



廣東南粵物流股份有限公司

Guangdong Nan Yue Logistics Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3399)



06
Interim Report

*For identification purposes only

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

The report may contain certain forward-looking information and/or information that is not based on historical data and uses forward-looking terminology such as "will", "anticipate", "believe", "intend", "could", "except", "estimate", "may", "ought to", "should" or "will". Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements. In addition, the Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this report as a result of new information, future events or otherwise.

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BOARD OF DIRECTORS

Executive Directors

Lu Mao Hao
Zeng Hong An
Wang Wei Bing
Chen Bing Heng

Non-Executive Directors

Lu Ya Xing
Liu Wei
Huang Guo Xuan
Ren Mei Long
Chen Guo Zhang
Jiang Li

Independent Non-Executive Directors

Gui Shou Ping
Liu Shao Bo
Peng Xiao Lei

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lu Hong

AUTHORISED REPRESENTATIVES

Zeng Hong An
Wang Wei Bing

AUDITORS

PricewaterhouseCoopers

BANKERS

Industrial and Commercial Bank of China
China Construction Bank

COMPLIANCE ADVISER

China Everbright Capital Limited

LEGAL ADVISER

Paul, Hastings, Janofsky & Walker

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

	For the six months ended 30 June		
	2006 RMB'000	2005 RMB'000	Change %
Turnover	2,151,816	1,644,882	30.82
Operating Profit	123,951	114,512	8.24
Profit before income tax	118,557	102,870	15.25
Profit attributable to equity holders of the Company	71,306	64,628	10.33
Basic earnings per share	0.17	0.22	-22.73
Gross Profit Margin	11.50%	13.35%	-13.86
Pre-tax Profit Margin	5.51%	6.25%	-11.84
	As at	As at 31	
	30 June 2006	December 2005	Change
	RMB'000	RMB'000	%
Total Assets	3,899,789	3,383,058	15.27
Non-current Assets	547,754	509,483	7.51
Current Assets	3,352,035	2,873,575	16.65
Total Liabilities	2,687,195	2,211,011	21.54
Current Liabilities	2,684,809	2,208,625	21.56
Net Current Assets	667,226	664,950	0.34
Debt-to-asset Ratio	68.91%	65.36%	5.43

During the first half of 2006, due to the constant, stable and rapid growth of China's economy, sound corporate governance structure and the endeavour of the staff as a whole, the Group has achieved remarkable operation results. According to the Hong Kong Financial Reporting Standards, the Group's turnover and the profit attributable to equity holders of the Company amounted to RMB2,151,816,000 and RMB71,306,000, representing an increase of 30.82% and 10.33% respectively, when compared with the same period last year. The basic earnings per share is RMB0.17.

In the first half of 2006, the PRC government has intensified its control over the macro economy and implemented a series of marco-economic monitoring measures in respect of overcapacity, credit control 'valves' and the property market. As the Group's operation is within the scope of public infrastructure, which is supported extensively by the government, the control measures have brought no negative effect to the Group's operation.

During the first half of 2006, the Company's businesses in the production material logistics, expressway service zones, transportation intelligence services and cross-border transportation have all achieved significant progress. In view of the current economic conditions and growing demand of all traffic related businesses, all business segments of the Company actively participated in the market by adopting new management approach which greatly enhanced its sustainable development.

PROSPECTS

From now on, the transportation system of China will emphasize on the balanced development of all modes of transportation with a view to improving the overall transport capacity. Measures will also be implemented to reform the transportation system and advanced information technology will be applied to achieve the sustainable growth of the industry. The Group will endeavour to promote the ideas of professionalism and networking in its operation to continue enhancing its professional service standards as well as reducing its operational costs. The solid governance structure and regulatory management can reinforce the Group's risk resistance.

In the future, the Company plans to focus on:

- **Expand material logistics business**
 - Actively expand the material logistics business. The Company will seek to maintain its leading position in the logistics business of Guangdong infrastructure projects by actively participating in the material logistics business of railway, light rail, expressway and public facilities.
 - The Company will follow the Guangdong power plan by expanding asphalt business and actively develop the logistics business of minerals and fuel oil.

The Company will speed up the construction of the Dongguan asphalt distribution centre and the establishment of the warehouse facilities network in Guangdong province. The Company will develop its logistics business mainly in Guangdong. The Dongguan asphalt distribution centre will serve as the center of the warehouse network covering the eastern and western parts of the province. The Company also considers to develop the asphalt markets in provinces and cities like Chongqing, Yunnan, Sichuan and Hunan through joint ventures or acquisitions. After the establishment of its network, the Company will expand its asphalt business into the adjacent provinces of the Pan-Pearl River Delta. Meanwhile, the Company will strengthen its cooperation with Sinopec and seek to become the leader of asphalt business in Guangdong.

The Company will actively develop the logistics business of minerals and fuel oil to extend the production chain of the production material logistics business, and hence to provide logistics services for the production material producers. The Company is actively strengthening its cooperation with the steel mills and developing its logistics business of coal. The Company will also expand its logistics service into areas like iron ore and crude oil. The development of these businesses will be facilitated by the Company's existing logistic network and market information and will become a profit driver to the Company.

- **Improve the services of the expressway service zone and other related network**

- Consumer goods sales network: to use convenience stores in the service zone as its network basis and expand its convenience store network within the service zone into the neighboring villages and towns, as well as using its convenience store network in villages to develop its convenience stores network in trading of agricultural production equipments and products and serving as a feeder of logistics business.
- Food and beverage network: to develop chain fast food stores on the basis of its existing network in the service zones so as to achieve the scale of economy. The Company also considers to provide food delivery services to areas beyond the service zones to gain more business in the fast food stores network.
- Auto maintenance services network: with the support of auto maintenance service stations in the service zones, the Company intends to provide comprehensive emergency relief services on expressways, including towing, repair and insurance services and develop chained all-in-one auto maintenance service stations.
- Advertising network: the Company will seek to achieve economy of scale of its business of outdoor advertising boards along the expressways and within the service zones through joint ventures with international advertisers. With the support of its advertisement network, the Company will attract more potential advertisers by using the LED display boards. Thereby, inverse the utilization rate of these LED display boards.

The Company will also develop the following two business lines:

- Passenger transit network: to consider using the service zones as the base in developing a passenger transit stations to gather and divide passengers.
- Information network: to develop an information system for control, surveillance, business transaction, procurement, storage and distribution to cater for the needs of its chain stores operation.

Having Guangdong province as the focus of its service zone business, the Company also actively expand its service zone business outside the Guangdong province. As of now, the Company has reached an understanding in Jiangxi in respect of the joint operation of expressway service zones within Jiangxi province and the particulars of the operation are currently under negotiation. The Company will engage in the operation of the expressway service zones for more than seven expressways in Jiangxi province if the joint operation concluded successfully.

- **Promote the development and application of advanced technology in transportation**

- Viewing the expressways construction planning of Guangdong as an opportunity, by capitalizing its advantages in the industry, technology level and possession of talents, the Company will expand the market of transportation project (including projects of the three main electrical and mechanical systems and the transportation safety facilities constructions) and strive for more tenders being accepted in the transportation projects within the province.
- To actively expand its transportation construction market, to continue focusing on the 45 expressway transportation construction projects in provinces like Shanxi, Guizhou, Hunan and Chongqing and to strive for tenders being accepted at reasonable prices.
- In view of the trend of toll collection system for Guangdong toll roads being migrated to the national system and with its advantages in the successful implementation of the expressway toll collection system for two provinces, the Group will strive to contract to the improvement projects of the national toll system within Guangdong province.
- To promote the use of anti-virus and anti-toll evasion systems in the eastern and western areas of Guangdong. The Company plans to implement anti-virus projects over parts of the toll roads in the eastern area of Guangdong in the second half of 2006.
- The Group has already started its tendering for the second half of the year in accordance to its schedule. There are 3 electronic and mechanical projects which have been qualified for tendering, while 12 are ready for bidding. The Group also participates in 15 biddings in respect of the safety facility projects.

- **Extend Cross-border coaching services**

For the second half of the year, as more cities will be covered by the Individual Visit Scheme, it is expected that the number of mainland visitors will continue to increase. Accordingly, cross-border coaching services will continue to grow in line with the increase in number of cross-border passengers.

The license for Express Cross Border Coach Management Company Limited, in which 23.86% interest is held by The Motor Transport Company of Guangdong and Hong Kong Limited and The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited ("GD-HK Company"), was renewed until 2008 by the Hong Kong Transport Department. Thus, the cross-border coaching business, which accounts for over 50% of GD-HK Company's operational gross profit, can maintain its leading position and continue to bring GD-HK Company more contribution.

The Man Kam To Coach Terminal, in which 20% equity interest is held by GD-HK Company, will commence operation in October this year. Its operation will bring GD-HK Company new development opportunities in respect of the mainland passenger transportation business. As a first mover, GD-HK Company will generate more operational income from the addition of inter- and intra-provincial routes and the revenue from terminal operation. GD-HK Company will also closely monitor the development progress of the Hong Kong-Shenzhen Western Tunnel. It intends to invest in building coaching terminal and further expand the coaching business within the border.

