive arrangements for the persons in question.

5.9. The compensation scheme of senior management personnel shall be approved by the board of directors, explained at shareholders' meetings and disclosed.

5.10. In the event that senior management personnel violate laws, regulations or the Company's Articles of Association, which result in damages to the Company, the board of directors of the Company shall actively investigate and pursue such personnel's legal liabilities.

6. Stakeholders

6.1. The Company respects the legal rights of banks and other creditors, employees, clients, suppliers, the community and other stakeholders. It will actively cooperate with its stakeholders and jointly advance the Company's sustained and healthy development.

Banks and Other Creditors

6.2. The Company shall guarantee that the legal interest of banks and other creditors shall not be infringed upon, it shall encourage banks and other creditors to understand the condition of the Company and provide comments and recommendations on corporate governance.

6.3. The Company shall provide necessary information to banks and other creditors to enable them to make judgments and decisions about the Company's operating and financial situation.

6.4. The Company shall undertake that it would not disclose to any third party the business secrets of banks and other creditors it obtained in the process of business activities. In the event that economic loss is incurred on the part of banks and other creditors due to the Company's fault, such parties are entitled to advance corresponding claims in accordance with laws.

Employees of the Company

6.5. The Company encourages its employees to actively participate in the corporate governance. The employees are encouraged to express opinions on the Company's operation, financial standing and material decisions related to the interest of employees through direct communication with the board of directors, supervisory board and management personnel.

6.6. The Company shall deliver to all employees information that is closely related to the interest of the employees on a timely basis through such public methods as written documents, intranet, and employee meetings.

6.7. The Company shall, in accordance with the regulations of relevant laws, regulations, and policies of the central and local governments, enter into labor contract with employees, and shall pay salary, retirement insurance, unemployment insurance, medical insurance, housing reserve fund, housing allowance, personal injury accident insurance for hazardous positions and supplementary insurance in full on a timely basis, so as to ease and relieve the employees' concerns.

6.8. The Company has a special department to handle labor disputes between employees and the Company. It shall protect the lawful interest of the Company and its employees in the principles of lawfulness, fairness and timeliness.

6.9. The statutory public welfare fund allocated by the Company shall be used in its designated purpose, i.e., the welfare of the Company's employees. The accounts and use of funds of the public welfare fund shall be made public to all employees. The information shall be disclosed at least once in a year. The management and use of the statutory public welfare fund shall be the responsibility of the Labor Union of the Company for the time being.

6.10. The Company shall abide by labor laws and regulations of the state. The daily working hours of employees shall be eight hours. In the event that overtime is

necessary, for the hours that exceed eight hours, the Company shall pay employees overtime allowance and subsidy in accordance with relevant regulations of the state.

6.11. The Company shall, in accordance with the Labor Law, establish a sound labor safety and hygiene system, it shall strictly enforce the state's labor safety and hygiene procedures and standards, and it shall provide employees with education in labor safety and hygiene so as to prevent from labor accident and reduce occupational hazard.

6.12. The Company shall arrange regular physical check-up for all employees. Such check-up shall be made at least once in a year.

6.13. The Company shall establish an occupational training system, it shall allocate and use occupational training funds in accordance with the regulations of the state, and provide employees with systematic occupational training to improve the overall quality of employees.

6.14. When the Company's board of directors, supervisory board and the Management discuss items related to the interest of the Company's employees, they shall invite employee representatives and directors of the Labor Union to present such meetings so as to listen to the opinions and recommendations of employees.

6.15. The Company's Management shall increase the communication with employees, and attentively listen to the opinions and recommendations of employees.

6.16. When circumstances are appropriate, the Company shall establish an incentive mechanism including an employee stock option scheme, it shall make it public to all employees as regards the reason and amount of reward, the subscription criteria, price and amount of stock option so as to encourage the employees to link their own interest with the Company's long-term interest.

Clients and Social Responsibility

6.17. When dealing with clients, the Company shall abide by the principles of free will, equality, fairness and integrity. It shall ensure that the customers may learn about true, accurate and comprehensive information of products or services, and it shall provide sophisticated after service.

