

Guangdong Provincial Expressway Development Co., Ltd.
Annual Report for the Year 1999

Important Statement

The Board of Directors of the Company guarantees that there are no significant omissions, fictitious or misleading statements in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

This report is written in Chinese and English. If the two versions vary in interpretations, the Chinese version shall prevail.

I Company Profile

(i) Legal Name of the Company

Registered name in Chinese: 广东省高速公路发展股份有限公司

Name in English: Guangdong Provincial Expressway Development Co., Ltd.

Abbreviation in English: GPED

(ii) Legal Person Representative: Mr. Lin Xing Wang

(iii) Personnel responsible for inquiries:

Secretary of the Board of Directors: Mr. Huo Yan Bin

Telephone number: (020) 83731365 (020)-83731388-230

E-mail: ybhuou@163.net

Authorized Representative: Ms. Peng Xiao Fang

Telephone number: (020) 83731394

Fax Number: (020)-83731384

Connecting address: 85 BaiYun Road, Guangzhou, Guangdong Province.

(iv) Address of the Company.

Registered address: 85 BaiYun Road, Guangzhou, Guangdong Province.

Office address: 85 BaiYun Road, Guangzhou, Guangdong Province.

Postal code: 510100

International

Net address: www.gpedcl.com.cn

E-mail: GPEDCL@mx2.gd.cei.gov.cn

(v) The company select the following newspapers to make information disclosure : Securities Times , China Securities , Shanghai Securities

News , TA KONG PAO(H.K.) and Hongkong Commercial DailyInternational net address (appointed by the China Securities Regulatory Commission): www.gpedcl.com.cn

The annual report of GPED for reference

Address: 85 BaiYun Road, Guangzhou, Guangdong Province.

Security Department of GPED

(vi) Name of the listing Stock Exchange: Shenzhen Stock Exchange

Abbreviations and codes for the Company' s shares are:

Yue GaosuA-0429

Yue GaosuB-2429

II Summary of Financial Statements and Financial Indicators

(1) Profit after taxation of the Company for the year 1999 and the structure :

Unit: RMB

Financial highlights and indicators	1999
Gross Profit	363,611,928.16
Net income	293,027,003.56
Net profit after deducing unusual gain or loss	181,382,253.84
Business Operating income	174,738,221.98
Profit from other operation	64, 389, 927.61
Operating profit	228,230,166.37
Investment earning	66, 042, 152.86
Subsidized income	1, 959, 102.54
Net non-operating income	67, 380,506.39
Net cash from operating	188, 851, 164.88
Net increase in cash and cash equivalent value	-198, 436, 329.01

Note 1: indicators deduced unusual gain or loss and concerning amount of money:

	(unit:yuan)
Shareholders' interests invest balance	-7,331,921.62
Profit from Huadu real estate	4,592,080.94
Interest income from frozen capital in the invalid application for A share	1,911,204.30
Jiujiang Bridge transfer	127,690,750.15
Fixed assets managing	6,920.00
Influence to income tax	-15,224,284.05
Concerning amount of the above	111,644,749.72

Note 2: Except for the financial statements audited under PRC Accounting Standards, the Company also prepared financial statements in accordance with International Accounting Standards ("IAS") for the reference of overseas investors. Net profit for the year 1999 is RMB293,027,003.56 under PRC Accounting Standards audited by domestic Accountant and is RMB257,421,000.00 under IAS audited by international Accountants respectively. Difference of RMB 35,606,003.56 is mainly due to adjustments. The adjustments include, primarily, adjustments for the elimination of the unrealised profits arising on the disposal of 100% ownership of Jiujiang Bridge and related assets in Fokai Company against the Group's share of 35% equity interest in Fokai Company, deferred tax,

goodwill arising on the acquisition of associates, amortisation of goodwill, depreciation charges, business tax, interest expenses exempted by GPFC, interest income received on subscription monies received in connection with the A shares issue, and other adjustments in accordance with the prudence concept.

(2) Financial statement summary and financial indicators for the last 3 years based on the adjustment in 1999 on the Earning and Loss of the years before :

Financial highlights and indicators	1999	1998		1997	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Operating income	258,208,655.50	230,510,656.00	230,510,656.00	216,088,086.00	216,088,086.00
Net income	293,027,003.56	147,313,377.40	154,011,541.28	144,342,858.94	150,484,038.44
Total assets	3,056,506,789.09	2,585,806,036.06	2,586,078,243.68	1,907,228,865.44	1,907,243,993.28
Shareholders' interests	2,452,184,508.92	2,260,956,599.33	2,273,795,942.71	1,661,991,102.34	1,668,132,281.84
Earnings per share	0.38	0.19	0.20	0.22	0.23
Weighted Earnings per share	0.38	0.19	0.20	0.22	0.23
Earnings per share after deducing unusual gain or loss	0.24	0.20	0.21	0.22	0.23
Net assets per share	3.21	2.96	2.98	2.50	2.51
Adjusted net assets per share	3.17	2.91	2.93	2.42	2.43
Net cash per share caused by operating activities	0.25	0.22	0.22	-----	-----
Return on net assets	11.95%	6.52%	6.77%	8.68%	9.02%
Weighted return on net assets	12.44%	6.75%	7.04%	8.74%	9.10%

Note 1:Formula for the above indicators are as follows:

Earnings per share = Net income / Total number of ordinary shares at end of year

Net Assets per share = Shareholders' equity at end of year / Total number of ordinary shares at end of year

Adjusted net assets per share = (Shareholders' equity at end of year - accounts receivable over 3 years - deferred expenses - net loss

on assets awaiting handling - preliminary expense - deferred assets) / Total number of ordinary shares at end of the year

Return on net assets = Net income / Shareholders' equity at end of year * 100%

Net cash per share caused by operating activities = Net cash caused by operating activities/ Total number of ordinary shares at end of year

(3) .Changes in Shareholders' Equity during the Year

Description	Share Capital	Capital Surplus	Revenue Reserves	Including: Public Welfare Fund	Retained Profits	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Opening Balance	764,256,249	1,230,531,390.31	220,892,132.04	43,088,757.04	58,116,171.36	2,273,795,942.71
Addition for the year			50,628,068.26	14,651,350.18	293,027,003.56	343,655,071.82
Deduction for the year					165,266,505.61	165,266,505.61
Closing Balance	764,256,249	1,230,531,390.31	271,520,200.30	57,740,107.22	185,876,669.31	2,452,184,508.92
Change causes			increase in Revenue Reserves	increase in Public Welfare Fund	Retained profits of 1999	retained profits of 1999

III Changes in Share Capital and Structure of Shareholding

1) Changes in Share Capital

(i) Structures of Shareholding (unit: share)

	Opening balance	Increase/Decrease(+, -)						Closing balance
		Allotment share	Scrip Dividend	Bonus issue by transfer of surplus to capital	issue of share capital	others	total	
A. Non-circulating share								
(1) issue person share	310,124,530							310,124,530
Including:								
State-owned shares	286,443,750							286,443,750
Domestic legal persons shares	23,680,780							23,680,780
Foreign legal persons shares								
Others								
(2) legal persons shares	110,846,719							110,846,719
(3) internal staff shares	40,785,000							40,785,000
(4) preferential shares or others								
Total of non-circulating shares	461,756,249							461,756,249
B. circulating shares								
(1) domestic investors A shares	100,000,000							100,000,000

(2) foreign investors B shares	202,500,000							202,500,000
(3) foreign investors abroad listed shares								
(4) others								
Total of circulating shares	302,500,000							302,500,000
C. Total	764,256,249							764,256,249

(ii) Share Issuance and Listing

a) The Company issued 100,000,000 shares A shares under the ways of payable in full on application, pro-rate placing, and subject to refund” for the period from 9 January to 11 January 1998”(with the issue price of RMB 5.41 per share). Shares of the Company have been listed on Shenzhen Stock Exchange on 20 February 1998.

b) There is no change in Share amount of the Company during the year of 1999.

c) The internal staff shares (totally 40,785,000 shares) including those shares held by directors, supervisors and senior executives are trusted with Shenzhen Stock Registration Company in accordance with relevant regulations. These staff shares were issued in the initial stage of the establishment of the Company in 1993 with an issuance price of RMB1 per share and were subsequently exchanged for shares at the rate of 3.2:1. (1.7 bonus shares and 3.3 transferred shares for every 10 shares) The staff shares are not listed in the reporting period.

2) General Information about the Shareholders

(i) The Company has 39,660 shareholders in total as at 31 December 1999, including 9,180 Internal Staff Share shareholders.

(ii) Substantial Shareholders

Name of shareholders	Shareholding (shares)	Increase or decrease of share amount	Percentage to total Share Capital
----------------------	-----------------------	--------------------------------------	-----------------------------------

			(%)
Guangdong Provincial Freeway Company ("GPFC")	298,134,375	0	39.01%
IJM Overseas Ventures Sdn. Bhd. ("IJM")	116,411,750	-3,947,800	15.23%
DBS Nominees (Private) Limited ("DBS")	26,580,000	0	3.48%
Keppel Securities Nominees Pte. Ltd. ("Keppel Securities")	17,479,550	-4,114,750	2.29%
Keppel Bank Nominees Pte. Ltd.	15,948,000	0	2.09%
Guangdong Financial Trust and Investment Corporation	9,375,000	0	1.23%
Xinhui Siqian Economic Society	3,445,780	0	0.45%
Shunde Longjiang Chenyong Nonggongshang United Co.	2,812,500	0	0.37%
Nanhai Huaying Group	2,494,219	0	0.33%
Shunde Communications Development Company	2,343,750	0	0.31%

In 1999, shares held by the Legal Person shareholder owning more than 5% (including 5%) shareholding in GPED did not change and were not pledged or frozen.

Among the top ten substantial shareholders, GPFC holds 286,443,750 State-owned shares on behalf of the government, while IJM OVERSEAS VENTURES SDN.BHD. holds 30,000,000 legal persons shares and 86,411,750 B shares , and DBS NOMINEES (PRIVATE) LIMITED, Keppel Securities NOMINEES PTE.LTD., are foreign shareholders.

There is no related transaction between the top ten shareholders.

3) Shareholders owning more Than 10% of Total Shares

a) GPFC

GPFC is the Company's parent company Mr. Li Ying Hao is the Legal Person Representative of GPFC. The principal activities of GPFC are the construction, maintenance and management of expressway of Guangdong province, and the provision of expressway oriented services of refueling, salvage, spare parts, real estate and transportation.

b) IJM OVERSEAS VENTURES SDN. BHD.

IJM Overseas Ventures Sdn. Bhd. is a wholly-owned subsidiary of IJM Corporation Berhad. Mr. Krishnan Tan Boon Seng is the Legal Person Representative of IJM. The principal activities of IJM include construction, real estates, manufacturing, planting, higher education and overseas investment.

4) In 1999 , controlling-shareholder of GPED did not change.

IV Shareholders' General Meeting

(1) The Company convened three shareholders' General Meetings in 1999 (1998 annual shareholders' general meeting and two extraordinary shareholders' general meetings).

