越秀交通有限公司
GZI Transport Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1052)

Announcement of 2005 Results

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of GZI Transport Limited ("Company") and its subsidiaries (collectively the "Group") for the year ended 31st December 2005.

In 2005, the Group's turnover and profit attributable to shareholders amounted to HK$425.0 million and HK$306.0 million respectively, representing increases of 6.2 per cent and 10.4 per cent over 2004 respectively. Basic earnings per share was HK$0.274 (2004: HK$0.249). The Board recommended distribution of a final dividend of HK$0.05 per share for 2005, which together with the paid interim dividend of HK$0.05 per share, the dividend pay out ratio in the year was 36.5 per cent.

The Group is a major toll road operator in Guangdong Province. Its toll roads are mainly located in the Pearl River Delta Region. In 2005, economy in Guangdong Province continued to maintain its rapid growth, with GDP in the whole province growing at 12.5 per cent over 2004. The economic development and further upgrading of the expressway network have driven up the rapid development of passenger and freight forwarding industry, with freight forwarding turnover growing at 13.8 per cent and passenger turnover growing at 13.1 per cent as compared with 2004, which in addition to the rapid growth of private car ownership, in particular Guangzhou City, where ownership rate of private cars per hundred households increased from 4.0 vehicles in 2004 to 6.3 vehicles in 2005, have further stimulated the increase in the traffic volume of toll roads and bridges, bringing prominent benefits to the toll roads (principally expressways) and bridges operated by the Group. The Group's assets and operating revenue also benefited from the appreciation of Renminbi in the second half of July 2005. The Guangzhou Western Second Ring Expressway (in which the Group is holding 35 per cent interest) which commenced construction in September 2004 is expected to be completed and open to traffic by the end of 2006 ahead of schedule.

As indicated by the "Guangdong Province Expressway Network Plan" (2004-2030), a three dimensional traffic network with 8,800 kms of expressway as structural backbone (of which 3,500 kms are expected be located in the Pearl River Delta) are expected be constructed in future, and investments have been budgeted at over RMB400 billion (of which over RMB170 billion will be invested in the Pearl River Delta Region). Guangdong Province being the major seaward passage of the Pan-Pearl River Delta Region and the only land passage connecting the Mainland and Hong Kong and Macau, expressways will still be the focus in future traffic infrastructure constructions. On 16th January 2006, the Asia-Pacific transhipment project of FedEx has been formally inaugurated in the Huadu district of Guangzhou, which would further enhance the catchment area of Guangzhou as a world class logistics port, and will be helpful in promoting the further growth of traffic volume and performance of the Group's highway and bridge projects in Guangdong Province.

The Group will strive to capture favorable opportunities and will continuously strengthen the management of its existing operating projects' toll collection and operating costs control in promoting the Group's earning potential. Simultaneously, the Group will proactively and cautiously seek and invest in expressway projects in the Guangdong Province, in particular the Pearl River Delta Region, and selectively invest in high quality expressway toll projects outside Guangdong Province with higher returns. In respect of future new projects, the Group will consider making investments by way of internal funds and bank borrowings, and under normal circumstances, adopt a stable dividend policy, with the aim of securing better returns to all shareholders.

I would like to take this opportunity to express my sincere thanks to our directors and all the staff members for their incessant efforts and contribution in the past year, as well as to all shareholders, the financial sector and business partners for their immense support.

Ou Bingchang
Chairman

Hong Kong, 19th April 2006

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Note	**2005** HK$'000	Restated 2004 HK$'000
Turnover	4	424,845	400,212
Business tax		(20,772)	(21,687)
		404,073	378,525
Other gains, net	5	17,035	462
Amortisation/depreciation of interests in toll highways and bridges		(106,051)	(104,681)
Toll highways and bridges maintenance expenses		(92,967)	(75,072)
General and administrative expenses		(44,151)	(40,296)
Impairment losses on available-for-sale financial assets		(44,251)	—
Operating profit		133,688	158,938
Finance costs	7	(25,889)	(15,547)
Share of profits less losses of associates		184,414	152,543
Interest income on loans to associates		40,099	30,383
		224,513	182,926
Share of profits of jointly controlled entities		40,014	10,112
Profit before taxation		372,326	336,429
Taxation	8	(34,433)	(33,635)
Profit for the year		337,893	302,794
Attributable to:			
Equity holders of the Company		305,898	277,029
Minority interests		31,995	25,765
		337,893	302,794
Earnings per share for profit attributable to the equity holders of the Company during the year			
- Basic	9	HK27.4 cents	HK24.9 cents
- Diluted	9	HK27.4 cents	HK24.8 cents
Dividends	10	111,544	108,675

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2005

	2005 HK$'000	Restated 2004 HK$'000
ASSETS		
Non-current assets		
Interests in toll highways and bridges	1,980,017	2,040,020
Leasehold land	718	2,124
Property, plant and equipment	23,541	26,408
Investment properties	8,210	4,500
Investments in jointly controlled entities	475,549	422,893
Investments in associates	1,686,542	1,642,570
Deferred tax assets	417	586
Available-for-sale financial assets	65,925	—
Other investments	—	143,123
	4,240,919	4,282,224
Current assets		
Accounts receivable	13,428	11,147
Other receivables, deposits and prepayments	7,862	4,439
Bank balances and cash	368,883	188,850
	390,173	204,436
Total assets	4,631,092	4,486,660
EQUITY		
Share capital	111,544	111,465
Reserves	3,641,015	3,372,843
	3,752,559	3,484,308
Minority interests	245,111	248,555
Total equity	3,997,670	3,732,863
LIABILITIES		
Non-current liabilities		
Borrowings	421,864	551,223
Deferred tax liabilities	5,985	7,253
	427,849	558,476
Current liabilities		
Due to		
A minority shareholder of subsidiaries	5,919	68,125
Holding companies	3,652	2,969
Accounts payable	620	2,057
Other payables and accrued charges	38,130	39,769
Current tax liabilities	13,021	11,039
Borrowings	144,231	71,362
	205,573	195,321
Total liabilities	633,422	753,797
Total equity and liabilities	4,631,092	4,486,660
Net current assets	184,600	9,115
Total assets less current liabilities	4,425,519	4,291,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of GZI Transport Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases - Incentives
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

HK-Int 4	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of new/revised HKASs 1, 7, 8, 16, 21, 23, 24, 27, 28, 31, 33, 36, 38, HKAS-Int 15, HKFRS 3 and HK-Int 4 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and jointly controlled entities and other disclosures.

