

The Board has pleasure in presenting the Report of the Directors of the year 2006 together with the audited financial statements of the Group for the year ended 31 December 2006.

### **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.

### **RESULTS OF THE GROUP**

The financial highlights of the year are set out on pages 7 to 8 of this report. The results and financial position of the year are set out from pages 14 to 24 of this report for discussion and analysis.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The Group's results for the year ended 31 December 2006 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") are set out on page 58.

### **FIVE YEARS FINANCIAL SUMMARY**

A summary of the current year results and of the assets and liabilities of the Group for the last four financial years are set out on page 126 of this report.

### **PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS**

As at 31 December 2006, the profit attributable to shareholders of the Group was RMB156 million. It is intended a financial dividend of RMB0.11 per share be distributed, which amounts to approximately RMB45.94 million.

### **USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING**

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\$391,290,000 by the placing and the public offer of the H shares of the Company. As of 31 December 2006, the net proceeds were utilised, as stated in the prospectus of the Company, for general corporate purposes and expansion of business operations, including the acquisition of GD-HK Company, expansion of facilities of material logistic, development of expressway service zone, establishment of information system platform and communication network, expansion of cross-border coaching services and settlement of loans etc, and balance from raising fund is HK\$61,532,000.

### **MAJOR SUPPLIERS AND CUSTOMERS**

For the year ended 31 December 2006, the Group's purchases attributable to the Group's five largest suppliers were approximately 41% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

### **RESERVES**

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company as at 31 December 2006 are set out in note 18 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

### **STATUTORY RESERVE FUNDS**

Details of the statutory reserve funds are set out in note 18 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

### **PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

Particulars of the movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in note 6 and note 7 to the consolidated financial statements.

### **EMPLOYEES' PENSION SCHEME**

Details of the Group's employees' pension scheme are set out in note 22 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

## 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	Date of Resignation as Director
<i>Executive director</i>		
Lu Mao Hao	28 October 2002	N/A
Zeng Hong An	2 February 2004	N/A
Wang Wei Bing	11 January 2001	N/A
Chen Bing Heng	30 June 2005	N/A
<i>Non-executive director</i>		
Deng Xiao Hua	11 January 2001	22 June 2006
Liu Wei	28 October 2002	N/A
Huang Guo Xuan	11 January 2001	N/A
Ren Mei Long	11 January 2001	N/A
Chen Guo Zhang	9 December 2004	N/A
Jiang Li	28 October 2002	N/A
Lu Ya Xing	22 June 2006	N/A
<i>Independent non-executive director</i>		
Gui Shou Ping	2 February 2004	N/A
Liu Shao Buo	2 February 2004	N/A
Peng Xiao Lei	2 February 2004	N/A

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	26 May 2003
Tian Ke Geng	2 February 2004
Ling Ping	11 January 2001
Cheng Zhuo	2 February 2004
Zhou Jie De	2 February 2004
Li Hui	2 February 2004
Long Xin Hua	11 January 2001

## INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the letter of annual confirmation issued by each of the independent non-executive directors of the Company as to his/her independence pursuant to Rule 3.13 of the Listing Rules. All of the three independent non-executive directors of the Company are considered by the Company as independent persons.

## BIOGRAPHY OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 25 to 31 of this report.

## CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the following connected transactions of the Group are required to be disclosed in the annual report of the Company:

- (a) On 26 May 2006, a toll fee collection and management agreement was entered into by the Company and Humen Bridge Company pursuant to which Humen Bridge Company shall provide toll fee collection and management services to the Company in respect of the toll fees to be allocated to Tai Ping Interchange, at a consideration of RMB3.2 million. The agreement has expired on 31 December 2006.
- (b) On 13 October 2006, the Company and Guangdong Provincial Expressway entered into an acquisition agreement, pursuant to which the Company agreed to purchase and Guangdong Provincial Expressway agreed to sell 30% equity interest in Guangdong Feida Traffic Engineering Co. Ltd. for a cash consideration of RMB11.2 million.

The Stock Exchange has granted a waiver (the "Waiver") to the Company for a period of three years ending 31 December 2007 from strict compliance with the requirements of (i) disclosure by way of announcement, and (ii) disclosure by way of announcements, circular to shareholders and/or independent shareholders' approval, in respect of the continuing connected transactions as set out in the prospectus issued by the Company dated 14 October 2005 (the "Prospectus").

At the extraordinary general meeting of the Company held on 18 October 2006, the Shareholders approved the annual caps of certain new continuing connected transactions and the revision of annual caps and new caps for certain existing continuing connected transactions. The details are set out in the announcement ("Announcement") and circular ("Circular") of the Company dated 9 August 2006 and 30 August 2006, respectively.

The following table sets out the relevant annual caps granted by the Stock Exchange or approved by the Shareholders and the actual figures for the year ended 31 December 2006 in relation to the continuing connected transactions. Terms used in the following table and the notes thereto shall have the same meanings as defined in the Prospectus, the Announcement and the Circular, unless the context requires otherwise.

