

Directors' Report

The Board has pleasure in presenting the Report of the Directors for the year 2005 together with the audited financial statements of the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of integrated logistics services and expressway-related services. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries are set out in note 10 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years are set out in the section headed "Financial Summary" of this report.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 57 of this report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.08 per share to the Shareholders whose names appear on the register of Shareholders on 22 June 2006. Please refer to note 27 to the consolidated financial statements for more details.

USE OF PROCEEDS FROM THE ISSUE OF H SHARES

The Company was successfully listed on the Main Board of the Stock Exchange on 26 October 2005 and raised a net amount (after issue expenses) of approximately HK\$391,289,674.94 by the placing and the public offer of the H shares of the Company. As of 31 December 2005, the net proceeds were utilised, as stated in the prospectus of the Company, for general corporate purposes and expansion of business operations, of which HK\$122,245,802 was used as acquisition cost of GD-HK Company, HK\$57,700,000 as repayment for short-term loan, HK\$50,480,215 as additional capital for Guangdong Top-E, and HK\$375,633 as other expenses.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's purchases attributable to the Group's five largest suppliers were accounted for 37.0% of the Group's total purchases. The purchases attributable to the Group's largest supplier accounted for 12.8% the Group's total purchases.

The aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The Company's Directors and Supervisors, their associates or any Shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital), did not have any interest in the Group's five largest suppliers and/or customers for the year ended 31 December 2005.

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RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2005 and details of the distributable reserves of the Company as at 31 December 2005 are set out in note 18 to the consolidated financial statements.

STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in note 18(c) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Particulars of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 6 to the consolidated financial statements.

EMPLOYEES' PENSION SCHEME

Details of the Company's employees' pension scheme are set out in note 22 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

The Directors who held office during the year and up to the date of this report are as follows:

Name	Date of Appointment as Director
Executive Director:	
Lu Mao Hao 魯茂好	28 October 2002
Zeng Hong An 曾洪岸	2 February 2004
Wang Wei Bing 王衛兵	11 January 2001
Chen Bing Heng 陳秉恒	30 June 2005
Non-Executive Director:	
Deng Xiao Hua 鄧小華	11 January 2001
Liu Wei 劉偉	28 October 2002
Huang Guo Xuan 黃國宣	11 January 2001
Ren Mei Long 任美龍	11 January 2001
Chen Guo Zhang 陳國章	9 December 2004
Jiang Li 姜理	28 October 2002
Independent Non-Executive Director:	
Gui Shou Ping 桂壽平	2 February 2004
Liu Shao Bu 劉少波	2 February 2004
Peng Xiao Lei 彭曉雷	2 February 2004

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The Supervisors who held office during the year and up to the date of this report are as follows:

Name	Date of Appointment as Supervisor
Wu Wei Jia 吳維佳	26 May 2003
Tian Ke Geng 田可耕	2 February 2004
Ling Ping 凌平	11 January 2001
Cheng Zhuo 成卓	2 February 2004
Zhou Jie De 周潔德	2 February 2004
Li Hui 李輝	2 February 2004
Long Xin Hua 龍新華	11 January 2001

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a letter of annual confirmation from each of the independent non-executive Directors as to his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). All of the three independent non-executive Directors are considered by the Company as independent persons.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 20 to 25 of this report.

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CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions of the Company require disclosures in this report:

1. Continuing Connected Transactions under Subsisting Agreements

1.1 Lease of offices and warehouse

The Group entered into 4 lease agreements with Guangdong Province Transportation Engineering Company Limited ("Guangdong Transportation Engineering") on 10 December 2004 to lease the following office and warehouse premises:

Member of GCGC as landlord	Member of the Group as tenant	Type of premises	Term and rental
i. Guangdong Transportation Engineering	The Company	Office and warehouse	Term: 3 years commencing from 1 January 2005 Rent: RMB50,005.26 per month
ii. Guangdong Transportation Engineering	Guangdong Xinyue	Office	Term: 3 years commencing from 1 January 2005 Rent: RMB9,743.1 per month
iii. Guangdong Transportation Engineering	Guangdong Top-E	Office	Term: 3 years commencing from 1 January 2005 Rent: RMB28,095.5 per month
iv. Guangdong Transportation Engineering	Guangdong Logistics	Office	Term: 3 years commencing from 1 January 2005 Rent: RMB9,176.2 per month

The Group had paid a total of RMB1,116,000 as rental in respect of the above leases for the year ended 31 December 2005.

