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)

07

annual report

* For identification purposes only

Contents

Company Profile

Guangdong Nan Yue Logistics Company Limited (the "Company") and its subsidiaries (together with the Company, the "Group") are principally engaged in the provision of integrated logistics services and expressway-related services. The Company's majority shareholder is Guangdong Provincial Communication Group Company Limited ("GCGC"), a state-owned enterprise established in the People's Republic of China (the "PRC").

The Company has four main lines of businesses: (1) material logistics services, primarily providing logistics management services for expressway constructions and other sizable infrastructure projects; (2) unification of the network operation of expressway service zones and the provision of expressway auxiliary services including the operation of the food and beverage, convenience stores, vehicle maintenance, gas stations and advertisements; (3) transportation intelligence services including the installation and maintenance of transportation intelligence system; and (4) cross-border transportation services, mainly operating the routes between Hong Kong and the Guangdong Province. The Company is also engaged in the operation and toll collection of the Tai Ping Interchange in the Guangdong Province.

The goal of the Company is to establish itself as a modern logistics enterprise that is of an international standard, delivering premium services to customers, maximising returns to the shareholders of the Company (the "Shareholders") and will strive to continuously improve its management system and to upgrade its operation level in order to meet the market demand.

Company Information

REGISTERED OFFICE

8th Floor
No.1731-1735 Airport Road
Guangzhou
The PRC

PLACE OF BUSINESS IN HONG KONG

Room 3108-3112
31st Floor
Hong Kong Plaza
188 Connaught Road West
Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lu Mao Hao
Su Yong Dong (appointed on 20 December 2007)
Wang Wei Bing
Deng Chong Zheng (appointed on 20 December 2007)
Chen Bing Heng
Zeng Hong An (resigned on 20 December 2007)
Guo Jun Fa
(appointed on 12 June 2007 and
resigned on 20 December 2007)

Non-Executive Directors

Liu Wei
Huang Guo Xuan
Cai Xiao Ju (appointed on 20 December 2007)
Jiang Li (resigned on 12 June 2007)
Chen Guo Zhang
Lu Ya Xing
Ren Mei Long (resigned on 12 June 2007)

Independent Non-Executive Directors

Gui Shou Ping
Liu Shao Buo
Peng Xiao Lei

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Fung Hon Tung

AUTHORISED REPRESENTATIVES

Wang Wei Bing
Deng Chong Zheng (appointed on 14 April 2008)
Guo Jun Fa (resigned on 14 April 2008)

AUDITORS

PricewaterhouseCoopers

BANKERS

Industrial and Commercial Bank of China
China Construction Bank

LEGAL ADVISER

Paul, Hastings, Janofsky & Walker

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

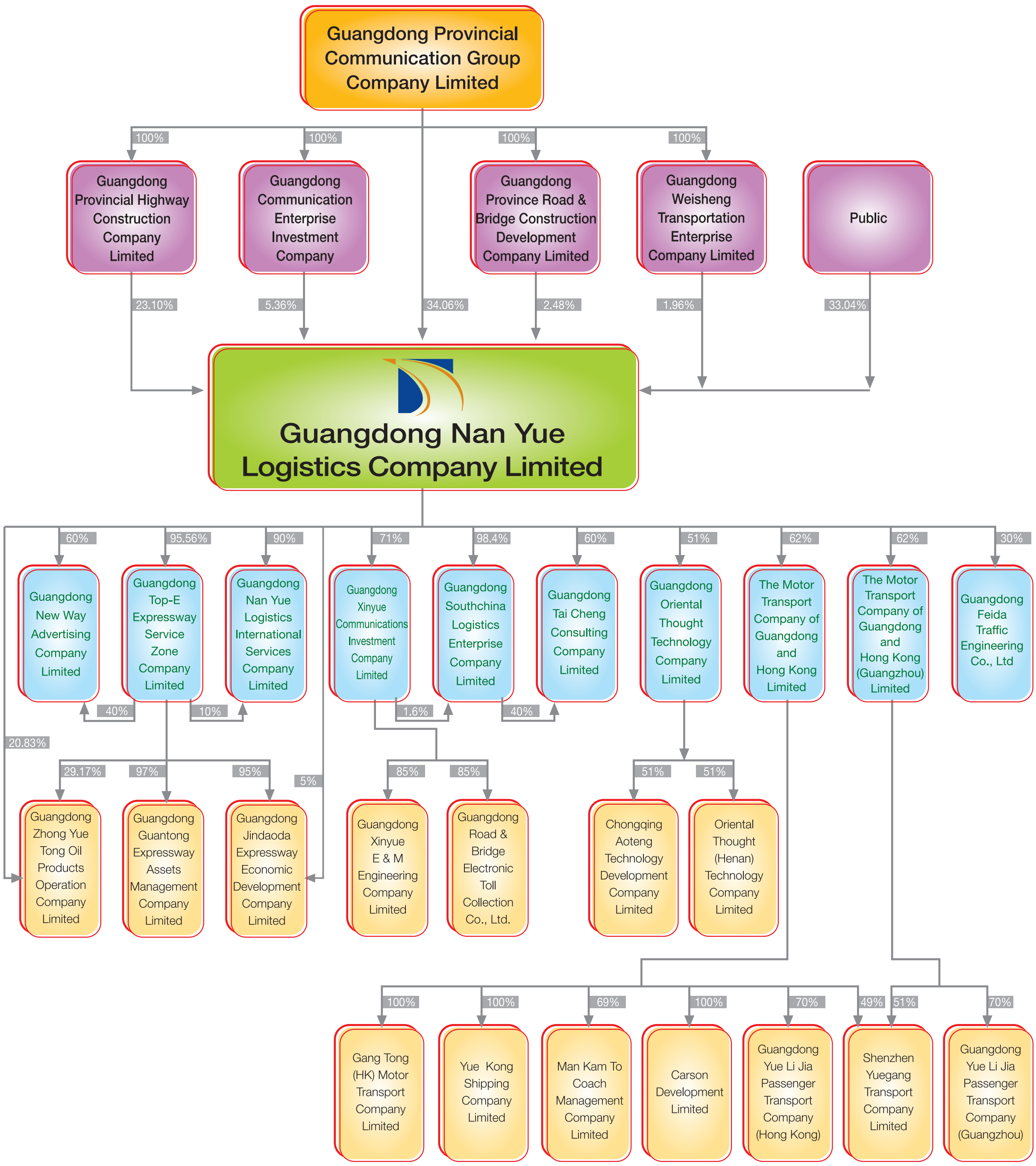
17 January 2007	Guangdong Xinyue Communication Investment Company Limited ("Guangdong Xinyue") succceeded in bidding the 19th Contract Section of the Transportation Construction (Safety Facilities) Project of the expressways between Guiyang and Zunyi Expressways in Guizhou Province to Zhazuo-Nanbai section at a bidding price of RMB59,970,000.
January 2007	Upon the approval of the State Administration of Industry and Commerce of the PRC, Guangdong Oriental Thought Technology Company Limited ("Oriental Thought") was granted a trademark registration certificate by the Trademark Office in January 2007 and successfully registered its trademark as a proprietary intellectual property.
February 2007	The Company was recognized as one of the 37 Major Logistics Enterprises of Guangdong For Government Support by a committee comprised of representatives of 11 PRC government departments, including the Economic and Trade Commission of Guangdong, the Office of Policy and Research of Guangdong Communist Party, the Development Research Center, the People's Government of Guangdong Province and the Development and Reform Commission of Guangdong Province.
February 2007	The Motor Transport Company of Guangdong and Hong Kong Limited (the "GD-HK Company") was again granted the operation rights of the bus terminal at Austin Road, Hong Kong for a term of 4 years through tender.
28 March 2007	Guangdong Top-E Expressway Service Zone Company Limited ("Guangdong Top-E") and Guangdong Sanyuan McDonald's Food Company Limited entered into a contract, pursuant to which the parties jointly operate the McDonald's drive-through restaurant in the Houmen service zone, being the first time that an international brand is introduced to the expressway service zone in the PRC.
30 March 2007	Guangdong Xinyue won the Tunnel Electrical and Mechanical Project of No. 56 Contract Section of the Zhensheng Highway of the Hurui National Highway at a bidding price of RMB137,330,000. The market position of the Group in the expressway construction of Guizhou Province was further enhanced by this successful bidding. As at the date hereof, the Group has shared more than 50% of the road safety facilities market share in Guizhou Province.
April 2007	The road safety facilities network developed by Guangdong Xinyue in the PRC has officially launched.
16 April 2007	The Group announced its audited results for the year 2006. Turnover of the Group for the year of 2006 amounted to approximately RMB5,635,395,000, representing an increase of approximately RMB1,283,373,000 or 29% over the year of 2005; the profit attributable to equity holders of the Company for the year was approximately RMB155,750,000, representing an increase of approximately RMB19,162,000 or 14% over the year of 2005; basic earnings per share were RMB0.37 and the board proposed a final dividends (pre-tax) of RMB0.11 per share.

19 April 2007	Guangdong Top-E was awarded 14 prizes in the first appraisal of services providers of national expressway service zone. The appraisal covered more than 100 pairs of service zones in 17 provinces and cities in the PRC.
23 April 2007	Guangdong Xinyue was granted the "China's Top 10 Mechanical and Electrical System Provider for Expressways" in the prize-presenting ceremony of "China's Top 10 National Mechanical and Electrical System Providers for Expressways" organized by China Highway Association and the Ninth Seminar of Application of Information Technology in National Expressway Management.
9 May 2007	Guangdong Southchina Logistics Enterprise Company Limited ("Guangdong Logistics") and the Management Commission of the Humen Port of Dongguan entered into a transfer agreement for the resources utilisation rights in the waterfront of the Nan Yue Logistics Dongguan Asphalt Dock Project. The waterfront under the said transfer is situated in the south bank of Dongjiang in Fulusha Village, Shatian Town, Dongguan City. This waterfront transfer agreement represents a new development stage of the Dongguan Asphalt Dock Project.
12 June 2007	The annual general meeting of the Company was held at which resolutions were passed to approve, among other things, the report of directors, the report of supervisory committee, the report of auditors, the audited financial statements, the payment of a final dividend of RMB0.11 per share, the re-appointment of PricewaterhouseCoopers as the international auditors and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the PRC auditors of the Company, the election of the members of the third session of the board of directors and the election of the members of the third session of the supervisory committee.
14 June 2007	Guangdong Xinyue won the Tunnel Electrical and Mechanical Project of JD1 Contract Section of the National Highway 317 (213) between Duojiangyan and Wenchuan at RMB82,010,000. The project is the Group's first electrical and mechanical project for highways in Sichuan.
July 2007	The "HOS Expressway Operation Managament System" developed by Oriental Thought was awarded the Third Prize of the Guangdong Science and Technology Award.
July 2007	Final dividends of RMB0.11 per share for 2006 were distributed to the Shareholders.

26 August 2007	Guangdong Top-E Expressway won the construction contract of the Green Construction of No. 3 Contract Section of Jing-Ping Highway of Beijing at RMB5,850,000, being the first green construction business of the Group outside the Guangdong province.
7 September 2007	Guangdong Xinyue succeeded in bidding the 21st Contract Section of the Transportation Construction (Safety Facilities) Project of the expressways between Guiyang and Zunyi Expressways to Zhazuo-Nanbai Section at RMB91,040,000.
12 September 2007	The Group announced its interim results for the year 2007. Turnover of the Group for the six months ended 30 June 2007 was RMB2,991,802,000, representing an increase of RMB839,986,000, or 39.04% as compared with the same period of 2006; the profit attributable to equity holders of the Company was RMB70,149,000, representing a slight decrease of 1.62%, as compared to the same period of 2006; basic earnings per share was RMB0.17.
17 September 2007	The Group won the A2 supply contract for the provision of 55,000 tonnes steel bar for the Jujiang-Nanxiong highway project in Shaoguan city, at an aggregate bidding price of RMB215,000,000 and at the same time won the D1 supply contract for the provision of 160,000 tonnes cement at an aggreate bidding price of RMB52,160,000.
6 November 2007	Guangdong Xinyue won the electrical and mechanical project for Suizhou-Yueyang Expressway (Southern Section) in Hubei Province at RMB53,800,000. The project is the Group's first electrical and mechanical project for expressways in Hubei Province.
8 November 2007	"Development and Implementation of Integrated Logistics Management of Major Construction Projects", a production logistics management system developed by Guangdong Logistics , was granted the First Prize of the Seventeenth Modern Innovative Achievement of Enterprises Management of Guangdong. The "HOS Expressway Operation Managament System" developed by Oriental Thought was granted the Second Prize.
17 November 2007	The Company was elected a member of the Fourth Council at the Fourth General Meeting of China Federation of Logistics & Procurement Enterprises held in Beijing.