- HKASs 7, 8, 16, 23, 27, 28, 31, 33, 36, 38, HKAS-Int 15, HKFRS 3 and HK-Int 4 had no material effect on the Group's policies.

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit and loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of investment properties of which the changes in fair values are recorded in the income statement as part of other gains. In prior years, the increases in fair value were credited to the investment properties revaluation reserve; decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1st January 2005, the Group expenses the cost of share options in the income statement.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment has resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 - the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

- HKAS 21 - prospective application for accounting goodwill and fair value adjustments as part of foreign operations;

- HKAS 39 - does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to other investments for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, if any, are determined and recognised at 1st January 2005;

- HKAS 40 - since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property;

- HKAS-Int 15 does not require the recognition of incentives for leases beginning before 1st January 2005;

- HKFRS 2 - only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and

- HKFRS 3 - prospectively after the adoption date.

The effect of the changes in the accounting policies described above on equity, results and earnings per share are as follows:

	As at 1st January 2005 HK$'000
Equity	
Decrease in loans from minority shareholders of subsidiaries on fair value adjustment (note i)	15,620
Decrease in deferred taxation on change of basis of recovery of revalued assets (note ii)	586
	16,206

	For the year ended 31st December 2004 HK$'000
Results	
Deferred taxation credit on revalued assets (note ii)	586
Attributable to:	
Equity holders of the Company	586

	For the year ended 31st December 2004
	HK cents
Earnings per share	
Basic and diluted	
Deferred taxation credit on revalued assets (note ii)	0.1

The following is a summary of the effect of changes in the accounting policies described above on individual accounting caption:

Increase/(decrease)	**Effect on adoption of HKAS 17**	**(note i) Effect on adoption of HKAS 39**	**(note ii) Effect on adoption of HKAS — Int 21**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Income statement items for the year ended 31st December 2004				
Taxation	—	—	586	586
Earnings per share				
- basic and diluted (HK cents)	—	—	0.1	0.1
Balance sheet items as at 1st January 2005				
Leasehold land	2,124	—	—	2,124
Fixed assets	(2,124)	—	—	(2,124)
Total assets	—	—	—	—
Non-current borrowings	—	(15,620)	—	(15,620)
Deferred taxation	—	—	(586)	(586)
Total liabilities	—	(15,620)	(586)	(16,206)
Net assets	—	15,620	586	16,206
Reserves and total equity	—	15,620	586	16,206

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

- **HKAS 19 (Amendment), Employee Benefits** (effective from 1st January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from annual periods beginning 1st January 2006.

- **HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions** (effective from 1st January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31st December 2005 and 2004.

- **HKAS 39 (Amendment), The Fair Value Option** (effective from 1st January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1st January 2006.

- **HKAS 39 and HKFRS 4 (Amendments), Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts** (effective from 1st January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to HKAS 39 and concluded that it is not relevant to the Group.

- **HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources** (effective from 1st January 2006). These amendments are not relevant to the Group's operations, as the Group is not a first-time adopter and does not carry out exploration for and evaluation of mineral resources.

- **HKFRS 6, Exploration for and Evaluation of Mineral Resources** (effective from 1st January 2006). HKFRS 6 is not relevant to the Group's operations.

- **HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures** (effective from 1st January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

- **HKFRS— Int 4, Determining whether an Arrangement contains a Lease** (effective from 1st January 2006). HKFRS— Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS— Int 4 on the Group's operations.

- **HKFRS— Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds** (effective from 1st January 2006). HKFRS— Int 5 is not relevant to the Group's operations.

- **HK (IFRIC) — Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment** (effective from 1st December 2005). HK (IFRIC) — Int 6 is not relevant to the Group's operations.

(b) **Consolidation**

(i) *Subsidiaries*

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet the investments in subsidiaries are stated at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) *Associates*

Associates are all entities over which the Group has significant influence in its management. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(iii) *Joint ventures*

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

(c) **Interests in toll highways and bridges**

Interests in toll highways and bridges comprise tangible infrastructures and intangible operating rights. Depreciation of tangible infrastructure is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period of 30 to 36 years over the projected total traffic volume throughout the life of the assets. The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change. Amortisation of intangible operating rights is provided on a straight-line basis over periods of 20 to 30 years in which the operating rights are held.

(d) **Property, plant and equipment**

(i) *Depreciation*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs, including related borrowing costs, of bringing the asset to its present working condition and location for its intended use.

Property, plant and equipment are depreciated at rates sufficient to write off their cost over their estimated useful lives to the Group on a straight-line basis. The principal annual rates used for this purpose are as follows:

Buildings	4%
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 33%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(ii) *Gain or loss on disposal of property, plant and equipment*

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(iii) *Cost of restoring and improving property, plant and equipment*

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(e) **Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(f) **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are received for possible reversal of the impairment at each reporting date.

(g) **Financial assets**

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as other investments.

Other investments held for long term are stated at cost less accumulated impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair value have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.'

From 1st January 2005 onwards:

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(h) **Accounts and other receivable**

Accounts and other receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(i) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts.

(j) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) **Deferred taxation**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) **Share-based compensation**

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(m) **Revenue recognition**

(i) Toll revenue is recognised on a receipt basis.

(ii) Dividend income is recognised when the right to receive payment is established.

(iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Operating lease rental income is recognised on a straight-line basis.

(n) **Borrowing costs**

Borrowing costs are capitalised when funds are borrowed to finance the construction of highways and bridges up to the commencement of economic operations of the toll highways and bridges.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

(o) **Retirement benefit costs**

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(p) **Translation of foreign currencies**

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in Hong Kong dollars.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(q) **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and economic risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) *Market risk*

(i) Foreign exchange risk

Majority of the subsidiaries of the Group operates in the Mainland of China ("China") with most of the transactions denominated in Chinese Renminbi ("Renminbi"). The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars. It has not hedged its foreign exchange rate risk.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the China government.