1.2 Toll fees collection services for Tai Ping Interchange

The Company entered into a toll fee allocation and collection agreement dated 20 February 2004 with Humen Bridge Company, a non wholly-owned subsidiary of GCGC. Pursuant to the agreement, Humen Bridge Company agreed to collect on behalf of the Company the toll fees to be allocated to Tai Ping Interchange. In return, the Group agreed to pay Humen Bridge Company a management fee equivalent to 5% of the Group's toll fees entitlement. The agreement took effect from 1 March 2004 and will expire on 31 December 2005.

The Group had paid a total of RMB4,231,000 as management fee pursuant to the toll fee allocation and collection agreement as mentioned above for the year ended 31 December 2005.

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1.3 *Financial assistance provided by the Company to Guangdong Xinyue*

Pursuant to a loan agreement dated 6 September 2005 entered into between the Company and Guangdong Xinyue, the Company advanced to Guangdong Xinyue an interest-free loan of RMB21,217,493.36 on 5 September 2005. The repayment date of the loan was 31 December 2005. The loan was designated to be used by Guangdong Xinyue as cash security maintained in China Construction Bank for the bank to provide performance guarantee for projects undertaken by Guangdong Xinyue.

The Company had advanced a total of RMB21,217,493.36 to Guangdong Xinyue pursuant to the loan agreement as mentioned above and was repaid fully on 31 December 2005.

1.4 *Financial assistance by Guangdong Top-E to Guangdong Xinyue*

In September 2005, Guangdong Top-E entered into an agreement to provide a guarantee to CITIC Industrial Bank to secure the credit facilities granted to Guangdong Xinyue by CITIC Industrial Bank and the credit facilities covered the period from 22 October 2005 to 22 October 2006. No guarantee fee was charged by Guangdong Top-E on the guarantee. The guarantee involved a guarantee of an amount of RMB50,000,000.

During the year ended 31 December 2005, no payment had been made by Guangdong Top-E in respect of the guarantee mentioned above.

1.5 *First right to operate expressway service zones and subcontracting obligations under subsisting agreements*

Pursuant to a first right of operation agreement between the Company and GCGC, GCGC has agreed to grant to the Company a first right to operate new expressway service zones in expressways controlled by GCGC Group. The Group will enter into separate expressway service zone subcontracting agreements with the respective expressway owners.

As at 31 December 2005, the Group had entered into expressway service zones subcontracting agreements with member companies of GCGC Group in respect of the operation of a total of 40 pairs of expressway service zones. Pursuant to these subcontracting agreements, the Group was granted the operation and management rights of the expressway service zones of the toll roads owned by GCGC Group. The applicable terms of the subcontracting agreements vary from 20 years to 26 years, which is normally in line with the operating period of the respective expressway and will expire between 2017 and 2030.

The Group had paid a total of RMB23,311,000 for the operation and management services it provided under the expressway service zones subcontracting agreements during the year ended 31 December 2005.

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1.6 Provision of material logistics services

The Company has been providing material logistics services to member companies of GCGC Group in the construction of expressway and other infrastructure projects pursuant to certain agreements with terms expiring between 2005 and 2007.

The amount which the Company had received for its provision of material logistics services pursuant to these agreements as well as the relevant master agreement during the year ended 31 December 2005 is set the on pages 35 and 36 of this report.

1.7 Provision of transportation intelligence services and other auxiliary services

Certain members of the Group, which mainly include Guangdong Xinyue and Guangdong Oriental Thought, have been providing transportation intelligence services and other auxiliary services to GCGC Group pursuant to certain agreements with terms expiring between 2005 and 2007. Services provided include the research and development, installation and construction of transportation intelligence services and other electrical and mechanical systems and facilities such as electronic toll operation system and traffic monitoring system for expressways and other related auxiliary services.

The amount which the Company had received for its provision of transportation intelligence services and other auxiliary services from GCGC Group pursuant to these agreements as well as the relevant master agreement during the year ended 31 December 2005 are set out on pages 35 and 36 of this report.

1.8 Subcontracting of certain work procedures in relation to expressway intelligence and purchase of other construction services

The Group has been subcontracting some parts of its expressway intelligence to and purchasing of other construction services from GCGC Group pursuant to certain agreements with terms expiring in 2005. Such subcontracted activities are peripheral and labour intensive in nature which include planting of network wiring, and installation of equipment and facilities and construction services and require less technological and technical skill.

The amount which the Company had paid in respect of the above mentioned subcontracting to and purchasing from the GCGC Group pursuant to these agreements as well as the relevant master agreement during the year ended 31 December 2005 are set out on pages 35 and 36 of this report.

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1.9 Purchase of materials

The Group has been purchasing some of its materials from GCGC Group for the material logistics business pursuant to certain subsisting agreements, the terms of which would terminate in 2006.