30 November 2007	The Management Measures of the Expressway Advertisement Operation of GCGC and the Entrusted Operation Contract (Template) of Expressway Advertisement were officially issued. It further clarified the entrusted operation mode adopted by the wholly-owned and holding entity of GCGC in respect to the expressway advertisement business.
6 December 2007	Guangdong Xinyue was recognised as one of the 2007 Guangzhou City Major Software Enterprises by the Science and Technology Bureau of Guangzhou, Development and Reform Commission of Guangzhou, Economic and Trade Commission of Guangzhou, Bureau of Foreign Trade and Economic Cooperation of Guangzhou, Administration of Press, Publication, Radio and Television of Guangzhou and Guangzhou Information Industry Office.
20 December 2007	The Company held an extraordinary general meeting in Hong Kong to consider and approve, among other things, the proposed annual cap of connected transactions for the years 2008 to 2010 and the change of directors. All the thirteen resolutions were passed unanimously by independent shareholders (in person or by proxy) entitled to vote by way of poll.
	The resignation of Zeng Hong An, Ren Mei Long and Guo Jun Fa as directors of the Company, and election of Su Yong Dong, Deng Chong Zheng and Cai Xiao Ju as directors of the Company, were approved at the extraordinary general meeting, effective on the same day.
28 December 2007	Mr. Su Yong Dong was elected by the board of directors as vice-chairman of the Board.

Corporate Structure



Financial Highlights

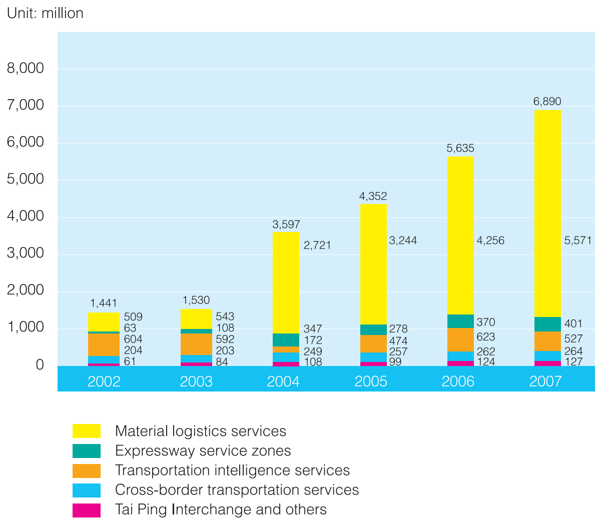
	2007 *RMB'000*	2006 *RMB'000*	Change
Results highlights			
Turnover			
Material logistics services	**5,570,759**	4,255,555	31%
Expressway service zones	**400,803**	369,969	8%
Transportation intelligence services	**527,039**	623,130	-15%
Cross-border transportation services	**263,940**	261,891	1%
Tai Ping Interchange	**127,187**	104,359	22%
Others	**—**	20,491	Not applicable
	6,889,728	5,635,395	22%
Gross profit			
Material logistics services	**208,223**	210,287	-1%
Expressway service zones	**129,197**	125,981	3%
Transportation intelligence services	**105,147**	98,920	6%
Cross-border transportation services	**64,455**	65,119	-1%
Tai Ping Interchange	**109,896**	87,816	25%
Others	**—**	9,618	Not applicable
Total gross profit	**616,918**	597,741	3%
Other income	**44,406**	28,565	55%
Selling expenses	**(149,769)**	(131,266)	14%
Administrative expenses	**(230,174)**	(219,869)	5%
Other operation expenses	**(4,135)**	(2,835)	46%
Operating profit	**277,246**	272,336	2%
Finance costs	**(26,439)**	(16,012)	65%
Share of results of associates and a joint venture	**3,183**	2,657	20%
Profit before income tax	**253,990**	258,981	-2%
Income tax expense	**(72,287)**	(77,709)	-7%
Profit for the year	**181,703**	181,272	0%
Minority interests	**(22,680)**	(25,522)	-11%
Equity holders of the Company	**159,023**	155,750	2%
Basic earnings per share (expressed in RMB per share)	**0.38**	0.37	3%

	2007	2006	Change
	RMB'000	*RMB'000*	
Results highlights			
Total assets	**4,567,554**	3,750,896	22%
Total net assets	**1,437,157**	1,305,534	10%
Shareholder's equity of the Company	**1,255,168**	1,149,216	9%
Net assets per share attributable to the Company's shareholders (RMB)	**3.01**	2.75	9%
Ratios			
Gross profit margin (%)	**9.0%**	10.6%	
Liabilities equity ratio (%)	**7.3%**	12.2%	
Interest covered ratio (times)	**10.6**	17.2	
Current ratio (times)	**1.3**	1.3	

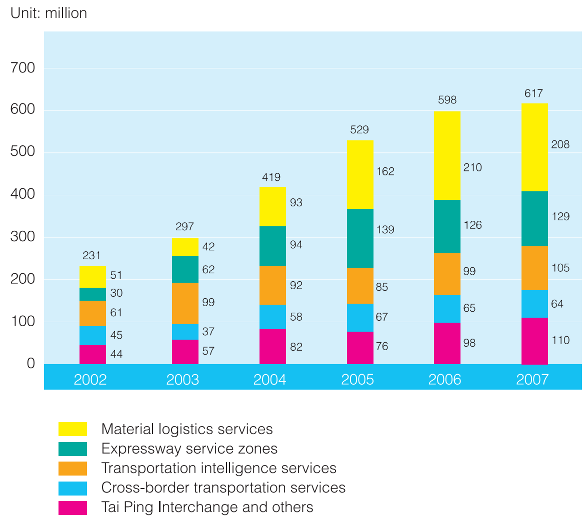
Gross profit margin	=	Gross profit/Turnover
Liabilities equity ratio	=	Bank borrowings/Shareholder's equity of the Company
Interest covered ratio	=	Profit before income tax and interest expenses/(Interest expenses + capitalized interest)
Current ratio	=	Total current assets/Total current liabilities

Financial Highlights

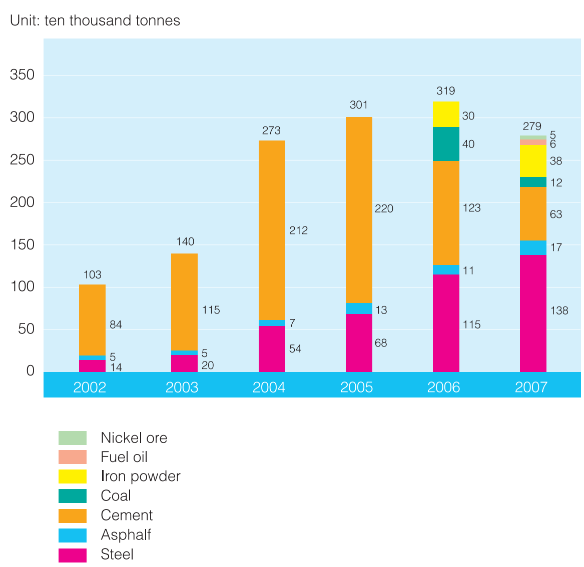
Turnover by business segment



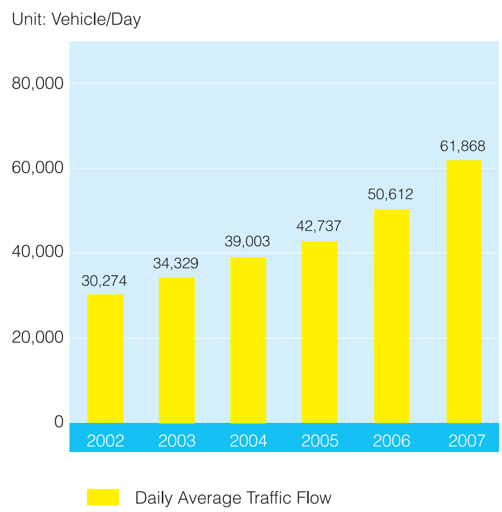
Gross profit by business segment



Sales volume of material logistics services by material



Daily traffic flow of Tai Ping Interchange



I am pleased to take this opportunity to present a review of the business activities of the Group in 2007 and an outlook of our future development.

RESULTS AND DIVIDENDS

For the year ended 31 December 2007 (the "**Year**"), turnover of the Group amounted to RMB6.890 billion (2006: RMB5.635 billion), representing an increase of 22% over the corresponding period for the year 2006. Profit attributable to shareholders was RMB159 million (2006: RMB156 million), representing an increase of 2% over the corresponding period for the year 2006. Basic earnings per share was RMB0.38.

As at 31 December 2007, total assets and net current asset value of the Group were RMB4.57 billion (2006: RMB3.75 billion) and RMB914 million (2006: RMB742 million) respectively, representing an increase of 22% and 23% respectively over those as of 31 December 2006.

The board of directors (the "**Board**") recommended the payment of a final dividend of RMB0.113 per share for the Year, totaling approximately RMB47.19 million to the Shareholders, representing an increase of 3% over that for the year 2006.

BUSINESS REVIEW

In 2007, the PRC's economy maintained its continuous rapid growth, the State continued to increase their implementation of the macroeconomic measures to control prices and restrain the inflation which then caused a general delay in the commencement of the construction of expressways in Guangdong Province. As the business of the Group is closely related to newly constructed expressways, delay in the process of expressway construction in Guangdong Province has inevitably influenced the Group's business. The Group utilised its advantages to actively explore for new markets and thus made an outstanding breakthrough in its business development.

In respect of material logistics services segment, in 2007, the Group (1) completed the provision of steel, cement and asphalt supply management for the eight projects in locations such as the Zhuhai Section of Western Coastal Expressway, West Wing Expressway South Section of Pearl River Delta, Jingzhu South Expressway expansion, Shanjie Expressway and Guanghe Expressway; and at the same time participated in 15 major construction projects, including Guangzhou Metro Nos. 4, 5, and 6, Wu-Guang Railway, Inter-city Railway between Guangzhou and Zhuhai and Guangzhou-Shenzhen-HongKong (廣深港) Railway. A total of 632,900 tonnes of cement, 1,380,700 tonnes of steel products, and 166,300 tonnes of asphalt were supplied throughout the year; (2) diversified its material logistics business and continued to develop its logistics business such as fuel oils, coal, iron ore, nickel ore.

As for our expressway service zone segment, the Group completed the construction of major operation network in the service zones and fully promoted the service zone network as a professionalised chain operation. In 2007, the Group (1) enhanced the marketing and sales of standardised fast food in the service zones network and promoted the development of food and beverage chain operation network; (2) strengthened the construction of sub-warehouses and procurement management to establish a merchandise retail chain operation network; (3) enhanced the advertisement operation into a sizeable manner and developed a highway advertising channel network; (4) reinforced the infrastructure construction and standardisation management and optimised the vehicle maintenance network; (5) fortified the daily management of oil stations and expedited the construction of oil station network; (6) launched professional service system and develop the property management network; (7) strengthened the construction and utilisation management of the information platform to speed up the construction of information network in the service zones.