The passenger transit stations and auto services stations in the expressway service zones will commence full operation in the second half of the year and will become new revenue sources of GD-HK Company.

PROSPECTS

Opportunities and challenges are awaiting the Company in the second half of the year:

Due to the growth of the global economy and international trade, expansion of the PRC economy and the foreign trade and the continued increase of output for related infrastructure like expressways and metro, the volume of the market, in which the Group mainly operates, keeps expanding. The complete opening of the market and the lowering of the market entrance requirements, however, intensify market competition. Also, the possible action which PRC government may take to further strengthen its macro-economic control in the second half of the year, together with the RMB appreciation, rise of interest rate and unstable international oil price level, will affect the market in which the Group's major business operates.

In order to tackle this challenge, the Group will continue to further its business integration and strengthen the optimal allocation of resources; enlarge the consolidation and optimisation of the current major business and expand the service scope to enhance the operation quality; increase the investment in the profession for core operational assets and explore for new growth driver so as to increase the competitiveness; strengthen the marketing effort and expand the market share of the resources.

The Group believes that, with its solid strength and resources, together with its persistent and well-structured existing development strategies, as well as to pursue the opportunities of rapid economic growth in the PRC, each of the Group's businesses will maintain a stable, healthy and sustainable development and further enhance the value of the shareholders of the Company.

OVERALL REVIEW OF RESULTS

Due to the continuous growth of the market demand in the transportation and logistics market of the PRC, all of the Group's core business segments have all managed to deliver outstanding results during the first half of 2006.

REVIEW OF SEGMENT OPERATIONS

Material Logistics Services

During the period, the Company participated in 19 material logistics projects involving provision of steel, cement and asphalt, in locations such as Zhanjiang Bay Bridge, Western Coastal Expressway Zhuhai Section, Pearl River Delta West Ring South Section, Jingzhu South Extension Construction, Foshan Expressway and Wu-Guang Passenger Line, fully utilizing purchasing and supply chain integration mode, and thus maintaining persistence and smoothness for all parts in the supply chain from production, stock distribution to settlement. A total of 460,900 tonnes of cement, 385,800 tonnes of steel bars, 7,000 tonnes of steel strands and 28,800 tonnes of asphalts were supplied in these projects.

To secure a stable supply of various materials, reduce the logistic costs and enhance the quality of services to customers, the Tiepeichang Central Warehouse, Sanshui Steel Bar, Steel Strand and Asphalt Warehouse, Guangzhou Municipal Huangpu Asphalt Warehouse, asphalt warehouses in Maoming, Shantou, Haixinsha and Dongguan Xinsha Port were established and investment in warehouse personnel and facilities was also increased. Thus, it has established a solid foundation regarding supply of project material, reduction of logistics costs and enhancement of speed of service response.

During the period, the Company actively sought for market share and won the tenders for Leshi Expressway Tender Section SX09 (involving the supply by the Company of 45,000 tonnes of cement), Guangzhou Rail Route 6 Project (involving the supply by the Company of 77,000 tonnes of steel bars), Guangzhou Dongsha to Xinlian Expressway Project (involving the supply by the Company of 45,000 tonnes of steel bars and 100,000 tonnes of cement) and station front construction of the newly established Wuhan to Guangzhou Passenger Line (involving the supply by the Company of 50,000 tonnes of steel bars), involving an aggregate contract amount of RMB600,000,000. Currently, a total of 12 major construction projects are using steel bar materials supplied and distributed by the Company.

In order to expand the Group's material logistics supply chain, the Company has commenced the business of coal material logistics during the first half of 2006.

Furthermore, the Company has endeavoured to explore the asphalt market in the PRC. It has established a strong foundation in Guangdong Province and is expanding its business into the Pan-Pearl River Delta regions. The Company's tender for purchase of the asphalt material for Foshan City First Ring Inter-City Expressway was accepted and the contract involved 31,700 tonnes of asphalt. The Company has also strived to explore the asphalt market outside the Guangdong Province, especially in the Pan-Pearl River Delta provinces and cities. Several field studies and business discussions were conducted to ensure sufficient preparation before entering the markets in, such as Hunan and Sichuan. In order to further develop the asphalt market, the Company has acquired the emulsified asphalt production facility, developed the asphalt process value-added service, as well as intensified the construction of Dongguan Asphalt Center.

To enhance efficiency of its material logistics business, the Company has also accelerated the building of the information infrastructure which is necessary to support this business segment. As of now, the inspection and acceptance of Logistics Platform Phase I and the evaluation of development plans for Phase II have been completed.

Expressway Service Zones

In the first half of the year, Guangdong Top-E Expressway Service Zone Company Limited (“Guangdong Top-E”) moved ahead in full scale into professionalized management for five major networks in its service zones. It took quicker pace in developing innovative new operations and service zone businesses which have all made relatively big progress.

The five major networks of service zones, namely convenience stores, catering operation, car maintenance, petrol stations and advertising services, have all expanded in steady pace and accomplished professional chain-operation management. For its convenience store network, the Company constantly adjusts product mix to match with changing market demand and has obtained favourable results. From January to June 2006, sales of the convenience stores sector jumped 99% over the same period last year. 120,000 bottles of the Company’s self-branded and manufactured mineral water were sold, representing 34% of the total bottled water sales of the Company. For its catering operation network, the Company promoted the sales of set meals and the sales had been satisfactory during the period. For car maintenance network, the Company built three new car maintenance plants and made modifications to certain car maintenance plants. Car maintenance outlets increased from five to nine and the basic layout of an expressway car maintenance network was formed. The Company sped up resource integration for advertising service network. By investing in building and purchasing advertising facilities, the Company has gradually achieved scale operation, thus gaining from scale effects of advertising resources through unified operations and unified management.

Guangdong Top-E has also endeavoured to promote the development of innovative new operations. So far, the innovative new operations have made remarkable progress. For the Jiangxi Project, the parties to the project have already signed a letter of intent and the Company has established a base in Nanchang to start the preliminary work. The Company has cooperated with Guangdong Hong Kong Passenger Coaching Company to develop passenger transit services in the service zones. A service zone sales and marketing work group was established and with reference to the results of a sales and promotion campaign jointly carried out by Guangxi Passenger Coaching Department in Yangjiang service zone during the spring season this year, the Group will commit efforts to draw up the implementation plan for the project.

Apart from the above, Guangdong Top-E has also been actively participated in the tenders for greening projects. During the period, the Company was awarded the implementation contract of tender sections II and III of Jingzhu Expressway South Section Deserted Slopes Re-greening Project, the Company has also successfully completed the greening project of Panyu Lifeng Electronics Factory Plant Zone Phase I. The sales of the greening base’s plantlets had made a major breakthrough and the Company’s indoor plant installation business was also being developed.

Guangdong Top-E has also devoted a lot of efforts to promote the construction of information management platforms and the optimization of distribution systems. During the period, construction work for 17 pairs of virtual private networks was completed for the self-operated service zones, providing a safe and reliable hardware foundation for data transmission of information platform systems, ensuring the safety and stability of data transmission between the headquarters and individual service zones of the Company, and thus accomplishing distant maintenance and supervision of the systems in service zones. Development work for the information platform system is now on schedule and that for merchandize chain-operation has already been completed.

Transportation Intelligence Services

In the first half of the year, Guangdong Xinyue Communications Investment Company Limited (“Guangdong Xinyue”) entered into contracts with various expressway owners, including Guizhou Gui-Kai Expressway, Chongqing Wan-Kai Expressway, Tian-Shan Expressway, Guangzhou City West Second Ring Expressway, North Third Ring Expressway, Guangyuan Expressway and Guangzhou City Transportation Department CCTV, involving an aggregate contract sum of RMB196,000,000.

Major construction projects in progress of Guangdong Xinyue in 2006

Safety Facility Projects		Electrical and Mechanical Engineering Projects	
Names of Projects	Districts	Names of Projects	Districts
Kai San Expressway	Guizhou Province	Gui-Kai Expressway	Guizhou Province
Ding Xin Expressway	Guizhou Province	Wan-Kai Expressway	Chongqing City
Jingzhu South Enlargement	Guangdong Province	Tian-Shan Expressway	Guangdong Province
Shen Shan Dong Overhaul	Guangdong Province	Xierhuan	Guangzhou City
Foshan First Ring Expressway	Guangdong Province	Beisanhuan	Guangzhou City
Beisanhuan	Guangzhou City	Guang Yuan Expressway	Guangzhou City
Xierhuan	Guangzhou City	Transportation Department CCTV	Guangzhou City

Guizhou Gui-Kai Expressway and Chongqing Wan-Kai Expressway are electrical and mechanical engineering projects outside the Guangdong Province involving an aggregate contract sum of RMB35,390,000, representing 18% of the total contract sum of all projects entered into by Guangdong Xinyue in the first half of the year.

