

## Corporate Governance Report

During the Reporting Period, the Company has fully adopted all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we implement better practices than the code provisions under the “Corporate Governance Code” of HKEx, mainly in the following aspects:

- ☑ The stipulation on the terms of office for Independent Directors of no more than 6 years;
- ☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- ☑ Appointment of an external auditor for the audit of the internal control of the financial reporting;
- ☑ Preparation and publication of quarterly results announcements;
- ☑ Provision of an independent channel for the audit committee to obtain information on fraudulent risk;
- ☑ Establishment of the Risk Management Committee, 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

Pursuant to the good corporate governance principles contained in the “Corporate Governance Code”, the evaluation and details of the daily governance work and practices of the corporate governance are set out as follows:

### A. Directors

#### A.1 The Board

The code provisions that we complied with	A.1.1~A.1.8
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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.

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 5 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 2014, the Board convened nine 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, changes in accounting policies, connected transaction and general elections, and reviewed and evaluated the implementation of the Company's strategies. During the year, the Board considered 3 connected transactions, of which, the directors of Shenzhen International Holdings Limited had waived their voting rights while considering the connected transaction in relation to the implementation of Meilin Guan with the joint venture established by the controlling shareholders of Shenzhen International Holdings Limited. For 2 remaining connected transactions, the directors were not required to waive their voting rights.

The meeting minutes of the Board and Board Committees contains the details of the discussing matters in the meeting, which includes the factors taken into consideration by various directors, the questions proposed, the objection and the decision made. The draft of the meeting minutes should be delivered to various directors for comments after the meeting within reasonable time. The final version should be maintained properly according to the file management system of the Company and the copy of which should be delivered to various directors for filing. The meeting minutes are also available for directors' access at any time through the secretary of the Board.

According to the consideration and decision marking needs, the Company may engage the professional institutions including the accounting firms, lawyers and assessment institutions based on the actual situation to issue written report for directors' review. In addition, 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. To protect the independence of the professional institutions, the specific selection and employment work is conducted by the independent directors and independent board committee for the engagement of independent financial advisory of the connected transactions. The employment is determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall not constitute a quorum. In 2014, the qualified independent financial advisor engaged by the Independent Board Committee consisting all Independent Directors and provided professional recommendation on the Directors' decisions, while considering the

connected transaction in relation to the implementation of Meilin Guan with the joint venture established by the controlling shareholders of Shenzhen International Holdings Limited

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.

## A.2 Chairman and Chief Executive

The code provisions that we complied with	A.2.1~A.2.6; A.2.8~A.2.9
The code provision that we did not comply with	<p>A.2.7</p> <p><b>Description:</b> In view of only 2 Executive Directors (including the Chairman) in the Company and the understanding of the Company's situation and the effective communication through various channels by all directors, the Chairman and Non-executive Directors (including Independent Directors) did not comply with the requirement of the code provision of A.2.7 to convene at least a meeting in the absence of the Executive Directors after having the written opinions from all Non-executive Directors.</p>

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and senior management are separated to protect the balance of power and authority. In 2014, 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 Board has established information reporting and delivery mechanism to ensure that the Directors can timely obtain various information and messages required for their performance of duties in a timely basis. Please refer to A.7 below for details.

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. The Company has in place a relatively established governance structure and formulated multi-tier governance rules. Please refer to “Overview of Corporate Governance” and D.3 below in this annual report for details.

The Company has been complying with the principle of equal treatment of all investors, and establishing a smooth communication channel with investors while observing various regulations relating to information disclosure by maintaining an effective two-way communication with investors through various channels. Please refer to “Investor Relations” and E.1 below for details.

### A.3 The Composition of the Board

The code provisions that we complied with	A.3.1~A.3.2
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According to the requirement of the Articles of Association of the Company, the Board comprises 12 Directors and regularly evaluates the structure, number and composition of the Board (including their skill, knowledge and experience etc.) through the Nomination Committee.

In 2014, the members of the Board include:

The composition of the sixth session of the Board		
Executive Directors	Non-executive Directors	Independent Directors
Yang Hai (Chairman) Wu Ya De	Li Jing Qi, Zhao Jun Rong Hu Wei, Tse Yat Hong Zhang Yang, Chiu Chi Cheong, Clifton	Wang Hai Tao, Zhang Li Min Au Sing Kun, Lin Chu Chang

The current Board is the sixth session of the Board of the Company 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. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skill and judgment, allowing the Board to analyse and discuss the issues in different perspectives and making a more cautious and careful decision.

