



(I) Material Litigation or Arbitration

During the year, the Company was not involved in any material litigation or arbitration.

(II) Acquisition and Sale of Assets, Consolidation and Merger Activities

On 19th August 2005, the thirteenth meeting of the fourth session of the Board approved the transfer of the Company's 35.71% equity interest in China HEAD.

In June 2002, the Company invested RMB7.50 million in China HEAD and held 35.71% of its equity interest. During the initial set-up stage, the company underwent business transformation and market development, and so a considerable amount of resources had been ploughed in but the return was minimal. As a result, the operating results recorded losses for three consecutive years. In view of the severe market competition and considerable future uncertainties in the IT industry as well as in consideration of the Company's development strategy to focus on its core business and to minimize diversified operations, the Board has decided to transfer all of its equity interest in China HEAD.

In accordance with the valuation result issued by Jiangsu Zhongtian Assets Appraisal Office Co., Ltd., the market value of China HEAD amounted to approximately RMB14.030 million as at the base date. The Company's equity interest in China HEAD amounted to approximately RMB5.0104 million. On 17th November 2005, the Company posted the transfer on Jiangsu Asset Trading Centre on the basis of such valuation amount. While no transferee accepted the offer since then, the Company adjusted the posted price on 16th January 2006 and 25th March 2006 respectively. At present, the transfer price has been set at approximately RMB4.0584 million.

(III) Material Connected Transactions

Road Maintenance Service Contracts with Jiangsu Sundian

On 22nd April 2005, the Company and Guangjing Xicheng entered into maintenance service contracts with Jiangsu Sundian in respect of the repair and maintenance services of the Jiangsu Section of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway, for a term commencing on 1st May 2005 and terminating on 31st December 2005. The maximum contractual maintenance service fees were estimated at no more than the maximum contract sums of RMB25 million and RMB25 million respectively.

The maintenance service fees are determined as follows: tender prices accepted will be the fee basis for projects to be awarded through public tenders whereas the fee basis for other projects will be determined after arm's length negotiations and with reference to the prevailing market prices reviewed by an independent and qualified cost consultation institute. The maintenance service fees are limited to the estimated works in 2005. The Company will supervise the situation to ensure that the total amount of works contracted will not exceed the relevant limits. The maintenance service fees are to be paid from the funds owned by the Company or Guangjing Xicheng respectively.



As the maximum estimated maintenance fees of these two maintenance service contracts aggregated RMB50 million, being less than 2.5% of the audited consolidated gross assets value, income and market capitalisation of the Company as at 31st December 2004, and thus such maintenance service arrangements constituted ongoing connected transactions under Rule 14A.34 of the Hong Kong Listing Rules, which required compliance with the reporting and announcement requirements but did not require any independent shareholders' approval. The relevant announcement was published in the newspapers in both Hong Kong and the PRC on 25th April 2005.

During the reporting period, the actual fees incurred under the two maintenance service contracts entered into between the Company and Guangjing Xicheng and Jiangsu Sundian amounted to RMB17.329 million and RMB24.981 million respectively.

Opinions of Independent Directors

The 11th session of the Fourth Board meeting of the Company has carried out lawful and valid resolutions on these connected transactions. The independent directors have carried out conscientious reviews of the matters concerned and confirmed that:

Execution of the two maintenance service contracts were in the interests of the Company's shareholders as a whole. The two maintenance service contracts have been entered into by the relevant companies in the ordinary and usual course of their businesses and the terms contained therein were normal commercial terms. The transactions were fair and reasonable so far as the shareholders of the Company are concerned.

(IV) Significant Contracts and Their Implementations

1. Material Trusts, Subcontracting or Leasing

During the reporting period, the Company had no material trusts or leasing arrangement.

The material subcontracting activity of the Company mainly involved the entering into of subcontracting contracts with various subcontractors participating in the expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway. As at 31st December 2005, there were a total of 513 subcontracts which had been entered into for the expansion project, amounting to RMB9.14 billion. The actual amount paid was RMB7.451 billion.

2. Material Guarantees and Pledge of Assets

During the reporting period, the Company did not provide any guarantee to any shareholder or connected party or any other companies, nor was there any pledge of assets subsisting.

3. Entrusted Financial Management

During the reporting period, the Company did not entrust any other person to carry out cash asset management activity.

Significant Matters



4. Funds Transfer with Related Parties and External Guarantees

During the reporting period, pursuant to the requirements of the “Notice to Regularize the Funds Transfer Between Listed Companies and Related Parties and Issues on External Guarantees Provided by Listed Companies” (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) issued by the CSRC, none of the controlling shareholder or other connected parties have appropriated any of the Company’s funds. No guarantee has been provided by the Company to any controlling shareholder or other connected parties. No such events have occurred in respect of any subsidiaries which have been incorporated into the Company’s consolidated accounting statements.

The Independent Directors of the Company have provided their independent opinions in respect of the aforementioned matters.

5. Other Material Contracts

During the reporting period, material contracts which were entered into and were being performed included:

- (i) A second supplementary contract in respect of the operating right of the extension subsequent to the widening project of Nanjing-Shanghai Class 2 Highway was entered into by the Company with the Highway Bureau of Jiangsu Province on 14th April 2004. The Company was granted a new operating right of the Nanjing-shanghai Class 2 Highway by the Highway Bureau for a consideration of RMB2.7 billion. The term of the new operating right will commence from 27th June 2012 and end on 26th June 2024.
- (ii) The Company obtained a loan of RMB200 million from its subsidiary known as Guangjing Xicheng in form of loan on assignment in December 2004. The term of the loan commenced from 27th December 2004 and ended on 26th December 2005. Interest of the loan was charged at a rate of 5.022% per annum.
- (iii) On 22nd April 2005, the Company and Guangjing Xicheng entered into maintenance service contracts with Jiangsu Sundian in respect of the repair and maintenance services for the Jiangsu Section of Shanghai-Nanjing Expressway and Guangjing-Xicheng Expressways, for a term commencing on 1st May 2005 and terminating on 31st December 2005. Total contract sum was estimated to be no more than RMB50 million.

(V) Undertakings

1. The Board of the Company has made an undertaking in respect of the profit distribution proposal for 2005 that one cash dividend distribution will be made for the year at a ratio of no less than 50% of the net profit of the year.

The Board of the Company has faithfully executed such undertaking. For details of execution, please refer to “Profit Distribution Scheme” set out in “Report of the Directors”.

2. During the reporting period, there was no disclosure in press or on designated websites regarding any undertakings made by the shareholders holding 5% or more of the share capital of the Company that might have significant impact on the Company’s operating results or financial conditions.



(6) Appointment of Auditors

At the 2004 annual general meeting, it was approved that Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd. and Deloitte Touche Tohmatsu would continue to be appointed as the domestic and international auditors of the Company for 2005. In view of more projects for auditing and increased work load during 2005, the auditing fee for the year has been increased to RMB1.3 million. The Company has not paid any fees other than the above-mentioned or any charges that might have affected the auditors' independence.

The two auditors have been providing auditing service to the Company for three consecutive years since 2003.

(7) Regulatory Sanctions

During the reporting period, there was no punishment, reprimand or public censors imposed against the Company, the Board or any of its directors by any regulatory authorities.