Guangdong Xinyue focused on strengthening technology innovation capability in the period and explored the scope of its transportation intelligence services. During the period, portable and handheld toll collection devices for roads and bridges have maintained their favourable market position in the Province and the outlook is still bright. Markets outside the Province have also been explored. As of June 2006, the version upgrading works of portable toll collection devices were also completed. It is expected that the upgraded portable devices will create an even better sales results in the second half of the year. Large-scale information display also made certain progress in the first half of the year. Currently, the processing production of 30 sets of large-scale information display is being completed and they are ready to be introduced into the market. The design of self-served automatic card issuing machines has nearly finalized. It is anticipated that the project can achieve substantial economic gain in the second half of the year. In the first half of 2006, anti-virus programmes were implemented in Guangdong West Region Guang-San and two sections in Guang-Zhao, as well as the Guangdong North Region. The implementation of such programmes will soon be extended to the three sections in Guangdong West Region West Coastal, Guang-Yun and Mao-Zhan and in the second half of 2006, plans will be drawn up for certain sections in the Guangdong East Region. Guangdong Xinyue’s toll evasion prevention project was targeted for the developing of an integrated fraud prevention system for use in expressways. The system was first used in Guangdong North Regions (Jingzhu South and Jingzhu North Sections) in the fourth season of 2005. In the first half of 2006, pilot scheme of the toll evasion prevention project in the Guangdong North Regions was completed and the system has passed initial inspection. Guangdong Xinyue has made application to the Provincial Science and Technology Bureau for examination of toll evasion prevention project and has obtained the examination certificate. In 2006,

Guangdong Xinyue has endeavoured to participate in tendering for electrical and mechanical engineering projects of various expressways, namely Guizhou Province, Qinghai Province, Henan Province, Hunan Province, Jiangxi Province, Chongqing City and Fujian Province, and the focus has been put on Guizhou Province, Shanxi Province, Hebei Province, Hunan Province and Chongqing City.

The research and development (R & D) and implementation of the information system of Guangdong Oriental Thought Technology Company Limited ("Oriental Thought") has made a major breakthrough. The R & D plans for HS Guangdong Province Expressway Company and Hebei Transportation Bureau were fully accomplished, the systems passed inspection and are undergoing promotion for use; the consolidation of the five major software products based on the Jiangxi Jing Ying Program has completed and passed inspection successfully; HS Transportation Department Platform has already started coordination and communication work to investigate and study market demand; HQS Quality Management Platform passed first stage inspection on 23 June 2006 and is now undergoing second stage innovation upgrade.

Regarding the expressway construction and operation management softwares, Oriental Thought has proceeded to innovation upgrade stage and currently the majority of R & D and innovation works have basically finished. Some projects were put into implementation and started to get economic gains.

On the basis of a consolidated Guangdong market, Oriental Thought also strives to explore markets outside the Guangdong Province. In the first half of the year, contracts concluded for markets outside the Province amounted to RMB16,780,000, representing 78.3% of the total contract amount of all contracts entered by it during the period.

Besides, Oriental Thought's system integration business has also gained a steady growth. Since commencement of its operation, it has completed works involving total contract amount of RMB2,700,000.

Cross-border Coaching Services

GD-HK Company's cross-border transportation services still maintained a satisfactory growth momentum in the first half of the year. In respect of passenger coaching business, GD-HK Company integrated its passenger routes and cooperated with other companies to establish express routes through a unified single schedule, a unified single label, a unified single price and a unified management, thus achieving increased frequency and enhancing the Company's market competitiveness. Meanwhile, the Company cooperated with Guangzhou New Baiyun Airport to provide airport express service, enabling passengers who buy the joint tickets to get from the airport all the way to Hong Kong with only a stop at the border, occupancy rate for routes heading from Guangzhou to Hong Kong was lifted and turnover increased. To enhance occupancy rate, GD-HK Company has also made timely adjustments on frequency and routes of coaches according to the changing conditions of source and traffic of passengers.

In the first half of the year, GD-HK Company also carried out preliminary planning work for passenger transit using expressway service zones. Committee members conducted field studies in service zones and performed investigations in matters related to the launch of the transit service, including source of passenger, patronage and price levels and there would be accelerated implementation of a pilot scheme for passenger transit services in expressway service zones.

GD-HK Company keeps eye on renovating express route coaches in a timely manner, enhancing ratio of coaches in good conditions and strengthening control on the running of express routes to safeguard growth in the Company's turnover.

For freight forwarding business, GD-HK Company has made great efforts to expand customer base in order to ensure a steady income from the business. At the same time, GD-HK Company has installed Global Positioning Systems in all its trucks so as to achieve dynamic management of truck dispatch.

OTHERS

The Group owns the operating and toll collection right of Tai Ping Interchange in Guangdong Province from 28 December 1999 to 1 July 2027. The Group also generated revenues from advertising services, tendering services, computer hardware and software sales.

FINANCIAL REVIEW

Turnover

The Group generated its turnover mainly from its four core business segments, including provision of material logistics services, provision of transportation intelligence services, operations of expressway service zones, and cross-border coaching services between Hong Kong and Guangdong Province. Income sourced from toll fee collection at Tai Ping Interchange and other businesses is also encompassed in the turnover of the Group. Turnover increased from RMB1,644,882,000 for the six months ended 30 June 2005 by RMB506,934,000, or 30.82%, to RMB2,151,816,000 for the six months ended 30 June 2006, mainly due to the business development in material logistics services and transportation intelligence services, with an increase of RMB364,389,000 in the material logistics business and RMB97,746,000 in the transportation intelligence services business.

The following table shows a breakdown of the Group's turnover in terms of business segments.

	For the six months ended 30 June			
	2006		2005	
	RMB'000	Percentage of total turnover	RMB'000	Percentage of total turnover
Material logistics services	1,642,469	76.33%	1,278,080	77.70%
Transportation intelligence services	170,364	7.92%	72,618	4.42%
Expressway service zones	150,712	7.00%	120,940	7.35%
Cross-border coaching services	131,450	6.11%	129,616	7.88%
Tai Ping Interchange	48,666	2.26%	40,829	2.48%
Others	8,155	0.38%	2,799	0.18%
Total	2,151,816	100%	1,644,882	100%

Material Logistics Services

The revenue generated from material logistics services is one of the major income sources of the Group. For the six month ended 30 June 2006, it contributed approximately 76.33% of the Group's total turnover. Following the delay of the new construction projects of Guangdong Provincial Communication Group Company Limited ("GCGC") in 2006, the material logistics income from GCGC dropped from RMB545,159,000 in the same period of last year to RMB177,790,000. The management had anticipated this situation and actively developed the non-GCGC's business which led to the increase in the number of successful bids from non-GCGC projects. Turnover from non-GCGC projects increased by RMB731,758,000, or 99.84%, to RMB1,464,679,000, from RMB732,921,000 in the same period of last year.

Transportation Intelligence Services

Approximately 7.92% of the Group's total turnover for the first half of the year was contributed by the provision of services by transportation intelligence services, including the research and development of the Intelligent Transportation System and other expressway electrical and mechanical systems. Turnover from this segment increased from approximately RMB72,618,000 for the first half of 2005 to approximately RMB170,364,000 or 134.6% for the first half of 2006. The increase was mainly attributed to larger number of projects launched or in progress in the first half of 2006 as compared to the corresponding period last year. For the first half of 2006, there were 11 projects, comparing with six projects in the same period last year, while the revenue increased by RMB95,247,000 to RMB155,997,000 for the first half of 2006 from RMB60,750,000 for the same period last year; secondly, the increase in income of electrical and mechanical equipments, like portable toll collection devices, together with the promotion of toll evasion prevention software resulted in an increase of turnover to RMB13,691,000 for the first half of 2006 from RMB1,170,000 in the same period of last year.

Expressway Service Zones

Turnover generated from the operation of expressway service zones represented approximately 7.00% of the Group's total turnover during the first half of the year. Revenue increased by 24.62%, from approximately RMB120,940,000 for the first half of 2005 to approximately RMB150,712,000 for the first half of 2006. The increase was primarily due to the increase in the number of service zones of the Group as compared with the first half of 2005. The number increased from 29 pairs for the corresponding period last year to 42 pairs as at 30 June 2006. Among which the number of self-operated service zones has increased to 16 pairs for the first half of 2006 when compared with 7 pairs in the same period last year. As a result, revenue generated by the service zones has increased to RMB34,402,000. As the coverage of our service network optimised, customer flow kept increasing while higher sales were recorded for our restaurants and convenience stores. Sales revenue of the original service zones has increased by RMB8,620,000, from RMB48,210,000 for the same period of last year to RMB56,830,000.

Cross-border Coaching Services

The revenue generated from cross-border coaching services for the first half of 2006 represented approximately 6.11% of the total turnover of the Group, amounted to RMB131,450,000, an increase of 1.41% over the corresponding period of 2005. The increase was primarily brought by the increased operation carriage rate.

Tai Ping Interchange

For the first half of 2006, approximately 2.26% of the Group's total turnover was contributed by the toll fees from Tai Ping Interchange. The revenue increased by 19.19%, from RMB40,829,000 for the same period of last year to RMB48,666,000 for the first half of 2006. The increase was mainly attributed to organic growth of traffic. The daily traffic amounted to 46,803 vehicles, representing an increase of 16.5% as compared with 41,025 vehicles for the corresponding period last year.