A. 1998 annual shareholders' general meeting

The 1998 annual shareholders' meeting of Guangdong Provincial Expressway Development Co., Ltd. was held at 9:30 o'clock on May 26, 1999. in Mahui room, 4/F Guangdong Foreign Businessman Club. There were 30 shareholders or their proxies present at the meeting, representing 471,767,311 shares and 61.73% of the total share capital of 764,256,249 shares. Among the shareholders attending the meeting, 27 shareholders of Domestic Investment Share and 3 shareholders of Foreign Investment Share represent 317,438,969 shares and 154,328,342 shares respectively. The number of shareholders attending the meeting was in accordance with relevant stipulations set forth in the Company Law and the Articles of Association of the Company. Guangdong Provincial Notary Office notarized the meeting. The resolutions considered and passed are as follows which were decided by ballot:

1. The general manager business report for 1998
2. The annual working report of the Board of Directors for 1998
3. The annual working report of the Board of Supervisors for 1998
4. Final financial report of the Company for 1998
5. The proposal of 1998 profits distribution
- 6) Discussed and passed 1998 annual report;
- 7). To review the proposal of amendments draft to the Articles of Association of the Company.
- 8). The proposal to continue the Yangcheng Certified Public Accountants and Ernst & Young as the Company's domestic and overseas auditors

The resolutions have been published in Securities Times , China Securities , Shanghai Securities News , TA KUNG PAO(H.K.) and Hongkong Commercial Daily on May 27, 1999

B. The extraordinary shareholders' general meeting

The 1999 extraordinary shareholders' meeting of Guangdong Provincial Expressway Development Co., Ltd. (hereinafter "the Company") was held at 9 o'clock on September 29, 1999 in Mahui room, 4/F Guangdong Foreign Businessman Club. There were 19 shareholders or their proxies present at the meeting, representing 470917542 shares and 61.62% of the total share capital

of 764,256,249 shares. Among the shareholders attending the meeting 16 shareholders of Domestic Investment Share and 3 shareholders of Foreign Investment Share represent 318361330 shares and 152556212 shares respectively. The number of shareholders attending the meeting was in accordance with relevant stipulations set forth in the Company Law and the Articles of Association of the Company. Guangdong Provincial Notary Office notarized the meeting. The resolutions considered and passed are as follows which were decided by ballot:

- 1). The working report of the Second Board of Directors of the Company;
- 2). The working report of the Second Board of Supervisors of the Company;
- 3). To elect Mr. Lin Xing Wang, Mr. Li YingHao, Mr. Cao Xiao Feng, Mr. Xiao Lai Jiu, Mr. Huo Yan Bin, Mr. Liang Jin, Mr. Li Bin Hai, Mr. Wang Tao, Mr. Deng Minliang, Mr. Loy Boon Chen, Mr. How See Hock as the directors of the third Board of Directors of the Company
- 4). To elect. Xu Yan, Mr. Yang Zi Qiu, He Hong Di, the supervisor of the third Board of Supervisors of the Company, Mr. Yun Wu Jun, Mr. Dong Guofeng was elected as supervisors representing the staff of the Company
- 5). The resolution on the reward for the directors and supervisors of the Company
- 6). The resolution of amendments draft to the Articles of Association of the Company.

The resolutions have been published in Securities Times , China Securities , Shanghai Securities News , TA KONG PAO(H.K.) and Hongkong Commercial Daily on September 30,1999

C. The 1999 second provisional shareholders' meeting of Guangdong Provincial Expressway Development Co., Ltd.(hereinafter "the Company") was held on December 27 ,1999 in Mahui room, 4/F Guangdong Foreign Businessman Club. There were 13 shareholders or their proxies present at the meeting, representing 477336764 shares and 62.46% of the total share capital of 764,256,249 shares. Among the shareholders attending the meeting 7 shareholders of Domestic Investment Share and 6 shareholders of Foreign Investment Share represent 298573207 shares and 178763557 shares respectively. The number of shareholders attending the meeting was in accordance with relevant stipulations set forth in the Company Law and the Articles of Association of the Company. Guangdong Provincial Notary Office notarized the meeting. The resolutions considered and passed are as follows which were decided by ballot:

- 1). Discussed and passed the proposal on the usage of the left fund collected by A share issuance.
- 2). The proposal of the transfer on toll- collection operation right , Jiujiang Bridge and all fixed assets of the facilities in Jiujiang Bridge Company

The resolutions have been published in Securities Times , China Securities , Shanghai Securities News , TA KONG PAO(H.K.) and Hongkong Commercial Daily on December 28,1999

(2) Brief Introduction to the reelection of Directors and Supervisors ;
The term of office for the second Board of Directors and Supervisors is over .In accordance with relevant stipulations set forth in the Articles of Association of the Company , the Company held the provisional shareholders' meeting and selected Mr. Lin Xing Wang, Mr. Li YingHao, Mr. Cao Xiao Feng, Mr. Xiao Lai Jiu, Mr. Huo Yan Bin, Mr. Liang Jin, Mr. Li Bin Hai, Mr. Wang Tao, Mr. Deng Minliang, , Mr. Loy Boon Chen, Mr. How See Hock as the directors of the third Board of Directors of the Company ,and elected Ms. Xu Yan, Mr. Yang Zi Qiu, He Hong Di, the supervisor of the third Board of Supervisors of the Company, Mr. Yun Wu Jun, Mr. Dong Guo Feng was elected as supervisors representing the staff of the Company .
Mr. Lin Xing Wang was elected as the chairman of the third Board of Directors .Mr. Li YingHao, Mr. Cao Xiao Feng was elected as the deputy chairman of the third Board of Directors at the first meeting of the third Board of Directors.

Ms. Xu Yan was elected as the chairman of the third Board of Supervisors at the first meeting of the third Board of Supervisors.

The resolutions have been published in Securities Times , China Securities , Shanghai Securities News , TA KONG PAO(H.K.) and Hongkong Commercial Daily on September 30,1999

V Report of the Board of Directors

1.Operation position of the Company in 1999

(1)Industry background of the Company

The Company engaged in infrastructure construction, commercial development and operation of expressway and large bridges. It is one of the main companies to develop expressway and large bridges in Guangdong Expressway System and is also the major "financing window" of Guangdong Province Communication Department. The expressway is the key business supported by the state, and the Company's operation benefits from the support of industrial policy.

2.Scope of the Main Operation Business and Summary of main operation

(1)Operating income and profit for the year 1999 is RMB258,208,665.50 and RMB174,738,221.98. The Main Operation Business of the Company is specialized and mainly engaged in toll collection on expressways and special large bridges.

(2)In the year 1999, the Company has one subsidiary – Guangfo Expressway Co., with 75% of the total equity.

According to the financial statements of Guangfo Expressway Co. prepared by Yangcheng Certified Public Accountants in accordance with PRC Accounting Standards, traffic volume was 28967800 in 1999, which increased by 10.84% compared to that of last year and turnover was RMB220,493,500, which increased by 12.53% as compared to that of last year. It is because of the increase of the small car traffic flow .

(3) Problems and difficulties arising in operation and the corresponding solutions

In the next 2-3 years the Company proposes to invest into several projects, which need large funds, and it will have some effect on the Company's profit .At the same time, the Company has to face the keen competition from corporations of the same industry and a fact of the reduction of the expressway resources that could be developed with a high return in Guangdong province. It will ensure its continuous development by actively participate in the investment and construction of Guangdong provincial expressway network. On the other hand, the Company will try to purchase some expressway or bridge projects that have been in operation and have high revenue . The Company will seek for good projects in the whole communications system ,not only in Guangdong Province.

The Company's revenues are mainly from tolls collected from the vehicles using the expressway and the bridges. The changes in toll charges and traffic volume will result in changes in revenue. Toll charges of Guangfo, Fokai Expressway and HuiYan Expressway are all approved by the Guangdong Provincial Price Bureau. Accordingly, whether the toll charges would be timely adjusted with the inflation will affect the performance of the Company. The Company will timely submit the application for toll charges adjustment to the Guangdong Provincial Price Bureau through Guangdong Communications Department based on the changes in operating cost, investment recovery period and the inflation.

2. Financial and operating position of the Company

(1) Total assets as at year ended 31 December 1999 is RMB3056.5068 million increased by 18.20% than that of last year, main reason of which is due to the increase of toll income.

Long-term liabilities as at year ended 31 December 1999 is RMB106.3362 million increased by 204.91% than that of last year, main reason of which is due to the increase of long term loan.

Shareholders' equity as at year ended 31 December 1999 is RMB2452.1845 million increased by 7.85% than that of last year, main reason of which is due to the increase of toll income.

Business operating income as at year ended 31 December 1999 is RMB174.7382 million increased by 13.47% than that of last year, main reason of which is due to the increase of toll income.

Net profit as at year ended 31 December 1999 is RMB293.0270 million increased by 90.26% than that of last year, main reason of which is due to the increase of toll income and the profit from transfer of Jiujiang Bridge.

- (3) Yangcheng Certified Public Accountants has prepared the audited report for the Company in 1999.

3. Investment of the Company

1. In 1999, the Company invested into the following 6 projects.

- 1) Puning-Huilai Expressway: The project investment is amount to RMB 1.3918 billion (including old road). According to the resolution approved by the Board of Directors at the ninth meeting of the Second Board of Directors, a sub-company ,named Guangdong YueDong Expressway Industry Development Co., Ltd. has set up by GPED co-operated with Guangdong Provincial Freeway Company. The Company owned 25% percentage of the project indirectly. Total of RMB 69.96 million has been invested . Guangdong YuDong Expressway Industry Development Co., Ltd. is to invest the construction of Puning-Huilai Expressway and the development and management of the facilities along the expressway and the sales for the industry production materials. Guangdong YuDong Expressway Industry Development Co., Ltd.owns 58.96% interest of Puning-Huilai Expressway project and the Company owns 42.4% interest in Guangdong YuDong Expressway Industry Development Co., Ltd.. It means the Company owns 25% interest in Puning-Huilai Expressway project.
- 2) Shenzhen-HuiYan Expressway Company: agree to purchase one-third shareholding and its related credit in Shenzhen –HuiYan Expressway Limited Company from Guangdong Provincial Freeway Company at the price of RMB215million. Business scope for Shenzhen Hui-Yan Expressway Limited Company is mainly engaged in operation management , repairing ,maintenance of Shenzhen section of Hui-Yan Expressway, construction of roads, bridges and tunnels, and engineering consultant .In the year 1999,the company has already paid for the transfer.
- 3) Guangdong Provincial JingDaoDa Expressway Economic Development Co., Ltd :the Company purchased 25% shareholding. The Business scope of Guangdong Provincial JingDaoDa Expressway Economic Development Co., Ltd. includes economic development along the expressways , the development and operation of its supporting facilities, etc. In the year 1999,the company had already paid for the purchase.