The Company has appointed four Independent Directors, representing one-third of the number of the Board, which complies with the relevant requirements. 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 sixth session of the Board have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent during 2014.

Since 1 January 2015, the seventh session of the Board elected by the general meeting starts their performance of duties with members as follows:

The composition of the seventh session of the Board		
Executive Director	Non-executive Directors	Independent Directors
Hu Wei (Chairman), Wu Ya De	Li Jing Qi, Zhao Jun Rong Tse Yat Hong, Wang Zeng Jin Zhang Yang, Chiu Chi Cheong, Clifton	Au Sing Kun, Lin Chu Chang Hu Chun Yuan, Shi Xian Liang

For the details of the election and changes of the Board and their biographies, terms of office and principal positions are set out in “Directors, Supervisors, Senior Management and Employees” in this annual report.

#### A.4 Appointment, Re-election and Removal

The code provisions that we complied with	A.4.1~A.4.3
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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. A cumulative voting system is adopted for the election of the Directors of the Company, and the Independent Directors and Non-independent Directors vote separately. 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.

The term of the sixth session of the Board has expired in the end of 2014. In view of this, the Company has published a voluntary announcement on 29 September 2014 in relation to the arrangement of the general election of the Board and the matters relating to the nomination, including the general election procedure, the qualification of the nominee, the basic requirement

of the Directors and the documents required for the proposers and nominees, to ensure the nomination right of the shareholders. In 19 December 2014, the Company convened an extraordinary general meeting for the election of the members of the seventh session of the Board. Please refer to “Directors, Supervisors, Senior Management and Employees” in the annual report for the details.

#### **A.5 Nomination Committee**

The code provisions that we complied with	A.5.1~A.5.6
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The Board has established the Nomination Committee with the majority being Independent Directors, and chaired by an Independent Director. Please refer to D.2 below and the “Overview of Corporate Governance” in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The Terms of Reference of the Nomination Committee approved by the Board has been published in the website of the exchanges and the Company. The Company provided the committee with sufficient resources for the performance of duties. During the year, the nomination committee did not seek for independent professional advice for the performance of duties.

The Company has established the board diversity 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 the sixth session of the Board embody pluralism in the aspects of experience and background, length of service, age, cultural background and independence in a better manner. During the year, while selecting and assessing the members of the seventh session of the Board, the Company has fully taking the balance of the above aspects and diversity into account.

#### **A.6 The Responsibilities of Directors**

The code provisions that we complied with	A.6.1~A.6.8
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The Rules of Procedures for the Board of Directors of the Company, the terms of reference of each specialised committees and the Rules on Performing Duties by the Independent Directors prepared

by the Company has clearly stated the responsibilities of the directors to ensure their complete understanding on their roles and responsibilities.

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2014 was 100%, while attendance in person was 88%. Attendance of members in person at the meetings of the specialised committees of the Board (including the meetings of the Independent Directors) was 95.8%. Attendance of members in person at the general meeting was 79.2%. Please refer to the “Overview of the Corporate Governance” in the annual report for the details of the attendance of directors and the overview of the performance of duties in the year of the Independent 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.

Upon the acceptance of the appointment and after the appointment, each directors and supervisor of the Company have to provide the information about their services in other companies, including their services in other listed companies for the last three years. The relevant information is disclosed in the announcements and the shareholder documents relating to the nomination and election of the directors and supervisors, and is available in the section of “Directors, Supervisors, Senior Management and Employees” in this annual report.

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.