As for transportation intelligence services, the Group: (1) fully embarked on the construction projects for new transportation system and those under construction, strengthened project management on transportation construction to ensure the sound quality of expressways construction subcontracted; (2) proactively explored software products with promising market prospects. New projects such as LCD channel on expressways, web-cam household surveillance were fully implemented and became the new focus; (3) speeded up in technology innovations and extended the scope of transportation intelligence business; (4) further expanded markets in regions such as Northern and Western China to increase its market shares and (5) enhanced on technological maintenance work of the transportation intelligence system for expressways to maximise client's satisfaction.

In relation to cross-border transportation services, the Group concentrated to expand its customer base and strengthened its marketing activities. Through adjusting schedules and routes of passenger transportation of medium to long distance, the Group strengthened and developed special route operation to fortify the management of short express routes within Hong Kong and increase operation carriage rate. The Group expanded lettings business of commercial vehicles and proactively developed travelling business with focus on commercial study tours and achieved a stable economy of scale through the development of various operations.

OUTLOOK AND STRATEGIES

In 2008, the State's macroeconomic measures will be further implemented and as a result, the Group's business will be affected to a certain degree. Hence, the Group will strive to enhance the operating management level and to maintain a stable growth in its existing business in 2008. At the same time, the Group will further expand its markets and enhance the implementation of new investment projects, in order to further enhance the Company's profitability. The key objectives of the Group's future development during the year of 2008 are as follows:

1. Material logistics services

— to continue to upgrade the overall management capability of supply chain, coordinate the material supply for each projects and maintain the professional standard and service quality of the Group's material supply management;

— to expedite the implementation of asphalt development plan, that is, to build up an asphalt warehouse network in the Guangdong Province and to expand the asphalt business to other provinces; and

— to develop new logistics business and extend logistic business chain.

2. Expressway service zones

In 2008, the Group will mainly consummate the following works with implementation of operating strategies and standardisation of the expressway service zones network as its target:

— to optimise the professionalism of the management structure within service zones network and to expedite the construction of infrastructure facilities for the service zones network;

— to establish a comprehensive operation mode for the professional management of the food and beverage network;

— to continue to implement the construction of the operating platform for vehicle maintenance network and to accelerate the development of vehicle maintenance network;

— to speed up the systematic progress of highway advertisement and to build a network platform for highway advertisement; and

— to optimise our merchandise retail management and to accelerate the development of merchandise retail network.

3. Transportation intelligence services

— to expedite resources integration, reinforce technical research and development as well as utilisation so as to become the leading transportation intelligence enterprise in the Guangdong Province in terms of technology and capability;

— to reinforce the research and development of software products to further integrate software products, strengthen the image building of software products pursuant to the Group's product general plan and satisfy the customers' demand in accordance with relevant product quality control standard and certification system;

— to maintain our existing strengths in mechanical and electrical transportation business within the GCGC and at the same time exert its effort to obtain the maximum number of projects within the market; and

— to fully utilise the Group's existing technology and its products influence through technological research and development, strengthen its marketing and sales capability and to extend its transportation intelligence technology to a even wider market.

4. Cross-border transportation services

— to further develop its cross-border commercial vehicles leasing business, focusing mainly at high-end customers;

— to cooperate with other companies within the industry to develop and operate joint routes, to cooperate with travel agents to jointly launch travel package services so as to increase the carriage rate; and

— to enhance the leasing capacity of cross-border cargo delivery business, construct storage base, explore cross-border logistics business and logistics value-added services.

Yours faithfully,
Lu Mao Hao
Chairman

Guangzhou, the PRC
9 April 2008

BUSINESS REVIEW

As at 31 December 2007, the four main businesses of the Group are categorised as below:-

(i) Material logistics services;

(ii) Expressway service zones;

(iii) Transportation intelligence services; and

(iv) Cross-border transportation services.

Saved for the above major businesses, the Group also has the toll collection business at Tai Ping Interchange.

Material logistics services

The Group's material logistics services have become comparably mature after gaining years of experience. In 2007, the construction progress of expressway within the Guangdong province has slowed down. As the supply of products such as steel bar, cement and asphalt were extremely tight and prices fluctuated significantly, the Group has put in more effort to explore market business, strengthened its management of the logistics supply chain and have attained satisfactory operating results.

In 2007, the Group has participated in the material logistics business for a number of large-scale infrastructure projects, including the following eight projects, namely the Zuhai Section of the Western Coastal Expressway, the South Section of the Pearl River Delta Western Ring Expressway, the extension of the South Section of Jingzhu Expressway, Shanjie Expressway, Guanghe Expressway, Taiao Expressway, Fokai Expressway expansion and Yunwu Expressway. Besides, we have also at the same time participated in 15 major construction projects including Route Nos. 4, 5, 6 of the Guangzhou subway, Wu-Guang Railway, Inter-city Railway between Guangzhou and Zhuhai, Inter-city Railway between Guangzhou, Shenzhen and Hong Kong, Shaogan Expressway and Phase II of Dongxin Expressway. In 2007, an aggregate of 632,900 tonnes of cement, 1,380,700 tonnes of steel bar and 166,300 tonnes of asphalt were supplied.

In respect of asphalt business, the Group has implemented strategic development. In the Guangdong province, the Group has formed an asphalt warehouse network through setting up a core asphalt warehouse and several supplemental asphalt warehouses. Based on this foundation, the asphalt business of the Group will achieve a radial development pattern with a foothold in Guangdong, and expansions in South-Western, Southern China and South-Eastern coastal areas. The relevant construction and resource integration have been fully commenced.

In addition, the new logistics business of the Group had reached its targeted goal in 2007. Logistics businesses of fuel oil, coal, iron ore and nickel ore have been developed steadily and have established a strong foundation for the diversification of the Group. Statistically, the Group has provided logistics services of 56,000 tonnes of fuel oil, 120,200 tonnes of coal, 383,700 tonnes of iron ore powder and 55,600 tonnes of nickel ore during the year of 2007.

The Group will continue to improve the overall management level of its supply chain and to extend its material logistics business chain, focus on establishing a good working relationship with upstream manufacturing enterprises. Due to the continuing increase of the material sourcing, even under the circumstances of a shortage of goods supply, the Group has been able to secure the material supply for its project, and can effectively respond to the operational risk brought by the fluctuation in market price.

Expressway service zones

In respect of professionalizing the expressway service zones chained operational business, breakthrough progress has been achieved in 2007. The economic efficiency and service quality level within the service zones have been improved. The Group has mainly increased its effort in exploiting the operational potential and revenue sources of the service zones in order to improve the overall operational efficiency. Under the implementation of the integrated overall strategy, the Group has strengthen its network platform construction and professionalized operational management. Professionalized management has been implemented in area such as food and beverage chain, product retail chain, advertising chain, vechicles maintenance chain, petrol stations, greenery areas, delivery of goods and property management. In particular, the operating income of food and beverage and convenience store network have achieved a relatively large increase growth, and the gross margin has also improved.

In respect of the food and beverage network, the Group and Guangzhou Restaurant have jointly launched standardised fast food and implemented a standardized food and beverage management. In March 2007, the Group has formally entered into a contract with the McDonald's and jointly developed the McDonald's drive-thru restaurant in Houmen service zone, which enhanced the brand recognition and operational efficiency of the Group.

In respect of the merchandise retail chain operational network, the Group has increased its pace in constructing warehouses for goods delivery. In 2007, the Group has completed the construction of four warehouses, i.e. Houmen, Reshui, Liangjinshan and Qujiang. By establishing alliances with other retailers and licensees, specialist retailers (such as special local products) are introduced into the service zones to create its distinctiveness, in order to satisfy needs of the customers and improve the Group's operational efficiency.

In respect of the advertising business in the service zones, the Group has focused the development of light box advertisement and electronic information inquiry system in the service zones, and has built an advertising network platform for the service zones. The Group used the exclusive rights granted by GCGC to operate advertising business in the expressways in 2007 to promote the advertising business and establish its position and strategic goals in the advertising business.

In respect of property management, satisfactory results of the energy saving measures within the service zones were achieved in 2007. Pollution problem was alleviated by using sewage treatment and water recycling system. Environmental protection as well as energy saving were achieved.

Transportation intelligence services

In 2007, the Group has continued to operate its electrical and mechanical engineering projects and transportation intelligence work for expressways in the Guangdong province satisfactorily, and has further expanded its market outside the Guangdong province. The number of successfully bidded projects outside Guangdong province increased by five as compared to 2006. During the year of 2007, the Group has implemented the mechanical and electrical engineering and safety facilities projects in locations such as, the South Section of the Pearl River Delta Western Ring Expressway, North Third Ring Expressway, Guizhou Zhensheng and Guizhou Zhanan Expressway for the purposes of enhancing the construction and management of the successfully bidded projects, reducing expenses on the management fee, increasing the gross margin for projects. At the same time made every effort to handle the preparation works in respect of newly bidded projects.

In respect of the research and development of transportation intelligence technologies, the Group has strived to enhance its own development capability as its core in 2007. Relatively significant progresses has been obtained in the toll-evasion prevention and tolls for overloading vehicles in the expressway toll system.

The Group has speeded up its technology innovation and has proactively exploited the transportation intelligence business. During the year of 2007, portable and hand-held toll collection devices for roads and bridges were sold in ten provinces within the PRC. Promising results were achieved in its wireless video recording products and car-plate identification products, which were successfully installed and tested, and these products are being marketed and promoted. The automatic card devices have entered into its comprehensive promotion stage. Unattended automatic card devices have commenced its entrance into the Hubei market. Comprehensive promotion in respect of the use of the large-scale information display terminals is underway. At the same time, the Group continues the technical maintenance work for expressways, expands its service coverage and shortens the respond time of equipment maintenance services.

The Group has continued to enhance the software products of management system in the construction of expressway projects and strengthened marketing efforts in 2007. Currently, it has expanded to 13 provinces in the PRC. Meanwhile, the Group has developed a number of software products with promising market potential according to the market demand, such as web-cam household surveillance, of which the pre-launching preparation work has been completed and will be launched to the maket in the near future; expressway LCD project, in respect of which the Group is now seeking cooperation with professional new media companies; and projects, such as "materials trading platform" and "bridge safety surveillance" are being fully implemented. The expansion of software products market also achieved substantial progress, which is currently engaged in the information platform development with the Ministry of Communications, and has by way of tender acquired an information project from the Department of Communications of Juangxi province.

Cross-border transportation services

In 2007, the cross-border transportation business developed steadily, particularly after the opening of the Hong Kong-Shenzhen Western Tunnel. With more trading activities between the PRC and Hong Kong, the number of businessmen and tourists crossing the border is continuously increasing, contributing to the good results of operations. The Group strengthened its profitable routes by improving and adjusting less profitable routes through timely adjustments of its operating hours, schedules and routes. As a result, the profits from mid to long cross-border passenger transport routes continuously to improve. The Group adopted the strategy by cooperating with other companies within the industry to strengthen and develop special routes operations. The Group also enhanced the operational management of short routes within Hong Kong to secure the clients by adjusting schedule and stops. The Group completed the installation of GPS to all the Group's vehicles and improved the dynamic vehicle management. Under the strong competition of cross-border freight transportation market, the Group enhanced its marketing effort and explored goods source, improved the services quality and competitiveness, and strengthened the collection of receivables and ensure that the freight transportation business maintains at its steady development. In February 2007, the GD-HK Company was again granted the operational rights of the bus terminal at Austin Road, Hong Kong with a term of four years through bidding, which built the foundations for the future business expansion. The Group is also actively expanding new business and seeking resources with full effort in order to develop cross-border commercial vehicles leasing business. Its current preliminary preparation work has been completed in principle.

Tai Ping Intercharge

The Group owns the toll collection right of Tai Ping Interchange in Guangdong province. As the economy of Guangdong province continues to grow rapidly, the number of vehicles using the expressway maintained a stable growth. The toll collected from Tai Ping Interchange increased by 22% as compared to the year of 2006.

