

The Board emphasises enhancing the

PROFESSIONAL

qualities of Directors and nurturing an active and sound Board culture, ensuring a stable development of the Company as well as raising shareholder value.



Report of the Directors

The Board is pleased to present herewith the Directors' report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

DETAILS OF THE COMPANY

The Company was established as a joint stock limited company in the PRC on 30 December 1996 and its H Shares and A Shares were listed on HKEX and SSE on 12 March 1997 and 25 December 2001, respectively.

SUMMARY OF THE REPORT OF THE BOARD

During the year 2006, seven board meetings were held, of which details are set out on pages 54 to 55 in the "Corporate Governance Report" of this annual report.

SUMMARY OF THE GENERAL MEETINGS

Details of the general meetings convened by the Company in the Reporting Period are as follows:

Session Number	Date Convened	Major Newspapers on which the information disclosed	Disclosure Date
Relevant Shareholders' Meetings of the A Share Market	23 January 2006		24 January 2006
The First Extraordinary General Meeting 2006	12 June 2006		13 June 2006
The 2005 Annual General Meeting, the 2006 Extraordinary General Meeting for Holders of Overseas-listed Foreign Shares, the 2006 Extraordinary General Meeting for Holders of Domestic Shares		Shanghai Securities News Securities Times Hong Kong Economic Times The Standard	
The Second Extraordinary General Meeting 2006, the Second Extraordinary General Meeting 2006 for Holders of H Shares, the Second Extraordinary General Meeting 2006 for Holders of Domestic Shares	3 November 2006		6 November 2006

Report of the Directors

The shareholders considered the following important matters at the above general meetings or relevant shareholders' meeting:

1. Passed the following matters as ordinary resolutions:
 - the report of the Directors, the report of the Supervisory Committee, the audited financial report and the profit distribution scheme for the year 2005
 - the budget plan and the emoluments of the Directors and Supervisors for the year 2006
 - re-appointment of international auditors and statutory auditors
 - acquisition of 20.09% interests in Qinglian Company
 - the feasibility of the project to be invested with the proceeds from the proposed issuance of Bonds With Warrants
 - the use of proceeds from the previous issuance
2. Passed the following matters as special resolutions:
 - the Share Segregation Reform Proposal
 - amendments to the Articles
 - authorisation to the Board to repurchase H Shares of the Company
 - proposal for the issuance of Bonds With Warrants

For details of the relevant resolutions and the consideration and passing of the relevant resolutions, please refer to the above disclosure of information.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the investment, construction and operation management of toll highways and roads in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses.

An analysis of the Group's turnover and contributions to operating profit for the Reporting Period is set out on pages 27 to 33.

The turnover of and the operating profit contributed to the Group are not separately analysed in terms of business and geographical segments as the turnover and results reported in the Reporting Period are principally derived from toll roads operated by the Group, which are located in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

No further disclosures with regard to the Group's major customers and suppliers are made since the Group's major customers are users of its toll highways while there is normally no major purchase in relation to its ordinary course of business.



FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement of the Financial Statements attached in this annual report on page 94.

The financial positions of the Group and the Company as at 31 December 2006 are set out in the balance sheets of the Financial Statements attached in this annual report on pages 92 to 93.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 3 of this annual report.

DIVIDENDS

1. Proposed final dividend for the year 2006

The Board recommended the payment of a final dividend of RMB0.13 per share (tax included) to all shareholders, totalling RMB283,491,000, for the year ended 31 December 2006. The dividend will be paid to the shareholders of H Shares whose names appear in the register of shareholders of the Company at the close of business on 20 March 2007. For payment of dividend to the shareholders of domestic shares, the registration date, payment procedures and date will be otherwise notified. Such dividend shall be subject to the approval by shareholders at the 2006 Annual General Meeting to be held on 20 April 2007 (Friday).

According to the Articles, the dividend distributed to the shareholders of domestic shares will be paid in RMB. The dividend distributed to the shareholders of H Shares will be paid in HK\$ by reference to the average exchange rate for converting RMB into HK\$ quoted by the People's Bank of China for the five working days preceding the day on which the final dividend is declared.

2. Dividend scheme of the year 2005 and its implementation

Pursuant to the approval at the 2005 Annual General Meeting, the Company paid a final dividend of RMB0.12 per share for the year 2005 to all shareholders on the basis of the total share capital comprising 2,180,700,000 shares as at the year end of 2005, totalling RMB261,684,000. Such dividend distributions had been completed before 31 July 2006.

