



# Report of the Supervisory Committee

## (I) Meetings Held by the Supervisory Committee During the Reporting Period

In strict accordance with the Company Law, the Listing Rules, the Articles of Association and the Rules of Proceedings for Supervisory Committee Meetings and by observance of the principle of good faith, all members of the Company's Supervisory Committee have faithfully discharged their duties in a positive and cautious manner during the year 2005 for the purpose of safeguarding the lawful interests of the Company and its shareholders.

The Secretary to the Board is also the secretary to the Supervisory Committee who is responsible for the daily affairs of the Supervisory Committee and will facilitate communications among the Supervisory Committee, the Board and the management of the Company. The Supervisory Committee held three meetings in 2005. The convening, proceedings and resolutions of the meetings complied with legal procedures. The Supervisory Committee attended all Board meetings. It exercised to the fullest and widest extent effective supervision on the management behaviour of the Company's directors, management and senior management members as well as on the decision-making process of the Company.

1. The 6th session of the fourth Supervisory Committee meeting was held on 18th March 2005.

The meeting considered and approved the annual report and the Supervisory Committee Work Report of 2004.

2. The 7th session of the fourth Supervisory Committee meeting was held on 22nd April 2005. The meeting:

- considered the first quarterly report of 2005;
- approved the amendments to the relevant articles of the Articles of Association of the Company to be proposed to the 2004 annual general meeting as special resolutions for consideration; and
- considered the model code for securities transactions by directors, supervisors, senior management members and the relevant employees of the Company.

3. The 8th meeting of the fourth Supervisory Committee meeting was held on 19th August 2005

The meeting considered the 2005 interim report.

# Report of the Supervisory Committee



## (II) Independent Opinions of the Supervisory Committee

### 1. Company's Operations in Compliance with the Laws

During the reporting period, the Supervisory Committee has monitored the procedures of convening and the resolutions passed at the shareholders' general meetings and the Board meetings. It has also supervised the implementation of the resolutions passed at the shareholders' general meetings by the Board and the implementation of the resolutions passed at the Board meetings by the management. It considered that the adoption and implementation of each system and the daily operation and management of the Company complied with the laws and norms. The Company made timely amendments to the relevant articles of the Articles of Association in compliance with the relevant requirements to further rationalize and perfect its content. In addition, it has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management Members and Relevant Employees" to regulate the relevant persons with interests in conducting securities transactions.

In compliance with the requirements as stipulated under relevant laws and regulations, the Company's directors and senior management have conscientiously discharged their duties and have, bearing in mind the best interests of the Company, acted in a good team spirit and in a positive, cautious and diligent manner. They have carried out their decision-making process in a lawful and valid manner, without acting against relevant laws and regulations. They have not abused their authorities nor jeopardized the interests of the Company or the rights and interests of the shareholders and employees.

### 2. Financial Conditions of the Company

The Supervisory Committee has duly reviewed the financial statements, the dividend distribution scheme and other accounting data of the Company for the year 2005. The Supervisory Committee is of the view that the financial income and expenditure accounts are clear; and that the accounting, auditing and financial management complied with the relevant requirements without any problems found. The domestic and foreign auditors of the Company have audited the 2005 financial statements of the Company in accordance with the HKGAAP and the PRC Accounting Standards respectively, and have issued audit reports with the standard unqualified opinions accordingly. The Supervisory Committee is of the view that the financial income and expenditure and the operating results of the Company are fairly and correctly reflected by the audit reports. The operating results achieved are true. Dividend payment of the Company further increased for year 2005 when compared to the previous year, demonstrating the willingness of the Company to provide satisfactory returns to the shareholders as much as possible.



### 3. The Company's Acquisition and Sale of Assets

During the reporting period, the Supervisory Committee supervised effectively the fund raising, application of funds and construction progress in respect of the expansion project of Shanghai-Nanjing Expressway and the acquisition of the operating right of the Shanghai-Nanjing Section of G312. The Supervisory Committee considered that the application of funds was regulated and the control over costs was stringent. Meanwhile, the Company has actively captured market opportunities by issuing short-term commercial papers of RMB4 billion which was able to lower the financing costs effectively. The decision made by the Board to transfer the Company's equity interests in China Transportation HEAD New Technology (Shanghai) Co., Ltd. ("China HEAD") was based on the consideration that its core business should be focused on and diversifications should be minimized in line with its development strategy. The Supervisory Committee is of the view that all of the Company's investments, acquisitions and disposal of assets cater for the Company's future sustainable development and are in the long-term interests of the Company and shareholders as a whole. Meanwhile, transaction prices were determined on the basis of a full assessment. All transactions were fair and prices were reasonable. Neither any insider dealing nor any act which might jeopardize interests of certain shareholders or might cause losses of the Company's assets has been discovered.

### 4. Connected Transactions of the Company

The Supervisory Committee is of the view that all contracts, agreements and other documents relating to connected transactions during the year are fair or reasonable, as well as in compliance with the requirements of laws without prejudicing the interests of the Company or its shareholders. Connected transactions have been dealt with in strict compliance with the principles of "fairness, justice and openness". The interests of the Company and its shareholders have been fully safeguarded, so much so that none of the interests of the Company nor its shareholders are prejudiced.

The Supervisory Committee shall uphold the conscientious and diligent working tradition and shall faithfully perform the duties of the Supervisory Committee so as to safeguard the lawful interests of the shareholders.

By Order of the Supervisory Committee

**Zhou Jian Qiang**

*Chairman of the Supervisory Committee*

Nanjing, the PRC

7th April 2006