- 4) Guanghai Expressway Project: The total investment of the project is RMB6.2 billion according to the contract, among which, the registered capital shall amount to 35% of the total investment, which should be paid by each shareholder at one times. The investment from the shareholders shall be increased year by year according to the construction progress. The registered capital of the project company for the first period is RMB 0.1 billion and the Company holds a 25% shareholding in this project and shall invest RMB 25 million at the first stage in this project. Total of RMB 50 million had been invested as ended December 31,1999 by the Company. The variation on the Industry and Commercial registered for the increased registered capital of 0.1 billion of the project company is now in procedure. .
- 5) The Company signed the contract on the construction on DianBai-ZhanJiang section with GPFC etc six parties on December 26 ,1996 and set Guangdong Maozhan Expressway Co., Ltd. to construct , operate and manage the Expressway .The registered capital of the company is RMB 320 million and the total investment for the first stage is estimated to RMB 3.2 billion .

According to the revised contract made on August 28,1999, the registered capital adjusted to RMB1.12billion, that is 35% of the total investment and the Company is to invest RMB 224 million (20% of the equity capital) in the year of 1999. The company had completed the investment by December 31,1999.

- 6) Expansion Project of Guangfo Expressway: The turn-key contracting cost of this project is RMB335 million. Funds came from the shareholders' capital increase of RMB100 million and the shareholders' loan of RMB137.4 million. The Company and Chu Kong Infrastructure Investment Co. Ltd. invested funds into the project according to their proportion of shareholding in Guangfo Expressway respectively. Guangfo Company raised a loan of RMB97.6 million from bank for the balance. The Company should invest RMB178.05 million (paid 15million by Guangfo company during August to September 1999) as it held a 75% shareholding in Guangfo. The company had completed its investment by December 31 1999.

2. Utilization of capital funds

- a) The Company issued 135,000,000 shares of B share in 1996 and raised net proceeds of RMB484,000,000. Such proceeds had been utilized in accordance with the relevant provisions as laid down in the Information Memorandum of B share issue, in which RMB334,000,000 had been

invested into the construction project of the Fokai Expressway in 1996. The remaining RMB150,000,000 was invested into the expansion project of the Guangfo Expressway, among which, RMB135,000,000 was invested by December 31, 1998 and the rest of RMB15,000,000 was invested in February 1999.

- b) The Company issued 100,000,000 shares of A share in January 1998 and raised net proceeds of RMB528,000,000. Such proceeds were invested into the following projects:

Stated in A-share Prospectus	Investment in reality
Purchasing parts of equity interest in Fokai Company	Corresponding with the planned investment
Investing into expansion project of Guangfo Expressway	Corresponding with the planned investment
	Shenzhen-Huiyan Expressway Company

Among the proceeds, RMB499.95 million would be invested in purchasing a 12% equity interest in the Fokai Expressway and RMB28.05 million would be invested in expansion project of Guangfo Expressway. Details is as follows:

- a. As for the moment the World Bank only has no objections to the purchase of a 10% equity interest in the Fokai Expressway, RMB413.5468 million was paid for purchasing 10% equity interest. The rest of RMB86.4032 million invested into Shenzhen-Huiyan Expressway to purchase one –third shareholding and its related credit approved by the second provisional shareholders’ meeting and the Company paid RMB 215 million (the other part fund is on self –owned fund of the Company)to purchased one –third shareholding of Shenzhen-Huiyan Expressway and its related credit. The earning Shenzhen-Huiyan Expressway in 1999 is RMB2.5019 million .
- b. RMB28.05 million has been invested in the expansion project of Guangfo Expressway in February 1999 according to the relevant statements in the A-share prospectus.

4. Effects of the change of operating surroundings and macro-policies

- 1)After China join the WTO, the customs import duty of small cars is to be fall down and families will be normally equipped with small cars. Traffic

flow in expressways will be increase and it will be benefit to the Company , which operating income is mainly from toll-collection ..

2)Effects of reform policies to fees and charges changed into taxation according to the Highway Law which is just published. After fees and charges changes into taxation , the non-operation toll collection in normal highway will be cancelled and it will have effect on the Company's operation because of competition . By now the details on fees and charges into taxation have not been published , and the effects to the Company can' t be estimated . The Company is to ready to make announcement .

5 Plans of development for the new year

1) The Company will progressively standardize its relationship with its subsidiaries, strengthening the management and supervision to the financing, planning, operating and engineering to create a favor return to the shareholders. Projects new or on construction and their progress are as followings:

Projects	Completion period
PuHui Expressway	The begin of the year of 2001
GuangHui Expressway	The end of the year of 2002
Maozhang Expressway	The end of the year of 2000
TongTang-TaiHe section of South Jingazhu Expressway	The end of the year of 2002

2)The Company will focus on the activities of running capital funds, strengthen its control in capital funds.

3)Based on the strategy of continue development of the Company and to derive new opportunity for increase of the profit ability of the Company through investment on some project on high science and technology .

4)The Company will continue to improve its management rules and regulations in human resources, strengthening the Company's cohesive force.

6.The Board of Directors convened seven Directors' Meetings in 1999.

1) The ninth meeting for the second Board of Directors of Guangdong Provincial Expressway Development Co., Ltd. was held on January 4, 1999.

The meeting discussed the detail plan of 10% shareholding purchase in Fokai Expressway;Resolution on co-operation construction of the projects of Tangtang-Taihe section in Jingzhu Expressway and Puning-

Huilai Expressway. Approve the rules of procedure for the Board of Directors of Guangdong Provincial Expressway Development Co., Ltd. in principle.

Approve the resolution on strengthening financial supervision and establishing internal auditor and internal audit management rules of the Company. Approve the internal audit management rules of Guangdong Provincial Expressway Development Co., Ltd.

2). The tenth meeting of the second Board of Directors of the Company was held on April 15th, 1999. Approved resolutions as follows: The general manager business report for 1998; The annual working report of the Board of Directors for 1998; Final financial report of the Company for 1998; The Company continued to invite Yangcheng Certified Public Accountants and Ernst & Young as the Company's domestic and abroad auditors respectively; The proposal of 1998 profits distribution; Discussed and passed 1998 annual report, the proposal of establishing office of chief engineer, and decided to hold 1998 annual shareholders' meeting on May 26, 1999 Wednesday.

3) The Second Board of Directors of Guangdong Provincial Expressway Development Co., Ltd. took a vote on the proposal concerning the investment in Guangdong Provincial JingDaoDa Expressway Economic Development Co., Ltd. in written form on 20th July, 1999 and approved the following resolutions:

Agree that the Company to invest RMB 2.5 million in Guangdong Provincial JingDaoDa Expressway Economic Development Co., Ltd. and hold 25% share.; to authorize the management personnel to negotiate over the contracts and the article of the association of the project and amend them; To authorize the chairman of the Board of Directors to sign the contract.

4) The eleventh meeting of the second Board of Directors of the Company was held on 25 May, 1999. The following resolutions had been discussed and approved: The report on financial budget of the Company in 1999; the resolution on GuangFo Expressway Co., Ltd. to carry on the loan on Guangfo Expressway expansion engineering construction; the proposed investment on the purchase of partly shareholding and its related credit in Shenzhen HuiYan Expressway Limited Company; the proposed investment on the purchase of partly shareholding in QingLian Expressway Limited Company;

5)The twelve meeting of the second Board of Directors of the Company was held on August 23 , 1999. The following resolutions had been discussed and approved: Discussed the interim financial report of the Company for 1999 ; There will be no distribution for profit and no capital surplus capitalized for the first half year of 1999; The working report of the Second Board of Directors of the Company; Proposal on the reward for the directors of the Company ; Proposal of amendments draft to the Articles of Association of the Company; the proposal of apply to the banks for credit granting and for GPED to offer the counter letter of undertaking to GPFC; to hold the provisional shareholders' meeting on September 29 ,1999 to elect the members for the third Board of Director and the third Board of Supervisors .

6)The first meeting of the Third board of directors of the company was held on September 29, 1999.The following resolutions had been passed: Elected Mr.Lin Xingwang as the chairman of the Board of Directors of the Company, Mr.Li Yinghao and Mr.Cao Xiaofeng as the vice chairmen of the Board of Directors of the Company ; Mr.Huo Yanbin was appointed as the secretary to Board of Directors of the Company with a three years' term of office; Appointed Mr .Cao Xiaofeng to general manager of the Company with a three years' term of office ; , Mr.Xiao Laijiu was appointed as the deputy general manager and concurrently chief accountant of the Company with a three years' term of office and Mr.Huo Yanbin was appointed as the deputy general manager of the Company with a three years' term of office; Mr. Li shaofeng and Ms. zheng Guangdi were appointed as consultants of the Third board of directors of the company.

7) The second meeting of the third board of directors the Company was held at on October 27th ,1999 in written form . The proposal of the purchase of the one-third shareholding and its related credit in Shenzhen HuiYan Expressway Limited Company was approved.

8) The third meeting of the third Board of Directors of the Company was held on November 24th, 1999. The following resolutions have been discussed and approved: the proposal of apply to the banks for credit granting and for GPED to offer the counter letter of undertaking to GPFC; the proposal of offering for sale the property in Huadu County; the proposal on the usage of the left fund collected by A share issuance; the proposal of the transfer on toll- collection operation right , Jiujiang Bridge and all fixed assets of the facilities in Jiujiang Bridge

Company and decided to hold the provisional shareholders' meeting on Dec 27th, 1999.

(2) The Board of Directors' implementation of the resolutions of Shareholders' General Meetings

In 1999, the Company convened two extraordinary Shareholders' General meetings and one annual Shareholders' General meeting. The 1998 annual shareholders' general meeting, held on 26th May 1999, approved the proposals of 1998 profits distribution, and the Company has completed the 1998 profits distribution in August 1999.

The 1999 second provisional shareholders' meeting of the Company was held on December 27, 1999. Discussed and passed the proposal on the usage of the left fund collected by A share issuance and the proposal of the transfer on toll-collection operation right, Jiujiang Bridge and all fixed assets of the facilities in Jiujiang Bridge Company. The transfer had been finished.

(2) Senior management personnel and the staff

1) Shareholdings of Directors, Supervisors and Senior Management Personnel are as follows:

Name	Job Title	sex	age	Opening number	Closing number	Annual payment from the Company (RMB Yuan)
Lin Xing Wang	Chairman of Board of Director	male	51	0	0	28440
Li YingHao	Vice Chairman of Board of Director	male	42	0	0	12600
CaoXiao Feng	Vice Chairman of Board of Director, The General Manager	male	34	0	0	62740
Xiao Lai Jiu	Director Deputy General Manager Chief accountant	male	35	0	0	73940
Huo Yan Bin	Director Deputy General Manager Secretary of the Board of Director	male	33	0	0	58100
Liang Jin	Director	male	56	11,250	11,250	28440
Li Bin Hai	Director	male	44	4,500	4,500	28440
Dengminliang	Director	male	42	14,082	14,082	12600
Wang Tao	Director	male	37	0	0	28440
LoyBoon hen	Director	male	48	0	0	28440
How See Hock	Director	male	44	0	0	12600
Xu Yan	Chairman of Board of Supervisor	female	45	15,000	15,000	28440
He Hong Di	Supervisor	female	58	0	0	12600
Yang Zi Qiu	Supervisor	male	57	9,000	9,000	28440
Yun Wu Jun	Supervisor	male	44	0	0	28440
Dong Guofeng	Supervisor	male	30	18,750	18,750	12600

Note: The duration of term for the Directors, Supervisors and Senior Management Personnel is three years(1999-2002) and there is no changes in shares held by directors, supervisors and senior management personnel in 1999.