Cost of sales

Cost of sales of the Group mainly comes from the costs of sales of the four main business segments. Total costs of sales increased by RMB478,979,000 or 33.60% from RMB1,425,295,000 for the six months ended 30 June 2005 to RMB1,904,274,000 for six months ended 30 June 2006. The increase in total costs of sales was contributed to the corresponding increase in turnover.

The following table shows a breakdown of the Group's cost of sales in terms of business segments.

	For the six months ended 30 June			
	2006		2005	
	Costs of Sales (RMB'000)	Percentage of total cost of sales	Costs of Sales (RMB'000)	Percentage of total cost of sales
Material logistics services	1,557,179	81.77%	1,209,950	84.89%
Transportation intelligence services	140,356	7.37%	53,411	3.75%
Expressway service zones	101,787	5.35%	55,733	3.91%
Cross-border coaching services	94,436	4.96%	97,071	6.81%
Tai Ping Interchange	7,444	0.39%	6,820	0.48%
Others	3,072	0.16%	2,310	0.16%
Total	1,904,274	100%	1,425,295	100%

Material Logistics Services

During the first half of the year, the costs of material logistics services accounted for 81.77% of the total costs of the Group, representing an increase of 28.70% from RMB1,209,950,000 for the same period last year to RMB1,557,179,000, which was the same as the growth of revenue. The increase of costs was mainly corresponding to the growth of business volume.

Transportation Intelligence Services

During the first half of the year, the costs of transportation intelligence services accounted for 7.37% of the total costs of the Group, representing an increase of 162.78% from RMB53,411,000 for the same period last year to RMB140,356,000, which was higher than the growth of revenue. Such increase was mainly due to the growth of revenue as well as the changes of project construction.

Expressway Service Zones

During the first half of the year, the costs of expressway service zones accounted for 5.35% of the total costs of the Group, representing an increase of 82.63% from RMB55,733,000 for the same period last year to RMB101,787,000, which was primarily because the additional service zones led to an increase of operational costs by RMB18,610,000; operational costs increased as the sales of catering operations and convenience stores in service zones increased by RMB7,105,000 to RMB38,130,000, from RMB31,025,000 for the same period of last year; additional service zones owner return contracts were followed by a cost increase of RMB9,880,000.

Cross-border Coaching Services

During the first half of 2006, the costs of cross-border coaching services decreased by 9.15%, from RMB97,071,000 for the same period last year to RMB94,436,000, represented 2.71% of the total costs of the Group, which was mainly because the optimization of passenger routes had led to a drop of costs.

Tai Ping Interchange

During the first half of the year, the costs in respect of Tai Ping Interchange increased by 9.15%, from RMB6,820,000 for the same period last year to RMB7,444,000, represented 0.39% of the total costs of the Group, which was mainly because depreciation charge increased by RMB262,000 following the completion of Tai Ping Interchange toll system improvement projects and also the revenue for expressway toll settlement services increased by RMB353,000 due to the rise of settlement volume.

Profit

Due to the increase in turnover, as compared to the same period of 2005, the Group recorded an increase in gross profit by approximately RMB27,955,000 or 12.73% for the first half of 2006, which amounted to RMB247,542,000. Gross profit margin was 11.50%, as compared to 13.35% in 2005, representing a slight decline of 1.85%.

The following table sets out the gross profit and gross profit margin of the Group:

	For the six months ended 30 June			
	2006		2005	
	Gross Profit and gross profit margin		Gross Profit and gross profit margin	
	RMB'000	Gross margin	RMB'000	Gross margin
Material logistics services	85,290	5.19%	68,130	5.33%
Transportation intelligence services	30,008	17.61%	19,207	26.45%
Expressway service zones	48,925	32.46%	65,207	53.92%
Cross-border coaching services	37,014	28.16%	32,545	25.11%
Tai Ping Interchange	41,222	84.70%	34,009	83.30%
Others	5,083	62.33%	489	17.47%
Total	<u>247,542</u>	<u>11.50%</u>	<u>219,587</u>	<u>13.35%</u>

Material Logistics Services

During the first half of the year, the gross profit of material logistics services increased by 25.19%, from RMB68,130,000 for the same period of last year to RMB85,290,000, representing 34.45% of the total gross profit of the Group. The gross margin was basically the same as that for the same period of last year.

Transportation Intelligence Services

During the first half of the year, the gross profit of transportation intelligence service increased by 56.23%, from RMB19,207,000 for the same period of last year to RMB30,008,000, representing 12.12% of the total gross profit of the Group. The gross margin has decreased from 26.45% for the same period of last year to 17.61% this year. The decrease was mainly due to changes of project construction had lowered the gross profit for constructions, gross profit dropped as the market competition intensified and that gross margin was lower during the initial promotion stage for new products.

Expressway Service Zones

During the first half of the year, the gross profit of expressway service zones decreased by 24.97% , from RMB65,207,000 for the same period last year to RMB48,925,000, representing 19.76% of the total gross profit of the Group. The gross margin has decreased from 53.92% for the same period last year to 32.46% this year. The decrease was mainly because more service zones were established at the end of 2005 and gross margin was relatively low due to the relatively short operational period of the newly established service zones.

Cross-border Coaching Services

During the first half of the year, the gross profit of cross-border coaching services increased by 13.73%, from RMB32,545,000 for the same period last year to RMB37,014,000, representing 14.95% of the total gross profit of the Group. The gross margin was higher than that for the same period last year, which was mainly because the gross margin has improved due to the optimization of passenger routes.

Tai Ping Interchange

During the first half of the year, the gross profit of Tai Ping Interchange increased by 21.21%, from RMB34,009,000 for the same period last year to RMB41,222,000, representing 16.65% of the total gross profit of the Group. The gross margin was slightly higher than that for the same period last year, which was mainly because the increase in revenue driven by the growth of traffic volume was higher than the increase in costs.

Finance charge

Although the Central Bank interest rate was increased and the Group's business scale has been expanding, finance charge decreased from RMB12,340,000 for the first half of 2005 by RMB6,802,000 to RMB5,538,000 for the first half of 2006. The main reasons were, firstly, the general credit limit has increased, and the use of bank discounted bills were more frequent. As at 30 June 2006, total credit limit was RMB1,400,000,000, increased by RMB840,000,000 as compared to RMB560,000,000 for the corresponding period last year. Total number of settlement with the use of bills for the first half of the year amounted to RMB1,665,620,000, resulting in reduced cash payment. Secondly, the selection of the lowest and most preferential discounted rate dropped from a monthly rate of 0.3% for the corresponding period last year to a monthly rate between 0.19% and 0.25%. Discounted interest expenses were, in return, reduced by RMB4,585,000 from RMB5,391,000 for the corresponding period last year to RMB806,000.

Operational expenses

The operational expenses of the Group increased from approximately RMB113,451,000 for the first half of 2005 to RMB137,383,000 for the first half of this year, representing an increase of 21.09%. The increase was mainly due to the rise in the related expenses by RMB18,616,000 from RMB51,560,000 for the corresponding period last year to RMB70,176,000 arising from the business expansion of material logistics services and marketing expenses for new businesses and products.

Borrowings

As at 30 June 2006, all outstanding borrowings of the Group were in the form of unsecured short-term bank loans which amounted to approximately RMB222,500,000, representing an increase of RMB67,500,000 as compared with RMB155,000,000 for the corresponding period last year. The increase was mainly due to business expansion.

Liquidity, Financial Resources and Capital Structure

The Group's principal sources of liquidity have been the cash flow from operations, proceeds from the offer of the Company's H shares and bank borrowings.

Net Current Assets

As at 30 June 2006, the Group's net current assets amounted to approximately RMB667,226,000 as a result of its satisfactory net current asset condition while its gearing ratio (in accordance to the ratio from unpaid debts to the interests of equity holders) amounted to 20.84% as compared with 13.59% as at 31 December 2005.

Cash Flows (Cash Flows from Operating Activities, Cash Flow From Investing Activities and Cash Flows from Financing Activities)

For the six months ended 30 June 2006, the working capital of the Group in respect of contractual commitments, expansion and development of its core businesses and general working capital requirements was principally financed by cash generated from operations, bank loans and the net proceeds of the offer of the Company's H shares.

For the first half of 2006, the net cash outflow from operating activities was approximately RMB94,353,000 which was mainly because the management of the Group had extensive knowledge about the asphalt business, they increased asphalt procurement and inventory of the Group during the asphalt low season in the first half of the year. As at 30 June 2006, the outstanding balance for asphalt inventory amounted to RMB114,160,000 to ensure the asphalt supply during the peak season of construction in the second half of the year will generate greater gross profit for the Group, as expected. The net cash outflow of investing activities was approximately RMB70,878,000 while the net cash inflow from financing activities was approximately RMB68,755,000. Daily operating activities were mainly financed by cash flow from operating activities and bank credits. Such cash flow was attributed to the positive prospect of the Group, which was in the stage of investing and the scale of operation was being enlarged, so there was a great demand for cash.