(ii) Economic risk

The Group is exposed to economic risk as it operates and manages a limited number of toll highways and bridges which are mostly located in the Guangdong province in south China.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amount of the accounts receivable included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets.

(c) *Liquidity risk*

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

(d) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk.

2.2 Fair value estimation

The nominal value less estimated credit adjustments of accounts receivable, accounts payable and balances with related parties are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) Depreciation on interests in toll highways and bridges

Interests in toll highways and bridges of the Group and investee companies comprise tangible infrastructures and intangible operating rights. Depreciation of tangible infrastructures is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 2 per cent to 5 per cent.

(b) Current taxation and deferred taxation

The Group is subject to taxation in Mainland China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

4 TURNOVER

The Group is principally engaged in the operation and management of toll highways and bridges in China. Turnover recognised is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Toll revenue	424,845	400,212

No analysis of the Group's turnover and contribution to operating profit by activity and geographic area is presented as they were principally derived from the operations of the Group's toll projects in China.

Business segment information is not required as the revenue, results and assets of the toll operations represent more than 90 per cent of the total revenue, results and assets of the Group respectively.

5 OTHER GAINS, NET

	Group	
	2005	2004
	HK$'000	HK$'000
Interest income	3,041	1,303
Rental income	264	15
Gain on disposal of partial interest in a jointly controlled entity	11,705	—
Fair value gains/(losses) on investment properties	1,306	(1,691)
Others	719	835
	17,035	462

6 EXPENSES BY NATURE

Expenses included in toll highways and bridges maintenance expenses and general and administrative expenses are analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Amortisation of prepaid leasehold land	30	122
Depreciation of property, plant and equipment	2,397	2,427
Auditors' remuneration	775	770
Net exchange loss/(gain)	11,486	(952)
Outgoings in respect of investment properties	25	27
Staff costs	48,351	25,016

7 FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank borrowings	8,103	13,362
Interest on amount due to a minority shareholder of subsidiaries	2,166	2,185
Interest on loans from minority shareholders of subsidiaries	15,620	—
	25,889	15,547

8 TAXATION

(a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax during the year (2004: nil).

(b) China enterprise income taxation is provided on the profits of the Group's investments in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). Under the China Tax Law, the Group's investments in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years. The principal income tax rate is 18 per cent. Certain of the Group's investments in China are qualified for the aforesaid tax holiday.

(c) The amount of taxation charged to the consolidated income statement represents:

	Group	
		Restated
	2005	2004
	HK$'000	HK$'000
Current taxation		
China enterprise income tax	35,532	35,370
Deferred taxation	(1,099)	(1,735)
	34,433	33,635

The taxation on the Group's profit before taxation less incomes from associates and jointly controlled entities differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2005	2004
	HK$'000	HK$'000
Profit before taxation less incomes from associates and jointly controlled entities	107,799	143,391
Calculated at a tax rate of 18 per cent (2004: 18 per cent)	19,404	25,810
Income not subject to tax	(3,711)	(873)
Expenses not deductible for tax purposes	20,197	10,504
Effect of different tax rates	(1,457)	(1,806)
Taxation charge	34,433	33,635

9 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	305,898	277,029
Weighted average number of ordinary shares in issue ('000)	1,114,929	1,114,385
Basic earnings per share (HK cents)	27.4	24.9

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	305,898	277,029
Weighted average number of ordinary shares in issue ('000)	1,114,929	1,114,385
Adjustments for share options ('000)	560	922
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,115,489	1,115,307
Diluted earnings per share (HK cents)	27.4	24.8

10 DIVIDENDS

	Company	
	2005	2004
	HK$'000	HK$'000
Interim, paid, of HK$0.05 (2004: HK$0.045) per share	55,772	50,151
Final, proposed, of HK$0.05 (2004: HK$0.0525) per share	55,772	58,524
	111,544	108,675

At a meeting held on 19th April 2006, the Directors proposed a final dividend of HK$0.05 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but is reflected as an appropriation of retained earnings for the year ended 31st December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Toll Projects Summary

The Company is principally engaged in investment and operation of expressways and national toll highways and bridges located in Guangdong Province mainly in Guangzhou area.

Since its listing on The Stock Exchange of Hong Kong Limited in January 1997, the Group has been expanding steadily and total attributable length of toll road and bridge projects had already increased from 146.9 kms at the time of listing to the current 315.2 kms. As at 31st December 2005, the Group had a total of 13 investments in its operating toll road and bridge projects portfolio which includes Guangzhou Northern Ring Road, Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway, Guangdong Humen Bridge and Shantou Bay Bridge; Guangshen Highway, Guangshan Highway, Guangcong

Highway Sections I and II, Guanghua Highway and Qinglian Highways all of which connect the traffic hub of Guangzhou City and inter-provincial traffic between Guangdong, Hunan and Jiangxi provinces; Xian Expressway in Shaanxi Province and Xiang Jiang Bridge II in Xiangtan City of Hunan Province are both located outside Guangdong Province. Apart from Guangzhou Western Second Ring Expressway that is now under construction, the other toll projects are already operating and generating toll income.

Summary Information of Operating Toll Roads and Bridges in 2005

	Length (kms)	Width (lanes)	Toll station	Road type	Attributable interest (%)	Remaining operating year term
Subsidiaries						
Guangshen Highway	23.1	6	1	Class I highway	80.00	21
Guangshan Highway	64.0	4	2	Class II highway	80.00	21
Guangcong Highway Section I	33.3	6	1	Class I highway	80.00	21
Guangcong Highway Section II	33.1	6	1	Class I highway	51.00	21
& Provincial Highway 1909	33.3	4	1	Class I highway	51.00	
Guanghua Highway	20.0	6	1	Class I highway	55.00	22
Xian Expressway	20.1	4	3	Expressway	100.00	11
Xiang Jiang Bridge II	1.8	4	1	Rigid frame bridge	75.00	16
Associated Companies and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension bridge	25.00	24
Northern Ring Road	22.0	6	11	Expressway	24.30	18
Qinglian Highways						
National Highway 107	253.0	2	4	Class II highway	23.63	23
Highway between Qingyuan and Lianzhou cities	215.2	4	5	Class I highway	23.63	
Shantou Bay Bridge	6.5	6	1	Suspension bridge	30.00	23
GNSR Expressway	42.4	6	9	Expressway	40.00	26