The classification of annual payment from the Company of the Directors, Supervisors and Senior Management Personnel is as followings

Payment (RMB Yuan)	Number of persons
10,000-20,000	5
20,000-50,000	8
50,000-80,000	3

(2) In 1999, the terms of duration for the second Board of Directors and the second Board of Supervisors is over and the Company held a provisional shareholders' meeting to elect the members for the third Board of Directors and the third Board of Supervisors. Yang Miao Jian, Zhou Chang Zhi, Cai Jin Quan, Chan Boon Seng, P. W. Yick aren't directors and Zhan Wen Sheng isn't a supervisor of the Company.

The first meeting of the Third board of directors of the company discussed and passed the followings: Appointed Mr. Cao Xiaofeng to general manager of the Company with a three years' term of office; Mr. Huo Yanbin was appointed as the deputy general manager of the Company with a three years' term of office and also the secretary to Board of Directors of the Company with a three years' term of office; Mr. Xiao Laijiu was appointed as the deputy general manager and concurrently chief accountant of the Company with a three years' term of office.

(3) Management is the life and soul of an enterprise as the staff is the basis. In 1999, the Company continues to strengthen the systematization and planning management in the Company, and to progressively establish and improve various systems of internal management and post responsibility. As at the end of 1999, the Company has 1212 full-time employees of which, with a increase of 5% than that of last year. Among which more than 27% is over polytechnic school.

8. Proposal on 1999 profit distribution

Yangcheng Certified Public Accountants had performed an audit on the Company's financial statements and the profit for the year ended December 31, 1999 in accordance with the PRC Accounting Standards. Profit after taxation of the Company for the year ended December 31, 1999 in accordance with the PRC Accounting Standards was RMB293,027,003.56, and the accumulated undistributed profit for the year of 1998 was RMB58,116,171.36. The accumulated profit after taxation attributable to shareholders was RMB351,143,174.92. Ernst & Young had performed an audit in accordance with the International Accounting Standards ("IAS"). Profit after taxation of the Company for the year ended December 31, 1999 in accordance with IAS was RMB257,421,000.00, and the accumulated undistributed profit for the year of 1998 was RMB39,779,000.00. The accumulated profit after taxation attributable to shareholders was RMB297,200,000.00. Based

lower of profit under PRC Accounting Standards and IAS according to relevant regulations of the Company's Article of Association, 1999 profit is distributed as follows:

1. Under the 1999 net profit of RMB293,027,003.56 audited by Yangcheng Certified Public Accountants, 10% to statutory surplus reserve (RMB29,302,700.36), 5% to statutory public welfare fund (RMB14,651,350.18), and RMB6,674,017.72 to discretionary surplus reserve .
2. The Company proposed the distribution of cash dividend (RMB114,638,437.35). The Board of Directors proposed the distribution of dividends as follows: Profit of the Company for the year 1999 will be distributed in the form of cash dividends. Cash dividend of RMB1.50(including tax) for every 10 shares will be distributed to shareholders based on the total Share Capital of 764,256,249 shares , totally RMB114,638,437.35. The undistributed profit will be carried forward as retained earning of the Company. The conversion rate of the cash dividend for shareholders of B Share and overseas legal persons share will be subject to the average price of HK Dollars for buying and selling Renminbi as quoted by the People's Bank of China on the first working day after the resolution is passed by the 1999 annual shareholders' meeting.

VII. Report of the Supervisory Board

1.The Board of Supervisors convened three Supervisors' Meetings in 1999. The first meeting of the Board of Supervisor was held on 24 May , 1999 The meeting discussed the annual working of the Board of Supervisors , approved the resolution on strengthening financial supervision and establishing internal auditor and internal audit management rules of the Company ; reviewed the report from the chief accountant on 1999 financial budget ; The second meeting of the Board of Supervisor was held on 23 August, 1999 The meeting discussed the re-election of the Board of Supervisors and approved the working report of the third Board of Supervisors , approved the resolution on strengthening financial supervision and establishing internal auditor and internal audit management rules of the Company ; reviewed the report from the internal auditor on financial supervision on the subsidiaries ; The third meeting of the Board of Supervisor was held on 29 September, 1999 The meeting elected Ms. XuYan as the chairman of the third Board of Supervisors

The resolutions have been published in Securities Times , China Securities , Shanghai Securities News , TA KUNG PAO(H.K.) and Hongkong Commercial Daily on September 30 1999.

2. Operation introduction of the Company in 1999

In 1999 , the activities of the Company leaders are based on the entrust of the Board of Directors and the Shareholders' meeting and the Company establishing internal controlling and internal controlling management rules (49 items) of the Company .The Supervisory Board supervised the operating activities in 1999 and about the Board of Directors, the General Manager and the other senior management personnel, there is no activities unlawful or contrary to the Company' s Articles of Associations and the benefit of the Company .

3. Financial Induction

Board of Supervisors strengthened financial supervision and establishing internal auditor and internal audit management rules of the Company and there is nothing illegal happened in 1999.The financial statements of the Company has been audited respectively by Yangcheng Certified Public Accountants and Ernst & Young, who issued audit reports with a true and fair conclusion. The financial statements of the Company has reflected the business performance and the financial status. And it is justifiable , true and reliable .

4. Utilization of capital funds

(1) The Company issued 100,000,000 shares of A share in 1998 and raised net proceeds of RMB528,000,000. Such proceeds were invested into the following projects:

(2) RMB28.05 million has been invested in the expansion project of Guangfo Expressway in February 1999 according to the relevant statements in the A-share prospectus.

(3). RMB499.95 million originally planned to invested in purchasing a 12% equity interest in the Fokai Expressway and as for the moment the World Bank only has no objections to the purchase of a 10% equity interest in the Fokai Expressway, RMB413.5468 million was paid for purchasing 10% equity interest. The rest of RMB86.4032 million invested into Shenzhen-Huiyan Expressway to purchase one –third shareholding and its related credit (the other part of fund is on self –owned fund of the Company).

Funds have been invested in accordance with the schedules as laid down in the information memorandum of shares-issue. The variation of fund usage is legal .

5. Significant Related Party Transactions

The Company purchased one-third shareholding and its related credit in Shenzhen –HuiYan Expressway Limited Company from Guangdong Provincial Freeway Company.

This connected transaction was fair and did not hurt the interest of the Company and the assets of the Company.

The Company transferred the toll- collection operation right , Jiujiang Bridge and all fixed assets of the facilities (excluding credit ,debt and the current assets) in Jiujiang Bridge Company to Fokai Expressway Limited Company.

The property sale in Huadu County to GPFC.

The Board of Supervisor regards the above purchase and sale are carried on based on the evaluation of the inter-medium consultants and they are fair and did not hurt the interest of the Company and the assets of the Company.

6. Induction on the related transaction :

(1).The purchased one-third shareholding and its related credit in Shenzhen –HuiYan Expressway Limited Company

(2).The transfer on the toll- collection operation right , Jiujiang Bridge and all fixed assets of the facilities (excluding credit ,debt and the current assets) in Jiujiang Bridge Company

(3).The property sale in Huadu County

The Board of Supervisors regard the related transactions are justifiable , fair and didn' t hurt the interest of the company.

VII.Significant Events

(1) Significant litigation and arbitration events

There is no significant litigation and arbitration events in 1999.

(2) There is no punishment on Directors, Supervisors and Senior Management Personnel of the Company by the monitoring departments.

(3)Induction on the re-election on the third Board of Directors , the third Board of Supervisors , general manager and the secretary to Board of Directors of the Company

1) No change in the controlling shareholders ;

2)Because the term duration for the second Board of Directors and the second Board of Supervisors was over in the year of 1999 , the Company held a provisional shareholders' meeting On September 29, 1999 in accordance with relevant stipulations set forth in the Articles of

Association of the Company .To elect Mr. Lin Xing Wang, Mr. Li YingHao, Mr. Cao Xiao Feng, Mr. Xiao Lai Jiu, Mr. Huo Yan Bin, Mr. Liang Jin, Mr. Li Bin Hai, Mr. Wang Tao, Mr. Deng Minliang, Mr. Loy Boon Chen, Mr. How See Hock as the directors of the third Board of Directors of the Company. To elect. Xu Yan, Mr. Yang Zi Qiu, He Hong Di, the supervisor of the third Board of Supervisors of the Company, Mr. Yun Wu Jun, Mr. Dong Guofeng was elected as supervisors representing the staff of the Company

3) The first meeting of the Third board of directors of the company was held on September 29, 1999. The following resolutions had been passed: Elected Mr. Lin Xingwang as the chairman of the Board of Directors of the Company, Mr. Li Yinghao and Mr. Cao Xiaofeng as the vice chairmen of the Board of Directors of the Company ; Mr. Huo Yanbin was appointed as the secretary to Board of Directors of the Company with a three years' term of office; Appointed Mr .Cao Xiaofeng to general manager of the Company with a three years' term of office ; Mr. Xiao Laijiu was appointed as the deputy general manager and concurrently chief accountant of the Company with a three years' term of office and Mr. Huo Yanbin was appointed as the deputy general manager of the Company with a three years' term of office; Mr. Li shaofeng and Ms. zheng Guangdi were appointed as consultants of the Third board of directors of the company.

4) The first meeting of the Third board of supervisors of the company was held on September 29, 1999. Elected Xu Yan as the chairman of the Board of supervisors of the Company.

The resolutions have been published in Securities Times, China Securities , Shanghai Securities News , TA KUNG PAO(H.K.) and Hongkong Commercial Daily on September 30, 1999.

(4) Significant transactions of purchase, sale or merger

1). The second meeting of the third board of directors had approved to agree to purchase one-third shareholding and its related credit in Shenzhen –HuiYan Expressway Limited Company from Guangdong Provincial Freeway Company at sale price of 200 million RMB and will submit it to the government authorized departments for approval .The highest sale price approved by the government shall not higher than 10 percent of the evaluated value of the project (216.22million RMB). The transfer (the sale price is at the price of RMB 0.215 billion) has been approved by the Guangdong Provincial government. According to the evaluation by China Consultants of Accounting and Financial Management Inc, the evaluated assets of Shenzhen –HuiYan Expressway is RMB

589,693,851 as at the base date of May 31st, 1999 and the net asset value of Shenzhen –HuiYan Expressway is RMB 80,853,821 after deducting the shareholders' loan RMB 508,740,030.32 in the method of time-adjusted-return. The settlement day for this shareholding transfer is on October 31st, 1999. Profit from the project in 1999 is RMB2.5019 million, accounting 0.66% of the total profit of the Company in 1999.

The resolutions have been published in Securities Times, China Securities, Shanghai Securities News, TA KUNG PAO(H.K.) and Hongkong Commercial Daily on October 28, 1999.