Net cash used in investing activities was approximately RMB70,878,000 during the first half of 2006, which were mainly used to purchase fixed assets, including buildings and transportation facilities of approximately RMB48,861,000, representing an increase of approximately RMB31,550,000 from approximately RMB17,311,000 of 2005.

Net cash from financing activities was approximately RMB68,755,000 for the first half of 2006. The significant increase in cash inflow of financial activities was mainly attributable to the increase in bank borrowings.

Cash and cash equivalents

As at 30 June 2006, the balance for cash and cash equivalents of the Group was RMB744,577,000, among which, the balance of proceeds amounted to RMB199,969,000, will be used for the original purpose of the Group. The balance for GD-HK Company's monetary assets amounted to RMB112,334,000 is reserved for the business scale expansion. As at 30 June 2006, the balance of bills payables amounted to RMB803,749,000, of which approximately RMB200,000,000 is required for the cash payments under the commercial bills.

Foreign Exchange Risk and Hedging

Most of the revenue and expenditure of the Group are settled or denominated in Renminbi except for the revenue and expenditure related to GD-HK Company. In the first half of 2006, the Group's operation and liquidity were not materially affected by the fluctuations in currency exchange rate. The directors of the Company believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. Meanwhile, the Group will continue to closely monitor the exchange rate of Renminbi. The Group will consider to implement appropriate measures to mitigate its currency exposures, including hedging arrangements (e.g. forward exchange contracts).

Capital Expenditure

In the first half of 2006, capital expenditure for the purchase of fixed assets of buildings and transportation facilities was approximately RMB48,816,000, which was mainly due to the upgrade of operational vehicles by the GD-HK Company and the renovations of Tai Ping Interchange.

In addition, capital expenditure of RMB20,000,000 was incurred for the establishment of Nanfang United Properties Exchange Center Company Limited .

Contingent Liabilities

As of 30 June 2006, the Group did not have any material contingent liabilities.

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

As at 30 June 2006, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

None of the directors and supervisors of the Company holds any interests in the shares, underlying shares and debentures of the Company.

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

Name of associated corporation	Name of Director/Supervisor	Type of interests	Number of shares held	Percentage in the relevant class of share capital	Notes
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Lu Mao Hao	Personal	18,421	0.005%	(1)
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Zeng Hong An	Family	9,209	0.003%	(2)
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Ren Mei Long	Personal	2,391	0.0006%	(3)
Guangdong Provincial Expressway Development Co. Ltd. (廣東省高速公路發展股份有限公司)	Wu Wei Jia	Personal	8,155	0.002%	(4)

Notes:

- (1) Lu Mao Hao is taken to be interested in 18,421 shares as a result of him being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (2) Zeng Hong An is taken to be interested in 9,209 shares as a result of his spouse being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (3) Ren Mei Long is taken to be interested in 2,391 shares as a result of him being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (4) Wu Wei Jia is taken to be interested in 8,155 shares as a result of him being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..

Save as disclosed above, as at 30 June 2006, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any director of the Company, as at 30 June 2006, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
GCGC(Note)	Domestic shares	142,266,080	Beneficial owner	51.00	34.06
	Domestic shares	137,375,787	Interests of controlled corporations	49.00	32.89
Guangdong Provincial Highway Construction Company Limited ("Guangdong Construction")	Domestic shares	96,476,444	Beneficial owner	34.50	23.10
Guangdong Communication Enterprise Investment Company ("GCGC Investment")	Domestic shares	22,371,349	Beneficial owner	8.00	5.36
Sinopec (Hong Kong) Limited	H shares	21,000,000	Beneficial owner	15.22	5.03
Integrated Asset Management (Asia) Limited	H shares	8,000,000	Beneficial owner	5.80	1.92

Note:

Guangdong Construction and GCGC Investment are wholly-owned subsidiaries of GCGC. Accordingly, GCGC is deemed to be interested in the domestic shares held by Guangdong Construction and GCGC Investment. GCGC is also deemed to be interested in the 18,527,994 Domestic Shares held by its other subsidiaries, namely Guangdong Province Road & Bridge Construction Development Company Limited and Guangdong Weisheng Transportation Enterprise Company Limited.

Save as disclosed above, as at 30 June 2006, so far as was known to the directors of the Company, there was no person (other than a director, supervisor or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive directors, Mr. Peng Xiao Lei and Mr. Liu Shao Buo, and one non-executive director, Mr. Huang Guo Xuan, who will meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2006, and recommended their adoption by the Board.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance by the Group and the Board considers that effective corporate governance makes an important contribution to the corporate success and to enhancing shareholder value.

None of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2006.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 3,608 employees as at 30 June 2006. Total staff cost for the Group for the first six-month period, including directors' remuneration, amounted to approximately RMB76,618,000.

To enhance the quality and capability of our human resources as well as their team spirit and to fully cope with the business expansion of the Company, the Group has organized many professional and comprehensive training programs during the period. The remuneration policies of the Group are regularly reviewed on a regular basis, taking into account the group results and market conditions, in order to formulate better incentives and appraisal measures.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct ("Code of Conduct") regarding its directors' securities transactions effective on 9 June 2005, on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six-month period ended 30 June 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2006. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30 June 2006.

INVESTOR RELATIONS

Upon the listing in October 2005, the Company had "one to one" interviews with more than 40 institutional investors and telephone conference with 20 institutional investors in the first six months of 2006. The Company had also invited securities dealers and fund managers of Hong Kong to visit its asphalt warehouse in San Shui, Wayaogang service zone and the control centre of the South Section of Jing-zhu Expressway to have first hand information of the business of the Company. The Company held roadshows in Hong Kong and Singapore and met with 18 fund managers in February this year. The Company also took part in the 2006 Investment Forum held in Zhuhai organized by SBI E2-Capital China Holdings Limited and met with 9 fund managers.

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2006 Unaudited	31 December 2005 Audited
ASSETS			
Non-current assets			
Fixed assets	5	443,258	426,108
Leasehold land and land use rights	5	11,113	11,151
Intangible assets	5	7,432	6,520
Investment properties		7,001	7,329
Interest in associates		54,259	33,280
Interest in a joint venture		15,000	15,000
Available-for-sale investment		200	200
Deferred income tax assets		9,491	9,895
		547,754	509,483
Current assets			
Inventories		696,571	298,139
Due from customers on construction contracts	6	173,554	233,341
Trade and other receivables	7	1,737,333	1,501,915
Cash and cash equivalents		744,577	840,180
		3,352,035	2,873,575
Total assets		3,899,789	3,383,058

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2006 Unaudited	31 December 2005 Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	417,642	417,642
Other reserves	9	292,828	292,757
Retained earnings		357,030	319,136
		<u>1,067,500</u>	<u>1,029,535</u>
Minority interest		<u>145,094</u>	<u>142,512</u>
Total equity		<u>1,212,594</u>	<u>1,172,047</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>2,386</u>	<u>2,386</u>
		<u>2,386</u>	<u>2,386</u>
Current liabilities			
Due to customers on construction contracts	6	50,965	47,222
Trade and other payables	10	2,390,574	1,991,484
Taxation payable		20,770	29,990
Bank borrowings	11	222,500	139,929
		<u>2,684,809</u>	<u>2,208,625</u>
Total liabilities		<u>2,687,195</u>	<u>2,211,011</u>
Total equity and liabilities		<u>3,899,789</u>	<u>3,383,058</u>
Net current assets		<u>667,226</u>	<u>664,950</u>
Total assets less current liabilities		<u>1,214,980</u>	<u>1,174,433</u>

The notes on pages 30 to 52 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2006 Unaudited	2005 Unaudited
Turnover	4	2,151,816	1,644,882
Cost of sales	12	(1,904,274)	(1,425,295)
Gross profit		247,542	219,587
Other revenues		13,792	8,376
Operating expenses	12	(137,383)	(113,451)
Operating profit		123,951	114,512
Finance costs		(5,538)	(12,340)
Share of results of associates		144	698
Profit before income tax		118,557	102,870
Income tax expense	13	(36,391)	(29,868)
Profit for the half-year		82,166	73,002
Attributable to:			
Equity holders of the Company		71,306	64,628
Minority interest		10,860	8,374
		82,166	73,002
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)	14	0.17	0.22
Dividends	15	—	—

The notes on pages 30 to 52 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company				Total Unaudited
		Share capital Unaudited (Note 8)	Other reserves Unaudited (Note 9)	Retained earnings Unaudited	Minority interest Unaudited	
Balance at 1 January 2005		292,187	127,054	245,665	127,906	792,812
Profit for the half-year		—	—	64,628	8,374	73,002
Appropriation from retained earnings		—	495	(495)	—	—
Effect on merger of equity interests in subsidiaries		—	(12,469)	—	—	(12,469)
Incorporation of subsidiaries		—	—	—	980	980
Dividends payable to minority shareholders		—	—	—	(6,293)	(6,293)
Acquisition of a subsidiary		—	2,683	—	(4,495)	(1,812)
Share issuance costs		—	(4,826)	—	—	(4,826)
Waiver of amounts due to the Parent Company and a fellow subsidiary		—	7,100	—	—	7,100
Currency translation differences		—	291	—	165	456
Balance at 30 June 2005		<u>292,187</u>	<u>120,328</u>	<u>309,798</u>	<u>126,637</u>	<u>848,950</u>
Balance at 1 January 2006		417,642	292,757	319,136	142,512	1,172,047
Profit for the half-year		—	—	71,306	10,860	82,166
Dividends payable to minority shareholders		—	—	—	(8,278)	(8,278)
Dividends	15	—	—	(33,412)	—	(33,412)
Currency translation differences		—	71	—	—	71
Balance at 30 June 2006		<u>417,642</u>	<u>292,828</u>	<u>357,030</u>	<u>145,094</u>	<u>1,212,594</u>