FINANCIAL REVIEW

Turnover

The Group's turnover is mainly derived from four business segments, including the provision of material logistic services, transportation intelligence services, operation of the expressway service zones and revenue from cross-border transportation services between Hong Kong and Guangdong province. Revenue from Tai Ping Interchange business is also included in the Group's turnover. Turnover for the year 2007 amounted to RMB6,890 million (2006: RMB5,635 million), representing an increase of 22% as compared to the year of 2006, which was mainly attributable to the development in the business of material logistics services, of which the turnover of material logistics services business increased by RMB1,315 million in 2007.

Material logistics services

Material logistics services is the Group's largest source of income. During the year of 2007, the Group's turnover recorded RMB5,571 million (2006: RMB4,256 million), representing an increase of 31% and amounted to approximately 81% (2006: 76%) of the Group's total turnover. The increase in turnover was primarily due to the expansion of business operation scale and the increase in price of some materials serving, which reducing the impact of delay in construction of expressway projects in Guangdong province as a result of marcoeconomics measures.

Expressway service zones

During the year of 2007, the number of the Group's expressway service zones increased to 46 pairs (2006: 43 pairs) as at 31 December 2007, the turnover of expressway service zones attributed to approximately 6% (2006: 7%) of the Group's turnover, which amounted to RMB401 million (2006: RMB370 million), representing an increase of 8%, principally because (i) there was a continuing improvement in expressway service zones network as well as the sales and marketing; (ii) turnover of catering services and convenience stores are increased by 33% and 28% respectively resulted of the growth of passengers flow; and (iii) the natural growth in traffic volume.

Transportation intelligence services

Transportation intelligence services attributed to approximately 7% (2006: 11%) of the Group's total turnover for the year of 2007 amounted to RMB527 million (2006: RMB623 million), representing a decrease of 15%. This was mainly attributable firstly to the fact that the construction of expressway projects in Guangdong province was delayed as a result of the macroeconomic measures and secondly that some newly bidded projects outside the Guangdong province were within their initial stage of construction and hence contributed no revenue.

Cross-border transportation services

The revenue of the cross-border transportation services for the year of 2007 amounted RMB264 million (2006: RMB262 million) and was comparable to that of the year of 2006. It represented approximately 4% (2006: 5%) of the Group's total turnover.

Tai Ping Interchange

During the year of 2007, toll fee collected from Tai Ping Interchange attributed to 2% (2006: 2%) of the Group's total turnover, which increased by 22% to RMB127 million (2006: RMB104 million), which was mainly due to (i) the natural growth in traffic volume and (ii) the maintenance work of Guangshen Highway Dongguan North Bridge diverting the traffic to the Humen Bridge. The traffic volume increased by 4,110,000 vehicles or by 22%, to 22,580,000 vehicles in 2007 (2006: 18,470,000 vehicles) due to the above two reasons.

Gross profit

The gross profit of the Group in 2007 increased by RMB19 million or 3% to RMB617 million (2006: RMB598 million) due to the growth in turnover. Gross profit margin was 9.0%, representing a decrease of 1.6% compared with 10.6% in 2006.

Material logistics services

Gross profit of material logistics services of the year 2007 attributed to 34% (2006: 35%) of the Group's total gross profit, representing a decrease of 1% to RMB208 million (2006: RMB210 million). The gross profit margin was 3.7% (2006: 4.9%). The decrease was mainly due to the fact that the Group enlarged its customer base in order to minimize the effect of the macroeconomic measures on the expressway construction projects in Guangdong province. In addition, the cost during the initial stage of new business was relatively high and the gross profit was relatively low.

Expressway service zones

Gross profit of expressway service zones attributed to 21% (2006: 21%) of the Group's total gross profit for the year 2007, which amounted to RMB129 million (2006: RMB126 million). Gross profit margin was 32.2% (2006: 34.1%), remained stable. The increase in gross profit arising from catering services and convenience stores partly offset the decrease in one-off admission fee payable to petrol stations within the service zones.

Transportation intelligence services

Gross profit of transportation intelligence services attributed to 17% (2006: 17%) of the Group's total gross profit for the year of 2007, which amounted to RMB105 million (2006: RMB99 million) and representing an increase of 6% as compared to 2006. Compared to that of 2006, gross profit margin increased to 20.0% (2006: 15.9%), which was principally due to improving technology to achieve cost efficiency.

Cross-border transportation services

Gross profit of cross-border transportation services attributed to 10% (2006: 11%) of the Group's total gross profit of the year 2007, amounting to RMB64 million (2006: RMB65 million). Gross profit margin was 24.4% (2006: 24.9%), remained stable as compared to the year of 2006.

Tai Ping Interchange

Gross profit of Tai Ping Interchange attributed to 18% (2006: 16%) of the Group's total gross profit of the year of 2007. Gross profit earned by Tai Ping Interchange increased from RMB88 million in the year of 2006 to RMB110 million, representing an increase of 25% as compared to 2006. Gross profit margin was 86.4% (2006: 84.2%), representing an increase of 2.2% as compared to the year of 2006. The increase was mainly due to the relatively large increase in traffic flows and the stable cost resulted in the completion of upgrading the integrated toll collection systems.

Selling expenses

In 2007, the selling expenses of the Group increased to RMB150 million (2006: RMB131 million), representing an increase of 15% as compared to 2006 and accounted for 2% (2006: 2%) of the Group's total turnover. The increase was attributed by increase in scale of operation.

Administrative expenses

In 2007, administrative expenses increased to RMB230 million (2006: RMB220 million), representing an increase of 5%.

Finance costs

In 2007, under the circumstances of growing interest rate and expansion of the Group's business, finance costs increased by 65% from RMB16.01 million of the year 2006 to RMB26.44 million in 2007. The increase was mainly due to: (i) an increase of the demanding on working capital for the business expansion. Also, during the year of 2007, the People's Bank of China raised the interest rate six times resulting the increase in interest expense of short-term loan by RMB5.32 million; and (ii) the increase in use of bills payable for settlement and the average discounted rate per month increases from 0.27% to 0.47%, resulting in an increase of discounted interest expenses of RMB5.11 million as compared to the year of 2006.

Taxation

The effective tax rate in 2007 was 29% for the year (2006: 30%) which was comparable to that of the year of 2006.

Liquidity and capital structure

The Group continues to maintain a robust financial position. As at 31 December 2007, cash at bank and in hand amounted to RMB948 million (2006: RMB671 million). As at 31 December 2007, balance of bill payables was RMB1.67 billion, which required approximately RMB400 million as reserves upon the maturity of the bills; net current assets was RMB914 million (2006: RMB742 million); current ratio was 1.3 times (2006: 1.3 times); liabilities equity ratio (the ratio of unpaid bank borrowings balance to the equity attributable to equity holders of the Company) was 7% (2006: 12%); and interest covering ratio was 11 times (2006: 17 times).

Cash flows

The Group principally satisfies cash need for indemnity for contracts, expansion, development of core business and working capital by using cash from operating activities and bank borrowings.

Cash and cash equivalents (net of the effect of exchange) during 2007 are as follows:

	Year ended 31 December		
	2007	2006	change
Cash from/(used in)	**RMB'000**	RMB'000	
Operating activities	**435,399**	72,441	501%
Investing activities	**(61,428)**	(177,416)	65%
Financing activities	**(96,137)**	(61,395)	(57%)
Increase/(decrease) of cash and cash equivalents	**277,834**	(166,370)	267%

Operating activities

The net cash flows from operating activities for the year of 2007 amounted to RMB435 million (2006: RMB72 million), representing an increase of RMB363 million, mainly because material logistics business achieved a satisfactory results resulting from the strengthening of the collection of receivables and increased usage of bills to extend payment term.

Investing activities

The principal investing cash outflow for year 2007 included (i) investment in expressway service zones of RMB43.579 million; (ii) RMB17.900 million for purchase motor vehicles of cross-border business and (iii) acquisitions of leasehold land and land use right amounting to RMB7.283 million.

Financing activities

The principal financing activities for year 2007 included (i) dividends of RMB45.941 million paid to the Company's shareholders for 2006; (ii) dividends of RMB6.096 million paid to the minority shareholders and (iii) decrease in short-term bank loans by RMB49 million.

Borrowings

As at 31 December 2007, all outstanding bank borrowings of the Group were unsecured short-term bank loans, which amounted to RMB91 million in total (2006: RMB140 million).

Acquisitions

As at 31 December 2007, the Group had no incomplete acquisitions in progress.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure relates to GD-HK Company. In 2007, the Group's working capital or liquidity was slightly affected by the fluctuations in currency exchange rate. The directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will take appropriate arrangement, based on its operating needs to mitigate the Group's currency exposures.

Contingent liabilities

As at 31 December 2007, the Group did not have any material contingent liabilities.

The Company has 13 directors ("Directors", and each a "Director") and seven supervisors ("Supervisors", and each a "Supervisor") as well as a group of senior management personnel. There is no family relationship between any of the Directors, the Supervisors or senior management of the Group.

DIRECTORS

The Company has five executive Directors, five non-executive Directors and three independent non-executive Directors.

Executive Directors

Lu Mao Hao (魯茂好), aged 44, is an executive Director and the Chairman of the Board and has served as a Director since October 2002. Mr. Lu had served in different management posts of Guangdong Xinyue between 1996 and 1999 and was promoted to be a deputy general manager in 2000. He has obtained professional qualification of engineer in road construction and economist in logistics and he has extensive experience in road and expressway related corporate management, operation and administration. Mr. Lu graduated with a bachelor degree in expressway and city road engineering from the Changsha Communication Institute (長沙交通學院) in 1988 and obtained a master degree in business administration from the Murdoch University in 2000. He had also finished a 12 months management-related academic training at San Francisco State University in 2002.

Su Yong Dong (蘇永東), aged 55, is an executive Director of the Company and vice-chairman of the Board. Mr. Su joined the Group in July 2003 and has served as a Director of the Company since December 2007. Mr. Su was a deputy general manager of the Company between February 2004 and December 2007. Mr. Su served as the deputy general manager of Guangdong Xinyue from July 2003 to February 2004. Prior to joining the Group, and during the period from 2001 to 2003, he served as the party secretary and vice-chairman of the board of Guangdong Province Freeway Company Limited. From 2000 to 2001, he served as the deputy general manager of Guangdong Provincial Highway Construction Company Limited. He had also served as the assistant supervisor of Supervisory Section and deputy head and head of Infrastructural Construction Department of Guangdong Province Construction Committee between 1994 and 2000. He has obtained professional qualification of senior politic-work and graduated with the construction engineering and management profession as well as the economic management profession.

Wang Wei Bing (王衛兵), aged 41, is an executive Director and the General Manager of the Company and has served as Director since January 2001. Prior to joining the Group, he was appointed the deputy head of Operation and Development Department of Ling Ding Yang Bridge Construction and Command Unit (伶仃洋大橋建設指揮部辦公室經營開發部) between 1997 and 1999. From 1992 to 1997, he had served as a manager of Planning and Contract Department of Guangshenzhu Expressway Humen Bridge Co., Ltd. (廣深珠高速公路虎門大橋有限公司) (which had changed its name to Guangdong Humen Bridge Company Limited (Humen Bridge Company) and assistant engineer of Zhu Jiang Navigation Authority of Ministry of Communications (交通部珠江航務管理局). Mr. Wang has obtained professional qualification of engineer in road and bridge construction and senior economist and he has extensive experience in expressway projects management and development. He has obtained a master degree in construction and civil engineering from the South China University of Technology (華南理工大學) in 2003.

Deng Chong Zheng (鄧崇正), aged 54, is an executive Director of the Company since December 2007. Mr. Deng joined the Group and served as the chairman of the Motor Transport Company of Guangdong and Hong Kong Limited since November 2007. From 1981 to 2000, Mr. Deng had served at various positions in the Guangdong Transportation Bureau and the Guangdong Provincial Highway Construction Company Limited, respectively. From June 2000 to August 2001, Mr. Deng had served as the department head of Guangdong Provincial Communication Group Company Limited. From August 2001 to November 2007, he was the chairman and party secretary of Guangdong Province Highway Construction Company Limited. He was graduated from South China Normal University (華南師範大學) in 1988 majoring in politics and has extensive experience in the management, operation and administration of expressway-related enterprises.