2). The Company held the 1999 second provisional shareholders' meeting and approved to transfer the toll-collection operation right, Jiujiang Bridge and all fixed assets of the facilities (excluding credit, debt and the current assets) in Jiujiang Bridge Company to Fokai Expressway Limited Company. The transaction date is on December 31, 1999 and the transfer transaction price is RMB 288 million. Fokai Expressway Limited Company shall pay the Company in cash for the toll-collection operation right, Jiujiang Bridge and all fixed assets of the facilities in Jiujiang Bridge Company. The fund collected by the sales of the assets will be invested into the expressway projects approved by the shareholders' meeting and the Board of Directors of the Company. The transfer plays a significant effect on the financial statement and the operation result of the Company and Profit of RMB 127.6908 million is from this transfer, accounting 38.72% of the total profit of the Company in 1999.

The Company will be responsible for the credit, debt and current assets and to authorize the operating leaders to deal with the unfinished items about the transaction. Jiujiang Bridge Company will be cancelled after being approved by the authority department.

The resolutions have been published in Securities Times, China Securities, Shanghai Securities News, TA KUNG PAO(H.K.) and Hongkong Commercial Daily on December 28, 1999.

3) The Second Board of Directors of Guangdong Provincial Expressway Development Co., Ltd. took a vote on the proposal concerning the investment in Guangdong Provincial JingDaoDa Expressway Economic Development Co., Ltd. in written form on 20th July, 1999 and agreed to invest RMB 2.5 million in Guangdong Provincial JingDaoDa Expressway Economic Development Co., Ltd. and hold 25% share. Profit from the investment in 1999 is RMB 247,000, accounting 0.06% of the total profit of the Company in 1999.

The resolutions have been published in Securities Times, China Securities, Shanghai Securities News, TA KUNG PAO(H.K.) and Hongkong Commercial Daily on 21 July, 1999.

(5). Significant Related Party Transactions

1) Approved by the provincial government and the board of directors of the Company, the Company purchased one-third

shareholding and its related credit in Shenzhen –HuiYan Expressway Limited Company from Guangdong Provincial Freeway Company at price of 215 million RMB . The purchase price is based on the evaluated price and it is reasonable and justify . According to the evaluation by China Consultants of Accounting and Financial Management Inc, the evaluated assets of Shenzhen – HuiYan Expressway is RMB 589,693,851 as at the base date of May 31st ,1999 and the net asset value of Shenzhen –HuiYan Expressway is RMB 80,853,821 after deducting the shareholders’ loan RMB 508,740,030.32 in the method of time-adjusted-return, book value of the assets is RMB638.0054 million. The settlement day for this shareholding transfer is on October 31st ,1999. Profit from the project in 1999 is RMB2.5019 million.

The resolutions have been published in Securities Times , China Securities , Shanghai Securities News , TA KUNG PAO(H.K.) and Hongkong Commercial Daily on October 28 1999.

2) Approved by the shareholders’ meeting, the Company agreed to transfer the toll- collection operation right , Jiujiang Bridge and all fixed assets of the facilities (excluding credit ,debt and the current assets) in Jiujiang Bridge Company to Fokai Expressway Limited Company. The transaction date is on December 31,1999 and the transfer transaction price is RMB288 million. Fokai Expressway Limited Company shall pay the Company in cash for the toll-collection operation right , Jiujiang Bridge and all fixed assets of the facilities in Jiujiang Bridge Company. The evaluated price is RMB 287.1691 million which was evaluated by Guangdong Assets Evaluation Company in the method of time-adjusted-return, taking the date of Aug 31st,1999 as the base date. The net value of Jiujiang Bridge is RMB 144,339,999.21 yuan as on Aug 31 , 1999 . The transfer price is adjusted based on the evaluated price and it is reasonable and justify. The profit of the transfer is RMB127.6908 million in 1999.

The resolutions have been published in Securities Times , China Securities , Shanghai Securities News , TA KUNG PAO(H.K.) and Hongkong Commercial Daily on December 28 ,1999.

(6). The introduction on separation of three items of personnel , assets and financial between the Company and the controlling shareholder

Guangdong Provincial Freeway Company is the biggest shareholder of the Company , holding 298,134,375 shares , accounting 39.01% . Three items as personnel , properties and financial of the Company are separated. In the aspect of personnel , such as the General Manager, the Deputy General Manager and the Secretary of the Board of Directors , each one is charged with specific responsibilities and none of them has a part-time job in the parents company . All of them are paid by the Company. The Company has set up the related departments and the related management system . In the aspect of financial, there are separate financial personnel , separate financial department , separate accounting system . accountant system and the management system to its subsidiaries . The Company establish an account separately and pay taxes separately. In the aspect of properties , the belonging to , usage and management of the properties between the Company and its Parents Company are strictly based on the ownership of the properties .The three items of personnel , assets and financial between the Company and the controlling shareholder are separable according to the requirement of the State Security Regulatory Committee.

(7). The Company continued to invite Yangcheng Certified Public Accountants and Ernst & Young as the Company's domestic and abroad auditors respectively.

(8).No change in the name and code of the share of the Company

(9) According to the requirement of the Accountant System of Shareholding Company , The Company drew amount of RMB1,174,955.36 for the reserve against decline in price according to the requirement of the Accountant System of Shareholding Company , so the profit of the Company is reduced by RMB1,174,955.36. The Company thinks the reserve against decline in price has insignificant effect on the operating result of the Company.

VIII.

REPORT OF THE AUDITORS

To the members

Guangdong Provincial Expressway Development Co., Ltd.

(Established in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Guangdong Provincial Expressway Development Co., Ltd. (the "Company") and its subsidiary (collectively referred to as the "Group") as of 31 December 1999 together with the related consolidated income statement and consolidated cash flow statement for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 1999 and of the results of the Group's operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Hong Kong
26 January 2000

GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO., LTD.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 1999

	Notes	1999 RMB' 000	1998 RMB' 000
Revenue			
Continuing operations		282,275	285,069
Discontinued operation	31	37,391	33,838
	4 & 6	<u>319,666</u>	<u>318,907</u>
Cost of sales		<u>(76,168)</u>	<u>(67,051)</u>
Gross profit		243,498	251,856
Gain on disposal of assets (discontinued operation)	31	87,896	-
Other operating income, net	5 & 6	17,542	10,990
Administrative expenses		<u>(37,719)</u>	<u>(49,011)</u>
OPERATING PROFIT	6	311,217	213,835
Financial cost		(1,281)	(16,725)
Share of associates' profits/(losses)		<u>13,705</u>	<u>(19,621)</u>
PROFIT BEFORE INCOME TAX		323,641	177,489
Income tax expense	7	<u>(31,154)</u>	<u>(9,075)</u>
PROFIT BEFORE MINORITY INTERESTS		292,487	168,414
Minority interests		<u>(35,066)</u>	<u>(26,314)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>257,421</u>	<u>142,100</u>
Dividends	8	<u>114,638</u>	<u>76,426</u>
EARNINGS PER SHARE	9	<u>RMB 0.34</u>	<u>RMB 0.19</u>

Other than the net profit for the year attributable to shareholders, the Group had no recognised gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the financial statements.

GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO., LTD.

CONSOLIDATED BALANCE SHEET

31 December 1999

	Notes	1999 RMB' 000	1998 RMB' 000
ASSETS			
Non-Current Assets			
Fixed assets	10	671,521	512,768
Construction in progress	11	12,698	245,931
Goodwill	12	43,901	22,053
Investments in associates	13	1,848,767	1,244,539
Other investments, unlisted	14	9,385	25,083
Other long term assets	15	20,222	-
Deferred tax assets	7	5,679	-
Total Non-Current Assets		<u>2,612,173</u>	<u>2,050,374</u>
Current Assets			
Cash and cash equivalents		219,818	250,514
Time deposits		-	167,560
Prepayments and other receivables		13,689	34,178
Current investments	17	150,029	84,780
Inventories		344	397
Total Current Assets		<u>383,880</u>	<u>537,429</u>
TOTAL ASSETS		<u>2,996,053</u>	<u>2,587,803</u>

Director

Director

GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO., LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 1999

	Notes	1999 RMB' 000	1998 RMB' 000
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	21	764,256	764,256
Reserves	22	1,633,986	1,491,203
		<u>2,398,242</u>	<u>2,255,459</u>
Minority Interests		144,792	129,956
Total Capital and Reserves		<u>2,543,034</u>	<u>2,385,415</u>
Non-Current Liabilities			
Bank loan	20	58,000	-
Amounts payable		2,077	2,077
Total Non-Current Liabilities		<u>60,077</u>	<u>2,077</u>
Current Liabilities			
Bank loans	20	200,000	-
Other payables		23,048	32,802
Due to the ultimate holding company	18	17,708	88,170
Due to a related company	19	-	1,000
Tax payable		37,548	1,911
Dividend payable		114,638	76,428
Total Current Liabilities		<u>392,942</u>	<u>200,311</u>
Total Liabilities		<u>453,019</u>	<u>202,388</u>
TOTAL EQUITY AND LIABILITIES		<u>2,996,053</u>	<u>2,587,803</u>

Director

Director

GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1999

	Note	1999 RMB' 000	1998 RMB' 000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	171,413	150,699
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		98,468	88,414
Purchase of listed shares		(1,384)	-
Purchase of government bonds		(149,820)	-
Proceeds from disposal of 100% ownership of Jiujiang Bridge and related assets		150,000	-
Proceeds from disposal and return of long term unlisted investments		912	3,533
Purchases of fixed assets and additions of construction in progress		(158,047)	(229,605)
Acquisition of equity interest in associates		(364,380)	(190,584)
Loan to associates		(194,580)	(222,963)
Proceeds from disposal of fixed assets		-	182
Disposals/(additions) of short term investments		84,780	(84,780)
Decrease/(increase) in time deposits		167,560	(167,560)
Net cash outflow from investing activities		<u>(366,491)</u>	<u>(803,363)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	541,078
Share issue expenses		-	(13,000)
Interest income on subscription monies received in connection with the A shares issue		-	9,556
Dividends paid		(76,281)	(122,279)
Minority interests		(17,337)	15,806
Increase in bank loans		258,000	-
Decrease in long term amounts payable		-	(304)
Net cash inflow from financing activities		<u>164,382</u>	<u>430,857</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(30,696)	(221,807)
Cash and cash equivalents at beginning of year		<u>250,514</u>	<u>472,321</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>219,818</u></u>	<u><u>250,514</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		163,993	124,466
Time deposits		55,825	293,608
Less: deposits with maturity of more than three months		-	(167,560)
		<u><u>219,818</u></u>	<u><u>250,514</u></u>

1. CORPORATE BACKGROUND

The Company was established in the People's Republic of China (the "PRC") on 9 February 1993 in the name of Guangdong Foshan-Kaiping Expressway Shareholding Company Ltd. (the "Predecessor Company") as a joint stock limited company in accordance with the regulations for Joint Stock Limited Companies. Pursuant to the approval at the shareholders' meeting of the Predecessor Company and the approval from the Guangdong Provincial State Asset Bureau in June 1993, Guangdong Provincial Freeway Company ("GPFC") transferred its 75% equity interest in Guangzhou-Foshan Expressway Company Limited ("Guangfo Company") and its 100% interest in Jiujiang Bridge to the Company in exchange for shares in the Company. In addition, the Predecessor Company changed its name to Guangdong Provincial Expressway Development Shareholding Co., Ltd.

The Consolidated Financial Statements of the Group for the year ended 31 December 1999 were authorised for issue in accordance with a resolution of the directors on 26 January 2000.