The amount which the Company had paid for the purchase of materials pursuant to these agreements as well as the relevant master agreement during the year ended 31 December 2005 are set out on pages 35 and 36 of this report.

2. On-going Continuing Connected Transactions under Master Agreements

On top of the foregoing subsisting agreements which relate to continuing connected transactions that have been committed, the Group and the GCGC Group have entered into the following four master agreements in respect of continuing connected transactions to be transacted after the listing of the Company in 2005:

Set out below the master agreements entered into between the Group and connected persons of the Company:

Agreement	Contract parties	Goods and services provided	Type of goods and services
2.1 Material Logistics Services Master Agreement	The Company and GCGC	By the Group companies, including Guangdong Logistics	<ul style="list-style-type: none">• Supply of constructional materials• Provision of material logistics services of the Group consists of the planning, procurement and logistics management of construction materials mainly for expressway and infrastructure projects

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	Agreement	Contract parties	Goods and services provided	Type of goods and services
2.2	Transportation Intelligence Services and Other Auxiliary Services Master Agreement	The Company and GCGC	By the Group companies, including Guangdong Xinyue	<ul style="list-style-type: none"> Provision of services including research and development, installation and construction of ITS and other electrical and mechanical systems and facilities such as electronic toll operation system and traffic monitoring system for expressways. Other related and auxiliary services
2.3	Transportation Intelligence Services Subcontracting Master Agreement	The Company and GCGC	By GCGC and its subsidiaries and associates	<ul style="list-style-type: none"> Subcontracting of electrical engineering and other technical and construction services including planting of electric wires and other related auxiliary services
2.4	Purchase of Materials Master Agreement	The Company and GCGC	By GCGC and its subsidiaries and associates	<ul style="list-style-type: none"> Purchase of materials including asphalt

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Each of the master agreements provides the binding principles, guidelines and terms and conditions under which goods and services will be provided and acquired by the parties to the relevant agreements. Set out below are the binding principles and general terms of the master agreements:

(i) *General Guidelines, Price and Terms*

The relevant master agreements requires, in general terms that:

- the quality of goods and services to be provided should be satisfactory to the recipient;
- the price at which such goods and services will be provided must be fair and reasonable; and
- the terms and conditions on which such goods and services will be provided should be no less than favourable to the Group than those offered from or to (as appropriate) independent third parties to or from (as appropriate) the Group.

(ii) *Price Determination*

Each of the master agreements provides that each relevant goods and services must be provided in accordance with the following general pricing principles:

- (a) according to government-prescribed price that is set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant departments of the Guangdong provincial government or the PRC central government;
- (b) where there is no government-prescribed price reference but where there is a government guidance price, then according to the government guidance price that is set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant departments of the Guangdong provincial government or the PRC central government;
- (c) where there is neither a government-prescribed price nor a government guidance price, then according to the market price which means the price at which the same type of goods or services are provided by independent third parties in their ordinary course of business in the geographical regions where the goods or services are provided; or
- (d) where none of the above is applicable, the price is then to be agreed between the relevant parties for the provision of the abovementioned goods or services, which shall be the reasonable cost incurred in providing the same plus not more than 10% profit of such cost. Reasonable cost refers to the cost confirmed by both parties after negotiations and permitted by the financial accounting system of the PRC.

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(iii) *Term and Termination*

The initial term of each of the master agreements is three years, with effect from 27 September 2005. Upon the expiry of such initial term, subject to compliance with the requirements in relation to connected transactions stipulated in the Listing Rules, each of the master agreements shall automatically continue thereafter for an indefinite term, unless at any time any relevant party gives at least 3 months' prior written notice of termination to the other party.

(iv) *Implementation Agreements*

It is envisaged that from time to time individual implementation agreements will be required and entered into between the Group and the relevant connected persons and/or their subsidiaries and/or associates, as appropriate.

Each implementation agreement will set out the details and particulars of goods and services requested by the relevant party and detailed technical and other specifications which may be relevant to the goods or services to be provided. The implementation agreements may only contain provisions which are in all material respects consistent with the general guidelines, terms and conditions as contained in the relevant master agreements.

As the implementation agreements simply provide specific details on the provision of goods and services as contemplated by each of the master agreements, they do not constitute new connected transactions.

Actual figures for the year ended 31 December 2005 relating to the subsisting agreements and the four master agreements are set out in the next section.