DIRECTORS AND SUPERVISORS

1. The details of the Directors and the Supervisors are set out on pages 82 to 85 of this annual report.

2. Directors' service contracts

Each of the Directors has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are effective from 1 January 2006 to 31 December 2008. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

3. Directors' and Supervisors' interests in contracts

As at the end of the Reporting Period or at any time during the Reporting Period, no material contract to which the Company, its subsidiaries or its jointly controlled entities was a party and in which the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

4. During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Directors, the Supervisors and senior management of the Company or its controlling shareholder(s) or their respective connected persons.

THE DETAILS OF ELECTION AND CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. At the Sixth Extraordinary General Meeting 2005 held on 28 December 2005, the Company elected members for the fourth session of the Board and the Supervisory Committee. The terms of office for all the members of the fourth session of the Board and the Supervisory Committee are 3 years effective from 1 January 2006 to 31 December 2008. Details of the composition of the Board and the Supervisory Committee are set out on pages 53 and 61 in the Corporate Governance Report of this annual report.
2. At the first meeting of the fourth session of the Board and the first meeting of the fourth session of the Supervisory Committee held on 6 January 2006, Mr. Yang Hai and Mr. Zhong Shan Qun were elected as the chairman of the Board and the chairman of the Supervisory Committee respectively.
3. At the first meeting of the fourth session of the Board, a resolution relating to formation of the new session of specialised committees of the Board was approved. Details of the committee members are set out on pages 57 to 60 in the "Corporate Governance Report" of this annual report.
4. At the sixth meeting of the fourth session of the Board held on 26 October 2006, the Board agreed to the reappointment of Mr. Zhou Qing Ming as Administrator Controller of the Company with a term of office of two years.
5. At the seventh meeting of the fourth session of the Board held on 8 December 2006, the Board agreed to the appointment of Ms. Zhang Yang, a non-executive Director, as a member of the Remuneration Committee. Mr. Yang Hai, an executive Director, has no longer been a member of the Remuneration Committee.

EMOLUMENTS OF THE DIRECTORS, THE SUPERVISORS AND SENIOR MANAGEMENT

The emoluments of the Directors and Supervisors of the Company are determined in accordance with relevant PRC policies and regulations with reference to the Company's actual situation and prevailing market conditions, subject to approval at the general meeting after separate deliberations by the Board and the Supervisory Committee. During the Reporting Period, the Remuneration Committee of the Board was responsible to formulate the proposal for the Directors' remunerations to the Board.

In the year 2006, four Independent Directors and Mr. Chiu Chi Cheong, Clifton, a Director not nominated by shareholders, received Directors' emoluments while other Directors and Supervisors did not obtain any Director's emoluments or Supervisor's emoluments. All Directors and Supervisors received meeting subsidies in accordance with the relevant rules. The executive Directors and the Supervisor representing staff received management remuneration in accordance with their specific management positions in the Company. The remuneration of the senior management comprises three parts, namely position salary, performance bonus and benefits, including the contributions to social retirement insurance (a retirement scheme), other kinds of social insurance and the supplemental retirement scheme, etc., that are paid by the Company according to the relevant rules. Information relating to the remuneration policy of the Company and the assessment and incentive scheme of the senior management are set out in "Human Resources" on page 46 of this annual report.

Details of the remuneration received by the Directors, Supervisors and senior management of the Company in the year 2006 are as follows:

Unit: RMB'000(before tax)

Name	Total remuneration received from the Company during the Reporting Period			Total	Whether receive remuneration from shareholder or other connected entities
	Director's/ Supervisor's emolument	Meeting subsidies	Management remuneration (including insurance and fringe benefits)		
Executive Director:					
Yang Hai ^{Note 1}		— ^{Note 1}	944	944	No
Wu Ya De ^{Note 1}		— ^{Note 1}	755	755	No
Non-executive Director:					
Li Jing Qi		11		11	Yes
Wang Ji Zhong		8		8	Yes
Liu Jun		7		7	Yes
Lin Xiang Ke		7		7	Yes
Zhang Yang		8		8	Yes
Chiu Chi Cheong, Clifton ^{Note 2}	(HK\$) 300	13		319	No
Independent Director:					
Li Zhi Zheng	150	13		163	No
Zhang Zhi Xue	150	15		165	No
Poon Kai Leung, James ^{Note 2}	(HK\$) 150	11		164	No
Wong Kam Ling ^{Note 2}	(HK\$) 150	15		168	No
Supervisor:					
Zhong Shan Qun		10		10	Yes
Zhang Yi Ping		12		12	Yes
Yi Ai Guo ^{Note 3}		13	372	385	No
Senior Management:					
Wu Xian ^{Note 3}			609	609	No
Li Jian ^{Note 3}			484	484	No
Ge Fei ^{Note 3}			537	537	No
Fan Li Ping ^{Note 3}			531	531	No
Gong Tao Tao ^{Note 3}			573	573	No
Zhou Qing Ming ^{Note 3}			501	501	No
Wu Qian			559	559	No
				6,920	