In 2014, according to their own needs, the Directors/ supervisors of the Company participated in the training sessions on specific topics arranged by the Company and the training courses held by securities regulatory authorities. In addition, the Company has prepared 6 issues of “Reference Document Summaries of the Board” and 42 regulatory documents relating to various laws and

regulations of the listed company and industry to the Directors/ supervisors. It also provides explanation, advices and interpretation on the key points of the relevant rules and the matters to be brought to the attention of the Directors/ supervisors through the guided documents and the explanation on the meetings. The above measures allow the Directors/ supervisors to update the knowledge and information required in an ongoing basis to ensure their performance of duties. The details for the Directors/ supervisors to participate in training in 2014 are set out as follows:

Name	Title	Training Programs attended in 2014		
		Directors' liabilities of listed companies	Updates of Listing Rules and regulations	Practice of corporate governance/ financial management and related issues
Yang Hai	Executive Director	√	√	—
Wu Ya De	Executive Director	√	√	√
Li Jing Qi	Non-executive Director	√	√	√
Zhao Jun Rong	Non-executive Director	√	√	√
Hu Wei	Non-executive Director	√	√	√
Tse Yat Hong	Non-executive Director	√	√	√
Zhang Yang	Non-executive Director	√	√	√
Chiu Chi Cheong, Clifton	Non-executive Director	√	√	—
Wang Hai Tao	Independent Director	√	√	—
Zhang Li Min	Independent Director	√	√	√
Au Sing Kun	Independent Director	√	√	√
Lin Chu Chang	Independent Director	√	√	—
Zhong Shan Qun	Supervisor	√	√	√
He Sen	Supervisor	√	√	√
Fang Jie	Supervisor	√	√	—

#### A.7 Provision and Use of Information

The code provisions that we complied with	A.7.1~A.7.3
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The management of the Company has provided the Board, the Specialised Committees of the Board and the Supervisor Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors/ supervisors have raised reasonable enquiries, the management is able to make response or provide further information as soon as possible. Under normal circumstances, the relevant documents containing the matters to be proposed for consideration and discussion on the Board shall be delivered to all members of the Board and the Supervisor Committee at least three days before the meetings. In addition, each Director and supervisor is provided with channels to independently contact and communicate with the Company's senior management and secretaries to specialised committees when necessary.

Non-executive Directors (including Independent Directors) and supervisors are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/ supervisors through several channels to ensure their proper performance of such duties. In 2014, the Company support the performance of duties of the Directors/ supervisors through the following approaches:

- ◆ To arrange the management to report the progress of the material matters on the meetings of the Board;
- ◆ To arrange the presentation of the work for the year to provide a detailed report on the completion of the work in 2013 and the work plan in 2014, as well as the progress of the key projects including Qinglian Expressway and Guilong Project;
- ◆ To organise the on-site visit to understand the construction and operation of Guilong Project and relevant businesses, allowing the Directors/ supervisors to have an in-depth understanding on the operating environment and performance of the Company and specific projects;
- ◆ To dispatch "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 and major works, updates on invested enterprises, monitoring of the early warning of financial risks and work progress during adjournments;
- ◆ To publish four issues of "Market New Briefings" and four issues of "Quarterly Analysis Report on Investors' Relation", assisting the Directors/ supervisors to timely understand the news of the Company and other listed companies in the same industry, the most updated regulations and policies, the market performance and the share price;
- ◆ To organise one training on specific topic and arrange the candidates of the Independent Directors to participate in the training of assumption of duty, and provide "Manual of

Directors/ Supervisors” for all members of the seventh session of the Board/ Supervisor Committee, allowing them to understand the operation and the domestic and international rules and principles relating to the governance in a comprehensive and systematic manner.

**B. The Remunerations of Directors and Senior Management and Appraisal of the Board**

**B.1 Remuneration and its Disclosure**

The code provisions that we complied with	B.1.1~B.1.5
The recommended best practices that we complied with	B.1.6~B.1.8

The Board has established the Remuneration Committee comprising Non-executive Directors, with the majority being Independent Directors, and chaired by an Independent Director. Please refer to D.2 below and the “Overview of Corporate Governance” in this annual report for the details of the composition and performance of duties of the Remuneration Committee. The Terms of Reference of the Remuneration Committee approved by the Board has been published in the website of the exchanges and the Company. The Company provided the committee with sufficient resources for the performance of duties. During the year, the Remuneration Committee did not seek for independent professional advice for the performance of duties.

The Company has disclosed the remunerations of all Directors, Supervisors and senior management on a named basis. Please refer to “Directors, Supervisors, Senior Management and Employees” in this annual report for the details of the remuneration policy of the Directors, the appraisal and incentive mechanism of the senior management and the remuneration of the management for the year.