Chen Bing Heng (陳秉恒), aged 36, is an executive Director and has served as a Director since July 2005. Mr. Chen has acted as the deputy general manager of the Company since November 2007. From December 2001 to December 2007, Mr. Chen served as the deputy general manager, general manager as well as the chairman of the board and general manager of Oriental Thought, respectively. Prior to that, Mr. Chen worked respectively in the Construction Department of Guangdong Provincial Freeway Co., Ltd for Eastern Section of Shenshan Expressway, Guangdong Jindaoda Expressway Economic Development Company Limited and Guangdong Kai Yang Expressway Company Limited. Mr. Chen graduated from Zhongshan University with a bachelor degree majoring in Geology and obtained his professional qualification of senior engineer in roads and bridges in 2005.

Non-executive Directors

Liu Wei (劉偉), aged 48, is a non-executive Director and has served as a Director since October 2002. Mr. Liu has served as the chairman of the board of directors of Guangdong Provincial Automobile Transportation Group Company Limited ("GATC") since August 2002, prior to which he was appointed the director and general manager of GATC in February 2002. From 1989 to 1997, he had also served at various positions such as the deputy manager, manager, director and deputy general manager of Weisheng Transportation & Enterprises Company Limited ("Weisheng Transportation"), respectively. From 1985 to 1989, he was appointed as the secretary and deputy head of Secretariat Section and Information Section of Guangdong Transportation Bureau Office (廣東省交通廳辦公室). Mr. Liu has obtained professional qualification of senior economist a master degree of business administration from International East-West University in 1999.

Huang Guo Xuan (黃國宣), aged 59, is a non-executive Director and has served as a Director since January 2001. Mr. Huang has served as the chairman of the board of directors of Guangdong Communication Enterprises Investment Company ("GCGC Investment") since 2003. From 1993 to 2002, he was appointed director and general manager of GCGC Investment. From 1991 to 1993, he served as manager of Road Engineer and Machinery Construction Company of the Guangdong Provincial Road Authority (廣東省公路管理公路工程機械施工公司). From 1986 to 1990, he served as Deputy Head of the Planning Section of the Guangdong Provincial Road Authority (廣東省公路管理局計劃科). Mr. Huang has obtained professional qualification of senior engineer in road and bridge construction and a bachelor degree in civil engineering from Hunan University in 1982.

Cai Xiao Ju (蔡小駒), aged 44, is a non-executive Director and has served as a Director since December 2007. He is a geological engineer and is the chairman and party secretary of Guangdong Province Road & Bridge Construction Development Company Limited. Since October 2006, he has served as the chairman and party secretary of Guangdong Province Road & Bridge Construction Development Company Limited. From November 2001 to October 2006, Mr. Cai had served as the standing committee member and secretary-general of Meizhou Municipal Committee of the Communist Party of China and vice-mayor of Meizhou Municipal Government and was the department cadre during the period from December 2005 to October 2006. Mr. Cai graduated from the Department of Geology of the Sun Yat-Sen University, majoring in Geology and obtained a Bachelor Degree in Science. He then obtained a Master Degree in Economy from the Central Party School in Guangdong Province.

Chen Guo Zhang (陳國章), aged 58, is a non-executive Director and has served as a Director since December 2004. Mr. Chen has served as the general manager of Weisheng Transportation since June 2004. From 1991 to 1997, he was appointed to various posts with the Guangdong Transportation Bureau (廣東省交通廳), including director of Public Road Transport Management Department (公路運輸管理處), deputy director of Public Road Transport Management Authority (公路運輸管理局) and head of Safety and Technical Section (安技科) of Public Road Transport Management Authority. Mr. Chen has obtained a bachelor degree in economics and management from Guangdong Radio and TV University (廣東廣播電視大學) in 1992.

Lu Ya Xing (陸亞興), aged 44, is a director and general manager of Guangdong Provincial Highway Construction Company Limited since April 2006. Mr. Lu had served in the contract department of Guangdong Province Road & Bridge Construction Development Company Limited between October 1995 and October 1996. From October 1996 to June 2005, he had served as the manager in the development department of Xin Yue Company Limited, as well as deputy general manager, acting general manager and general manager of Xin Yue Company Limited. From June 2005 to April 2006, he had served as the deputy chief economist of Guangdong Provincial Communication Group Company Limited. Mr. Lu obtained his bachelor degree in civil engineering, majoring in highway and urban road engineering from Nanjing Institute of Technology (Southeast University). He served as an assistant lecturer in the management department of Chongqing Jiaotong University. He also obtained a master degree in highway transportation engineering from the management department of Xi'an Highway University, and had served as an assistant lecturer and lecturer in the management engineering department of Chongqing Jiaotong University. Mr. Lu also obtained his Ph.D. in highway, urban road and airport engineering from the road transportation department of Tongji University.

Independent non-executive Directors

Gui Shou Ping (桂壽平), aged 55, is an independent non-executive Director and has served as a Director since February 2004. Currently, Mr. Gui serves as a vice-president of the School of Economics and Trade of South China University of Technology (華南理工大學). Mr. Gui has engaged in the research of logistics technology and logistics load-unload machinery for a long time. Since 1997 up till now, he has committed in teaching and scientific research in the South China University of Technology, during such he served as the vice-president in the School of Traffic and Communications from March 1999 to July 2003, the vice-chairman of Research Institute of Intelligent Transport System and Logistics Technology of South China University of Technology in 2001 and Dean of Logistics Engineering Department of School of Traffic and Communications in September 2003. Other major concurrent positions include committee member of National Logistics and Information Standardisation Technology Committee, committee member of National Crane Mechanism Standardisation Technology Committee, executive board member of China Association of Warehouses, executive board member of China Logistics Association, executive board member of Logistics Engineering Institution of Chinese Mechanical Engineering Society, senior consultant of Ports and Harbours Association of Guangdong and research fellow of Logistics Planning Research Institute of China Federation of Logistics and Purchasing. Mr. Gui has obtained professional qualification as a senior engineer and professional qualification as a reseach fellow. He graduated from Wuhan University of Water Transportation Engineering (武漢水運工程學院) in 1975 with a degree major in logistics construction.

Liu Shao Buo (劉少波), aged 47, is an independent non-executive Director and has served as a Director since February 2004. Mr. Liu has engaged in the teaching and research in areas such as, financing, securities and investment for a long time. He is currently the director of Economic Research Centre and director of Finance Research Institute of Jinan University. Mr. Liu served as an economic lecturer in Faculty of Economics, an associate professor and professor in Faculty of Finance of Jinan University respectively since 1987. Since 2000, he served as a doctoral advisor in finance of Jinan University and had been the, vice-chancellor and chancellor in Finance Department of School of Economics, as well as dean of School of Economics and Director of Finance Research Institute of Jinan University, respectively. Mr. Liu's other concurrent positions include acting as the vice-president of Society for Guangdong Economics, vice-chairman of Guangdong Provincial Society of Tertiary Industry and contracted researcher of Centre of Development Research of Guangdong Provincial Government. Mr. Liu has obtained the qualification of professor from Jinan University in 1995, a master degree in economics from Jinan University in 1986 and subsequently also obtained a doctorate degree in management from Sun Yat-sen University.

Peng Xiao Lei (彭曉雷), aged 56, is an independent non-executive Director and has served as a Director since February 2004. Mr. Peng obtained his master degree in economics from Zhong Nan Finance University in 1996 and has been awarded the professional qualification of senior accountant by Guangdong Province Personnel Office (廣東省人事廳) in January 1998. Mr. Peng has been the Deputy General Manager and Chief Accountant of Guangdong Guangye Assets Management Co., Ltd. (廣東省廣業資產經營有限公司) ("Guangye Assets") since February 2002. During his service in Guangye Assets, Mr. Peng is responsible for supervising the internal controls and reviewing the financial statements. From May 2001 to February 2002, Mr. Peng was the deputy chief accountant of GCGC and held senior management responsibilities in supervising the internal controls and preparing for the financial statements. From November 1994 to May 2001. Mr. Peng was the manager of the capital and finance department of China Unicom Limited Guangdong Branch in charge of finance matters including internal audit and treasury. From November 1988 to November 1994, Mr. Peng was a lecturer in finance and accounting in Guangdong University of Business Studies, while acting as the deputy head for the school of accountancy of the college. He also had the experience in compilation of a number of financial regulatory handbooks for the Guangye Assets, including Auditing Handbook of Guangdong Guangye Assets Management Co. (2004 Edition) (《廣東省廣業資產經營有限公司常規性審計工作手冊 (2004版)) and Auditing Handbook of Guangdong Guangye Assets Management Co. (2005 Edition) (《廣東省廣業資產經營有限公司常規性審計工作手冊 (2005版)》).

SUPERVISORS

The Company has seven Supervisors, with two of them being the independent Supervisors.

Chen Di Li (陳砥礪), aged 38, has served as a Supervisor since June 2007 and is the chairman of the Supervisory Committee. Mr. Chen is a qualified senior accountant and is the deputy department head of the financial management department of Guangdong Provincial Communication Group Company Limited. Mr. Chen graduated and obtained a bachelor degree from the Guangdong Business University in July 1992. During the period from July 1992 to July 1997, he had served in the finance department of Guangdong Provincial Freeway Company Limited as an accountant and he was the deputy manager of the finance department of Guangdong Provincial Freeway Company Limited from July 1997 to November 1999, manager of the finance department of Guangdong Provincial Freeway Company Limited from November 1999 to October 2001 and head of the finance and audit department of Guangdong Provincial Freeway Company Limited from October 2001 to December 2005.

Rao Feng Sheng (饒鋒生), aged 44, has served as a Supervisor since June 2007 and is the vice secretary of the party committee, secretary of the disciplinary committee and the chairman of the union of the Company. Mr. Rao is a qualified senior political commissar. He graduated from Guangdong Academy of Social Sciences with a degree in corporate management in July 1988, and graduated from Jinan University with a postgraduate degree in applied psychology in January 2002. Mr. Rao worked in Guangdong Province Communication Research Department and in the office of party committee as the deputy officer from June 1981 to May 1997, as the deputy manager of the administration department of Xin Yue Company Limited from May 1997 to June 1999 and had also acted as the deputy officer for the Guangzhou office since October 1997, manager of the department of human resources of Xin Yue Company Limited from June 1999 to February 2003 and the manager of the human resources department of the Company from February 2003 to September 2006.

Ling Ping (凌平), aged 45, has served as a Supervisor of the Company since January 2001. Ms. Ling was conferred the professional qualification of accountant by Ministry of Finance of the PRC in May 1997 and the professional qualification of senior accountant by Guangdong Provincial Finance Bureau in December 2005. She is currently the chief accountant of Guangdong Provincial Highway Construction Company Limited. From 1986 to 1995, Ms. Ling served as the cashier and account officer in the finance department of Guangzhou-Shenzhen-Zhuhai Highway Company Limited, respectively. Between 1995 and October 2007, she was an accountant, deputy head and head of finance and audit in Guangdong Provincial Highway Construction Company Limited, respectively.

Cheng Zhou (成卓), aged 40, has served as a Supervisor since February 2004. Other than being a Supervisor of the Company, Ms. Cheng is currently the chairman of board of China King International Holdings. Other major concurrent posts include vice-chairman of Venture Capital Profession Commission of Science and Technology Financial Promotion Association of China, vice-president of China Young Entrepreneurs Association, director of the Chinese Association of Young Scientists and Technologists (中國青年科技工作者協會), committee member of Tenth Standing Committee of the All China Youth Federation and committed member of Eleventh Beijing Committee of the Chinese People's Political Consultative Conference. She joined the "Seventh Congress for World Youth Entrepreneur (第七屆世界青年企業家高峰會) " in USA on behalf of China Young Entrepreneurs Association in September 2000 and was awarded with "World Outstanding Entrepreneur (世界優秀企業家大獎)." She was presented as "China's Top Ten Wealthy and Intelligent Figures" at Great Hall of the People in Beijing in February 2005. Ms. Cheng Zhou is also committed to charity works. She was one of the promoters of the "China Aged Care Fund," which was found in February 2005 to care for the elderly, and served as the vice-president of China Aged Care Fund. Ms. Cheng obtained a master degree in journalism from Beijing Broadcast Institute (北京廣播學院) in 1998.