Overview of Operating Performance

As at the end of 2005, the aggregate mileage of expressways in Guangdong Province ranked second nationwide reaching 3,140 kms. Guangdong Province's expressway network radiates from Guangzhou as the center. On average, there is at least one or more expressways channeling traffic from Guangdong to neighboring provinces or districts, enabling Guangdong Province's economy to move into a virtuous developing track with an aim to build up a solid foundation for the advancement of economic cooperation and development in Pan Pearl River Delta Region. Being a toll operator in Guangdong Province with major investments and operations in Guangzhou area, our Company directly benefited from substantial growth in the economic development and private vehicle ownership in Guangzhou area. In 2005, Guangzhou's GDP continued to climb upward reaching Rmb511.575 billion, ranking third among major cities nationwide, representing approximately 13.0 per cent growth over 2004. Along with the rising household income, consumption level for hot commodities such as vehicles continue to elevate and spending ratio being pushed up, private car ownership per 100 households in Guangzhou increased from 4.0 vehicles in 2004 to 6.3 vehicles in 2005, expressing an increase of approximately 57.5 per cent. Moreover, the Company persists to focus on toll management and in a move to heighten the efficiency level of toll collection and to drive up the provincial inter-road network toll collection system, Northern Ring Road, GNSR Expressway, Guangdong Humen Bridge and Shaanxi Xian Expressway had already completed the implementation of their respective inter-road network toll collection system.

Despite the slight decline in traffic volume of a number of non-expressway projects in 2005, overall traffic volume and turnover especially expressway projects demonstrated an upward position. The total average daily toll traffic volume of the Company's subsidiaries for 2005 grew by 3.1 per cent to 132,400 vehicles as compared to 2004 and achieved a 6.2 per cent growth in turnover of HK$424.8 million, being HK$24.6 million higher than 2004. The aggregate average daily toll traffic volume of associated companies and jointly controlled entity grew by 8.2 per cent to 246,300 vehicles as compared to 2004 and attributable turnover amounted to HK$466.6 million representing an increase of HK$52.2 million and a growth rate of 12.6 per cent over 2004.

Average daily toll traffic volume of toll highways and bridges

	Average daily toll traffic volume (vehicle)			Weighted average toll fare per vehicle (Rmb)	
	2005	2004	Change	**2005**	2004
Subsidiaries					
Guangshen Highway	**30,729**	32,795	-6.3%	**5.92**	6.02
Guangshan Highway	**23,210**	24,041	-3.5%	**10.26**	9.95
Guangcong Highway Section I	**12,754**	13,605	-6.3%	**12.95**	12.97
Guangcong Highway Section II & Provincial Highway 1909	**21,862**	19,579	11.7%	**8.08**	7.72
Guanghua Highway	**11,070**	11,132	-0.6%	**8.20**	8.05
Xian Expressway	**27,288**	22,654	20.5%	**11.88**	11.90
Xiang Jiang Bridge II	**5,494**	4,566	20.3%	**8.76**	8.98
Total	**132,407**	128,372	3.1%		
Associated Companies & Jointly Controlled Entity					
Humen Bridge	**42,820**	39,176	9.3%	**42.66**	42.79
Northern Ring Road	**133,443**	124,535	7.2%	**12.32**	11.99
Qinglian Highways	**16,633**	19,958	-16.7%	**20.84**	18.85
Shantou Bay Bridge	**9,450**	13,288	-28.9%	**37.10**	33.47
GNSR Expressway	**43,965**	30,791	42.8%	**17.44**	18.58
Total	**246,311**	227,748	8.2%		

Performance of Subsidiaries

Guangshen Highway Guangzhou Section ("Guangshen Highway")

Guangshen Highway is a section of National Highway 107 and is one of the major roads connecting Guangzhou City and Shenzhen City. The total length is approximately 23.2 kms, of which the section from Dashadi in Huangpu to Nangang measures approximately 11.7 kms long with six lanes and the section from Nangang to Xintang, measures approximately 11.4 kms long with four lanes.

During 2005, Guangshen Highway continued to be affected by the linkage of Guangyuan Road East and Dongguang section in addition to the upgrading of highway network in the vicinity causing some degree of traffic diversion, average daily toll traffic volume dropped by 6.3 per cent to 30,729 vehicles when compared with 2004. Weighted average toll fare per vehicle was Rmb5.92, slightly below 2004 by 1.6 per cent.

Guangshan Highway Guangzhou Section ("Guangshan Highway")

Guangshan Highway is a section of National Highway 324. It has a length of approximately 64.0 kms and is one of the major highways connecting Guangzhou Municipality and the eastern region of Guangdong Province.

During 2005, Guangshan Highway continued to be affected by the opening of Guangyuan Road East and Guanghui Expressway. As compared with 2004, the average daily toll traffic volume decreased by 3.5 per cent to 23,210 vehicles in 2005 and weighted average toll fare per vehicle increased by 3.1 per cent to Rmb10.26.

Guangcong Highway connecting Guangzhou Institute of Foreign Language and Tai Ping Chang ("Guangcong Highway Section I")

Guangcong Highway Section I is a section of National Highway 105 between Guangzhou City and Conghua City in the northeast where a hot spring resort is located. Guangcong Highway Section I mainly connects inter-provincial traffic between Guangdong Province and provinces in Eastern China such as Jiangxi. It is also the main access from Guangzhou City to Conghua City in the suburban area.

Since 2004 when Jingzhu Expressway directly connects the urban area of Guangzhou City, traffic performance of Guangcong Highway Section I was weakened, causing average daily toll traffic volume of 2005 decreased by 6.3 per cent to 12,754 vehicles when compared with 2004. Weighted average toll fare per vehicle was Rmb12.95 which was slightly below 2004 by 0.2 per cent.