The ultimate holding company of the Group is GPFC, which is established in the PRC.

The registered office of the Company is No.85 Baiyun Road, Guangzhou, Guangdong Province, People's Republic of China.

The principal activities of the Company in 1999 were investment holding and the operation of the Jiujiang Bridge. The principal activity of its subsidiary, Guangfo Company, is the operation of the Guangzhou-Foshan Expressway ("Guangfo Expressway").

Pursuant to the approval of the Company's shareholders at the general meeting held on 27 December 1999 and the approval from Guangdong Traffic Bureau, the Company disposed its 100% ownership of Jiujiang Bridge and related assets to Guangdong Provincial Foshan-Kaiping Expressway Limited Liability Company ("Fokai Company"), an associate of the Company, on 31 December 1999 at a consideration of RMB288 million. Apart from this, there were no significant changes in the principal activities of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 1999.

The Group operates in Guangdong Province of the PRC and employed 1212 employees as at the end of the financial year.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee. The Group maintains its books and prepares its statutory financial statements in accordance with the relevant accounting principles and financial regulations applicable to joint stock limited companies established by the Ministry of Finance of the PRC. The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain material respects from IAS. The material adjustments arising from restating the results and net assets to comply with IAS have been made in the preparation of these financial statements, but will not be taken up in the accounting records of the Group. The adjustments include, primarily, adjustments for the elimination of the unrealised profits arising on the disposal of 100% ownership of Jiujiang Bridge and related assets to Fokai Company against the Group's share of 35% equity interest in Fokai Company, deferred tax, goodwill arising on the acquisition of associates, amortisation of goodwill, depreciation charges, business tax, interest expense exempted by GPFC, interest income on subscription monies received in connection with the A shares issue, and other adjustments in accordance with the

prudence concept.

2. BASIS OF PRESENTATION (Continued)

Further details with respect to the net impact of these IAS adjustments are included in note 24.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements comprise those of the Company and a subsidiary which the Company controlled at the balance sheet date.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, and unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Where an associate is accounted for using the equity method, unrealised profits and losses resulting from “upstream” and “downstream” transactions between an investor and an associate are eliminated to the extent of the investor’s interest in the associate. Unrealized losses would not be eliminated to the extent that the transaction provides evidence of an impairment of the asset transferred.

(b) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. In connection with the Group’s reorganisation, property, plant and equipment as at 31 January 1993 were revalued by Zhongzhou Certified Public Accountants, a firm of certified public accountants in the PRC, on a depreciated replacement cost basis.

All direct and indirect costs relating to the construction of expressways, bridges and office premises, including interest costs on related borrowed funds during the construction period, are capitalised as the costs of fixed assets.

Depreciation of expressways and bridges and the amortisation of improvements are calculated on the straight-line basis to write off the cost or valuation over the operating period, the relevant joint venture period or its estimated useful life, whichever period is shorter.

Depreciation of other fixed assets is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Machinery	9%
Furniture, fixtures and other equipment	18%
Motor vehicles	18%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Construction in progress

Construction in progress represents costs incurred in connection with the construction of expressways, bridges, office premises and other fixed assets. No provision for depreciation is made on construction in progress until such time as the relevant assets are put into use.

(d) Goodwill

Goodwill represents positive goodwill net of negative goodwill.

Positive goodwill arising on the acquisition of equity interest in associates represents the excess of the purchase consideration paid for the equity interest of associates over the fair values ascribed to the net underlying assets acquired at the date of acquisition, and is eliminated by amortisation through the income statement on the straight-line basis over five years.

Negative goodwill arising on the acquisition of equity interest in associates represents the excess, as at the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of acquisition. It is described as negative goodwill and is offset by the positive goodwill.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to get ready for its intended use are capitalised until the construction/production of the relevant asset is completed, and are included in the carrying value of the asset.

(f) Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of its associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's investments in its associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for permanent diminutions in values deemed necessary by the directors.

(g) Subsidiary

A subsidiary is a company in which the Company has a long term interest of more than 50% and has effective control over the management of the company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investments

Long term investments are stated at cost less provisions for any permanent diminutions in values deemed necessary by the directors, on an individual investment basis.

Current investments are stated at the lower of cost and market value, on an individual investment basis.

(i) Inventories

Inventories represent, primarily, low value consumable and are stated at cost less provisions for obsolescence.

(j) Cash and cash equivalents

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amount of cash and subject to insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks.

(k) Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and includes acquisition charges associated with the borrowings/loans.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, on the following bases:

- toll revenue, net of business tax, when received;
- interest, on a time proportion basis; and
- dividends and investment income, when the right to receive payment is established

(m) Income taxes

PRC income tax is provided at the rates applicable to sino-foreign joint stock limited companies and sino-foreign joint ventures in the PRC on the income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, based on existing PRC income tax legislation, practices and interpretations thereof.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Retirement benefits

The Group is required to make contributions on behalf of its employees to a government administered retirement scheme in accordance with the rules and regulations thereof. The Group's liability with regard to this retirement scheme is limited to its contributions, which are accounted for on an accrual basis.

(o) Repairs and maintenance expenses

Repairs and maintenance expenses are charged to the income statement as incurred.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(q) Foreign currency transactions

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

4. REVENUE

The Group principally derives its income from the operations of toll expressways and bridges. Revenue arising from toll income net of business tax, interest income and investment income is disclosed in note 6.

Pursuant to the approval documents issued by the Guangdong Tax Bureau, toll income arising from the operation of the Jiujiang Bridge is not subject to business tax from when it commenced toll collection, in June 1988, until the date the Company recovers its investment, including interest costs, in such project. However, the People's Government of Guangdong Province issued a directive on 29 November 1999 and stated that the business tax refund policy would be terminated effective from 1 June 1999 onwards.

Business tax on the operation of the Jiujiang Bridge has been paid for the year ended 31 December 1999. The full amount paid before 1 June 1999 will be refunded by the tax authorities.

Pursuant to the approval documents from the Guangdong Tax Bureau, toll income arising from the operation of Guangfo Expressway from 1 August 1989 (commencement date of toll collection) to 31 July 1994 was exempt from business tax. Toll income from Guangfo Expressway is subject to a 5% business tax with a 50% refund of the tax paid for the period from 1 August 1994 to 31 December 1998. Therefore, there was no business tax refund for Guangfo Expressway in 1999.

4. REVENUE (Continued)

Business tax refund is accounted for on an accrual basis.

	1999 RMB' 000	1998 RMB' 000
Business tax - net	<u>11,444</u>	<u>5,565</u>

5. OTHER OPERATING INCOME, NET

Other operating income for the year ended 31 December 1999 mainly represents the relevant exempted interest expenses. Pursuant to an agreement between GPFC and the Group on 18 August 1999, GPFC agreed not to call upon the outstanding interest receivable from Guangfo Company, amounting to RMB16,514,000.

Other operating income for the year ended 31 December 1998 mainly represents interest income on subscription monies received in connection with the issue of the Company's A shares, which commenced dealings on the Shenzhen Securities Exchange in February 1998.

6. OPERATING PROFIT

Included in the operating profit are the following revenue items:

	1999 RMB' 000	1998 RMB' 000
Toll income, net of business tax		
Continuing operations	209,469	191,108
Discontinued operation	<u>37,296</u>	<u>33,838</u>
	246,765	224,946
Interest income from an associate	51,692	60,224
Interest and investment income	21,209	33,737
Total operating revenue	<u>319,666</u>	<u>318,907</u>
Other operating income, net	<u>17,542</u>	<u>10,990</u>
Total revenue	<u><u>337,208</u></u>	<u><u>329,897</u></u>

6. OPERATING PROFIT (Continued)

Operating profit is arrived at after charging/(crediting) the following :

	1999 RMB' 000	1998 RMB' 000
Cost of sales	76,168	67,051
Gains on disposal of Jiujiang Bridge and related assets (Discontinued operation)	(87,896)	-
Amortisation of goodwill	5,971	3,392
Depreciation	56,442	45,378
Interest on bank and other borrowings repayable	517	21,307
Less: interest capitalised to construction in progress	-	(4,793)
Net interest charge	<u>517</u>	<u>16,514</u>
Wages and salaries	14,377	12,777
Loss on disposal of fixed assets	408	144
Provision for diminution in value of construction in progress	-	6,455
Provision for diminution in value of short term investments	1,175	-
Provision for staff welfare and bonuses	6,339	5,446
Rental expenses	1,463	368
Gains on disposal of long term unlisted investments	(4,593)	-
Provision for doubtful debts	-	750
Provision for diminution in value of long term unlisted investments	<u>-</u>	<u>8,578</u>

7. INCOME TAX EXPENSE

A reconciliation of the expected tax with the actual tax expenses is presented below :

	1999 RMB' 000	1998 RMB' 000
Operating profit before taxation and share of associates' profits/losses	309,936	197,110
Non-deductible expenses and others	7,849	4,653
Unrealised profits arising from the disposal of Jiujiang Bridge and related assets	<u>47,328</u>	<u>-</u>
	365,113	201,763
Average tax rate	<u>20%</u>	<u>15%</u>
Expected PRC taxation	73,543	30,264
Deferred tax assets	(5,679)	-
Tax exemption of the Company	-	(12,378)
Tax reduction		
-- the Company	(23,895)	-
-- the subsidiary	<u>(12,815)</u>	<u>(8,811)</u>

Income tax expense

31,154

9,075

7. INCOME TAX EXPENSE (Continued)

The Company was exempt from income tax up to and including the year ended 31 December 1995. Commencing 1 January 1996, the Company was subject to the basic tax rate of 33% as generally applicable to joint stock limited companies in the PRC. Upon the completion of the B shares issue and the appropriate approval from the State Foreign Economic and Trade Bureau, as a sino-foreign joint stock limited company, the Company is subject to a preferential tax rate of 24% applicable to sino-foreign joint stock limited companies. In addition, it is fully exempt from income tax for the two years commencing from the first profitable year and a 50% reduction on the applicable tax rate for the subsequent three years. As the Company had selected 1997 as its first profitable year for taxation purposes, the Company is subject to income tax at a preferential tax rate of 12% for the year ended 31 December 1999.

Pursuant to an approval document issued by Guangdong Tax Bureau, Guangfo Company was exempt from income tax from 1 January 1991 to 31 December 1995 and is subject to income tax on the assessable profits at rates applicable to sino-foreign joint ventures (currently at 15%) commencing 1 January 1996. For the period from 1 January 1996 to 31 December 2000, Guangfo Company is entitled to a 50% reduction on the applicable tax rate.

The amount of deferred tax assets recognised in the Balance Sheet, and the amount of deferred tax income recognised in the Income Statement in respect of the unrealised profits arising from the disposal of Jiujiang Bridge and related assets are as follows:

	1999 RMB' 000	1998 RMB' 000
Deferred tax assets	<u>5,679</u>	<u>-</u>
Deferred tax income	<u>5,679</u>	<u>-</u>

8. DIVIDENDS

	Cash dividend per share RMB	Number of shares ranking for dividend	1999 RMB' 000	1998 RMB' 000
Year ended 31 December 1999 - final	0.15	764,256,250	114,638	-
Year ended 31 December 1998 - final	0.10	764,256,250	-	76,426
			<u>114,638</u>	<u>76,426</u>

9. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to ordinary shareholders for the year of RMB257,421,000 (1998: RMB142,100,000) by the weighted average number of ordinary shares of 764,256,250 (1998: 761,242,550) outstanding during the year.