The notes on pages 30 to 52 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Cash Flow Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Six months ended 30 June	
	2006	2005
	Unaudited	Unaudited
Cash flows from operating activities - net	(94,353)	177,255
Cash flows from investing activities		
- purchases of fixed assets	(48,861)	(17,311)
- acquisition of an associate	(20,000)	(1,813)
- other investing cash flows - net	(2,017)	(742)
Cash flows from investing activities - net	(70,878)	(19,866)
Cash flows from financing activities		
- dividends paid to minority shareholders	(8,278)	(6,293)
- share issuance costs	—	(4,826)
- proceeds from bank borrowings	247,500	90,000
- repayments of bank borrowings	(164,929)	(92,000)
- other finance cash flows - net	(5,538)	(12,340)
Cash flows from financing activities - net	68,755	(25,459)
Net (decrease)/increase in cash and cash equivalents	(96,476)	131,930
Cash and cash equivalents at beginning of period	840,180	384,231
Exchange gain/(loss) on cash and cash equivalents	873	(748)
Cash and cash equivalents at end of period	744,577	515,413

The notes on pages 30 to 52 form an integral part of this condensed interim financial information.

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangdong Nan Yue Logistics Company Limited (the "Company") is a limited liability company incorporated in the People's Republic of China ("Mainland China") on 28 December 1999. The address of its registered office is 8 Floor, No. 1731-1735 Airport Road, Guangzhou, Mainland China. The Company's ultimate holding company is 廣東省交通集團有限公司 (Guangdong Provincial Communication Group Company Limited, the "Parent Company").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 26 October 2005.

This condensed consolidated interim financial information was approved for issue on 18 September 2006.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the half-year ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006:

- Amendment to HKAS 19, 'Actuarial gains and losses, group plans and disclosures', effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 39, Amendment 'The fair value option', effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 21, Amendment 'Net investment in a foreign operation', effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions', effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 39 and Hong Kong Financial Reporting Standard ("HKFRS") 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after 1 January 2006;
- HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1 January 2006;

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

- HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006;
- HK(IFRIC)-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1 January 2006; and
- HK(IFRIC)-Int 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment', effective for annual periods beginning on or after 1 December 2005.

The above new standards, amendments and interpretations to existing standards are not relevant to the operations of the Company and its subsidiaries (the "Group").

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, 'Applying the restatement approach under HKFRS 29', effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1 May 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. Management is currently assessing the impact of this interpretation; and
- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. HKAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into five main business segments:

- (1) Material logistics services – purchase and sale of materials for construction and production, and provision of related logistics arrangement service;
- (2) Expressway service zones – development and operation of expressway service zones, provision of support and related services in expressway service zones and sub-contract of certain services in expressway service zones to third parties;
- (3) Transportation intelligence services – construction of ancillary systems for toll roads and provision of related engineering work;
- (4) Tai Ping Interchange – share of toll income from toll stations connecting to Tai Ping Interchange of the Group; and
- (5) Cross-border transportation services – cross-border coach and freight transportation services between Hong Kong and Guangdong province of Mainland China.

Other operations of the Group mainly comprise provision of advertising and other services. None of these constitutes a separately reportable segment.

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

The segment results, capital expenditure and other segment information for the six months ended 30 June 2006 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Tai Ping Interchange	Cross-border transportation services	Others	Unallocated	Group
Total gross segment sales	1,672,477	150,712	170,364	48,666	131,450	10,269	—	2,183,938
Inter-segment sales	(30,008)	—	—	—	—	(2,114)	—	(32,122)
	<u>1,642,469</u>	<u>150,712</u>	<u>170,364</u>	<u>48,666</u>	<u>131,450</u>	<u>8,155</u>	<u>—</u>	<u>2,151,816</u>
Operating profit/(loss)	46,656	25,379	(2,422)	38,723	26,758	2,127	(13,270)	123,951
Finance costs								(5,538)
Share of results of associates								144
Profit before income tax								118,557
Income tax expense								(36,391)
Profit for the period								<u>82,166</u>
Depreciation	2,526	5,317	2,819	4,427	16,000	345	2,227	33,661
Amortisation	—	291	483	—	—	88	281	1,143
Reversal of impairment of fixed assets	—	—	—	—	(1,961)	—	—	(1,961)
Provision for / (Reversal of) impairment of receivables	(407)	—	—	—	100	—	—	(307)
Capital expenditure	<u>3,225</u>	<u>21,080</u>	<u>1,819</u>	<u>12,179</u>	<u>9,908</u>	<u>1,183</u>	<u>1,484</u>	<u>50,878</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

The segment results, capital expenditure and other segment information for the six months ended 30 June 2005 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Tai Ping Interchange	Cross-border transportation services	Others	Unallocated	Group
Total gross segment sales	1,278,080	120,940	73,711	40,829	129,616	3,896	—	1,647,072
Inter-segment sales	—	—	(1,093)	—	—	(1,097)	—	(2,190)
	<u>1,278,080</u>	<u>120,940</u>	<u>72,618</u>	<u>40,829</u>	<u>129,616</u>	<u>2,799</u>	<u>—</u>	<u>1,644,882</u>
Operating profit/(loss)	41,045	39,677	(3,288)	31,086	21,881	(2,083)	(13,806)	114,512
Finance costs								(12,340)
Share of results of associates								698
Profit before income tax								102,870
Income tax expense								(29,868)
Profit for the period								<u>73,002</u>
Depreciation	1,604	7,169	2,648	4,166	13,205	68	2,256	31,116
Amortisation	—	390	621	—	—	26	87	1,124
Reversal of impairment of fixed assets	—	—	—	—	(1,905)	—	—	(1,905)
Provision for impairment of receivables	—	—	—	—	741	—	—	741
Capital expenditure	<u>5,023</u>	<u>5,419</u>	<u>3,963</u>	<u>952</u>	<u>1,631</u>	<u>752</u>	<u>313</u>	<u>18,053</u>

Unallocated costs represent corporate expenses.

Capital expenditure comprises additions to fixed assets, leasehold land and land use rights and intangible assets (Note 5).

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

The segment assets and liabilities at 30 June 2006 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Tai Ping Interchange	Cross-border transportation services	Others	Unallocated	Group
Total gross segment assets	2,162,598	277,209	604,746	296,551	281,557	23,465	215,397	3,861,523
Inter-segment	(23,219)	(11)	(7,794)	(1,286)	—	(8,374)	—	(40,684)
	2,139,379	277,198	596,952	295,265	281,557	15,091	215,397	3,820,839
Interests in associates								54,259
Interests in a joint venture								15,000
Available-for-sale investment								200
Deferred income tax assets								9,491
Total assets								3,899,789
Total gross segment liabilities	1,718,661	146,882	451,348	276,683	70,720	15,574	24,855	2,704,723
Inter-segment	(2,545)	(3,871)	(20,962)	(2,326)	—	(10,980)	—	(40,684)
	1,716,116	143,011	430,386	274,357	70,720	4,594	24,855	2,664,039
Taxation payable								20,770
Deferred income tax liabilities								2,386
Total liabilities								2,687,195

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

The segment assets and liabilities at 31 December 2005 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Tai Ping Interchange	Cross-border transportation services	Others	Unallocated	Group
Total gross segment assets	1,642,798	342,532	577,892	271,645	277,188	19,041	231,387	3,362,483
Inter-segment	(22,453)	(584)	(7,858)	(1,213)	—	(5,692)	—	(37,800)
	1,620,345	341,948	570,034	270,432	277,188	13,349	231,387	3,324,683
Interests in associates								33,280
Interests in a joint venture								15,000
Available-for-sale investment								200
Deferred income tax assets								9,895
Total assets								3,383,058
Total gross segment liabilities	1,357,103	145,252	418,569	205,792	77,941	11,778	—	2,216,435
Inter-segment	(1,908)	(4,125)	(21,502)	(2,512)	—	(7,753)	—	(37,800)
	1,355,195	141,127	397,067	203,280	77,941	4,025	—	2,178,635
Taxation payable								29,990
Deferred income tax liabilities								2,386
Total liabilities								2,211,011

Segment assets consist primarily of leasehold land and land use rights, fixed assets, intangible assets, inventories, due from customers on construction contracts, receivables and cash and cash equivalents. They exclude deferred taxation, interest in associates, interest in a joint venture and available-for-sale investment.