Zhou Jie De (周潔德), aged 41, has served as a Supervisor since February 2004. Other than being a Supervisor of the Company, Ms. Zhou acts as the deputy head of Guangdong Tian Hua Hua Yue, CPA (廣東天華華粵會計師事務所). Ms. Zhou has also obtained professional qualification of senior accountant and auditor from Guangdong Province Personnel Office (廣東省人事廳). Ms. Zhou obtained a diploma in accounting from Zhongshan University in 1987.

Li Hui (李輝), aged 44, has served as a Supervisor since February 2004. Ms. Li is the deputy manager of the Auditing and Supervision Department of the Company. Ms. Li joined the Group since 2000 and had served as senior manager of Assets Management Department of the Company. Prior to joining the Group, she had served at different accounting posts in various companies including Unified Seafood Co., Inc. in the United States. Ms. Li has obtained a bachelor degree in science from the University of Southern California in 1999 and professional qualification of economist and auditor.

Fan Xin Cai (范新彩), aged 31, has the professional qualification as a senior economist and registered engineering (investment) consultant, is the deputy manager of the investment and development department of the Company. Ms. Fan graduated from Southwest Communication University with a degree in photogrammetry and remote sensing in July 1998; she obtained a master's degree in economics and management from Southwest Communication University in December 2000. Ms. Fan has joined the Group since February 2001.

SENIOR MANAGEMENT

Lin Zhuo Ya (林卓婭), aged 53, is the deputy general manager of the Company. Ms. Lin joined the Group since August 2000 and served as deputy general manager of Guangdong Xinyue Communications Investment Company Limited and was appointed deputy general manager of the Company in 2004. From 1993 to 2000, she served as the vice-supervisor of the Office, vice-head and head of the Secretariat Section of the Guangdong Transportation Bureau. Ms. Lin has obtained a bachelor degree in economic management from the Central Communist Party School in 2001.

Yao Han Xiong (姚漢雄), aged 42, is the deputy general manager of the Company and joined the Group in October 2007. During the period from March 2005 to September 2007, Mr. Yao was appointed as the executive director and deputy general manager of Guangdong Jing Tong Highway Engineering Construction Group Company Limited. From the years of 2002 to 2005, Mr. Yao was designated appointed by the Organization Departments of Guangdong Provincial Party Committees to practice at a post of as the deputy chief executive (presiding over science and technology) of Deqing County , Zhaoqing City. He served as the deputy manager and the manager of the second filiale sub-office of Guangdong Changda Highway Engineering Company Limited from 1989 to 2002. Mr. Yao obtained a bachelor degree in road and bridge engineering from Chongqing Jiaotong University in 1989, and is currently pursuing in the course of obtaining the Executive Master of Business Administration degree in Jinan University.

Chen Hong Hui (陳鴻輝), aged 36, is the deputy general manager of the Company since November 2007. Mr. Chen joined the Group since March 2001, and served as the general manager of Guangdong Xinyue E&M Engineering Company Limited. From February 2004 to December 2007, Mr. Chen had served as the director and the general manager of Guangdong Xinyue. Prior to joining the Group, he also served in the construction preparation department of Guangdong Shenshan Expressway in Guangdong Provincial Freeway Company Limited during the period from June 1993 to December 1997. And from December 1997 to February 2001, Mr. Chen served as the deputy department manager in Xin Yue Company Limited. He graduated from Foshan University, Guangdong Province in 1993 and obtained a diploma majoring in highway and bridge engineering. Mr. Chen also obtained a bachelor degree from Xi'an Highway University in 1997 majoring in civil engineering and obtained a professional qualification as a senior engineer and economist.

Tan Chao Yang (譚朝陽), aged 48, is the chief accountant of the Company and she joined the Company in January 2001. Prior to joining the Group, she had served as the manager of the Finance and Audit Department of Guangdong Provincial Highway Construction Company Limited since 1997. She has obtained professional qualification of senior accountant.

Mao Qing Xun (毛青勛), aged 42, is currently the assistant to general manager of the Company, the chairman of the Board of Guangdong Xinyue, the chairman of the Board of Guangdong Top-E Expressway Service Zone Company Limited the chairman of the board of Guangdong New Way Advertising Company Limited and the chairman of the board of Guangdong Oriental Thought Technology Company Limited. He joined the Group in 2000. From 2001 to 2003, he had served as the general manager of Guangdong Southchina Logistics Enterprise Company Limited ("Guangdong Logistics"). He had worked as the assistant to the general manager of the Company since April 2003, and was then the assistant to the general manager of the Company and the chairman of Guangdong South China Logistics Enterprise Company Limited between March 2004 and December 2007. Prior to joining the Group, he had served at different posts between 1986 and 1999 under the Wuhan office of the Ministry of Railway including the person-in-charge of the Wuhu Branch, assistant engineer and engineer of Yichang Railway Material Trading Company (宜昌鐵路物資公司), engineer of Sales Department of Huasheng Equipment Company Limited (華深器材有限公司) and assistant engineer of Hai Kou Company Limited (海口公司). Mr. Mao has obtained a bachelor degree from Northern Jiaotong University in China and professional qualification of senior economist.

Liu Zhi Quan (劉志全), aged 42, is the secretary of the Board of the Company. Mr. Liu joined the Group since January 2001. He has obtained a executive master degree of business management from the International East-West University in 1999. He graduated from the course of Advanced Study for Secretary of Board of Directors provided by the training centre of the Ministry of Commerce of the PRC (中華人民共和國商務部) in 2004.

Fung Hon Tung (馮漢棟), aged 38, is the Qualified Accountant and the Company Secretary of the Company. Mr. Fung joined the Group since 29 January 2007 and prior to joining the Group, Mr. Fung was a financial controller of a Stated-owned enterprise and worked at international accounting firms. Mr. Fung obtained a bachelor's degree from the Hong Kong Polytechnic University and he is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Fung meets all the requirements of a qualified accountant as set out in Rule 3.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Board has pleasure in presenting the Report of the Directors of the year 2007 together with the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of integrated logistics services and expressway-related services. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries are set out in note 9 to the consolidated financial statements.

RESULTS OF THE GROUP

The financial highlights of the year are set out on pages 9 to 11 of this report. The results and financial position of the year are set out on pages 16 to 24 of this report for discussion and analysis.

CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2007 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") are set out on page 61 of this report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the current year results and of the assets and liabilities of the Group for the last four financial years are set out on page 142 of this report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

For the year ended 31 December 2007, the profit attributable to shareholders of the Company was approximately RMB159 million. The Board recommended a final dividend of RMB0.113 per share be distributed, which amounted to approximately RMB47.19 million.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2007, the Group's purchases attributable to the Group's five largest suppliers were approximately 48.6% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

RESERVES

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company as at 31 December 2007 are set out in note 17 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in note 17 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 6 to the consolidated financial statements prepared in accordance with the HKFRS contained therein .

EMPLOYEES' PENSION SCHEME

Details of the Company's employees' pension scheme are set out in note 21 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

DIRECTORS AND SUPERVISORS

The Directors who held office during the year and up to the date of this report are as follows:

Name	Date of Appointment as Director	Date of Resignation as Director
Executive director		
Lu Mao Hao	28 October 2002	N/A
Zeng Hong An	2 February 2004	20 December 2007
Wang Wei Bing	11 January 2001	N/A
Chen Bing Heng	30 June 2005	N/A
Guo Jun Fa	12 June 2007	20 December 2007
Su Yong Dong	20 December 2007	N/A
Deng Chong Zheng	20 December 2007	N/A
Non-executive director		
Liu Wei	28 October 2002	N/A
Huang Guo Xuan	11 January 2001	N/A
Ren Mei Long	11 January 2001	20 December 2007
Chen Guo Zhang	9 December 2004	N/A
Jiang Li	28 October 2002	12 June 2007
Lu Ya Xing	22 June 2006	N/A
Cai Xiao Ju	20 December 2007	N/A
Independent non-executive director		
Gui Shou Ping	2 February 2004	N/A
Liu Shao Buo	2 February 2004	N/A
Peng Xiao Lei	2 February 2004	N/A

The Supervisors who held office during the year and up to the date of this report are as follows:

Name	Date of Appointment as Supervisor	Date of Resignation as Supervisor
Ling Ping	11 January 2001	N/A
Cheng Zhuo	2 February 2004	N/A
Zhou Jie De	2 February 2004	N/A
Li Hui	2 February 2004	N/A
Chen Di Li	12 June 2007	N/A
Rao Feng Sheng	12 June 2007	N/A
Fan Xin Cai	12 June 2007	N/A
Wu Wei Jia	26 May 2003	12 June 2007
Tian Ke Geng	2 February 2004	12 June 2007
Long Xin Hua	11 January 2001	12 June 2007

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 25 to 33 of this report.

CONNECTED TRANSACTIONS

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

(a) On 25 June 2007, a toll fee collection and management agreement was entered into by the Company and Guangdong Humen Bridge Company Limited ("Humen Bridge Company") pursuant to which Humen Bridge Company shall provide toll fee collection and management services to the Company in respect of the toll fees to be allocated to Tai Ping Interchange, at a consideration of RMB3,400,000. The agreement has expired on 31 December 2007.

(b) On 28 December 2007, the Company and Humen Bridge Company entered into a toll fee collection and management entrustment agreement, pursuant to which Humen Bridge Company shall provide entrusted toll fee collection services to the Company in respect of the toll fees to be collected at the Tai Ping Interchange, at a consideration of RMB4,200,000. The agreement will expire on 31 December 2008.

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

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

The following table sets out the annual caps granted by the Stock Exchange pursuant to the Waiver or approved by the Shareholders for the relevant continuing connected transactions of the Company and the related actual figures for the year ended 31 December 2007. Terms used in the following table and the notes thereto shall have the same meanings as defined in the Prospectus, the Announcement and the Circular, unless the context requires otherwise.

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

Transaction	Annual Cap for the year ended 31 December 2007 (RMB'000)	Actual Figure for the year ended 31 December 2007 (RMB'000)
Discloseable continuing connected transactions for which waivers from announcement requirement have been granted by the Stock Exchange		
1. Lease of offices and warehouse	1,165	1,165
2. Toll fees collection services for Tai Ping Interchange	4,200	4,200
Non-exempt continuing connected transactions for which waivers from announcement and independent shareholders' approval requirements have been granted by the Stock Exchange or the Shareholders		
1. Services in relation to major repairs and single item renovations under master agreement	35,833	1,200
2. First right to operate new expressway service zones and subcontracting obligations under subsisting agreements	78,331	51,867
3. Provision of material logistics services under subsisting agreements and the relevant master agreement	1,426,899	511,539
4. Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the relevant master agreement	738,563	260,674
5. Subcontracting of certain work procedures in relation to expressway intelligence and purchase of other construction services under master agreement	98,860	46,625
6. Purchase of materials under subsisting agreements and the relevant master agreement	447,422	238,048
7. Financial assistance provided by the Company to Guangdong Xinyue pursuant to a loan agreement	60,000	53,267
8. Financial assistance provided by Guangdong Top-E to Guangdong Xinyue	50,000	50,000

For further details regarding the above connected transaction, please refer to note 30 to the financial statement prepared in accordance with the HKFRS contained herein.