Notes:

1. Yang Hai and Wu Ya De, Directors, renounced the meeting subsidies receivable of RMB19,000 and RMB13,000 respectively for the Year.
2. For the purpose of conversion, amounts in HK\$ have been converted into RMB using an exchange rate of HK\$1 = RMB1.02.
3. According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For the management staff who participate in the plan, the Company will pay certain monthly vehicle subsidies in lieu of providing or arranging business vehicles for them. During the Reporting Period, a Supervisor Yi Ai Guo and some senior management members namely, Wu Xian, Li Jian, Ge Fei, Fan Li Ping, Gong Tao Tao and Zhou Qing Ming, participated in the above plan. During the Reporting Period, the aforesaid person received vehicle subsidies of RMB43,200, RMB38,400, RMB60,000, RMB60,000, RMB60,000, RMB60,000 and RMB60,000 respectively.

DISCLOSURE OF INTERESTS

1. As at 31 December 2006, none of the Directors, Supervisors or senior management had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEX pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers".
2. None of the Directors, Supervisors or senior management is materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting at the date of this annual report and which is significant in relation to the business of the Group.

SHARE CAPITAL

The total share capital of the Company was RMB2,180,700,000 with details set out in note 16 to the Financial Statements.

PROFILES OF SHAREHOLDERS

- As at 31 December 2006, the Company had 24,841 shareholders in total, including 24,491 holders of domestic shares and 350 holders of H Shares.
- As at 31 December 2006, so far as is known to the Directors, Supervisors and senior management of the Company, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company:

	Number of domestic shares (note 1)	Approximate percentage of total issued domestic share capital	Approximate percentage of total issued share capital
XTC Company (note 2)	654,780,000	45.68%	30.03%
SGH Company (note 3)	411,459,887	28.71%	18.86%
Huajian Centre (note 3)	87,211,323	6.09%	4.00%

Long positions in the H Shares of the Company:

	Number of H shares (note 4)	Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital
Sumitomo Life Insurance Company	51,430,000 (note 5)	6.88%	2.36%
Sumitomo Mitsui Asset Management Company, Limited	51,430,000 (note 6)	6.88%	2.36%
Halbis Capital Management (Hong Kong) Limited (formerly known as HSBC Halbis Partners (Hong Kong) Limited)	44,302,000 (note 7)	5.93%	2.03%
JP Morgan Chase & Co.	37,959,000 (note 8)	5.08%	1.74%

Notes:

- Restricted circulating shares.
- XTC Company is a limited company incorporated under the laws of the PRC and is a wholly owned subsidiary of Shenzhen International whose shares are listed on HKEX. In addition to the above-mentioned domestic shares of the Company held through XTC Company, Shenzhen International, through its wholly owned subsidiary Advance Great Limited, held 18,008,000 H Shares of the Company. As at the date of this annual report, Advance Great Limited held 24,568,000 H Shares of the Company.
- State-owned enterprises incorporated under the laws of the PRC with limited liability.
- Shares listed on the main board of HKEX.
- These 51,430,000 H Shares were held through Sumitomo Mitsui Asset Management Company, Limited, in which Sumitomo Life Insurance Company had a controlling interest.
- These 51,430,000 H Shares were held by Sumitomo Mitsui Asset Management Company, Limited as investment manager.
- These 44,302,000 H Shares were held by Halbis Capital Management (Hong Kong) Limited as investment manager.
- These 37,959,000 H Shares were held by JP Morgan Chase & Co. as approved lending agent.

Save as disclosed above, the register required to be kept under Section 336 of Part XV of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2006.