**C. Accountability and Audit**

**C.1 Financial Reporting**

The code provisions that we complied with	C.1.1~C.1.5
The recommended best practices that we complied with	C.1.6~C.1.7

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, 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 should be sufficient to allow the Board to assess the Company's performance and make decisions. Please refer to A.6 and A.7 for the details of the provision and support of the information.

***Statement of the Responsibilities towards the Financial Statements by the Board:***

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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 (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 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.

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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 2014, 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 in order to understand the overall arrangement of the financial statement of the Company for the year and conduct preliminary review and issue opinion in writing for the statements.

- ◆ 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. The Audit Committee held two meetings in early 2015 (up to the Reporting Date) to review the 2014 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 2014 financial statements truthfully and reasonably reflected the operating results for the year and the financial position of the Group, and thus recommend the Board for approval.

## C.2 Internal Control

The code provisions that we complied with	C.2.1~C.2.2
The recommended best practices that we complied with	C.2.3~C.2.5

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. During 2014, the Company carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued an internal control self-assessment report, and the assessment of which included but not limited to the aspects required by C.2.1~C.2.4 of the code provisions. In addition, the Company has been engaging an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and subjective assessment and recommendation through the audit report. Please refer to “Internal Control” in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment and the audit.

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.

### C.3 Audit Committee

The code provisions that we complied with	C.3.1~C.3.7
The recommended best practices that we complied with	C.3.8

The Board has established the Audit Committee comprising Non-executive Directors, with the majority being Independent Directors, and chaired by an Independent Director. The Audit Committee is responsible for the review and supervision of the financial accounting policies, financial reporting procedure and reporting quality of the Group, the evaluation of the soundness and effectiveness of the internal control system of the Company, the control on fraudulent risk and management measures, the coordination of the auditor and the evaluation of its efficiency, quality and engagement, the review on the internal audit report and evaluation of the feedback from the management, and the control of connected transaction and daily management of the Company. Please refer to D.2 below and the “Overview of Corporate Governance” in this annual report for the details of the composition of the Audit Committee and the performance of duties. The Terms of Reference of the Audit Committee approved by the Board has been published in the website of the exchanges and the Company. The Company provided the committee with sufficient resources for the performance of duties. During the year, the Audit Committee did not seek for independent professional advice for the performance of duties.

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 have 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. During the year, the Audit Committee had a communication with the auditor in relation to the fraudulent risk and control measures in order to understand the recommendation of internal control proposed by the auditor and the audit department and the feedback and the revision of the management,

investigate the reports and complaints against the Company and the management from the perspective of internal control, review the major accounting policies and estimates adopted by the management and provide continual guideline and supervision on the anti-fraudulent work of the Company.

***The report of the auditor:***

Upon the approval of general meeting, the Company appointed PwC Zhong Tian as the Company's auditor for the year 2014 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 11 consecutive years and has changed its endorsing certified public accountants in the year of 2006, 2008, 2009, 2011, 2013 and 2014 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 2014 are set out as follows:

(Unit: RMB'000)	2014	2013
Financial statements audit/review fees	<b>3,670</b>	<b>3,570</b>
Internal control audit fees	<b>630</b>	<b>630</b>
Others (non-audit service)	<b>680</b>	<b>240</b>

Note ①: The auditor has submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.

Note ②: In 2014, other services provided by PwC Zhong Tian mainly include the assurance services in the approval processes of toll adjustment of Meiguan Expressway and the Meilin Checkpoint Urban Renewal Project in accordance with the requirements of the securities regulatory rules.

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 Accountant Ltd. to perform financial audit services. The financial audit fees for the year 2014 amounted to RMB80,000, RMB25,000 and RMB180,000 respectively (2013: RMB80,000, RMB25,000 and RMB180,000).

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 2014 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 2015.

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## **D. Delegation of Authority of the Board**

### **D.1 The Management Function**

The code provisions that we complied with	D.1.1~D.1.4
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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 relative independence of the Board's decision-making and operating and management activities. The above system has been published in the website of the exchanges and the Company.

The Board is responsible for leading the Group's development, determining the strategic goals of the Group and ensuring the availability of necessary financial and other resources to achieve pre-set strategic goals. The Articles of Association of the Company and Rules of Procedures for the Board of Directors has clearly defined the powers in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection the Company's development and operation.