10. FIXED ASSETS

	Expressway and bridges RMB' 000	Improvement s RMB' 000	Buildings RMB' 000	Machinery RMB' 000	Furniture, fixtures and other equipmen t RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
Cost or valuation:							
At beginning of year	584,994	40,686	23,907	3,631	20,829	16,187	690,234
Additions	339,490	818	12,290	965	1,937	1,440	356,940
Disposals	<u>(178,335)</u>	<u>(7,283)</u>	<u>(4,323)</u>	<u>(83)</u>	<u>(5,942)</u>	<u>(1,636)</u>	<u>(197,602)</u>
At 31 December 1999	<u>746,149</u>	<u>34,221</u>	<u>31,874</u>	<u>4,513</u>	<u>16,824</u>	<u>15,991</u>	<u>849,572</u>
Accumulated depreciation:							
At beginning of year	135,485	18,215	5,050	1,832	8,854	8,030	177,466
Provided during the year	39,386	9,290	2,102	442	3,379	1,843	56,442
Disposals	<u>(44,903)</u>	<u>(3,996)</u>	<u>(666)</u>	<u>(62)</u>	<u>(4,902)</u>	<u>(1,328)</u>	<u>(55,857)</u>
At 31 December 1999	<u>129,968</u>	<u>23,509</u>	<u>6,486</u>	<u>2,212</u>	<u>7,331</u>	<u>8,545</u>	<u>178,051</u>
Net book value:							
At 31 December 1999	<u>616,181</u>	<u>10,712</u>	<u>25,388</u>	<u>2,301</u>	<u>9,493</u>	<u>7,446</u>	<u>671,521</u>
At 31 December 1998	<u>449,509</u>	<u>22,471</u>	<u>18,857</u>	<u>1,799</u>	<u>11,975</u>	<u>8,157</u>	<u>512,768</u>

In connection with the Group reorganisation, fixed assets as at 31 January 1993 were revalued by Zhongzhou Certified Public Accountants on a depreciated replacement cost basis. The revaluation surplus of RMB147.6 million arising from the revaluation has been approved by the Guangdong Provincial State Assets Bureau and reflected in the Group's financial statements. The 1993 valuation was a one-off exercise which established the deemed cost of the fixed assets injected on the formation of the Company. As a result, the Directors consider that the requirements of International Accounting Standard 16 "Property, plant and equipment" with respect to carrying assets at amounts other than cost less accumulated depreciation are not applicable.

11. CONSTRUCTION IN PROGRESS

Construction in progress consists of various construction projects in progress. These projects include improvements to Guangfo Expressway and its relating toll collection facilities, and the construction of the Siling Complex.

12. GOODWILL

	RMB' 000
Cost:	
At 1 January 1999	25,445
Additions during the year, net	<u>27,819</u>
At 31 December 1999	<u>53,264</u>
Accumulated amortisation:	
At 1 January 1999	3,392
Provided during the year, net	<u>5,971</u>
At 31 December 1999	<u>9,363</u>
Net book value:	
At 31 December 1999	<u>43,901</u>
At 31 December 1998	<u>22,053</u>

Additions of goodwill during the year represent positive goodwill net of negative goodwill arising on the acquisition of equity interest in associates during the year.

Positive goodwill of RMB28,726,000 arising on the acquisition of 33.33% equity interest in Shenzhen Huiyan Expressway Limited Company represents the excess of the purchase consideration paid for the equity interest over the fair values ascribed to the net underlying assets acquired at the date of acquisition, and is eliminated by amortisation through the income statement on the straight-line basis over five years.

Negative goodwill of RMB907,000 arising on the acquisition of 25% equity interest in Guangdong JinDaoDa Expressway Property Development Limited Company represents the excess of the acquired interest in the fair values of the identifiable assets and liabilities over the purchase consideration paid for the equity interest at the date of acquisition, and is offset by the additions of positive goodwill during the year.

13. INVESTMENTS IN ASSOCIATES

	1999 RMB' 000	1998 RMB' 000
Share of net assets	747,982	395,217
Due from associates	<u>1,100,785</u>	<u>849,322</u>
	<u>1,848,767</u>	<u>1,244,539</u>

13. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the associates, which operate in the PRC, are as follows:

Name	Date of establishment	Attributable equity interest of the Group		Principal activities
		1999	1998	
Guangdong Provincial Foshan-Kaiping Expressway Limited Liability Company (“Fokai Company”)	12 March 1996	35% *	35%	Construction and operation of Foshan-Kaiping Expressway
Shenzhen Huiyan Expressway Limited Company (“Huiyan Company”)	20 November 1991	33.33% *	-	Construction and operation of Huizhou-Yantian Port Expressway Shenzhen portion
Guangdong Guanghui Expressway Limited Company (“Guanghui Company”)	12 August 1999	25% *	-	Construction and operation of Guangzhou - Huidong Expressway
Guangdong Maozhan Expressway Limited Company (“Maozhan Company”)	8 February 1999	20% *	-	Construction and operation of Dianbai-Zhanjiang Expressway
Guangdong Yuedong Expressway Enterprise Co., Limited (“Yuedong Company”)	17 December 1999	42.4% *	-	Investment holding of Puling-Huidong Expressway
Guangdong JinDaoDa Expressway Economic Development Limited Company (“JDD Company”)	10 November 1997	25% *	-	Investment and development of properties and accessory facilities alongside expressways in China

* The Group’s profit sharing in associates is in proportion to its share of equity interest therein.

The amounts due from associates mainly represent loans to and interest receivable from Fokai Company and Huiyan Company.

The loan to Fokai Company represents part of a shareholders’ loan made through Guangdong Financial Trust and Investment Corporation (“GFTIC”), which is a financing institution authorised to lend money to PRC companies. A formal loan agreement was entered into on 18 June 1996. The loan bears an interest rate of 10.35% per annum, the interest of which is applied retroactively to the loan balance as at 12 March 1996. The principal is repayable semi-annually over 25 years commencing 1 January 1998. The contract was renewed on 3 June 1999. The interest rate was revised to 7.2% per annum commencing on 1 January 1999.

13. INVESTMENTS IN ASSOCIATES (Continued)

The loan to Huiyan Company represent part of a shareholders' loan made through GFTIC. A formal loan agreement was entered into on 9 November 1998. The loan is unsecured, interest-free and has no fixed terms of repayment.

14. OTHER INVESTMENTS, UNLISTED

The amount consists of investments for rental purposes in real estates located at Huizhou and Shunde cities in the Guangdong Province, the PRC, and other unlisted long term investments.

15. OTHER LONG TERM ASSETS

The amount represents payments for the purchase of residential apartments for the staff of the Company.

In accordance with the relevant regulations issued by the PRC' s State Council applicable to joint stock listed companies established in the PRC, the residential apartments of the Company will be sold to the staff of the Company at a discounted value according to their duration of service in the Company. As at 31 December 1999, the Company has received RMB2,494,000 in advance from the staff for the purchase of the residential apartments. No disposal of residential apartments has yet been made to staff. The Company is waiting for the guidelines and regulations to be issued by the relevant bureaux in Guangdong on the proper accounting and legal treatment of these assets upon their disposal.

16. INVESTMENT IN A SUBSIDIARY

As at 31 December 1999, the Company has a subsidiary which was established and operating in the PRC. All material intercompany transactions and balances have been eliminated on consolidation.

Particulars of the subsidiary are as follows:

Name	Date of establishment	Paid-up capital RMB' 000	Attributable equity interest of the Group	Principal activity
Guangzhou-Foshan Expressway Company Limited ("Guangfo Company")	7 July 1988	100,000	75%	Operation of the Guangfo Expressway

Pursuant to an agreement between the Company and Chu Kong Infrastructure Investment Limited ("Chu Kong") on 28 August 1998 (the "Agreement"), Guangfo Company will change from a Sino-foreign Equity Joint Venture Company to a Sino-Foreign Co-operative Joint Venture Company in the foreseeable future. In addition, Guangfo Company will increase its registered capital to RMB200,000,000, but the attributable equity interest of the Company and Chu Kong will remain unchanged at 75% and 25%, respectively. The Agreement was approved by Guangdong Traffic Bureau, but is subject to the final approval of the relevant government bureaux in Guangdong.

17. CURRENT INVESTMENTS

	1999 RMB' 000	1998 RMB' 000
Government bonds, - unlisted	-	84,780
- listed	148,645	-
Shares, listed	1,384	-
	<u>150,029</u>	<u>84,780</u>

The amount consists of investments in listed PRC government bonds and listed shares through authorised financial institutions registered in the PRC. The market values of listed government bonds and listed shares as at 31 December 1999 were RMB148,645,000 and RMB1,384,000 respectively. The government bonds held at the balance sheet date have nominal interest rates from 3.28% to 11.83% receivable annually in arrears, and with maturity from 1 November 2003 to 23 September 2009, respectively. The government bonds are carried market value as at 31 December 1999, which are below original acquisition cost. A loss of RMB1,175,000, which represents the difference between cost and market value of the government bonds at 31 December 1999, has been recognised in the Income Statement for the year.

18. DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

19. DUE TO A RELATED COMPANY

The amount due was unsecured, interest-free and was fully repaid in 1999.

20. BANK LOANS

	1999 RMB' 000	1998 RMB' 000
Bank loans, unsecured	<u>258,000</u>	<u>-</u>

The maturities of the above amount are as follows:

Bank loans repayable:		
Within one year	200,000	-
In the second year	-	-
In the third to fifth years, inclusive	58,000	-
	<u>258,000</u>	<u>-</u>
Long term portion	<u>58,000</u>	<u>-</u>

20. BANK LOANS (Continued)

Bank loans of RMB200,000,000 are unsecured but are guaranteed by the ultimate holding company in accordance with the terms and conditions of an agreement between the ultimate holding company and the Company, and bear interest at 5.58% per annum.

A bank loan of RMB58,000,000 is unsecured but is guaranteed by the ultimate holding company in accordance with the terms and conditions of an agreement between the ultimate holding company and Guangfo Company, and bears interest at 5.94% per annum.

21. ISSUED CAPITAL

	1999 RMB' 000	1998 RMB' 000
Registered, issued and fully paid:		
431,756,250 (1998: 431,756,250) unlisted A shares of RMB1 each	431,756	431,756
30,000,000 (1998: 30,000,000) unlisted foreign investment shares of RMB1 each	30,000	30,000
202,500,000 (1998: 202,500,000) listed B shares of RMB1 each	202,500	202,500
100,000,000 (1998: 100,000,000) listed A shares of RMB1 each	100,000	100,000
	<u>764,256</u>	<u>764,256</u>

In July 1996, the Company issued for subscription 135,000,000 B shares by way of private placing with foreign investors. Dealings in the B shares on the Shenzhen Securities Exchange commenced in August 1996.