3. As at 31 December 2006, the top ten holders of non-restricted circulating shares of the Company based on the shareholders' registers supplied by the share registrars and the transfer offices of Hong Kong and the PRC were as follows:

Name of Shareholder	Number of non-restricted circulating shares held	Type of Shares
HKSCC Nominees Limited (Note)	731,663,398	H Share
Social Insurance Fund Portfolio 102	13,596,445	A Share
ICBC – China Universal Balanced Growth Securities Investment Fund	13,000,000	A Share
CCB – Boserá Thematic Sector Securities Investment Fund	10,723,247	A Share
Social Insurance Fund Portfolio 103	9,239,432	A Share
CCB – Boserá Value Appreciation Securities Investment Fund No.2	5,487,708	A Share
First Capital Securities Co., Ltd.	3,996,200	A Share
China Galaxy Securities Company Limited	3,974,374	A Share
The Bank of Nova Scotia	3,521,813	A Share
Arsenton Nominees Limited	3,000,000	H Share

Note: The H Shares held by HKSCC Nominees Limited were held on behalf of various clients.

4. The Share Segregation Reform Proposal (the "Reform Proposal") of the Company was successfully implemented on 27 February 2006. Holders of former non-circulating shares of the Company paid to circulating A Shares shareholders 3.2 shares for every 10 A Shares held by such A Shares shareholder on the registration date of the implementation of the Reform Proposal (i.e. 24 February 2006), so as to obtain the circulation rights of the non-circulating shares on the A shares stock market. After the implementation of the Reform Proposal, the total number of shares held by the holders of former non-circulating shares of the Company decreased from 1,268,200,000 shares to 1,215,400,000 shares, with the nature of such shares changed from non-circulating shares to restricted circulating shares, and the total number of circulating A Shares increased from 165,000,000 shares to 217,800,000 shares. The total number of shares of the Company before and after the implementation of the Reform Proposal remained unchanged.

Name of restricted circulating shares shareholder	Number of restricted circulating shares	Restricted circulating condition	Date allowed for trading
XTC Company	654,780,000 shares	Within 36 months from the day of obtaining the circulation rights, they shall not be traded on the stock exchange	2 March 2009
SGH Company	411,459,887 shares		
Huajian Centre	87,211,323 shares		
GDRB Company	61,948,790 shares		

5. Public Float

Based on the publicly available information known to the Directors, the Board believes that the Company has maintained a sufficient public float as at the latest practicable date prior to the printing of this annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, no shares of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its jointly controlled entities.

PRE-EMPTIVE RIGHTS

According to the Articles and the PRC laws, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings if new shares are issued.

RESERVES

The amounts and particulars of material transfers to and from reserves of the Company during the Reporting Period are set out in note 17 to the Financial Statements.

FIXED ASSETS

The movements in fixed assets of the Group and the Company during the Reporting Period are set out in note 5 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in note 18 to the Financial Statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group and the Company during the Reporting Period are set out in note 26 to the Financial Statements.

INCOME TAX AND BUSINESS TAX

Details of income tax and business tax of the Group during the Reporting Period are set out in notes 27 and 24 to the Financial Statements respectively.

TRUST DEPOSITS AND OVERDUE TIME DEPOSITS

During the Reporting Period, the Group did not have any trust deposit or overdue time deposit.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's subsidiaries and jointly controlled entities are set out in notes 9 and 10 to the Financial Statements respectively.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, there is no material litigation or arbitration arising in connection with the Company or its subsidiaries or its jointly controlled entities nor is there any material prior litigation or arbitration subsisting in the Reporting Period.

INVESTMENTS AND ACQUISITIONS

Please refer to the Business Review and Analysis from page 25 and the following "Connected Transactions" for details of the investments and acquisitions of the Company in the Reporting Period.

CONNECTED TRANSACTIONS

In 2006, the Group had made the following disclosures in relation to connected transactions in accordance with Chapter 14A of the Listing Rules of HKEX:

1. On 8 February 2006, the Company entered into an agreement with the liquidation committee of Yueqing Company for the acquisition of 20.09% interests in Qinglian Company at a consideration of RMB484,000,000. In accordance with the Listing Rules of HKEX, since Yueqing Company is an associate of GDRB Company, which is a promoter of the Company (holding approximately 2.96% of the shares of the Company at that time), the transaction constituted a major and connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. On 12 June 2006, the aforesaid acquisition was approved at the extraordinary general meeting of the Company. GDRB Company and its associates abstained from voting at the general meeting. For details of the transaction, please refer to the announcement dated 8 February 2006 and circular dated 25 April 2006 of the Company. The relevant industrial and administrative registration for the transaction was completed in January 2007.