3. *Summary of the annual caps and actual figures in respect of the continuing connected transactions under subsisting agreements and master agreements*

Transaction	Annual cap for the year	Actual figure for
	ended 31 December 2005 (RMB '000)	the year ended 31 December 2005 (RMB '000)

Discloseable continuing connected transactions for which waivers from announcement requirement have been granted by the Stock Exchange

1. Lease of offices and warehouse	1,165	1,116
2. Toll fees collection services for Tai Ping Interchange	4,290	4,231

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Transaction	Annual cap for the year ended 31 December 2005 (RMB '000)	Actual figure for the year ended 31 December 2005 (RMB '000)
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Non-exempt continuing connected transactions for which waivers from announcement and independent shareholders' approval requirements have been granted by the Stock Exchange

1. Financial assistance provided by the Company to Guangdong Xinyue	21,217	21,217
2. Financial assistance provided by Guangdong Top-E to Guangdong Xinyue	50,000	50,000
3. First right to operate new expressway service zones and subcontracting obligations under subsisting agreements	35,203	23,311
4. Provision of material logistics services under subsisting agreements and the relevant master agreement	1,156,829	1,022,206
5. Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the relevant master agreement	510,932	426,910
6. Subcontracting of certain work procedures in relation to expressway intelligence and purchase of other construction services under subsisting agreements and the relevant master agreement	31,778	17,958
7. Purchase of materials under subsisting agreements and the relevant master agreement	89,851	253,390

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The independent non-executive directors of the Company, Mr. Gui Shou Ping, Mr. Liu Shao Buo and Mr. Peng Xiao Lei, have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of Rule 14.38 of the Listing Rules, the auditors of the Company, PricewaterhouseCoopers, have performed certain agreed-upon procedures on the above continuing connected transactions (the "Transactions") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported as below:

- (1) the Transactions received the approval of the Board;
- (2) in relation to those Transactions involving provisions of goods and services by the Group (for the samples selected), their pricing was in accordance with the pricing policies of the Group;
- (3) the Transactions (for the samples selected) were carried out in accordance with the terms of the relevant agreements governing the transactions; and
- (4) except for the following transaction, the accumulated amounts of the Transactions did not exceed the relevant annual caps:

During the year ended 31 December 2005, the Group's aggregate purchase of materials from GCGC and fellow subsidiaries amounted to approximately RMB253,390,000 which exceeded the annual cap of RMB89,851,000 for the year ended 31 December 2005.

Please refer to the Company's announcement published on 10 March 2006 for details of the reasons for exceeding the annual caps of the above transactions.

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MATERIAL LITIGATION AND ARBITRATION

The Group did not engage in any material litigation or arbitration during the year.

PRE-EMPTIVE RIGHTS

The Articles of Association ("Articles") of the Company and the laws of the PRC contain no pre-emptive rights which require the Company to offer new shares to its existing Shareholders in proportion to their shareholdings.

SHARE CAPITAL

Details of the share capital of the Company are set out in the note 17 to the consolidated financial statements.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director, as at 31 December 2005, Shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
GCGC (Note)	Domestic shares	142,266,080	Beneficial owner	51.00	34.06
	Domestic shares	137,375,787	Interests of controlled corporations	49.00	32.89
Guangdong Construction	Domestic shares	96,476,444	Beneficial owner	34.50	23.10
GCGC Investment	Domestic shares	22,371,349	Beneficial owner	8.00	5.36
Sinopec (Hong Kong) Limited	H shares	21,000,000	Beneficial owner	15.22	5.03
Deutsche Bank Aktiengesellschaft	H shares	10,525,000	Beneficial owner	7.63	2.52

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Name of Shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Deutsche Bank Aktiengesellschaft	H shares	2,461,000	Person having a security interest in shares	1.78	0.59
Integrated Asset Management (Asia) Limited	H shares	8,000,000	Beneficial owner	5.80	1.92
Japan Trustee Services Bank, Ltd.	H shares	7,483,000	Trustee	5.42	1.79

Note: Guangdong Construction and GCGC Investment are wholly-owned subsidiaries of GCGC. Accordingly, GCGC is deemed to be interested in the domestic shares held by Guangdong Construction and GCGC Investment. GCGC is also deemed to be interested in the 18,176,721 Domestic Shares held by its other subsidiaries, namely Guangdong Road & Bridge and Weisheng Transportation.

Save as disclosed above, as at 31 December 2005, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF 10% OR MORE

As at 31 December 2005, GCGC held 142,266,080 domestic shares of the Company, representing 34.06% of the total issued share capital of the Company, while Guangdong Construction held 96,476,444 legal person shares of the Company, representing 23.10% of the total share capital of the Company, without any changes during the reporting period.