Segment liabilities comprise operating liabilities including bank borrowings. They exclude items such as taxation payable and deferred taxation.

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

Except for certain turnover from the cross-border transportation services, which are operated in Hong Kong, all of the Group's other business are operated in Mainland China.

	Six months ended 30 June	
	2006	2005
Sales		
Mainland China	2,049,680	1,540,450
Hong Kong	102,136	104,432
	<u>2,151,816</u>	<u>1,644,882</u>

Sales are allocated based on the places in which customers are located.

	As at	
	30 June 2006	31 December 2005
Total assets		
Mainland China	3,618,232	3,158,254
Hong Kong	281,557	224,804
	<u>3,899,789</u>	<u>3,383,058</u>

Total assets are allocated based on where the assets are located.

	Six months ended 30 June	
	2006	2005
Capital expenditure		
Mainland China	41,253	16,422
Hong Kong	9,625	1,631
	<u>50,878</u>	<u>18,053</u>

Capital expenditure is allocated based on where the assets are located.

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. CAPITAL EXPENDITURE

	Fixed assets	Leasehold land and land use rights	Intangible assets	Total
Six months ended 30 June 2005				
Opening net book amount 1 January 2005	416,287	11,883	5,329	433,499
Additions	17,311	—	742	18,053
Disposals	(2,518)	—	—	(2,518)
Depreciation and amortisation	(31,116)	(526)	(598)	(32,240)
Reversal of impairment	1,905	—	—	1,905
	<u>401,869</u>	<u>11,357</u>	<u>5,473</u>	<u>418,699</u>
Closing net book amount 30 June 2005	<u>401,869</u>	<u>11,357</u>	<u>5,473</u>	<u>418,699</u>
Six months ended 30 June 2006				
Opening net book amount 1 January 2006	426,108	11,151	6,520	443,779
Additions	48,861	522	1,495	50,878
Disposals	(11)	—	—	(11)
Depreciation and amortisation	(33,661)	(560)	(583)	(34,804)
Reversal of impairment	1,961	—	—	1,961
	<u>443,258</u>	<u>11,113</u>	<u>7,432</u>	<u>461,803</u>
Closing net book amount 30 June 2006	<u>443,258</u>	<u>11,113</u>	<u>7,432</u>	<u>461,803</u>

6. CONSTRUCTION CONTRACTS

	As at	
	30 June 2006	31 December 2005
Contract costs incurred plus recognised profits (less foreseeable losses to date)	2,888,174	2,914,870
Less: progress billings to date	(2,765,585)	(2,728,751)
	<u>122,589</u>	<u>186,119</u>
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers on construction contracts	173,554	233,341
Amounts due to customers on construction contracts	(50,965)	(47,222)
	<u>122,589</u>	<u>186,119</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2006	31 December 2005
Trade receivables (note a)	318,584	233,277
Less: provision for impairment of receivables	(7,142)	(6,699)
	<hr/>	<hr/>
Trade receivables – net	311,442	226,578
Bills receivable	1,741	4,200
Other receivables	75,781	34,660
Prepayments	917,523	567,232
Receivables from related parties (note b)	430,846	669,245
	<hr/>	<hr/>
	1,737,333	1,501,915
	<hr/> <hr/>	<hr/> <hr/>

(a) Trade receivables

The credit terms of trade receivables are normally within three months. For transportation intelligence services business, certain percentage of the trade receivables will be retained by the customers as quality assurance and will be repaid upon the completion of the relevant construction projects. At 30 June 2006 and 31 December 2005, the ageing analysis of the trade receivables were as follows:

	As at	
	30 June 2006	31 December 2005
Within 3 months	222,856	138,090
Over 3 months but within 6 months	24,369	2,388
Over 6 months but within 1 year	7,131	27,212
Over 1 year but within 2 years	50,575	50,141
Over 2 years but within 3 years	10,354	11,465
Over 3 years	3,299	3,981
	<hr/>	<hr/>
	318,584	233,277
	<hr/> <hr/>	<hr/> <hr/>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES (continued)

(b) Due from related parties

	As at	
	30 June 2006	31 December 2005
Trade receivables	371,140	532,090
Less: provision for impairment of receivables	(7,343)	(7,754)
Trade receivables – net	363,797	524,336
Other receivables	28,412	27,552
Less: provision for impairment of receivables	(2,607)	(1,064)
Other receivables – net	25,805	26,488
Prepayments	41,244	118,421
	<u>430,846</u>	<u>669,245</u>

The ageing analysis of the amounts due from related parties, which are trading in nature, is as follows:

	As at	
	30 June 2006	31 December 2005
Within 3 months	229,134	411,055
Over 3 months but within 6 months	9,955	19,523
Over 6 months but within 1 year	51,933	15,990
Over 1 year but within 2 years	32,317	35,748
Over 2 years but within 3 years	33,487	43,419
Over 3 years	14,314	6,355
	<u>371,140</u>	<u>532,090</u>

8. SHARE CAPITAL

	Number of shares (thousands)	Amount
At 1 January 2005 and 30 June 2005	292,187	292,187
At 1 January 2006 and 30 June 2006	417,642	417,642

The total authorised number of ordinary shares is 417,641,877 shares (30 June 2005: 292,187,322 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. OTHER RESERVES

	Capital reserve	Merger reserve	Share premium	Statutory surplus reserve	Statutory public welfare fund	Enterprise expansion fund	Investment property revaluation	Translation	Total
Balance at 1 January 2005	1,941	(3,530)	(5,399)	40,844	37,944	53,753	1,535	(34)	127,054
Appropriation from retained earnings	—	—	—	386	109	—	—	—	495
Effect on merger of equity interests in subsidiaries	—	(12,469)	—	—	—	—	—	—	(12,469)
Waiver of amounts due to the Parent Company and a fellow subsidiary	7,100	—	—	—	—	—	—	—	7,100
Acquisition of minority interest	2,683	—	—	—	—	—	—	—	2,683
Share issuance costs	—	—	(4,826)	—	—	—	—	—	(4,826)
Currency translation differences	—	—	—	—	—	—	—	291	291
Balance at 30 June 2005	<u>11,724</u>	<u>(15,999)</u>	<u>(10,225)</u>	<u>41,230</u>	<u>38,053</u>	<u>53,753</u>	<u>1,535</u>	<u>257</u>	<u>120,328</u>
Balance at 1 January 2006	12,798	(167,367)	282,739	58,855	53,050	53,753	1,535	(2,606)	292,757
Currency translation differences	—	—	—	—	—	—	—	71	71
Balance at 30 June 2006	<u>12,798</u>	<u>(167,367)</u>	<u>282,739</u>	<u>58,855</u>	<u>53,050</u>	<u>53,753</u>	<u>1,535</u>	<u>(2,535)</u>	<u>292,828</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. TRADE AND OTHER PAYABLES

	30 June 2006	As at 31 December 2005
Trade payables (note a)	772,011	702,089
Bills payable	803,749	707,896
Advance from customers	293,877	194,386
Accrued expenses and other payables	358,240	304,997
Amounts due to related parties (note b)	162,697	82,116
	<u>2,390,574</u>	<u>1,991,484</u>

(a) Trade payables

	30 June 2006	As at 31 December 2005
Within 3 months	506,955	626,096
Over 3 months but within 6 months	71,162	8,786
Over 6 months but within 1 year	42,989	16,025
Over 1 year but within 2 years	103,122	29,189
Over 2 years but within 3 years	29,391	14,944
Over 3 years	18,392	7,049
	<u>772,011</u>	<u>702,089</u>

(b) Due to related parties

	30 June 2006	As at 31 December 2005
Trade payables	62,636	32,806
Advance from customers	62,424	33,272
Other payables	37,637	16,038
	<u>162,697</u>	<u>82,116</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. TRADE AND OTHER PAYABLES (continued)

(b) Due to related parties (continued)

The ageing analysis of the amounts due to related parties, which are trading in nature, is as follows:

	30 June	As at
	2006	31 December
		2005
Within 3 months	3,995	10,553
Over 3 months but within 6 months	13,642	71
Over 6 months but within 1 year	21,537	32
Over 1 year but within 2 years	11,326	18,533
Over 2 years but within 3 years	7,141	1,365
Over 3 years	4,995	2,252
	62,636	32,806

11. BANK BORROWINGS

	30 June	As at
	2006	31 December
		2005
Current bank borrowings:		
– Unsecured	222,500	139,929

All of the Group's bank borrowings are denominated in RMB and are at floating rates.

The weighted average effective interest rates at 30 June 2006 was 4.812% (31 December 2005: 4.849%) per annum.

As at 30 June 2006 and 31 December 2005, the Group has the following undrawn banking facilities:

	30 June	As at
	2006	31 December
		2005
Floating rate		
– expiring within one year	685,237	445,660

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. EXPENSES BY NATURE

Expenses included in cost of sales and operating expenses are analysed as follows:

	For the six months ended	
	30 June 2006	30 June 2005
Charging		
Depreciation and amortisation	34,804	32,240
Employee benefit expenses	76,618	64,707
Cost of inventories sold	1,618,486	1,220,299
(Reversal of) / Provision for impairment of receivables	(307)	741
	<u> </u>	<u> </u>
Crediting		
Reversal of impairment of fixed assets	(1,961)	(1,905)
	<u> </u>	<u> </u>

13. INCOME TAX EXPENSE

The group companies incorporated in Mainland China are subject to Mainland China Enterprise Income Tax ("EIT"), which has been calculated on the estimated assessable profit for the year at rates ranging from 15% to 33%. The group companies incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit at a rate of 17.5%.