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2. On 11 December 2006, the Company entered into an agreement with XTC Company for the acquisition of 5% interests in Meiguan Company at a consideration of RMB96,000,000. XTC Company is one of the promoters of the Company, holding approximately 30.03% of the shares of the Company. According to the Listing Rules of HKEX and SSE, the transaction constituted a connected transaction of the Company and was only subject to the reporting and announcement requirements but was exempted from independent shareholders' approval requirements. The aforesaid acquisition was approved by the Board on 8 December 2006. Mr. Yang Hai, Mr. Li Jing Qi, Mr. Wang Ji Zhong and Mr. Liu Jun, Directors, who also hold posts in XTC Company, declared their interests and abstained from voting at the relevant Board meeting. For details of the transaction, please refer to the announcement of the Company dated 11 December 2006. The acquisition was completed in December 2006.

The relevant considerations of the above two acquisitions were determined through tender or after arm's length negotiation. The relevant agreements were entered in accordance with normal commercial terms and in the ordinary course of business, which are fair and reasonable to the Company and all shareholders and in the interests of the Company and shareholders as a whole. The above acquisitions would strengthen the Group's asset scale and profit base, and are consistent with the overall business strategy of the Group in the investment of toll highways.

FUNDS TRANSACTION BETWEEN CONNECTED PARTIES

Advances and liabilities or guarantees related to the connected parties (as defined in the relevant PRC regulatory rules) are as follows:

1. During the Reporting Period, there is no appropriation of the Company's funds by its controlling shareholders or its subsidiaries. The non-operating current accounts between the Company and its subsidiaries, jointly controlled entities and other related parties (as defined in the relevant PRC regulatory rules) were the disbursements provided by the Company in performing the obligations of the guarantee for the Ropeway Company in previous years. The balance as at 31 December 2006 was RMB46,084,000. The statutory auditors of the Company have issued a specific report on the table of the appropriation of funds by the controlling shareholder and other connected parties compiled in accordance with "The Notice of Certain Matters on Administration of Fund between Listed Company and its Connected Parties and Listed Company's External Guarantees" (Zhengjianfa, No. 56 of (2003)) 《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》(證發監(2003)56號).
2. Please refer to note 2 in the following "Mortgage and Pledge of Assets" for the Company's provision of counter-guarantee for the bank loan of Mei Wah Company.
3. The loan in a sum of US\$3,351,300 from the Spanish Government on-lent by China Construction Bank was secured by a substantial shareholder of the Company, XTC Company.

OTHER MATERIAL CONTRACTS

In addition to those contracts related to the acquisitions as stated in this annual report, other material contracts of the group during the Reporting Period were as follows:

1. *Management contract:*

Pursuant to a contract dated 7 June 1995 together with subsequent amendments thereof, the Company's jointly controlled entity, Magerk Company, entrusted the toll collection of Wuhaung Expressway and the usage, management, preservation, maintenance and repair of Wuhaung Expressway and its ancillary facilities to the Hubei Bureau for the Administration of Higher Class Public Roads (湖北省高等級公路管理局), or other sub-contractors whom it may designate from time to time (Hubei Wuhaung Expressway Management Co. Ltd. (湖北武黃高速公路經營有限公司) is the sub-contractor currently designated), throughout the operating period of Wuhaung Expressway at a consideration which is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhaung Expressway by the Company.

In 2006, revenue and profit of Wuhaung Expressway attributable to the Group represented 14.99% of the Group's revenue and 10.47% of the Group's after-tax profit respectively. The amount of entrusted management fees attributable to the Company with reference to 55% interests in Magerk Company held by the Company is RMB44,984,000. Please refer to "Financial Review and Analysis" from page 27 to page 35 of this annual report for relevant details of the impact on the financial status and operating results of the Company.

2. Mortgage and Pledge of Assets

As at the end of the Reporting Period, the Group had the following assets mortgaged or pledged:

Asset	Type	Bank	Scope of security	Terms
Toll collection rights of Shuiguan Expressway	Pledge*	China Construction Bank	RMB650 million bank loan (principal and interests)	Until repayment of all indebtedness by Qinglong Company under the loan agreement
154,000,000 shares of JEL Company	Mortgage**	Industrial and Commercial Bank of China (Asia) Limited	HK\$680 million bank loan (principal and interests) (note 2)	Until repayment of all indebtedness by Mei Wah Company under the loan agreement

* Pledged by Qinglong Company, a jointly controlled entity of the Company

** Mortgaged by Mei Wah Company, a wholly owned subsidiary of the Company

Notes:

- The Company had pledged its 95% shareholding in Meiguan Company in favour of China Development Bank for a credit line of RMB 1.4 billion since 25 June 2005. During the Reporting Period, the said pledge was released since the relevant loan had been settled.
- In 2005, Mei Wah Company mortgaged its shares in JEL Company for guaranteeing a loan of HK\$680 million in favour of Industrial and Commercial Bank of China (Asia) Limited. Meanwhile, Shenzhen Branch of Industrial and Commercial Bank of China ("ICBC Shenzhen") issued a letter of credit for guaranteeing the performance of Mei Wah Company and the Company provided a credit counter-guarantee to ICBC Shenzhen therefor. As part of the loan had been repaid, the Company entered into a supplementary agreement with the relevant parties, pursuant to which, the letter of credit provided by ICBC Shenzhen have been released from 19 June 2006 and the credit counter-guarantee provided by the Company to ICBC Shenzhen was released accordingly. As at the end of the Reporting Period, the amount of outstanding loan is HK\$162 million.
- On 19 May 2006, Qinglian Company, an associated company of the Company, pledged the following interests in favour of the lending bank for the loans of an aggregate amount of RMB4.66 billion: (a) toll collection rights of Qinglian Class 1 Highway and Qinglian Class 2 Road during the reconstruction period of Qinglian Class 1 Highway into an expressway; (b) toll collection rights of Qinglian Expressway and Qinglian Class 2 Road after completion of the reconstruction of Qinglian Class 1 Highway into an expressway. Information relating to the relevant loan arrangement is set out in the "Capital/Financing" on page 37 in this annual report.

Save as disclosed above, the Company did not enter into any contract in respect of the management and administration of its entire business or any material business, nor did it enter into any other material contracts in relation to entrustment, subcontracting, leasing, guarantee or cash assets management during the Reporting Period. Furthermore, there were no such prior material contracts subsisting during the Reporting Period.

The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered specific explanations and independent opinions in relation to the external guarantees of the Company.

CONTINUING DISCLOSURE OBLIGATIONS UNDER THE LISTING RULES OF HKEX

The Group acquired 56.28% interests in Qinglian Company in 2005, and also undertook, in proportion to its interests acquired, the advances and the related accrued but unpaid interests of Qinglian Company from the original equity holders for a total amount of RMB958,883,000 which is reflected in the interests in associates. During the Reporting Period, according to the agreement of the equity holders of Qinglian Company and the resolution of the board of directors of Qinglian Company, the Company converted the aforesaid advances with an amount of RMB829,393,000 into capital investment. As such, as at the end of the Reporting Period, there is no matter required to be disclosed pursuant to the continuing disclosure obligations under rule 13.22 of the Listing Rules of HKEX.

UNDERTAKING

1. The shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding, have undertaken in the promoters' agreement that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. As at the end of the Reporting Period, the Company did not notice violation of such undertaking by the above two major shareholders.
2. Special undertakings and the fulfillment made by the shareholders during the process of Share Segregation Reform:

Name of shareholders	Special undertakings	Fulfillment
XTC Company	1. Within 36 months from the day of granting listing status to the unlisted shares of the Company held by them, they shall not trade such shares on the stock exchange;	
SGH Company	2. During three consecutive years immediately following the completion of implementation of the Share Segregation Reform, they shall propose resolutions at the annual general meeting of the Company to distribute at least 50% of the profit available for distribution in the corresponding periods as cash dividends to the shareholders and to vote for such resolutions at the annual general meeting;	The Company did not notice that these shareholders had violated such undertaking during the Reporting Period.
Huajian Centre		
GDRB Company		
	3. They would pay all relevant expenses arising from the Share Segregation Reform in proportionate to their shareholdings.	

RESULTS REVIEW

The Audit Committee of the Company has reviewed and confirmed the annual results announcement and the annual report for the twelve months ended 31 December 2006.

AUDITORS

The details of the appointment and remuneration of the auditors are stated in the Corporate Governance Report on pages 63 to 64 of this annual report.

NAME OF DIRECTORS

As at the date of this report, the Directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Director and General Manager), Mr. Li Jing Qi (Non-executive Director), Mr. Wang Ji Zhong (Non-executive Director), Mr. Liu Jun (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Li Zhi Zheng (Independent Director), Mr. Zhang Zhi Xue (Independent Director), Mr. Poon Kai Leung, James (Independent Director) and Mr. Wong Kam Ling (Independent Director).

By Order of the Board

Yang Hai

Chairman

Shenzhen, the PRC, 2 March 2007