Pursuant to the approval at the Shareholders' General Meeting in May 1997, the Company distributed a scrip dividend of 1.7 shares for every 10 shares of RMB1 and a bonus issue of 3.3 shares for every 10 shares of RMB1 to shareholders on the register of members on 20 June 1997.

In January 1998, the Company issued for subscription 100,000,000 A shares for local PRC investors. Dealings in the A shares on the Shenzhen Securities Exchange commenced in February 1998.

22. RESERVES

	Share premium and capital surplus	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Retained profits	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At beginning of year	1,230,532	75,761	43,089	102,042	39,779	1,491,203
Net profit for the year	-	-	-	-	257,421	257,421
Cash dividends	-	-	-	-	(114,638)	(114,638)
Transfer to reserves						
-Statutory surplus reserve	-	29,303	-	-	(29,303)	-
-Statutory public welfare fund	-	-	14,651	-	(14,651)	-
-Discretionary surplus reserve	-	-	-	6,674	(6,674)	-
	<u>1,230,532</u>	<u>105,064</u>	<u>57,740</u>	<u>108,716</u>	<u>131,934</u>	<u>1,633,986</u>

In accordance with the Company Law of the PRC and the Company's articles of association, the Company is required to transfer part of the profit after taxation as reported in the Group's statutory financial statements, to the statutory surplus reserve and the statutory public welfare fund. In addition, the board of directors may determine to appropriate part of the profit after taxation to the discretionary surplus reserve. The above reserves are not to be used to pay out as cash dividends.

The directors have proposed to transfer RMB29,303,000 and RMB14,651,000 to each of the statutory surplus reserve and the statutory public welfare fund, respectively. These represent 10% and 5% of the profit after taxation as reported in the Group's statutory financial statements. In addition, the directors have proposed to transfer RMB6,674,000 to the discretionary surplus reserve.

According to the relevant regulations in the PRC, the retained profits available for distribution as dividends is the lower of the amount determined under PRC accounting regulations and the amount determined under IAS.

The directors have proposed a cash dividend of RMB114,638,000 for the year ended 31 December 1999.

23. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of profit before income tax to net cash inflow from operating activities.

	1999 RMB' 000	1998 RMB' 000
Profit before income tax	323,641	177,489
Adjustments for:		
Share of associates' (profits)/losses	(13,705)	19,621
Depreciation	56,442	45,378
Loss on disposal of fixed assets	408	144
Gain on disposal of long term unlisted investments	(4,593)	-
Provision for doubtful debts	-	750
Provision for diminution in value of construction in progress	-	6,455
Provision for diminution in value of short term investments	1,175	-
Amortisation of goodwill	5,971	3,392
Provision for diminution in value of long term unlisted investments	-	8,578
Gain on disposal of 100% ownership of Jiujiang Bridge and related assets	(87,896)	-
Interest expense	517	16,514
Interest income	(70,853)	(103,544)
	<u>211,107</u>	<u>174,777</u>
Operating profit before working capital changes	211,107	174,777
Decrease in inventories	53	55
(Increase)/decrease in prepayments and other receivables	(2,460)	2,940
(Decrease)/increase in due to ultimate holding company	(2,560)	503
(Increase)/Decrease in due from associates	(3,861)	7,605
Decrease in due to a related company	(1,000)	-
Decrease in payables	(13,923)	(15,368)
Cash generated from operations	<u>187,356</u>	<u>170,512</u>
Interest paid	-	(4,793)
Income taxes paid	(15,943)	(15,020)
Net cash inflow from operating activities	<u><u>171,413</u></u>	<u><u>150,699</u></u>

24. IMPACT OF IAS ADJUSTMENTS ON CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS

	Consolidated profit attributable to shareholders Year ended 31 December		Consolidated net assets as at 31 December
	1999 RMB' 000	1998 RMB' 000	1999 RMB' 000
As reported under PRC accounting principles	293,027	147,313	2,452,185
IAS and other adjustments, net *	<u>(35,606)</u>	<u>(5,213)</u>	<u>(53,943)</u>
As restated under IAS	<u>257,421</u>	<u>142,100</u>	<u>2,398,242</u>

* The adjustments include, primarily, adjustments for the elimination of the unrealised profits arising on the disposal of 100% ownership of Jiujiang Bridge and related assets in Fokai Company against the Group's share of 35% equity interest in Fokai Company, deferred tax, goodwill arising on the acquisition of associates, amortisation of goodwill, depreciation charges, business tax, interest expenses exempted by GPFC, interest income received on subscription monies received in connection with the A shares issue, and other adjustments in accordance with the prudence concept.

25. COMMITMENTS

The Group has capital expenditure commitments not provided as follows:

	1999 RMB' 000	1998 RMB' 000
Contracted for	<u>329,661</u>	<u>455,159</u>

26. CONTINGENT LIABILITIES

As at 31 December 1999, the Group did not have any significant contingent liabilities.

27. RETIREMENT BENEFITS

As stipulated by the State regulations, the Group participates in a defined contribution retirement plan organised by the Guangdong Municipal Government. All staff are entitled to an annual pension which is equal to a fixed proportion of their final basic salary at their retirement date. The Group is required to make contributions to the retirement plan at a rate of 18% of the basic salary of its staff. The Group has no obligations for the pension benefits beyond the annual contributions as described above.

28. RELATED PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year:

	1999 RMB' 000	1998 RMB' 000
Disposal of long term unlisted investment to GPFC	20,783	-
Management fees payable to GPFC	500	1,000
Construction fees payable to GPFC	113,658	288,434
Interest receivable from GPFC	-	2,889
Interest payable to GPFC	-	16,514
Interest expenses exempted by GPFC (see note 5)	16,514	-
Acquisition of equity interest in an associate from GPFC	45,420	190,584
Construction fees payable to a related company	2,050	1,000
Disposal of ownership of JiuJiang Bridge and related assets to Fokai Company (see note 31)	288,000	-
Loan to associates (see note 13)	169,580	222,963
Loan from Chu Kong	9,350	45,000
Interest receivable from an associate (see note 13)	56,187	60,224
Business tax of interest income withheld and payable to Guangdong Financial Trust and Investment Corporation	<u>4,495</u>	<u>13,069</u>

Disposal of long term unlisted investment to GPFC represents sales of the real estates located at Huadu City in Guangdong Province to GPFC under normal commercial terms and conditions.

Management fees payable to GPFC were under normal commercial terms and conditions.

Construction fees payable to GPFC and a related company were based on actual costs incurred and under normal commercial terms and conditions.

Pursuant to an agreement between GPFC and the Group on 18 August 1999, GPFC agreed not to call upon the outstanding interest receivable from Guangfo Company, amounting to RMB16,514,000. The amount was recognised as other operating income for the year ended 31 December 1999.

Pursuant to an agreement between GPFC and the Company on 29 October 1999, the Company acquired 33.33% equity interest in Huiyan Company from GPFC under normal commercial terms and conditions.

Loan from Chu Kong is unsecured, interest-free and has no fixed terms of repayment.

29. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash, investments, deposits, prepayments, and other receivables. Financial liabilities of the Group include bank loans, other payables, and an amount due to the ultimate holding company.

(a) Credit risk

Cash at bank and on hand

Substantial amounts of the Group's cash balances are deposited with China Construction Bank, Bank of China, Development Bank of Guangdong Province, China International Trust and Investment Company Industrial Bank, Shenzhen Development Bank, Agriculture Bank of China, Industrial and Commercial Bank of China, China Everbright Bank, and Bank of Communication.

(b) Fair value

The fair values of cash, investments, deposits, prepayments, other receivables, amounts due from associates, bank loans amount due to the ultimate holding company, and other payables are not materially different from their carrying amounts.

The carrying values of time deposits are estimated to approximate their fair values based on the nature of these instruments.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

30. SEGMENTED INFORMATION

The Group's revenue and profit for the year were entirely derived from the management and operations of the toll expressways and bridges which are located in Guangdong Province, the PRC. Accordingly, no segmented analysis by activity and geographical area is provided.

31. DISCONTINUED OPERATION

Pursuant to the approval of the Company's shareholders at the general meeting held on 27 December 1999 and the approval from Guangdong Traffic Bureau, the Company discontinued the operation of Jiujiang Bridge and disposed of its 100% ownership of Jiujiang Bridge and related assets to Fokai Company on 31 December 1999 at a consideration of RMB288 million. Costs associated with the disposal have been fully provided for in the financial statements.

The carrying amounts of the total assets disposed of were RMB140,359,000.

31. DISCONTINUED OPERATION (Continued)

The revenue, expenses and results from the ordinary operations of the Jiujiang Bridge for the current reporting year are as follows:

	RMB' 000
Toll income	37,296
Operating costs	<u>(16,587)</u>
Profit from operating activities	20,709
Income tax expense	<u>(2,485)</u>
Profit after income tax	<u><u>18,224</u></u>

The net cash flows attributable to the operation of Jiujiang Bridge and related assets for the current reporting year are as follows:

	RMB' 000
Operating activities	3,831
Investing activities	<u>(865)</u>
Net cash inflows	<u><u>2,966</u></u>

Proceeds from sale of non-current assets, net of sales tax and expenses	275,583
Carrying value of assets	<u>(140,359)</u>
Gain on disposal	135,224
Adjustments for the elimination of the unrealised profits arising on the disposal of 100% ownership of Jiujiang Bridge and related assets to Fokai Company against the Group's share of 35% equity interest in Fokai Company	<u>(47,328)</u>
Pre-tax gain on disposal	87,896
Income tax expense	<u>(10,548)</u>
Gains after tax	<u><u>77,348</u></u>

32. POST BALANCE SHEET EVENTS

Up to 19 January 2000, the Company received RMB20,783,000 from GPFC as settlement for the sales of real estates located at Huadu city in Guangdong Province.

Up to 20 January 2000, the Company received RMB138,000,000 from Fokai Company as settlement for the disposal of the ownership of Jiujiang Bridge and related assets.

33. COMPARATIVE FIGURES

Certain comparative figures in the prior year have been reclassified so as to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the directors on 26 January 2000.

X Other Information

- 1 Company's first registration date: 9 February 1993
Company's first registered address: 4/F, 503 Dong Feng Zhong Lu, Guangzhou, Guangdong Province
- 2 Company's business registration number: 企股粤总副字第002875
- 3 Company's tax registration number: 440102190352102
- 4 Company's unlisted securities trustee: Shenzhen Securities Registration Co., Ltd.
- 5 Company's auditors:

Yangcheng Certified Public Accountants
Address: 9th Floor, 187 Da De Road, Guangzhou

Ernst & Young
Address: Rm.1110-1111, Main Office Tower, Guangdong Int'l Hotel, 339 Huanshi Dong Lu,
Guangzhou, China
- 6 Company's legal advisor:
Guangzhou Guoxin Law Firm
17/F, Chengjian Building ,189 Ti Yu Xi Road , Guangzhou

XI. Document for Reference

- 1)Original signed copy of financial statement, with the signature of legal person, Chief Accountant and Accountant in charge.
- 2)Original signed copy of the Audited Report.
- 3)Original copies of all the documents and announcements disclosed in the newspapers specified by the State Securities Regulatory Commission.