The amount of income tax expense charged to the consolidated income statement represents:

	For the six months ended	
	30 June 2006	30 June 2005
Current income tax		
- Hong Kong profits tax	482	419
- Mainland China current EIT	35,505	30,636
Deferred income tax	404	(1,187)
	<u> </u>	<u> </u>
	<u>36,391</u>	<u>29,868</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. EARNINGS PER SHARE

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

	For the six months ended	
	30 June 2006	30 June 2005
Profit attributable to equity holders of the Company	<u>71,306</u>	<u>64,628</u>
Weighted average number of ordinary shares in issue (thousands)	<u>417,642</u>	<u>292,187</u>
Basic earnings per share (RMB per share)	<u>0.17</u>	<u>0.22</u>

No diluted earnings per share was presented as there were no dilutive potential shares during the period.

15. DIVIDENDS

A dividend in respect of the year ended 31 December 2005 of RMB0.08 per share, amounting to a total dividend of approximately RMB33,412,000, has been approved at the annual general meeting on 22 June 2006.

The Directors did not recommend the payment of an interim dividend for six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

16. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2006 (31 December 2005: Nil).

17. COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2006	31 December 2005
Fixed assets Contracted but not provided for	<u>17,841</u>	<u>4,380</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. COMMITMENTS (continued)

(b) Operating lease under contracts for management of expressway service zones

The Group subcontracted from certain fellow subsidiaries which are expressway operators, the right to manage expressway service zones. Under such contracts, the Group pays subcontract fee to the fellow subsidiaries during the subcontract period.

At the period/year end, the Group had future aggregate minimum payments under such contracts for management of expressway service zones with fellow subsidiaries of the Company as follows:

	As at	
	30 June 2006	
	31 December 2005	
Not later than 1 year	35,045	34,928
Later than 1 year and not later than 5 years	175,225	174,642
Later than 5 years	574,482	586,613
	<u>784,752</u>	<u>796,183</u>

(c) Operating lease for a piece of land

Tai Ping Interchange of the Group was constructed on a piece of land of Guangshenzhu Freeway Company Limited (廣深珠高速公路有限公司), a fellow subsidiary of the Company. Pursuant to an agreement dated 15 June 2000, the Group was entitled to use the land for free until 30 June 2027. Pursuant to a supplemental agreement dated 7 February 2005, the arrangement was changed to an operating lease for a period starting from 25 November 2004 to 25 November 2024. The rental is approximately RMB616,000 per annum.

(d) Operating lease in respect of other land and buildings

The future aggregate minimum lease payments in respect of other land and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2006	
	31 December 2005	
Not later than 1 year	3,115	2,886
Later than 1 year and not later than 5 years	1,584	5,304
Later than 5 years	—	872
	<u>4,699</u>	<u>9,062</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS

The directors of the Company are of the view that the following material related party transactions with the Parent Company and its related entities (including its subsidiaries, joint ventures and associates) were carried out by the Group during the period:

a) Related-party transactions

i) Revenue

	For the six months ended	
	30 June	30 June
	2006	2005
Material logistics services:		
– fellow subsidiaries	166,571	469,864
– fellow associates	11,219	75,295
	<hr/> 177,790 <hr/>	<hr/> 545,159 <hr/>
Expressway service zones:		
– fellow subsidiaries	170	180
– fellow associates	—	190
	<hr/> 170 <hr/>	<hr/> 370 <hr/>
Transportation intelligence services:		
– fellow subsidiaries	134,209	42,458
– fellow associates	2,361	15,773
	<hr/> 136,570 <hr/>	<hr/> 58,231 <hr/>
Others:		
– fellow subsidiaries	6,715	6,316
– fellow associates	34	—
	<hr/> 6,749 <hr/>	<hr/> 6,316 <hr/>
	<hr/> 321,279 <hr/> <hr/>	<hr/> 610,076 <hr/> <hr/>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (continued)

a) Related-party transactions (continued)

ii) Purchases of materials and services

	For the six months ended	
	30 June 2006	30 June 2005
Purchases of materials:		
– fellow subsidiaries	103,357	34,821
– fellow associates	15,126	24,259
	<u>118,483</u>	<u>59,080</u>
Purchases of services:		
– Management fee for collection of toll income to fellow associates	2,308	2,394
– Transportation fee paid to a fellow subsidiary	3,301	—
– Construction services		
– fellow subsidiaries	2,440	4,793
	<u>126,532</u>	<u>66,267</u>
iii) Lease of office buildings and warehouse from a fellow subsidiary	<u>703</u>	<u>682</u>
iv) Sub-contracting payment recognised in the consolidated income statement for management of expressway service zones		
— fellow subsidiaries	19,124	7,613
— fellow associates	563	500
	<u>19,687</u>	<u>8,113</u>

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (continued)

b) Balances with related parties

	30 June	As at
	2006	31 December
		2005
Due from customers on construction contracts (Note 6)	59,469	183,518
Due to customers on construction contracts (Note 6)	50,811	39,118
Due from related parties (Note 7)		
– Trading nature	405,041	642,757
– Non-trading nature	25,805	26,488
	430,846	669,245
Due to related parties (Note 10)		
– Trading nature	125,060	66,078
– Non-trading nature	37,637	16,038
	162,697	82,116

Balances with related parties as at year end were unsecured and non-interest bearing.

Other receivables and payables from/to related parties mainly represented certain taxes and insurance premium withheld by/from related parties, which are trade related.

c) Additional information on Other State-owned Enterprises

The Company is controlled by the Parent Company, and is ultimately controlled by Mainland China government, which also controls a significant portion of the productive assets and entities in the Mainland China. In accordance with HKAS 24 “Related Party Disclosures”, state-owned enterprises and their subsidiaries, other than the Parent Company and fellow subsidiaries and associates, are also defined as related parties of the Company (“Other State-owned Enterprises”).

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (continued)

c) Additional information on Other State-owned Enterprises (continued)

In its expressway service zones business, Tai Ping Interchange business and the cross-border transportation services business, the Group is likely to have extensive transactions with the employees of state-owned enterprises while such employees are on corporate business as well as key management personnel and their close family members. These transactions are carried out on terms that are consistently applied to all customers and are made on a cash basis. Due to the vast volume and the pervasiveness of the Group's retail transactions in its expressway service zone business, Tai Ping Interchange and cross-border transportation service, the Group is unable to determine the aggregate amount of such transactions for disclosure. Therefore, the revenue disclosed below does not include the retail sales to, toll income and transportation income from related parties. Management believes that meaningful information relative to related party balances and transactions has been adequately disclosed.

(i) Summary of significant transactions with Other State-owned Enterprises

	For the six months ended	
	30 June 2006	30 June 2005
Revenue:		
– Material logistics services	468,168	389,554
– Expressway service zones	56,989	58,408
– Transportation intelligence services	33,942	8,883
– Others	7,004	3,384
	566,103	460,229
Purchase of materials	712,209	1,237,441
Purchase of fixed assets	2,575	5,430
Purchase of services	31,272	17,345
Interest income from state-owned banks	8,262	2,034
Interest expenses to state-owned banks	5,538	10,280

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (continued)

c) Additional information on Other State-owned Enterprises (continued)

(ii) Summary of balances with Other State-owned Enterprises

	30 June	As at
	2006	31 December
		2005
Due from Other State-owned Enterprises included in:		
- Due from customers on construction contracts	45,604	49,823
- Trade receivables	137,697	153,336
- Other receivables	23,348	16,611
- Prepayments	216,490	401,131
	<hr/>	<hr/>
	423,139	620,901
	<hr/> <hr/>	<hr/> <hr/>

Balances with Other State-owned Enterprises were unsecured and non-interest bearing.

	30 June	As at
	2006	31 December
		2005
Due to Other State-owned Enterprises included in:		
- Due to customers on construction contracts	45,881	8,104
- Trade payables	170,854	140,057
- Bills payables	757,253	480,096
- Other payables	40,575	99,213
- Advance from customers	119,055	113,560
	<hr/>	<hr/>
	1,133,618	841,030
	<hr/> <hr/>	<hr/> <hr/>

Balances with Other State-owned Enterprises were unsecured and non-interest bearing.

Selected Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (continued)

c) Additional information on Other State-owned Enterprises (continued)

(ii) Summary of balances with Other State-owned Enterprises (continued)

Bills payable with Other State-owned Enterprises have maturity dates within six months.

	30 June 2006	As at 31 December 2005
Bank deposits in state-owned banks	678,451	782,237
Bank borrowings from state-owned banks (Note 11)	222,500	139,929

19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Group did not have significant events occurring after 30 June 2006.