

# Report of the Supervisory Committee

With strict adherence to the Company Law of the PRC, the Listing Rules and the articles of association of the Company, the Supervisory Committee of the Company had faithfully discharged its duties with prudence and endeavors during the year 2005 for the purpose of safeguarding the interests of the Company and its shareholders. Detailed works of the Supervisory Committee during the Reporting Period are as follows:

During the Reporting Period, the Supervisory Committee convened seven meetings and passed one written resolution. Except those required to be abstained from voting, all the members attended all such meetings. Those meetings were held and resolved in accordance with relevant laws, regulations and articles of association and with proper service of notice and quorum. The matters considered and passed by the Supervisory Committee include:

- The report of the Supervisory Committee for 2004 and the work plan for 2005
- The remuneration of the Supervisors for 2005
- Amendment of the Rules of Procedure for the Supervisory Committee
- Review of the final accounts and audited financial report for 2004, profit distribution scheme for 2004, the 2004 annual report and its summary and budget plan for 2005
- Review of the first quarterly report, interim report and third quarterly report of 2005 of the Company
- Approval of the resignation of Supervisor, nomination of the succession Supervisor and election of chairman of the Supervisory Committee
- Nomination of the Supervisor candidates for the fourth session of the Supervisory Committee and proposing its remuneration scheme
- Review of the Company's investments in Wuhuang Expressway and Qinglian Project
- Review of the investment proposal to further acquire 20.09% interest in Qinglian Company

In addition, the Supervisory Committee had made site visits to the construction projects of the Company during the Reporting Period. Through the means of visiting the construction site and gathering reports directly from the management of the Nanping Project and Yanpai Expressway, the Supervisory Committee had an in-depth understanding about the physical progress and funding requirements of the projects and proposed certain risk management measures for such projects as well.

During the year 2005, the members of the Supervisory Committee attended and observed all the shareholders' general meetings and Board meetings in accordance with laws, reviewed the written resolutions of the Board, monitored the Company's decision making procedures as well as the legality and the implementation of such decisions and promptly informed the Board and the Company's management regarding the potential risk in relation thereto. During the Reporting Period, there is no incidence that the Supervisors make representations to the Directors or sue the Directors on behalf of the Company.



Pursuant to the relevant regulations, the Supervisory Committee made the following independent opinions in relation to the relevant matters of the Company in year 2005:

- (1) In 2005, the Company made its operation decisions strictly in accordance with the Company Law, Securities Law, Listing Rules, the articles of association of the Company and the other relevant rules and regulations and operated its business legally. Based on its existing properly established internal control system, the Company continuously improved and properly implemented the internal control system. All the Directors, general manager and other senior management of the Company had, with a view to protecting the interests of the Company and its shareholders, diligently performed their duties and there is no incidence that the rules and regulations or the articles of association of the Company were violated nor had the Company's interest been affected.
- (2) The Supervisory Committee had seriously reviewed the unqualified auditor's reports on the financial statements of the Company for the year 2005 that are prepared by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co. Ltd. in accordance with the Hong Kong accounting standards and the PRC accounting standards respectively and considered that the auditor's reports were objectively, truly and fairly reflected the financial status, operating results and cash flow positions of the Company and the Group.
- (3) The Company issued 165 million A Shares in December 2001 and raised funds amounted to RMB604 million. Such funds were used to invest in Yanba B. Up to 31 December 2005, a total of RMB440 million out of the raised funds were spent. The actual project in which the proceeds was applied is consistent with the project represented in the Prospectus.
- (4) During the Reporting Period, the Company had acquired 30% interest in Guangwu Expressway, 56.28% interest in Qinglian Project and 55% interest in Wuhuang Expressway. As per the Listing Rules of SSE, the acquisition of Wuhuang Expressway was treated as connected transaction, while all the above acquisitions were treated as connected transactions under the Listing Rules of HKEX. The Supervisory Committee, after reviewing the acquisitions, considered that the transactions were fair and the considerations were reasonable, and the internal decision-making procedures for such acquisitions were legal and the acquisitions were all approved by the shareholders' meetings. The Supervisory Committee was not aware of any insider dealings and damages to the interest of some shareholders or any action causing the diminution of asset value of the Company.

By Order of the Supervisory Committee

**Zhong Shan Qun**

Chairman

Shenzhen, PRC, 31 March 2006