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 Rules of Procedures for the Board of Directors. In 2014, the Executive Directors held five 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.

## D.2 The Committees under the Board

The code provisions that we complied with	D.2.1~D.2.2
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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.

During the reporting period, the composition of each specialised committees of the sixth session of the Board of the Company is set out 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>
Member:	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>	Au Sing Kun <small>Independent Director</small> Chiu Chi Cheong, Clifton <small>Non-executive Director</small>	Zhang Li Min <small>Independent Director</small> Chiu Chi Cheong, Clifton <small>Non-executive Director</small>	Lin Chu Chang <small>Independent Director</small> Yang Hai <small>Executive Director</small>	Yang Hai <small>Non-executive Director</small> Hu Wei <small>Non-executive Director</small>

Each specialised committees designated the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the Rules of Procedures for the Board of Directors. The meeting minutes of the committees contains the details of the matters discussed in the meetings and are maintained properly according to the file management system upon the confirmation of all members. The Chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for recording. In 2014, the five specialised committees convened 14 meetings. For details, please refer to the "Overview of Corporate Governance" in this annual report.

The seventh session of the Board of the Company has performed their duties since 1 January 2015 and the composition of each specialised committees under which is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei <small>Executive Director</small>	Hu Chun Yuan <small>Independent Director</small>	Shi Xian Liang <small>Independent Director</small>	Shi Xian Liang <small>Independent Director</small>	Au Sing Kun <small>Independent Director</small>
Member:	Wu Ya De <small>Executive Director</small> Li Jing Qi <small>Non-executive Director</small> Zhao Jun Rong <small>Non-executive Director</small> Lin Chu Chang <small>Independent Director</small>	Au Sing Kun <small>Independent Director</small> Chiu Chi Cheong, Clifton <small>Non-executive Director</small>	Au Sing Kun <small>Independent Director</small> Hu Chun Yuan <small>Independent Director</small> Chiu Chi Cheong, Clifton <small>Non-executive Director</small> Wang Zeng Jin <small>Non-executive Director</small>	Lin Chu Chang <small>Independent Director</small> Hu Wei <small>Executive Director</small>	Zhang Yang <small>Non-executive Director</small> Tse Yat Hong <small>Non-executive Director</small>

### **D.3 Corporate Governance Function**

The code provisions that we complied with	D.3.1~D.3.2
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The Board is responsible for the performance of its duty on corporate governance. During 2014, 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 relevant review checklists submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

### **E. Communication with Shareholders**

#### **E.1 Effective Communication**

The code provisions that we complied with	E.1.1~E.1.4
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The Company encourages all shareholders to attend the general meetings. During the year 2014, a total of four general meetings were held by the Company. Please refer to the "Overview of Corporate Governance" in this annual report.

The Company serves a notice of 45 days prior to the date of the general meeting, and provides 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 is put forth respectively as separate resolution. 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. In addition, 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. The full text of "Articles of Association of the Company" and "Rules of Procedures for the General Meetings" is available on the website of the Company.

During the year, 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 were

also arranged to attend the annual general meeting to answer enquiries from the shareholders when necessary. While considering the connected transaction of the Company in the 2014 Second Extraordinary General Meeting, the independent board committee and the representative of the independent financial adviser attended the meeting to give response to the enquiries of the shareholders in relation to this transaction.

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 an ongoing basis. Please refer to “Investor Relations” in this annual report for details.

The Company regularly discloses the details of total share capital, categories of shareholders, major shareholders and market value of the shares held by the public. Please refer to “Share Capital and Shareholders” in this annual report.

## **E.2 Voting By Poll**

The code provision that we complied with	E.2.1
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The Company has formulated the “Rules of Procedures for the Shareholders’ Meeting” which clearly set out the voting method and poll procedure at the general meeting to ensure the compliance with the requirement of the Listing Rules and the Articles of Association.

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.

## **F. Company Secretary**

The code provisions that	F.1.1~F.1.4
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we complied with	
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The Secretary to the Board of the Company (Company Secretary), 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 2014, the Secretary to the Board of the Company completed a total of not less than 15 hours of related training sessions organised by the securities regulators and professional training institutions 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 detailed information and opinion.