6.18. In the event that the customers suffer from personal or property damage as a result of using the Company's products or receiving the Company's services, the Company shall provide reasonable compensation.

6.19. The Company shall listen to the customers' comments on the products or services provided, accept the supervision of customers, and guarantee that the products or services provided comply with the requirement of safeguarding personal and property safety. As regards products and services that may jeopardize the personal and property safety of customers, it shall make true descriptions and explicit warnings for customers, and it shall explain the proper methods of using such products or receiving such services as well as methods to prevent such damages from happening.

6.20. In the event that the Company discovers that the products or services provided have significant defects, and that even when such products are used or such services are received properly, they still may jeopardize the personal and property safety, it shall report to the competent departments and inform the customers on a timely basis, and it shall take immediate measures to prevent damages from happening.

6.21. The Company shall provide customers with true information on relevant products or services, and shall not deliver false information. When customers make inquiries on the quality and method of application of the products or services provided by the Company, the Company shall make true and definite responses. In the event that the regulations of the state or the agreement with the customers stipulate that the Company shall assume the responsibility of repair, replacement and refund of substandard products or other responsibilities, the Company shall perform such responsibilities in accordance with the regulations of the state or the agreement with customers, and it shall not willfully postpone or refuse to assume such responsibilities.

6.22. When the Company maintains its normal operation and maximize the interest of the shareholders and the Company, it shall also be concerned with such public welfare undertakings as environmental protection of the community, it shall maintain a positive relationship with the community, maintain the environment of the community, and maintain social stability.

6.23. The Company shall encourage and organize employees to participate in such public welfare activities as community volunteer work, and it shall assume necessary social responsibilities.

7. Information Disclosure

7.1. Information disclosure is an ongoing responsibility of the Company. The Company shall truthfully, accurately, completely and timely disclose information as required by laws, regulations, the Company's Articles of Association and relevant listing rules.

7.2. In addition to disclosing mandatory information, the Company shall, in accordance with the Guidelines of Information Disclosure formulated by the Company, voluntarily and timely disclose all other information that may have a material effect on the decisions of shareholders and stakeholders ("Price-sensitive Information"), and shall ensure equal access to information for all shareholders.

7.3. The Company should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the following items:

- (1) The process that the Company has applied for identifying, evaluating and managing the significant risks faced by it;
- (2) Any additional information to assist understanding of the Company's risk management processes and system of internal control;
- (3) An acknowledgement by the board that it is responsible for the Company's system of internal control and for reviewing its effectiveness;
- (4) The process that the Company has applied in reviewing the effectiveness of the system of internal control; and
- (5) The process that the Company has applied to deal with material internal control aspects of any significant problems disclosed in its annual reports and accounts.

7.4. Disclosed information by the Company shall be meaningful and easily comprehensible and do not give a misleading impression. The Company shall ensure economical, convenient and speedy access to information through various means (such as the internet).

7.5. The secretary of the board of directors shall be in charge of information disclosure, including formulating rules for information disclosure, receiving visits, providing consultation, contacting shareholders and providing publicly disclosed information about the company to investors.

7.6. The Company shall disclose information, in its annual report, as regards its corporate governance, including but not limited to:

- (1) The members and structure of the board of directors and the supervisory board;
- (2) The performance and evaluation of the board of directors and the supervisory board;
- (3) The performance and evaluation of the independent directors, including their attendance at board meetings, their delivery of independent opinions and their opinions regarding connected transactions as well as the appointment and removal of directors and senior management personnel;
- (4) The composition and performance of the special committees; and

(5) The actual state of corporate governance of the Company, and specific plans and measures to improve corporate governance.

7.7. The Company shall, in accordance with relevant regulations, timely disclose detailed information about each shareholder who owns a comparatively large percentage of shares of the Company, the shareholders who actually control the Company when acting in concert and the Company's actual controllers. When controlling shareholders increase or decrease their shareholding or pledge the Company's shares, or when the actual control of the listed company transfers, the Company shall timely and accurately disclose relevant information to all shareholders.