Guangcong Highway connecting Tai Ping Chang and Wenquan ("Guangcong Highway Section II & Provincial Highway 1909")

Guangcong Highway Section II connects inter-provincial traffic between Guangdong Province and provinces in Eastern China, such as Jiangxi and intra-municipality traffic between Guangzhou and Conghua City in the northeast, where a hot spring resort is located. Provincial Highway 1909 connects inter-provincial traffic between Guangdong and Hunan provinces.

The completion of the widening works of National Highway 105 connecting Guangcong Highway Section II and its commencement in January 2005 had attracted vehicles from provinces such as the Jiangsu Province to travel in that highway section. Average daily toll traffic volume had increased by 11.7 per cent to 21,862 vehicles when compared with 2004. Weighted average toll fare per vehicle increased by 4.7 per cent to Rmb8.08 when compared with 2004.

Guanghua Highway

Guanghua Highway is the major highway connecting the urban area of Guangzhou City and the suburb of Huadu District where the New Guangzhou Airport is located.

The opening of the New Guangzhou Airport in August 2004 had brought positive impact to Guanghua Highway; however, with the upgrading of the highway network connecting the urban area section of the Airport Expressway and the opening of Guangqing Expressway conjunction in the second half of 2005, average daily toll traffic volume of Guanghua Highway for 2005 was 11,070 vehicles which is relatively similar to 2004 level and weighted average toll fare per vehicle was Rmb8.20, which was up by 1.8 per cent when compared with 2004.

Xian Expressway in Shaanxi Province ("Xian Expressway")

Xian Expressway is an expressway connecting Xian City and Lintong County where the world famous historical relic Terra-Cotta Warriors is located.

The commencement in operation of Xian City Express Highway connecting Xian Expressway coupled with the redevelopment of that road section linking Xian and Lintong had induced more vehicles traveling Xian Expressway. Average daily toll traffic volume of Xian Expressway for 2005 was 27,288 vehicles which increased significantly by 20.5 per cent when compared with 2004. Weighted average toll fare per vehicle was slightly below 2004 amounted to Rmb11.88.

Xiang Jiang Bridge II in Xiang Tan City of Hunan Province ("Xiang Jiang Bridge II")

Xiang Jiang Bridge II is located in Xiang Tan City of Hunan Province. It is part of National Highway 107 linking the northern and southern banks of Xiang Jiang. The bridge primarily connects inter-provincial traffic between Guangdong Province and Hunan Province.

The upgrading of highway facilities in a way to improve the operating environment had led average daily toll traffic volume of Xiang Jiang Bridge II to increase significantly by 20.3 per cent to 5,494 vehicles in 2005. The rise of small passenger vehicles had caused weighted average toll fare per vehicle declined by 2.5 per cent to Rmb8.76 when compared with 2004.

Performance of Associated Companies

Humen Bridge

Humen Bridge is an expressway with a six-lane suspension bridge linking Panyu District of Guangzhou Municipality and Dongguan City both located in the heart of the Pearl River Delta. Its two ends are connected to the Guangzhou Shenzhen Expressway and Guangzhou Zhuhai Eastern Expressway.

Being benefited from the natural growth in traffic volume brought forth by the continuous rapid economic growth of the Pearl River Delta Region, average daily toll traffic volume of Humen Bridge for 2005 increased by 9.3 per cent to 42,820 vehicles when compared with 2004. Weighted average toll fare per vehicle slightly decreased by 0.3 per cent to Rmb42.66 when compared with 2004.

Shantou Bay Bridge

Shantou Bay Bridge is a six-lane bridge located in the eastern entrance of Shantou Harbour which had started operation since December 1995. It connects Shenshan Expressway in the west and stretches over Shantou Harbour Huangsha Bay Sea Route linking Shanfen Expressway. It has a total length of approximately 6.5 kms.

Since the Queshi Bridge located near Shantou Bay Bridge had joined the "year pass policy" of Shantou City in January 2005, traffic volume was greatly affected as a major portion of Shantou City vehicles originally traveling through Bay Bridge were diverted to Queshi

Bridge. Average daily traffic volume for 2005 had decreased by 28.9 per cent to 9,450 vehicles when compared with 2004. As the diverted traffic was mainly small passenger vehicles, weighted average toll fare per vehicle increased by 10.8 per cent to Rmb37.10 when compared with 2004.

Guangzhou City Northern Ring Road ("Northern Ring Road")

The Northern Ring Road located in Guangzhou City links the Guangzhou Shenzhen Expressway in the east and the Guangzhou Foshan Expressway in the west.

Being benefited from the natural growth in traffic volume brought forth by the continuous rapid economic growth of the Pearl River Delta region, average daily toll traffic volume for 2005 increased by 7.2 per cent to 133,443 vehicles when compared with 2004. On the other hand, the development of the logistics sectors had driven more large size vehicles to the traffic; as a result, weighted average toll fare per vehicle for 2005 increased by 2.7 per cent to Rmb12.32 when compared with 2004.

Qinglian Highways

Qinglian Highways are located in the northwestern part of Guangdong Province connecting Guangdong Province and Hunan Province. Qinglian Highways consist of a Class 2 Highway with 253.0 kms and a Class 1 Highway with 215.2 kms. In an aim to bring Qinglian Highways into full play, redevelopment work had commenced in December 2005 to re-construct Qinglian Class 1 Highway into an expressway. The funds for the reconstruction amounting to approximately Rmb4.2 billion (including interests) will be satisfied through bank borrowings by Qinglian Company. The reconstruction is expected to complete and be open to traffic in 2008. After redevelopment, Qinglian Expressway will become the most convenient passage way between Guangdong Province and Hunan Province. It will be the arterial expressway connecting the northern and southern highway network in Guangdong Province and will promote the economic activities from Pearl River Delta region towards the inland regions.

Meanwhile, the Jingzhu Expressway continued to divert the traffic volume from Qinglian Highways in 2005. Traffic flow of Qinglian Highways was also affected by the substantial decrease of coal trucks within Hunan region in April 2005 as well as the increasing traffic in Lianzhou intersection. The average daily toll traffic volume for 2005 had decreased by 16.7 per cent to 16,633 vehicles when compared with 2004. Due to decrease of medium size vehicles and increase of large size vehicles in the traffic mix, weighted average toll fare per vehicle for 2005 had risen by 10.6 per cent to Rmb20.84.