The independent non-executive Directors, Mr. Gui Shou Ping, Mr. Liu Shao Buo and Mr. Peng Xiao Lei, have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of Rule 14.38 of the Listing Rules, the auditors of the Company, PricewaterhouseCoopers, have performed certain agreed-upon procedures on the above continuing connected transactions (the "Transactions") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported as below:

(1) the Transactions received the approval of the Board;

(2) in relation to those Transactions involving provisions of goods and services by the Group (for the samples selected), their pricing was in accordance with the pricing policies of the Group;

(3) the Transactions (for the samples selected) were carried out in accordance with the terms of the relevant agreements governing the transactions; and

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

MATERIAL LITIGATION AND ARBITRATION

The Group did not engage in any material litigation or arbitration during the year.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 16 to the consolidated financial statement prepared in accordance with the HKFRS contained herein.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director, as at 31 December 2007, Shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
GCGC (Note 1)	Domestic shares	142,266,080	Beneficial owner	50.87	34.06
	Domestic shares	137,375,787	Interests of controlled corporations	49.13	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	8.05	5.36
Sinopec (Hong Kong) Limited	H shares	21,000,000	Beneficial owner	15.22	5.03
Liberty Square Asset Management, L.P.	H shares	14,000,000	Investment Manager	10.14	3.35
Sky Investment Counsel Inc.	H shares	9,687,084	Investment Manager	7.02	2.32
Barclays Global Investors UK Holdings Limited (Note 2)	H shares	8,364,000	Interests of controlled corporations	6.06	2.00

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
Barclays PLC (Note 2)	H shares	8,364,000	Interests of controlled corporations	6.06	2.00
Highclere International Investors Smaller Companies Fund	H shares	7,431,000	Investment Manager	5.38	1.78
Highclere International Investors Limited	H shares	7,431,000	Investment Manager	5.38	1.78

Notes:

(1) 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 of the Company held by its other subsidiaries, namely Guangdong Province Road & Bridge Construction Development Company Limited and Guangdong Weisheng Transportation Enterprise Company Limited.

(2) The two references to 8,364,000 shares relate to the same block of shares in the Company directly held by Barclays Global Investors, N.A.

Each of Barclays Global Investors UK Holdings Limited and Barclays PLC is taken to have a duty to disclose in relation to the said shares of the Company by virtue of their deemed interests in the shares under the SFO.

Save as disclosed above, as at 31 December 2007, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF 10% OR MORE

As at 31 December 2007, GCGC held 142,266,080 domestic shares of the Company, representing 34.06% of the total issued share capital of the Company, while Guangdong Construction held 96,476,444 legal person shares of the Company, representing 23.10% of the total share capital of the Company, without any changes during the reporting period.

GCGC is a controlling Shareholder of the Company. Its legal representative is Zhu Xiao Ling and its registered capital as at 31 December 2007 was RMB19,800,000,000. It is principally engaged in the investment, construction and management of the majority of roads, and expressways networks in the Guangdong Province.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the per cent of the public float exceeds 25% as at the date of this report.

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

As at 31 December 2007, the interests of Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

None of the Directors or Supervisors holds any interests in the shares, underlying shares and debentures of the Company.

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

Name ofName of Associated corporation	Name of Director/ Supervisors	Type of Interests	No. of shares held	Percentage in the relevant class of share capital	Note
Guangdong Provincial Expressway Development Co. Ltd.	Lu Mao Hao	Personal	18,421	0.002%	(1)
Guangdong Provincial Expressway Development Co. Ltd.	Zeng Hong An	Family	4,209	0.0005%	(2)
Guangdong Provincial Expressway Development Co. Ltd.	Ren Mei Long	Personal	2,391	0.0003%	(3)
Guangdong Provincial Expressway Development Co. Ltd.	Wu Wei Jia	Personal	8,155	0.0009%	(4)
Guangdong Provincial Expressway Development Co. Ltd.	Rao Feng Sheng	Personal	2,602	0.0003%	(5)
Guangdong Provincial Expressway Development Co. Ltd.	Deng Chong Zheng	Family	11,972	0.001%	(6)

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 4,209 shares as a result of his spouse being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd.. Mr. Zeng resigned from his position as a director of the Company as from 20 December 2007.

(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.. Mr. Ren resigned from his position as a director of the Company as from 20 December 2007.

(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.. Mr Wu resigned from his position as a superisor of the Company as from 12 June 2007.

(5) Rao Feng Sheng is taken to be interested in 2,602 shares as a result of him being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..

(6) Deng Chong Zheng is taken to be interested in 11,972 shares as a result of his spouse being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..

Save as disclosed above, as at 31 December 2007, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors, supervisors or senior management of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATIONS

Details of the remuneration of the directors and the supervisors of the Company and the five highest paid individuals of the Group are set out in note 21 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2007.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company, which is terminable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

None of the Directors or Supervisors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2007.

BOARD COMMITTEES

The Company has established an audit committee and a compensation committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 49 to 54 of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group had 3,577 employees, the staff costs (including directors' renumeration) of the Group was RMB220 million for the year.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year of 2007, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year of 2007.

DONATIONS

Donations made by the Group during the year ended 31 December 2007 amounted to RMB55,000.

AUDITORS

The Company has appointed PricewaterhouseCoopers as its international auditors and Guangdong Zhengzhong Zhujiang Certified Public Accountants as its auditors in the People's Republic of China for the year ended 31 December 2007. PricewaterhouseCoopers has conducted the audit of the Group's consolidated financial statements prepared in accordance with HKFRS. Resolutions for re-appointments of PricewaterhouseCoopers as its international auditors and Guangdong Zhengzhong Zhujiang Certified Public Accountants its auditors in the People's Republic of China for the year ending 31 December 2008 will be proposed at the annual general meeting of the Company to be held on Tuesday, 17 June 2008.

By order of the Board of Directors
Lu Mao Hao
Chairman

Guangzhou, the PRC
9 April 2008

Dear Shareholders ,

Pursuant to the provisions under the Companies Law and the Articles of Association of the Company, the Supervisory Committee of the Company exercises its supervisory functions in accordance to with the law. It has fully performed its supervisory functions on corporate governance, regulated operation and maximising shareholders' value, as well as promoting a healthy development of the Company. We hereby present to Shareholders the work report of the Supervisory Committee for the year 2007:

I. MEETINGS OF THE SUPERVISORY COMMITTEE CONVENED

1. On 13 April 2007, the fourth meeting of the second session of the Supervisory Committee was held, which was chaired by Mr. Wu Weijie, chairman of the Supervisory Committee. The meeting considered and approved the Work Report of the Supervisory Committee for 2006, and decided that the report be presented to the annual general meeting of 2006 for consideration, which the "Resolution for the Term Change of Second Session of the Supervisory Committee of Nan Yue Logistics" was passed.

2. On 5 July 2007, the first meeting of the third session of the Supervisory Committee was held, which was chaired by Mr. Chen Di Li. The meeting unanimously approved Mr. Chen Di Li to be elected as the chairman of the third session of the Supervisory Committee, and passed the working schedule of the Supervisory Committee for 2007.

3. On 14 September 2007, the meeting on the supervisory inspection of Guangdong Xinyue, a subsidiary of our Company, was held and chaired by Mr. Chen Di Li, the chairman of the Supervisory Committee. The meeting discussed and approved the main content and focus of this supervision inspection, and confirmed the working arrangement. Upon completion of the inspection, an inspection report was submitted to the Board.

II. WORK OF THE SUPERVISORY COMMITTEE PERFORMED

In 2007, the Supervisory Committee faithfully discharged their supervisory duties by performing supervision inspection aiming to make providence for the unexpected. The Supervisors attended the first meeting of the third session of the Board meetings and the Company's annual general meeting of 2006, and had seriously inspected the procedures for convening the Board meetings, implementation of resolutions of general meetings, operation decisions of the management, operational behaviour of its directors and senior management, connected transactions and financial report. At the same time, in September 2007, the Supervisors examined Guangdong Xinyue during which certain operational information, accounting evidences, operational contracts and management systems between January to September of 2007 had been randomly selected for inspection.

Upon performing the above supervision and inspection, the Supervisory Committee is of the view that:

1. In 2007, in respect of the procedures for convening the Board meetings and the decision-making process of the Company, the Board had strictly executed each of the resolutions and authorizations pursuant to the general meeting, and had faithfully safeguarded the interests of Shareholders.

2. The directors, managers and senior management of the Company have been able to faithfully discharge their duties according to the resolutions of the general meeting and have been devoted to their responsibilities and operating according to the law, and the Committee is not aware of any violation of the laws, regulations and the Articles of Association of the Company which will damage the interest of the Company and Shareholders.

3. PricewaterhouseCoopers (as the International Auditor of the Company) and Guangdong Zhengzhong Zhujiang Certified Public Accountants (as the PRC Auditor of the Company) respectively audited our financial report of 2007 with slight deviations on the audited operating results, with both auditing firms presented standard auditing report without qualified opinion. The Supervisory Committee confirmed that the deviations on operating results were due to the different accounting policies used by the two auditing firms. The two versions of financial reports both reflect fairly the financial position and operating results of the Company and the auditing reports are true and objective.

4. The Company has strictly followed relevant regulations on investment management and performed filing processes with firm belief on the importance of procedural and scientific investment decision. The Tai Ping Interchange major repairs project and Dongguan Asphalt Centre Warehouse project have been approved by both the Board and the State Assets Supervision and Management Committee ("SASAC") at the provincial level and the decision-making processes are in compliance with the requirements of the Articles of Association of the Company.

5. In the year 2007, the amount of connected transactions continued to be voluminous. However, the Company was able to enter into the transactions at market prices based on the principles of being open, fair and just and there was no question of any harm to the interest of Shareholders holding small to medium size of shareholdings in the Company.

6. Pursuant to the requirements of the Stock Exchange, the Company has fully disclosed all the relevant information at a timely manner.

7. In 2007, Guangdong Xinyue, the subsidiary inspected by the Supervisory Committee had performed sound operating position, with well-established system and outstanding market exploration results.

The Company believes that the incessant upgrading of its standard of corporate governance is the underlying cornerstone for safeguarding the interests of Shareholders and investors as well as enhancing corporate value of the Company. The Company, with reference to the Company Law of the People's Republic of China, the Listing Rules, the Articles of Association of the Company and other relevant laws and regulations, and taking into considerations of its own characteristics and requirements, has been making enormous efforts in enhancing its standard of corporate governance.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period for the year ended 31 December 2007 in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises 13 Directors, five of which are executive Directors, five are non-executive Directors and three are independent non-executive Directors. The members are as follows:

Chairman: Mr. Lu Mao Hao

Executive Directors: Mr. Lu Mao Hao, Mr. Su Yong Dong, Mr. Wang Wei Bing, Mr. Deng Chong Zheng and Mr. Chen Bing Heng

Non-executive Directors: Mr. Liu Wei, Mr. Huang Guo Xuan, Mr. Cai Xiao Ju, Mr. Chen Guo Zhang and Mr. Lu Ya Xing

Independent non-executive Directors: Mr. Gui Shou Ping, Mr. Liu Shao Buo and Mr. Peng Xiao Lei

The chairman and the chief executive of the Company are two distinct and separate positions, which are held by Mr. Lu Mao Hao and Mr. Wang Wei Bing respectively, both being executive Directors.

The main duties of the Board include: determining the operating plans and investment proposals of the Company; convening general meetings and executing the resolutions of general meetings, etc. Shareholders' and the Company's interest is the primary concern for every member of the Board. The Directors have been performing their duties in accordance with relevant laws and regulations in a diligent manner.

The independent non-executive Directors, who are appointed from the finance and logistics sectors and who also have extensive experience in accounting or financial management and other professional areas, are expected to act and have also been acting in a diligent manner to uphold the interests of the Company and the Shareholders by maintaining their independence of their opinions given with respect to their review of the Company's connected transactions and significant events, and by providing professional advice for the stable and disciplined operations of the Company and long-term development of the Company.

The Directors are appointed for a term of office of three years and are eligible for re-election upon the expiry of their terms.

The constitution of the Company clearly provides for the rights of the Directors, including the right to attend, receive notices of, and to vote in board meetings and the rules of procedure for the Board meetings were specifically formulated and implemented to regulate the conduct and procedures of the Board meetings.