GCGC is a controlling Shareholder of the Company. Its legal representative is Zhu Xiao Ling and its registered capital as at 31 December 2005 was RMB16,800,000,000. It is principally engaged in the investment, construction and management of the majority of roads, and expressways networks in Guangdong Province.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the per cent of the public float exceeds 25% as at the date of this report.

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DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 December 2005, the interests of the Directors and Supervisors 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), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in shares, underlying shares and debentures of the Company

None of the Directors or Supervisors holds any interests in the shares, underlying shares and debentures of the Company.

(b) Long positions in shares of associated corporation

Name of associated corporation	Name of Director/ Supervisor	Type of interests	No. of shares held	Percentage in the relevant class of share capital	Notes
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Lu Mao Hao	Personal	10,000	0.004%	
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Zeng Hong An	Family	9,375	0.004%	(1)
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Wang Wei Bing	Personal	40,000	0.015%	
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Deng Xiao Hua	Personal	16,125	0.006%	
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Wu Wei Jia	Personal and family	6,125	0.002%	(2)

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Name of associated corporation	Name of Director/ Supervisor	Type of interests	No. of shares held	Percentage in the relevant class of share capital	Notes
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Ling Ping	Personal	73,782	0.027%	

Notes:

- (1) Zeng Hong An is taken to be interested in 9,375 shares as a result of his spouse being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (2) Wu Wei Jia is taken to be interested in 6,125 shares as a result of him being beneficially interested in 5,625 shares of Guangdong Provincial Expressway Development Co. Ltd. and his spouse, being beneficially interested in 500 shares of Guangdong Provincial Expressway Development Co. Ltd..
- (3) Ren Mei Long is taken to be interested in 4,000 shares as a result of him being beneficially interested in 2,000 shares of Guangdong Provincial Expressway Development Co. Ltd. and his spouse, being beneficially interested in 2,000 shares of Guangdong Provincial Expressway Development Co. Ltd..
- (4) Wang Wei Bing is taken to be interested in 40,000 shares as a result of him being beneficially interested in 40,000 shares of Guangdong Provincial Expressway Development Co. Ltd..
- (5) Lu Mao Hao is taken to be interested in 10,000 shares as a result of him being beneficially interested in 10,000 shares of Guangdong Provincial Expressway Development Co. Ltd..
- (6) Deng Xiao Hua is taken to be interested in 16,125 shares as a result of him being beneficially interested in 16,125 shares of Guangdong Provincial Expressway Development Co. Ltd..
- (7) Ling Ping is taken to be interested in 73,782 shares as a result of him being beneficially interested in 73,782 shares of Guangdong Provincial Expressway Development Co. Ltd..

Save as disclosed above, as at 31 December 2005, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATIONS

Details of the remuneration of the Directors and the Supervisors and the five highest paid individuals of the Group are set out in note 22 to the consolidated financial statements.

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2005.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

None of the Directors or Supervisors of the Company had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2005.

BOARD COMMITTEES

The Company has established an audit committee and a compensation committee. For details of the board committees, please refer to the relevant section in the "Corporate Governance" section of this report.

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AUDIT COMMITTEE

The Company has an audit committee consisting of two independent non-executive Directors, Mr. Peng Xiao Lei and Mr. Liu Shao Buo, and one non-executive Director, Mr. Huang Guo Xuan. The committee appoints external auditors, reviews and supervises the financial reporting process and internal control system of the Group and provides advice and comments to the Board. The committee members met regularly with management and external auditors as well as reviewed the external audit reports and the interim and annual accounts of the Group. It has reviewed the audited financial statements for the year ended 31 December 2005 of the Company, and recommended their adoption by the Board.

CORPORATE GOVERNANCE

The Company is committed to the highest standards of corporate governance.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the period for the year ended 31 December 2005, in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

For details regarding the corporate governance policies of the Company, please see the relevant section in the "Corporate Governance" section of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2005, there were 3,523 employees in the Group. Total staff costs of the Group for the year, including Directors' remuneration, totalled approximately RMB193,236,000.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During this reporting period, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year.

DONATIONS

Donations made by the Group during the year amounted to RMB105,000.

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AUDITORS

As for the year 2005, the Company has appointed Guangdong Zhengzhong Zhujiang Certified Public Accountants (廣東正中珠江會計事務所) and PricewaterhouseCoopers as its PRC and international auditors, respectively. A resolution to reappoint Guangdong Zhengzhong Zhujiang Certified Public Accountants and PricewaterhouseCoopers as the Company's PRC and international auditors, respectively, for the year 2006 will be proposed at the upcoming annual general meeting of the Company.

By order of the Board of Directors

Lu Mao Hao

Chairman

Guangzhou, the PRC

21 April 2006