Performance of Jointly Controlled Entities

Guangzhou Northern Second Ring Expressway ("GNSR Expressway")

The six-lane 42.4 kms GNSR Expressway has nine intersections and nine toll stations. It connects eleven provincial, national highways and expressways in the north of Guangzhou Municipality. GNSR Expressway was completed and commenced toll collection in January 2002.

The opening of Jingzhu Expressway and Guanghui Expressway, both of which connecting GNSR Expressway, together with the opening of New Guangzhou Airport in August 2004 had significantly boosted the traffic volume of GNSR Expressway. Average daily toll traffic volume for 2005 had continued to increase steadily by 42.8 per cent to 43,965 vehicles. With the increase in proportion of small size vehicles, weighted average toll fare per vehicle decreased by 6.1 per cent to Rmb17.44 when compared with 2004.

Guangzhou Western Second Ring Expressway ("GWSR Expressway")

The GWSR Expressway (under construction), of which the Group has 35.0 per cent shareholding, connects GNSR Expressway, extends from Guangzhou Sanshui Expressway near Xiaotan Town in Nanhai District of Foshan City and ends at Maoshan Village, Baiyun District of Guangzhou City, had a total length of 39.13 kms and with a dual direction six-lane route. After completion, it will be connected to such highways as GNSR Expressway, Jing Zhu Expressway, Guanghua Expressway, New Airport Expressway, Guangsan Expressway and National Highways 324, 321, 105, 106 and 107. It is also a convenient route for accessing the new Guangzhou Baiyun International Airport in the western region of Guangzhou.

The total investment of the project amounted to Rmb2.97 billion, of which registered capital amounted to Rmb1.0 billion, whilst the remaining was raised in the form of project finance. Construction had officially commenced on 16th September 2004. The accumulated construction costs as at the end of March 2006 amounted to Rmb1.725 billion, representing approximately 58.0 per cent of the estimated investment. The project is expected to be completed ahead of schedule by December 2006. The Group had contributed a total of Rmb143.5 million as at 31st December 2005.

FINANCIAL REVIEW

Results Highlights

(HK$'000)	2005	Restated 2004	% of change
Profit attributable to equity holders of the Company	**305,898**	277,029	10.4
Turnover	**424,845**	400,212	6.2
Operating profit	**133,688**	158,938	-15.9
Profits after tax and interest income from associated companies and jointly controlled entity	**264,527**	193,038	37.0
Interest coverage	**53 times**	32 times	
Basic earnings per share	**HK$0.274**	HK$0.249	10.0
Dividend per share	**HK$0.10**	HK$0.0975	
Return on shareholders' funds (excluding minority interests)	**8.15%**	7.95%	2.5

Analysis of Results

The profit attributable to equity holders of the Company for the year ended 31st December 2005 grew by 10.4 per cent to HK$305.9 million as compared to 2004. Turnover of subsidiaries grew by 6.2 per cent to HK$424.8 million. However, 2005 operating profit was HK$25.2 million below 2004 amounting to HK$133.7 million, representing a drop of 15.9 per cent due to increase in toll road maintenance expenses of certain subsidiaries and impairment losses newly incurred in 2005 on available-for-sale financial assets of HK$44.3 million. Ignoring the impairment losses, operating profit growth will be 12.0 per cent. With the strong growth in turnover of expressways and downward adjustment of business tax rate, share of after tax profits less losses plus interest income of associated companies and jointly controlled entity was up by 37.0 per cent from 2004 level to HK$264.5 million. Basic earnings per share increased by HK2.5 cents over 2004 to HK27.4 cents and return on shareholders' funds had increased from 7.95 per cent in 2004 to 8.15 per cent in 2005.

Turnover

Through enhancement of toll road services' quality, intensify toll inspection strength, heighten collection effectiveness, exploration of new toll collection potential and mitigation of unfavorable effects brought about from the continuing formation of new toll road network in Guangdong and surrounding provinces to partial Class I and II toll highways, the Group's turnover for 2005 grew 6.2 per cent over 2004 to HK$424.8 million. Xian Expressway recorded a 21.4 per cent growth; Xiang Jiang Bridge II and Guangcong Highway Section II grew 18.4 per cent and 18.0 per cent respectively; Guanghua Highway and Guangshan Highway grew slightly by 2.2 per cent and 0.4 per cent respectively; while Guangshen Highway and Guangcong Highway Section I declined by 7.0 per cent and 5.5 per cent respectively.

Other gains

In 2005, the Group had other gains amounted to HK$17.0 million, which was HK$16.4 million higher than 2004. There was a gain on disposal of a partial interest in a jointly controlled entity of HK$11.7 million (the estimated gain on disposal was disclosed in the circular dated 20th January 2006 to be approximately HK$13.4 million based on the carrying value as at 31st October 2005). Investment properties in 2005 had a fair value gain of HK$1.3 million whereas in 2004, there was a fair value loss of HK$1.7 million. With the upward adjustment of bank interest rate since March 2005, bank interest income in 2005 was up by HK$1.7 million to HK$3.0 million.

Amortisation / depreciation of interests in toll highways and bridges

Except for one subsidiary which adopts the unit of usage method of depreciation, the rest adopt the straight line method. The Group's amortization / depreciation of interests in toll highways and bridges for the year ended 31st December 2005 amounted to HK$106.1 million which was 1.3 per cent slightly higher than 2004.

Toll highways and bridges maintenance expenses

In 2005, toll highways and bridges maintenance expenses amounted to HK$93.0 million, which was HK$18.0 million or 23.8 per cent higher than 2004. The increase was mainly due to the restoration works carried out on certain toll road sections of the Group's five subsidiaries' with an aggregated extra cost incurred totaled approximately HK$25.6 million. Ignoring the restoration costs, normal maintenance expenses would be 10.3 per cent below 2004.

General and administrative expenses

General and administrative expenses incurred in 2005 amounted to HK$44.2 million, being 9.6 per cent higher than 2004 which was mainly due to exchange loss arisen from translating monetary assets and liabilities.

