



The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company has complied with the Code Provisions save for certain deviations from the Code Provisions in respect of Code Provisions A.4.1, details of which will be explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance and transparency and accountability of Company operations.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company. The Board focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.



Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment.

The Board comprises the following members :

Executive directors

Mr Ou Bingchang (*Chairman*)

Mr Li Xinmin (*Deputy Chairman*)

Mr Qian Shangning (*General Manager*) (appointed with effect from 12 April 2007)

Mr Li Zhuo (resigned with effect from 12 April 2007)

Mr Chen Guangsong (resigned with effect from 28 November 2006)

Mr Liang Ningguang

Mr Liang Yi

Mr Cai Tielong (appointed with effect from 12 April 2007)

Mr Du Xinrang (resigned with effect from 12 April 2007)

Mr He Zili

Ms Yuan Hongping (appointed with effect from 12 April 2007)

Mr Chen Guanzhan (appointed with effect from 12 April 2007)

Mr Zhang Siyuan

Mr Luo Jinbiao (appointed with effect from 12 April 2007)

Mr Tan Yuande (resigned with effect from 12 April 2007)

Mr He Baiqing (resigned with effect from 12 April 2007)

Mr Zhang Huping

Non-executive directors

Mr Fung Ka Pun *

Mr Lau Hon Chuen Ambrose *

Mr Poon Jing

Mr Cheung Doi Shu *

* *Independent non-executive directors*

During the year ended 31 December 2006, Mr Chen Guangsong resigned as executive director on 28 November 2006.

At the board meeting of the Company held on 10 April 2007, Messrs Li Zhuo, Du Xinrang, Tan Yuande and He Baiqing resigned as executive directors with effect from 12 April 2007. Mr Qian Shangning, Mr Cai Tielong, Ms Yuan Hongping, Mr Chen Guanzhan and Mr Luo Jinbiao were appointed as executive directors with effect from 12 April 2007. Mr Qian Shangning has been appointed General Manager to succeed Mr Li Zhuo.

None of the members of the Board is related to one another.



During the year ended 31 December 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-Laws. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

In accordance with the Company's Bye-Laws which were amended by a special resolution at the annual general meeting held on 30 May 2006 for the purpose of compliance with the CG Code, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

In accordance with the Company's Bye-Laws, Mr Qian Shangning, Mr Cai Tielong, Ms Yuan Hongping, Mr Chen Guanzhan and Mr Luo Jinbiao having been appointed as executive directors of the Company, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In addition, Messrs Liang Ningguang, Zhang Siyuan, Fung Ka Pun and Cheung Doi Shu retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.



Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction and a directors' guidelines on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

In year 2006, the Board held 4 meetings. The attendance record of each member of the Board is set out below :

Directors	Attendance of Board meetings in 2006
<i>Executive directors</i>	
Ou Bingchang	3/4
Li Xinmin	4/4
Li Zhuo	3/4
Chen Guangsong ¹	3/3
Liang Ningguang	3/4
Liang Yi	3/4
Du Xinrang	1/4
He Zili	4/4
Zhang Siyuan	3/4
Tan Yuande	2/4
He Baiqing	2/4
Zhang Huping	2/4
<i>Non-executive director</i>	
Poon Jing	0/4
<i>Independent Non-executive directors</i>	
Fung Ka Pun	4/4
Lau Hon Chuen Ambrose	4/4
Cheung Doi Shu	2/4

Note:

1. Resigned on 28 November 2006



Practices and Conduct of Meetings

Notices of the two regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-Laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The position of the Chairman is held by Mr Ou Bingchang while the position of General Manager was held by Mr Li Zhuo during the year ended 31 December 2006 and was succeeded by Mr Qian Shangning with effect from 12 April 2007.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors and Mr Lau Hon Chuen Ambrose is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee met once on 4 April 2007 (with all three members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.



Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Lau Hon Chuen Ambrose is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2006 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	Attendance of Audit Committee meetings in 2006
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's annual results for the year ended 31 December 2006 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2006.

Specific employees who are likely to be in possession of unpublished price sensitive information of the Group have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.



RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2006.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Report of the Auditor".

During the year ended 31 December 2006, the remuneration paid to the external auditors of the Company in respect of audit services was HK\$1.2 million and non-audit services was HK\$1.2 million which was mainly related to the acquisition of an additional 20.0 per cent equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd.

INTERNAL CONTROLS

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and Group's assets. In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, which provide for the identification and arrangement of business risk.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-Laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be published in newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.gzitransport.com.hk, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.