



*The Company will fully capitalise on its advantages, improve the operation and construction of its existing highway projects, and in line with its established development strategies, seek suitable investment opportunities. The Company will integrate its resources when appropriate and carry out a sound operation.*



# Chairman's Statement

**To all shareholders:**

**Committed to its established core mission, in 2005, the Group adhered to its strategy of expanding across the Pearl River Delta region as well as other economically developed regions in China from its base in Shenzhen. Based on its 2004 endeavors, the Group continued to capitalise on the opportunities arising from the demand for quality transportation facilities driven by a sound macro-economic environment, with a remarkable progress made in the operation, investment, construction and other areas and achieving planned operating results.**

## **RESULTS AND DIVIDENDS**

I am pleased to report to the shareholders that the Group's overall results in 2005 were good, with revenue amounting to RMB911,482,000 (2004: RMB705,776,000), representing an increase of 29.15% compared to 2004; profit attributable to equity holders of the Company amounted to RMB552,622,000 (2004: RMB414,888,000); and earnings per share amounted to RMB0.25 (2004: RMB0.19), representing an increase of 33.20% compared to same period of the previous year.

It has always been the Group's policy to reward shareholders with a cash dividend of stable and high payout ratio. The Board recommended the payment of a final dividend of RMB0.12 per share in cash for year 2005, representing 54% of the net profit of the PRC Statutory Financial Statements for the Year or 48% of profit attributable to equity holders of the Company as adjusted under the HKFRS for the Year.

## BUSINESS REVIEW

In 2005, the Company committed itself to a market-driven approach to attract more traffic flow on the one hand and incessantly sought suitable opportunities to build new income bases on the other hand.

Toll revenue is the main source of the Group's profit. Owing to the strong economic growth in China, particularly in the Pearl River Delta and its neighboring areas, there have been higher demands for greater capacity and better quality of expressways arising from business commuting, logistics flow and the people's travel, and these factors provided a strong driving force for the Group's growth in toll highway operations. The traffic flow and toll revenues of the toll highways operated and invested in by the Group inherited the growth trend of 2004 and recorded an average growth rate topping 31% and 29% respectively. This formed a solid basis for the Group's profit growth.

The Group incessantly seeks suitable opportunities to invest in toll highway projects situated in superior geographical positions so as to expand its principal operations and achieve its strategic objectives. Following the progress made in the previous year on investing beyond Shenzhen, the Group entered into agreements in 2005 to invest in the Qinglian Project and Wuhuang Expressway, for which total capitals amounted to about RMB2.5 billion and the total mileage of high-grade toll highways acquired was 280 km. The Group also plans to re-construct the Qinglian Project into an expressway. Shuiguan Extension, Nanjing Third Bridge and Jiangzhong Expressway, in which the Group invested in 2004, were all open to traffic during the Year. Wuhuang Expressway has been proportionately consolidated into the Group since August 2005 and the Group's share of its profit reached approximately RMB20,565,000. The above investments have built a good foundation for a continued growth of the Group's profits in future.



The Group's entrusted construction management business in Shenzhen is contributing new profits to the Group. The construction of the western section of the Nanping Project, appointed by the Shenzhen Municipal Government, has been completed and was widely acclaimed by the government and other members of the community. It demonstrated public recognition to the Group's extensive project construction and management experiences accumulated over the past decade. This also demonstrated the Group's competitive advantages in developing government-invested highways and in "exporting" its project management techniques and experiences.

In February 2006, the Company entered into an agreement to further acquire equity interests in the Qinglian Project. The further acquisition aims to strengthen the Group's control and management of the project so as to ensure a speedy and efficient implementation of its reconstruction into an expressway, with a view to expanding the Group's business scale and profit base and consolidating its core advantages in highway investment, construction, operations management and innovation. The acquisition is a significant initiative of the Group's development strategy, which will in turn enhance the return for its investors.

## OUTLOOK AND STRATEGIES

Sustained economic prosperity, accelerated integration of the regional economy and increasing urbanisation are the driving forces to the demand for quality transportation. To meet the needs for economic development, the State and local governments have worked out comprehensive, forward-looking plans for the transportation network. All these factors are expected to accelerate the development of the Group's principal operations in the toll highway sector. Besides, the consistent promotion and use of the "entrusted construction system" in the management of government-invested projects will also create good opportunities for the development of the Group's entrusted construction management business.

On the other hand, the sectors of both toll highways and government-invested projects' management are becoming more transparent, market-oriented and regulated. This has also brought more market entrants, intensified competition and accelerated pace. The Group is also exposed to rising interest rates on loans, changes in industry policies and highway network plans and other risk factors. The next several years will be a critical period for the Company's development. The Company will continuously focus on the investment, construction, operation and management of toll highways and roads. The Company will also fully capitalize on its advantages, consolidate its core competitive strengths, improve the operation and construction of its existing highway projects, and in line with its established development strategies, seek suitable investment opportunities. The Company will integrate its resources when appropriate, assess and prevent risks prudently, and carry out a sound operation. The Company will reward its investors with satisfactory standards in corporate governance and promising operating results.

## APPRECIATION

2006 will mark our tenth anniversary. Over the past decade, we have made a number of breakthroughs, as witnessed by the growth in assets and revenues as well as the expansion of our toll highway operations from Shenzhen to Guangdong Province and other areas across the country. I would like to take this opportunity to express, on behalf of the Board, high respect to our founders and forerunners for their industrious work, in particular to our former Chairman Mr. Chen Chao who made a major contribution with his heart and soul in achieving multi-step development of the Company. Mr. Chen Chao has been the Chairman since the establishment of the Company. He has shepherded all the staff to overcome various difficulties, such as shortage of qualified personnel and financing resources, at the initial development stage of the Company. Capitalising on the right opportunities, he has made courageous expansion moves and has effected a sound, cost-efficient and stable development of the Company. During Mr. Chen's term of office, the Company invested almost RMB 6,000 million in the construction of expressways, shaping our strategy of expanding from Shenzhen to Guangdong and other regions. The Company also succeeded in establishing financing channels from the capital markets in China and overseas by seeking listings on the stock markets in both Hong Kong and Shanghai. With such listing status, the Company was not only able to solve the fundamental problem of inadequate funds needed for construction projects but also to attain a balanced and diversified shareholding structure, which has in turn served as a solid foundation for establishing a sound corporate governance structure. Mr. Chen Chao has also actively promoted a business operation based on rules and regulations as well as a democratic decision-making process. He has established a check-and-balance mechanism within the Company to ensure a long-term, sound development of the Company. The Company is one of the enterprises in China which has taken a lead in recruiting external directors and overseas independent directors, and establishing specialised committees under the Board to ensure that our decisions are made in an objective, independent and scientific manner. Under the leadership of Mr. Chen Chao, the Company was able to capitalise on opportunities and fully unleash the potential competitive edges and strengths of the Company and the industry. On the basis of the business built over the past decade, the Board will lead the Company's staff and will not cease its endeavours in achieving the Company's strategic objectives.

I would like to take this opportunity to express, on behalf of the Board, sincere gratitude to our shareholders and other members of the community for their longstanding care and support, to the third session of the Board of Directors and the Supervisory Committee for their invaluable contributions, and to our dedicated staff for their unceasing efforts.

**Yang Hai**

*Chairman*

Shenzhen, PRC, 31 March 2006