Impairment losses on available- for- sale financial asset

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to other investments which are classified as available-for-sale financial assets and are carried at fair value. Unrealised gains and losses arising from changes in their fair values are recognized in equity. If there is a significant or prolonged decline in the fair values below the costs, the assets are impaired and the shortfall is then charged to income statement. In 2005, the Group had charged impairment losses on available-for-sale financial assets of HK$44.3 million to the income statement apart from the decrease in fair value of HK$36.1 million which was charged to equity.

Finance costs

Finance costs in 2005 amounted to HK$25.9 million, of which, had included an adjustment on interest free loans from minority shareholders of subsidiaries amounted to HK$15.6 million as required by HKAS 39 effectively on 1st January 2005 and onwards. Finance costs related to interest on bank borrowings amounted to HK$8.1 million representing a decline of HK$5.3 million or 39.4 per cent below 2004 due to repayment of bank borrowings equivalent to approximately HK$39.8 million in 2005; and finance costs related to interest bearing loans from minority shareholders of subsidiaries for 2005 and 2004 were relatively similar.

Share of after tax profits less losses and interest income of associated companies

Being benefited from the turnover growth of expressways and downward adjustment of business tax rate since June 2005, share of after tax profits less losses and interest income of associated companies in 2005 totaled HK$224.5 million which was 22.7 per cent higher than 2004. Humen Bridge and Northern Ring Road was benefited from the continuous economic growth in Pearl River Delta Region, their after tax profit and interest income attributable to the Group grew by 32.5 per cent and 6.3 per cent respectively as compared to 2004. Despite of Jingzhu Expressway's traffic diversion effect continuously affecting Qinglian Highways, the level of loss attributable to the Group had narrowed down from HK$17.4 million in 2004 to HK$7.4 million in 2005 due to its strict maintenance cost control policy. Shantou Bay Bridge was affected by both the "year pass policy" implemented by the Shantou Municipal People's Government and the expiration of tax holiday, it's after tax profit and interest income attributable to the Group dropped by 27.0 per cent as compared to 2004.

Share of profit after tax of a jointly controlled entity

GNSR Expressway was benefited from the opening of Jingzhu Expressway, Guanghui Expressway and New Guangzhou Airport, its after tax profit attributable to the Group increased remarkably from HK$10.1 million in 2004 to HK$40.0 million in 2005.

Taxation

As the tax rates of subsidiaries in 2005 and 2004 were the same and that overall taxable profit for both years was at similar level, taxation for 2005 and 2004 were almost the same amounted to HK$34.4 million and HK$33.6 million respectively.

Interest Coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses. For the year ended 31st December 2005, interest coverage increased to 53 times (2004: 32 times) due to increase in EBITDA and decline in interest expenses.

Final Dividend

The Directors recommended the payment of final dividend of HK$0.05 (2004: HK$0.0525) per share payable to shareholders whose names appeared on the register of members of the Company on 30th May 2006. Subject to the approval of shareholders at the Annual General Meeting to be held on 30th May 2006, the final dividend will be paid on 9th June 2006. Together with the interim dividend of HK$0.05 (2004: HK$0.045) per share, total dividends for the year ended 31st December 2005 will amount to HK$0.10 (2004: HK$0.0975) per share, representing a dividend pay out ratio of 36.5 per cent (2004: 39.3 per cent).

Liquidity and Financial Resources

Financial Highlights

(HK$'000)	2005	Restated 2004	% of change
Bank balances and cash	**368,883**	188,850	95.0
Bank borrowings	**144,231**	184,038	-21.6
Current ratio	**190%**	105%	81.0
Shareholders' funds (excluding minority interests)	**3,752,559**	3,484,308	7.7
Gearing ratio	**13.1%**	16.2%	-19.1
Net asset per share	**HK$3.36**	HK$3.13	7.3

Cash flows

The Group's bank balances and cash as at 31st December 2005 was approximately HK$368.9 million and was 95.0 per cent higher than HK$188.8 million as at 31st December 2004. The net increase in bank balances and cash was derived from surpluses in cash flow from operating and investing activities over cash used in financing activities for the year ended 31st December 2005.

Net cash inflow from operating activities for the year ended 31st December 2005 amounted to HK$222.1 million (2004: HK$190.9 million). Cash flow under operating activities mainly were cash from operations of HK$272.0 million (2004: HK$237.9 million) less interest paid of HK$16.7 million (2004: HK$13.6 million) and China enterprise income taxation paid of HK$33.5 million (2004: HK$33.4 million).

Investing activities in 2005 had generated a net surplus of HK$219.3 million (2004: HK$97.4 million). Cash flow from investing activities mainly were repayments from associated companies of HK$206.9 million (2004: HK$178.9 million) reduced by cash used in capital expenditures and investments of HK$54.1 million (2004: HK$82.8 million). In December 2005, a proceed of approximately HK$63.6 million from disposal of partial interest in a jointly controlled entity was added to the Group's cash flow.

Net cash used in financing activities in 2005 amounted to HK$259.8 million (2004: HK$348.4 million). Cash flow under financing activities were mainly used in repayment of bank loans of HK$39.8 million (2004: HK$161.5 million), repayments to minorities of subsidiaries of HK$106.3 million (2004: HK$86.9 million) and dividends paid of HK$114.3 million (2004: HK$100.3 million).

Bank borrowings

Outstanding bank borrowings of the Group as at 31st December 2004 amounted to approximately HK$184.0 million. During 2005, the Group had repaid bank borrowings equivalent to approximately HK$39.8 million. As at 31st December 2005, the outstanding bank borrowings amounted to approximately HK$144.2 million and are repayable within one year. The management is in the opinion that with adequate cash balance, stable stream of operating cash flow and steady cash return from investments, liquidity risk is not an imminent issue of the Group. In January 2006, the Group had repaid an aggregate of Rmb100.0 million (equivalent to HK$96.2 million) bank borrowings from its internal funds. The current ratio as at 31st December 2005 was 190.0 per cent (2004: 105.0 per cent).

The maturity profiles of outstanding bank borrowings as at 31st December 2005 and 31st December 2004 are shown below:

Bank Borrowings (wholly unsecured Rmb loans)	**2005**		2004	
	HK$'000	**%**	HK$'000	%
Repayable:				
Within one year	**144,231**	**100.0**	71,362	38.8
In the second to fifth year	**—**	**—**	112,676	61.2
	144,231	**100.0**	184,038	100.0

Capital expenditures and investments

In 2005, the Group had capital expenditures and investments amounted to approximately HK$54.1 million (2004: HK$82.8 million), of which approximately HK$53.8 million was the equity capital contribution to a jointly controlled entity under construction, the GWSR Expressway, further to the initial contribution in early 2004 of HK$82.2 million.

