

# MAJOR EVENTS

## I. MATERIAL LITIGATION AND ARBITRATION.

The Company was not involved in any material litigation or arbitration during 2005.

## II. MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS AND MERGERS

### Acquisition of AEHC's 49% interests in Anhui Gaojie Expressway Company Limited ("Gaojie Company")

The principal operation of Gaojie Company is the construction and operation of Gaojie Expressway. Gaojie Company is a majority owned subsidiary of the Company. Prior to this transaction, its registered capital was RMB300 million, of which the Company owned 51% of its total capital, and AEHC owned 49% of its total capital. On 4 March 2005, the Company entered into the Equity Transfer/Acquisition Agreement in relation to the Acquisition of Anhui Gaojie Expressway Company Limited with AEHC. It was agreed that the Company would acquire the 49% equity interests in Gaojie Company held by AEHC at an amount of RMB616.01 million and acquired shareholders' loan due to AEHC by Gaojie Company at an amount of RMB733.99 million. The consideration was RMB1,350 million in aggregate.

This transaction was approved by the Board and the general meeting (AEHC, who is interested in the connected transaction, has abstained from voting for the resolution in the shareholders' general meeting). Approval was also granted by relevant government authorities. The legal procedures of the above transactions are in the progress.

The announcement of the relevant transactions was published in the Shanghai Securities Post, China Securities Post and South China Morning Post and The Wen Wei Po in Hong Kong on 10 March 2005.

## III. SIGNIFICANT CONNECTED TRANSACTIONS

### 1. Connected transactions in relation to daily operations

Connected parties	Contents of connected transactions	Price-setting principles of connected transactions	Amounts of connected transactions	Percentage to the similar transactions (%)	Payment terms
AEHC	To provide with management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	RMB998,000	66.71	Credit payment
Anhui Anlian Expressway Company Limited	To provide with management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	RMB498,000	33.29	Credit payment

Details please see the Note 36 to the financial report in this annual report.

### **2. Connected transactions of acquisition and disposals of assets and equities transfer**

The acquisition of 49% interests in Gaojie Company from AEHC, Details please see “II Material Acquisition and Disposals of Assets and Mergers” in this chapter.

## **IV. CONFIRMATION BY THE INDEPENDENT DIRECTORS REGARDING CONNECTED TRANSACTIONS**

The Independent non-executive directors of the Company have reviewed the above connected transactions above and confirmed that:

1. The transactions were carried out in the normal and usual course of business of the Company;
2. The transactions were carried out on normal commercial terms (as compared with transactions of similar nature carried out by the similar entities in the PRC) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
3. The transactions were carried out in accordance with the terms of agreement governing such transactions.

## **V. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION**

### **1. Material custody, subcontracting and leasing items**

During the reporting period, the Group was not involved in any material custody, subcontracting and leasing.

### **2. Material guarantee**

During the reporting period, the Group did not provide guarantee for shareholders, connected persons, holding companies and other companies.

### **3. Financial entrustment**

During the reporting period, the Group was not involved in any financial entrustment.

### **4. Entrusted Deposit and Overdue Fixed Deposit**

During the reporting period, the Group did not have any entrusted deposit with financial institutions in the PRC, neither has the Group experienced any incident of not being able to withdraw fixed deposits when they became mature.



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### VI. COMMITMENTS BY THE GROUP AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE TOTAL CAPITAL

- (1) Pursuant to the Reorganization Agreement signed by the Company and AEHC on 12 October 1996, AEHC has undertaken that it will not participate in any businesses or activities, which will compete against the Company either directly or indirectly.
- (2) The Company is investing in the construction of Maba-Liuhe Expressway Anhui Section, with RMB265,600,000 authorized but not contracted for;
- (3) Xuanguang Company is reconstructing Xuanguang Expressway, with RMB311,770,000 authorized but not contracted for.
- (4) The Company would acquire 49% interests in Gaojie Company from AEHC, with RMB950,000,000 contracted but not paid.

### VII. APPOINTMENT OF ACCOUNTANTS

PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. and PricewaterhouseCoopers were approved to be appointed as the PRC auditors and Hong Kong auditors for 2005 respectively at the 2004 Annual General Meeting. The fees paid to the above accountants for 2005 were as follows:

	Unit: RMB	
	2005 Audit fees	2004 Audit fees
PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co.	630,000	690,000
PricewaterhouseCoopers	630,000	690,000

Apart from the said fees, the Company did not pay any other fees to the auditors. Traveling and accommodation expenses were paid by the auditors. As at 31 December 2005, they have provided services to the Company for 4 years.

### VIII. PUNISHMENT BY REGULATORY AUTHORITIES

During the reporting period, neither the Company nor the Board of Directors and its directors were involved in any punishment by the regulatory authorities.

### IX. SHARE SEGREGATION REFORM

The Share Segregation Reform of the Company has been completed on 31 March 2006, details of which please see " Shareholders and change of share capital" in this annual report.

### **X. OTHER MAJOR EVENTS DISCLOSEABLE ACCORDING TO LISTING RULES OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

#### **1. Code on Corporate Governance practice**

The Directors believe that the Company applied the principle and complied with all requirements of the code on Corporate Governance Practice in Appendix 14 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange in 2005.

#### **2. Pre-emptive Rights**

Neither the Articles of Association of the Company nor the PRC laws require the Company to offer pre-emptive rights to its existing shareholders for subscription of new shares according to the proportions of their shareholdings.

#### **3. Purchase, Sale and Redemption of the Company's Shares**

During the reporting period, the Company did not repurchase any of its listed shares, nor purchased or re-sold any listed shares of the Company.