## The annual caps and actual figures in respect of the non-exempted continuing connected transactions of the Group

Transaction	Annual Cap for the year ended 31 December 2006 (RMB'000)	Actual Figure for the year ended 31 December 2006 (RMB'000)
<b>(i) Discloseable continuing connected transactions for which waivers from announcement requirement have or have not been granted by the Stock Exchange</b>		
1. Lease of offices and warehouse	1,165	1,116
2. Toll fees collection services for Tai Ping Interchange	4,000	4,000
<b>(ii) Non-exempt continuing connected transactions for which waivers from announcement and independent shareholders' approval requirements have been granted by the Stock Exchange or the Shareholders</b>		
1. Financial assistance provided by the Company to Guangdong Xinyue	30,000	30,000
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	55,030	53,753
4. Provision of material logistics services under subsisting agreements and the relevant master agreement	1,319,540	511,365
5. Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the relevant master agreement	629,512	414,144
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	89,270	15,686
7. Purchase of materials under subsisting agreements and the relevant master agreement	445,870	287,372
8. Services in relation to major repairs and single item renovations for Tai Ping Interchange	21,238	20,815

For further details regarding the above connected transactions, please refer to note 31 to the financial statement prepared in accordance with the HKFRS contained herein.

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) the accumulated amounts of the Transactions did not exceed the relevant annual caps.

### 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 of the Company (the "Articles") and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to existing shareholders on a pro-rata basis to their shareholdings.

### SHARE CAPITAL

Details of the share capital of the Company are set out in the note 17 to the consolidated financial statement prepared in accordance with the HKFRS contained herein.

## SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director, as at 31 December 2006, 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 Provincial Highway Construction Company Limited ("Guangdong Construction")	Domestic shares	96,476,444	Beneficial owner	34.50	23.10
Guangdong Communication Enterprise Investment Company ("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
Integrated Asset Management (Asia) Limited	H shares	8,000,000	Beneficial owner	5.80	1.92

## Directors' Report

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
Yam Tak Cheung	H shares	8,000,000	Interests of controlled corporations	5.80	1.92
Liberty Square Asset Management, L.P.	H shares	10,000,000	Investment Manager	7.25	2.39
Sky Investment Counsel Inc.	H shares	7,060,000	Investment Manager	5.12	1.69

*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 18,527,994 Domestic Shares held by its other subsidiaries, namely Guangdong Province Road & Bridge Construction Development Company Limited and Guangdong Weisheng Transportation Enterprise Company Limited.

Save as disclosed above, as at 31 December 2006, 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 2006, 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 2006 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.



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

As at 31 December 2006, the interests of 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 the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### (a) Long positions in the 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, underlying shares and debentures of associated corporations of the Company:

Name of Associated corporation	Name of Director/ Supervisors	Type of Interests	No. of shares held	Percentage in the relevant class of share capital	Note
Guangdong Provincial Expressway Development Co. Ltd.	Lu Mao Hao	Personal	18,421	0.005%	(1)
Guangdong Provincial Expressway Development Co. Ltd.	Zeng Hong An	Family	9,209	0.003%	(2)
Guangdong Provincial Expressway Development Co. Ltd.	Ren Mei Long	Personal	2,391	0.0006%	(3)
Guangdong Provincial Expressway Development Co. Ltd.	Wu Wei Jia	Personal	8,155	0.002%	(4)

Notes:

- (1) Lu Mao Hao is taken to be interested in 18,421 shares as a result of him being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (2) Zeng Hong An is taken to be interested in 9,209 shares as a result of his spouse being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..

- (3) Ren Mei Long is taken to be interested in 2,391 shares as a result of him being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (4) Wu Wei Jia is taken to be interested in 8,155 shares as a result of him being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..

Save as disclosed above, as at 31 December 2006, 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.

### 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 of the Company and the five highest paid individuals of the Group are set out in note 22(b) to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2006.

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors and supervisors of the Company has entered into a service contract with the Company. No director or supervisor of the Company 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 2006.

## BOARD COMMITTEES

The Company has established an audit committee and a compensation committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 46 to 51 of this report.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2006, the Group had 3,628 employees, the staff costs (including directors' remuneration) of the Group was RMB208,287,000 for the year.

## REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During this reporting period, the Company did not redeem any of its shares. Neither the Company and its subsidiaries repurchased or sold any shares of the Company during the year.

## DONATIONS

Donations made by the Group during the year amounted to RMB305,000.

## AUDITORS

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company for the year. Resolutions for re-appointments of PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company for 2007 will be proposed at the forthcoming shareholders' annual general meeting.

By order of the Board of Directors

**Lu Mao Hao**

*Chairman*

Guangzhou, the PRC

16 April 2007