Capital Structure

The Group's capital structures as at 31st December 2005 and 31st December 2004 are summarized below:

	2005			Restated 2004		
	HK$'000	**%**	**Average rate of interest (% per annum)**	HK$'000	%	Average rate of interest (% per annum)
Floating rate loans (Rmb)	**144,231**	**3.3**	**4.94**	184,038	4.4	5.9
Amount due to a minority shareholder	**—**	**—**	**—**	53,719	1.3	4.0
Loans from minority shareholders						
— interest bearing	**120,561**	**2.8**	**6.12**	120,561	2.9	5.9
— interest free	**301,303**	**7.0**	**—**	317,986	7.6	—
Total debts	**566,095**	**13.1**		676,304	16.2	
Shareholders' funds (excluding minority interests)	**3,752,559**	**86.9**		3,484,308	83.8	
Total capitalisation	**4,318,654**	**100.0**		4,160,612	100.0	
Gearing ratio	**13.1%**			16.2%		

Total capitalisation of the Group as at 31st December 2005 and 31st December 2004 amounted to approximately HK$4.32 billion and HK$4.16 billion respectively. The net increase of approximately HK$158.0 million in total capitalisation was a result of drop in total debts and rise in shareholders' funds.

The ratio of total debts to total capitalisation ("Gearing Ratio") as at 31st December 2005 and 31st December 2004 was 13.1 per cent and 16.2 per cent respectively. The composition of total debts had been adjusted to include minority shareholders' loans to conform to the reclassification of long term loans in the consolidated balance sheet, resulting in a higher recalculated gearing ratios. The decline in total debts was mainly due to repayment of bank borrowings during 2005 and full settlement of amount due to a minority shareholder in December 2005.

Rmb floating rate loans are bank borrowings in China which accounted for 25.5 per cent of the total debts as at 31st December 2005 and 27.2 per cent as at 31st December 2004. During 2005, the Group had repaid approximately HK$39.8 million from internal funds and no new loan had been drawn. All Rmb loans are unsecured.

Amount due to a minority shareholder represented part of the capital injection into a jointly controlled entity in 2001 which is denominated in Rmb and unsecured. This debt was fully settled in December 2005.

Loans from minority shareholders are part of the capital contributions from minority shareholders in respect of their respective equity shareholdings in certain subsidiaries which are unsecured and denominated in Rmb. Except for one subsidiary which minority shareholder's loan is interest bearing, the rest are non-interest bearing. The interest-free loans are stated at fair values based on cash flows discounted by a borrowing rate of 5.0 per cent. In 2005, the Group had repaid approximately HK$1.06 million.

As at 31st December 2005, shareholders' funds amounted to HK$3.75 billion which accounted for 86.9 per cent of the Group's total capitalisation. As at 31st December 2004, shareholders' funds amounted to HK$3.48 billion being 83.8 per cent of the Group's total capitalisation. The increase in shareholders' funds in 2005 was mainly represented by two factors, namely: net profit retained for the year after appropriation of 2004 final dividend and 2005 interim dividend and increase in exchange fluctuation reserve due to appreciation of Rmb currency in the second half of 2005.

Treasury Policies

The Group's overall treasury and funding policy is that of risk management and liquidity control. The Group will maintain banking relationship with financial institutions both in Hong Kong and China to capitalise on the different levels of liquidity offered by these two markets. Bank balances are generally placed in short term fixed rate deposits in bank accounts in Hong Kong and China. No fund is placed in non-bank institutions or invested in securities.

The Group's principal operations are in China and most of the income is denominated in Rmb, with the recent appreciation of Rmb currency, management is now monitoring its potential impact to the Group. Since Rmb loan interest rate is at present comparatively higher than foreign currency loan interest rate, management will consider reducing the debt financing in Rmb and increase equity and debt financing denominated in foreign currency unless capital expenditure required Rmb funding. Consequently, management would adopt appropriate currency hedging measures to minimize any possible foreign currency risks.

Capital Commitments and Contingent Liabilities

As at 31st December 2005, the Group had a committed equity capital balance to Guangzhou Western Second Ring Expressway Company Limited ("GWSR Expressway Company") of Rmb206.5 million (equivalent to approximately HK$198.6 million). This balance would be paid by stages in such amount and by such date as to be determined by the board of directors of GWSR Expressway Company. Save for this equity capital commitment, the Group had no other capital commitments as at 31st December 2005.

There were no significant contingent liabilities since the year ended 31st December 2004.

Employees

As at 31st December 2005, the Group had approximately 743 employees of which about 613 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which awards its employees according to the performance of the Group and individual employees.

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.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code Provisions") contained in Appendix 14 of the Rules Governing the listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31st December 2005, except for the following deviations:

Code Provisions A.4.1 and A.4.2

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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 three years. They have been re-elected.

In order to ensure compliance with Code Provisions A.4.1 and A.4.2, a special resolution will be proposed to amend the Bye-Laws of the Company at the forthcoming annual general meeting. Particulars of the proposed amendments are set out in the circular which will be sent to shareholders in due course.

The Audit Committee has reviewed the financial statements for the year ended 31st December 2005, including the accounting principles and practice adopted by the Group, in conjunction with the Company's external auditors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24th May 2006 to Tuesday, 30th May 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 23rd May 2006.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The annual report of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Ou Bingchang
Chairman

Hong Kong, 19th April 2006

As at the date of this announcement, the Board of the Company comprises:
Executive Directors: Ou Bingchang, Li Xinmin, Li Zhuo, Chen Guangsong, Liang Ningguang, Liang Yi, Du Xinrang, He Zili, Zhang Siyuan, Tan Yuande, He Baiqing and Zhang Huping.
Non-executive Director: Poon Jing.
Independent Non-executive Directors: Fung Ka Pun, Lau Hon Chuen Ambrose and Cheung Doi Shu.