



The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of investment in and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the Mainland of China (“China”).

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 37.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2006:

	HK\$'000
Interim dividend of HK\$0.065 per share paid on 18 October 2006	72,504
Proposed final dividend of HK\$0.07 per share	78,081
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	150,585
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RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the consolidated financial statements.

DONATIONS

No charitable and other donations were made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group and the Company are set out in notes 18 and 19 to the consolidated financial statements.

SHARE CAPITAL AND OPTIONS

Details of the movements in the issued share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

Details of the movements in the share options granted by the Company during the year and options outstanding as at 31 December 2006 are set out in note 28 to the consolidated financial statements.



FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Results					
Profit attributable to shareholders	<u>461,157</u>	<u>305,898</u>	<u>277,029</u>	<u>223,822</u>	<u>142,498</u>
Assets and liabilities					
Total assets	<u>4,947,235</u>	<u>4,631,092</u>	<u>4,486,660</u>	<u>4,560,962</u>	<u>4,602,426</u>
Total liabilities	<u>(526,100)</u>	<u>(633,422)</u>	<u>(753,797)</u>	<u>(942,136)</u>	<u>(1,148,107)</u>
	<u>4,421,135</u>	<u>3,997,670</u>	<u>3,732,863</u>	<u>3,618,826</u>	<u>3,454,319</u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2006 are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the distributable reserves of the Company available for distribution amounted to HK\$2,114,435,000 (2005: HK\$2,128,558,000).



DIRECTORS

The Directors who held office during the year and up to the date of this report were:-

Executive directors

Mr Ou Bingchang	
Mr Li Xinmin	
Mr Qian Shangning	(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

Messrs Liang Ningguang, Zhang Siyuan, Fung Ka Pun and Cheung Doi Shu retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws and, being eligible, offer themselves for re-election. Mr Qian Shangning, Mr Cai Tielong, Ms Yuan Hongping, Mr Chen Guanzhan and Mr Luo Jinbiao retire in accordance with Bye-Law 102 of the Company's Bye-Laws and, being eligible, offer themselves for re-election.

The Directors' Profiles are set out on pages 19 and 20.



MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

The independent non-executive Directors of the Company received HK\$375,000 as Directors' fee for the year ended 31 December 2006.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Certain related party transactions, which also constitute as connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), required to be disclosed in accordance with the Listing Rules, are disclosed in note 35(b) to the consolidated financial statements.

BORROWINGS

Analysis of borrowings of the Group as at 31 December 2006 is set out in note 30 to the consolidated financial statements.



INTERESTS OF DIRECTORS

As at 31 December 2006, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

I. Long positions in shares of Guangzhou Investment Company Limited (“GZI”), the holding company of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Ningguang	Personal	400,000	0.01

II. Long positions in underlying shares of equity derivatives of GZI:

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options ⁽ⁱ⁾ outstanding as at 1 January and 31 December 2006
Mr Ou Bingchang	02/06/2003	0.5400	9,000,000
Mr Liang Ningguang	02/06/2003	0.5400	7,000,000
Mr Liang Yi	02/06/2003	0.5400	7,000,000

Note:

- (i) The share options are exercisable from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

Save as disclosed herein, as at 31 December 2006, none of the Directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.



INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following persons have an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	Long position in shares	Approximate % of interest
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	(a)	791,878,076	70.99
GZI	(a)	750,134,000	67.25
First Dynamic Limited	(a)	750,000,000	67.24
Round Table Holdings Limited	(a)	750,000,000	67.24
GZI Transport (Holdings) Limited	(a)	750,000,000	67.24
Housemaster Holdings Limited	(a)	367,500,000	32.95
Power Head Limited	(a)	157,500,000	14.12
Delta Force Holdings Limited	(a)	112,500,000	10.09
Lawson Enterprises Limited	(a)	112,500,000	10.09
Mr Cheah Cheng Hye	(b)	140,976,000	12.63
Value Partners Limited	(b)	140,976,000	12.63

Notes:

- (a) The capacity of Yue Xiu in holding the 791,878,076 shares was, as to 5,769 shares, as beneficial owner and, as to 791,872,307 shares, attributable to interests of controlled corporations.

Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited were the beneficial owners of 367,500,000, 157,500,000, 112,500,000 and 112,500,000 shares of the Company respectively. These companies were wholly-owned by GZI Transport (Holdings) Limited which, by virtue of the SFO, was deemed to be interested in the 750,000,000 shares held by these subsidiaries.

GZI Transport (Holdings) Limited was owned as to 51 per cent by Round Table Holdings Limited and 49 per cent by First Dynamic Limited. First Dynamic Limited was wholly-owned by Yue Xiu which also through certain subsidiaries owned about 45 per cent of the issued share capital of GZI as at 31 December 2006. Round Table Holdings Limited was wholly-owned by GZI which also directly held 134,000 shares of the Company. By virtue of the SFO, GZI, Round Table Holdings Limited and First Dynamic Limited were deemed to be interested in the 750,000,000 shares.

- (b) The capacity of Value Partners Limited in holding the 140,976,000 shares was investment manager. Mr Cheah Cheng Hye was deemed to be interested in 140,976,000 shares as a result of his indirect holding of such shares through his controlled corporation, Value Partners Limited.

SHARE OPTIONS

Pursuant to a share option scheme ("Share Option Scheme") approved by shareholders of the Company on 3 January 1997, the Board of Directors of the Company ("Board") may, at their discretion, grant to Directors and employees of the Company or any of its subsidiaries options to subscribe for ordinary shares in the Company.

On 25 June 2002, the shareholders of the Company approved the resolutions relating to the termination of the Share Option Scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). Upon termination of the Share Option Scheme, no further share options will be granted thereunder but all the outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith, and only those provisions of the Share Option Scheme which are required to give effect to the outstanding share options continue to remain in force for such purpose. The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules.



Pursuant to the 2002 Share Option Scheme, the Board may grant to any person being an employee, officer, director, agent, consultant or representative of GZI, Yue Xiu, the Company or any of their respective subsidiaries (“Participants”) options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 per cent of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 per cent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders’ approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of GZI, Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of GZI, Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option. No such options have been granted to any person.

Movements during the year of the options granted under the Share Option Scheme were as follows:

Number of share options				Exercise price per share HK\$	Date of grant	Exercisable period
outstanding as at 1 January 2006	exercised during the year	lapsed during the year	outstanding as at 31 December 2006			
230,000	—	(230,000)	—	0.7520	07/04/2000	07/04/2001 - 06/04/2006 (b)

Notes:

- (a) No options have been granted or cancelled during the year.
- (b) All options are exercisable in 3 tranches.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-Laws and there are no restrictions against such rights under the laws of Bermuda.



PUBLIC FLOAT

As announced by the Company on 28 February 2007, based on the information set out in the Disclosure of Interest Forms filed by Value Partners Limited (“Value Partners”) and Mr Cheah Cheng Hye pursuant to Part XV of the SFO in November 2006, Value Partners and Mr Cheah Cheng Hye have increased their shareholding interest (“Shareholding Increase”) in the Company to 140,976,000 shares of the Company, representing approximately 12.63% of the entire issued share capital in the Company.

As at the date of this report, GZI, the controlling shareholder of the Company, together with its controlling shareholder, Yue Xiu, and its associates (“GZI Group”), currently hold 785,932,076 shares, representing approximately 70.46% of the entire issued share capital in the Company. As far as the Company is aware, Value Partners together with its associates, including Mr Cheah Cheng Hye, became or were deemed to be substantial shareholders of the Company as a result of the Shareholding Increase and they currently hold 140,976,000 shares. The aggregate shareholding interest of the GZI Group and Value Partners and its associates, including Mr Cheah Cheng Hye, in the Company is approximately 83.09%, thereby resulting in a public float of approximately 16.91% which is below 25% of the Company’s total issued share capital as required under Rule 8.08 of the Listing Rules.

The Company is considering various ways to ensure the minimum percentage of public float be maintained in compliance with the relevant Listing Rules at the earliest possible moment.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosure with regard to the Group’s major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group’s five largest customers and suppliers are less than 30 per cent of the Group’s total sales and purchases during the current and previous years.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ou Bingchang

Chairman

Hong Kong, 10 April 2007