During 2007, the Company has held a total of nine Board meetings, with an average attendance rate of 96%. The Company has kept detailed minutes for the business transacted in such meetings.

The attendance details of each member of the Board during the year are set out below:

	Meetings attended/held	**Attendance Rate**
Executive Directors		
Lu Mao Hao *(Chairman)*	9/9	100%
Su Yong Dong *(appointed as Director on 20 December 2007)*	1/1	100%
Wang Wei Bing	9/9	100%
Deng Chong Zheng *(appointed as Director on 20 December 2007)*	1/1	100%
Chen Bing Heng	9/9	100%
Zeng Hong An*	8/8	100%
Guo Jun Fa* *(appointed as Director on 12 June 2007)*	5/5	100%
Non-executive Directors		
Liu Wei	9/9	100%
Huang Guo Xuan	9/9	100%
Ren Mei Long*	6/8	75%
Chen Guo Zhang	9/9	100%
Jiang Li*	2/3	67%
Lu Ya Xing*	8/9	89%
Cai Xiao Ju *(appointed as Director on 20 December 2007)*	1/1	100%
Independent non-executive Directors		
Gui Shou Ping	9/9	100%
Liu Shao Buo	9/9	100%
Peng Xiao Lei	8/9	89%

* *Note:* Mr. Lu Ya Xing was absent from one Board meeting and had appointed Mr. Lu Mao Hao to vote and sign relevant documents on his behalf in written form. Mr. Zeng Hong An and Mr. Guo Jun Fa resigned as executive Director on 20 December 2007, Mr. Jiang Li resigned as non-executive Director on 12 June 2007 and Mr. Ren Mei Long resigned as non-executive Director on 20 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the model code ("Model Code") for securities transactions by directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding its directors' and supervisors' securities transactions in 2007. Having made specific enquiries of all Directors and Supervisors, they have confirmed that they complied with the required standard set out in the Model Code for the year ended 31 December 2007.

AUDIT COMMITTEE

The primary duties of the Audit Committee of the Company are, among others, to appoint external auditors, review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. As at 31 December 2007, the Audit Committee, chaired by Mr. Peng Xiao Lei, had a total of three members, namely Mr. Peng Xiao Lei, Mr. Liu Shao Buo and Mr. Huang Guo Xuan. The members of audit committee met regularly with management and external auditors and revised the external audit reports and the annual accounts of the Group. It has reviewed the audited financial statements for the year ended 31 December 2007, and recommended their adoption by the Board. The Audit Committee had held three meetings in 2007 with an attendance rate of 88.9% by each of the members, whereby the Company reported to the Audit Committee the major business of the Company and the various management suggestions proposed by the Company's international auditor, PricewaterhouseCoopers. For the year ended 31 December 2007, the Company has been in compliance with the requirements relating to audit committees under Rule 3.21 of the Listing Rules.

COMPENSATION COMMITTEE

The Company has also established a Compensation Committee to determine the policies in relation to human resources management, to review the compensation strategies, to determine the compensation packages of the senior executives and managers, to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The Compensation Committee consists of one executive Director, Mr. Wang Wei Bing, and two independent non-executive Directors, Mr. Gui Shao Ping and Mr. Liu Shao Buo.

During 2007, the Compensation Communties had held one meeting.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises seven members, two of whom are independent Supervisors while three are Supervisors representing the staff of the Group. The Supervisory Committee is responsible for supervising the Board and its members as well as the senior management, so as to safeguard the interests of the Shareholders. In 2007, the Supervisory Committee has examined the financial position and the legal compliance of the operations of the Company and conducted the due diligence review of the senior management through convening Supervisory Committee's meetings and attending the Board meetings, and general meetings of the Company, as well as undertaking its duties in a proactive and diligent manner under the principles of due care.

INTERNAL CONTROL

In 2007, the Company highly emphasized on its internal control and continued to adopt a number of initiatives to control and monitor and prevent potential risks, the particulars of which are as follows:

1. Financial control

The Company has continued to strictly comply with each financial systems including "Measures for Budget Management", "Measures for Reimbursement Management", "Measures for Management of Receivables" and "Management and Standardization of NC Financial System". The preparation and implementation of these systems have further strengthened our financial management and lifted its standard.

The internal auditing staff of the Company monitors the daily financial management of the Company in accordance with their responsibilities, and advises the financial management department and the general manager and makes recommendations on the improvement of the financial management.

The audit committee of the Company had held three meetings to liaise and discuss with the auditors of the Company and the department of financial management on financial management, financial statements and auditing.

2. Operational control

The management of the Company and all departments undertake their respective work and faithfully perform their functions and discharge their duties in accordance with the Articles of Association and systems of the Company in order to ensure the safe operation of the Company's businesses.

The Company has been carrying out statistics compilation and analysis on its production operations on a monthly basis, in order for the management to have a better grasp of the position and to make judgements and decisions. The material events of the Company are submitted to the Board and general meetings for consideration and voting in accordance with the Articles of Association of the Company. The Supervisors supervise the exercise of powers by the management and the Board in the management of affairs of the Company and advise and make recommendations.

3. Compliance control

In the course of the Company's external expansion of operations, the relevant laws and regulations are complied with so as to strengthen the systems of the Company. The management staff and departments of the Company had entered into contracts and taken part in tendering processes in accordance with the requirements of the Company. The Company has in place a designated team of professionals for legal matters, which advises on the lawfulness and compliance of material operational decisions.

The Company has established its information disclosure mechanism pursuant to the "Measures for the Administration of Information disclosure" to ensure that the Company can report matters of significance timely and ensure the accuracy and timeliness of regular reports and provisional reports of the Company.

The Company conducts regular statistics compilations of connected transactions which occur in various subsidiaries and departments pursuant to the Listing Rules and "Provisions on the Administration of Connected Transactions" so as to ensure that the performing and procedures of connected transactions and the disclosure of information are in compliance with the requirements of the Listing Rules.

4. Risk management

The Company has continued to adopt the "Provisional Measures of Investment management" to strengthen its management of investment, guarantee, litigations and material projects of the Company, thereby standardizing its operations and minimizing its risks.

AUDITORS

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company respectively. The fees for the audit and non-audit services provided by the above auditors to the Group for the period ended 31 December 2007 amounted to RMB2.96 million and RMB0.69 million respectively.

GENERAL MEETINGS

The general meeting holds the highest authority of the Company. The Company convened two general meetings in 2007 to review, consider and approve the resolutions relating to the report of the Directors, the report of the Supervisory Committee, the profit distribution proposal and the appointment and resignation of additional Directors and Supervisors, etc. The Company also convened an extraordinary general meeting on 20 December 2007 to consider and approve (i) the annual caps for certain non-exempt continuing connected transactions and new continuing connected transactions for the years 2008 to 2010; and (ii) change of directors. The Company highly values the functions of the general meetings, and therefore encourages all Shareholders to attend the general meetings, which serve as a direct and effective communication channel between the Board and the investors of the Company. The constitution of the Company expressly provides for the rights of the Shareholders, including the right to attend, to receive notices to, and to vote in general meetings.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In respect of any disclosable and significant event, the Company will make accurate and complete disclosure in a timely manner in the newspapers and websites as specified by the relevant supervisory authorities for information disclosure pursuant to the disclosure requirements under the Listing Rules. This is to ensure the right to information and participation of the Shareholders.

The Company has established a department to be responsible for investor relations and places strong emphasis on its communications with investors, and considers that maintaining an on-going and open communications with investors can promote investors' understanding and confidence in the Company. During the year, the Company has participated in a number of roadshows, investors' conferences, telephone interviews and attended one-on-one meetings with over 80 different institutional investors in order to enhance the Group's relationship with the investor community and its understanding of the Group's operations and developments.

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TO THE SHAREHOLDERS OF
GUANGDONG NAN YUE LOGISTICS COMPANY LIMITED
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangdong Nan Yue Logistics Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 141, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

TO THE SHAREHOLDERS OF
GUANGDONG NAN YUE LOGISTICS COMPANY LIMITED *(continued)*
(A joint stock company incorporated in the People's Republic of China with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 April 2008

Consolidated Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2007	2006
ASSETS			
Non-current assets			
Fixed assets	6	**437,759**	474,168
Leasehold land and land use rights	7	**146,659**	115,012
Intangible assets	8	**6,762**	8,717
Interests in associates	10	**68,311**	65,933
Interest in a joint venture	11	**15,542**	14,709
Available-for-sale financial assets		**200**	200
Deferred income tax assets	12	**17,230**	12,061
		692,463	690,800
Current assets			
Inventories	13	**367,502**	413,740
Due from customers on construction contracts	14	**215,349**	139,805
Trade and other receivables	15	**2,344,687**	1,835,914
Cash and bank balances	28	**947,553**	670,637
		3,875,091	3,060,096
Total assets		**4,567,554**	**3,750,896**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	**417,642**	417,642
Other reserves	17	**324,498**	312,896
Retained earnings			
- Proposed final dividend	27	**47,194**	45,941
- Others		**465,834**	372,737
		1,255,168	1,149,216
Minority interests		**181,989**	156,318
Total equity		**1,437,157**	1,305,534

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2007	2006
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**1,168**	1,895
Trade and other payables	18	**168,525**	125,050
		169,693	126,945
Current liabilities			
Due to customers on construction contracts	14	**—**	56,061
Trade and other payables	18	**2,818,831**	2,085,294
Current income tax payable		**50,873**	37,062
Bank borrowings	19	**91,000**	140,000
		2,960,704	2,318,417
Total liabilities		**3,130,397**	2,445,362
Total equity and liabilities		**4,567,554**	3,750,896
Net current assets		**914,387**	741,679
Total assets less current liabilities		**1,606,850**	1,432,479

The notes on pages 64 to 141 are an integral part of these consolidated financial statements.

Lu Mao Hao	**Wang Wei Bing**
Director	*Director*

Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2007	2006
ASSETS			
Non-current assets			
Fixed assets	6	**205,492**	219,389
Intangible assets	8	**4,752**	4,705
Investments in subsidiaries	9	**428,569**	422,340
Interests in associates	10	**31,200**	31,840
Interest in a joint venture	11	**6,250**	6,250
Deferred income tax assets	12	**4,637**	2,312
		680,900	686,836
Current assets			
Inventories	13	**329,402**	373,764
Trade and other receivables	15	**2,034,543**	1,577,361
Cash and bank balances		**485,451**	221,343
		2,849,396	2,172,468
Total assets		**3,530,296**	2,859,304
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	**417,642**	417,642
Other reserves	17	**390,019**	379,118
Retained earnings			
- Proposed final dividend	27	**47,194**	45,941
- Others		**164,676**	113,985
Total equity		**1,019,531**	956,686

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		As at 31 December	
	Note	**2007**	2006
LIABILITIES			
Current liabilities			
Trade and other payables	18	**2,413,306**	1,771,178
Current income tax payable		**21,459**	11,440
Bank borrowings	19	**76,000**	120,000
		2,510,765	1,902,618
Total liabilities		**2,510,765**	1,902,618
Total equity and liabilities		**3,530,296**	2,859,304
Net current assets		**338,631**	269,850
Total assets less current liabilities		**1,019,531**	956,686

The notes on pages 64 to 141 are an integral part of this financial statement.

Lu Mao Hao
Director

Wang Wei Bing
Director

Consolidated Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Year ended 31 December	
		2007	2006
Revenue	5	**6,889,728**	5,635,395
Cost of sales	20	**(6,272,810)**	(5,037,654)
Gross profit		**616,918**	597,741
Other income	22	**44,406**	28,565
Selling expenses	20	**(149,769)**	(131,266)
Administrative expenses	20	**(230,174)**	(219,869)
Other operating expenses		**(4,135)**	(2,835)
Operating profit		**277,246**	272,336
Finance costs	23	**(26,439)**	(16,012)
Share of results of associates and a joint venture		**3,183**	2,657
Profit before income tax expense		**253,990**	258,981
Income tax expense	24	**(72,287)**	(77,709)
Profit for the year		**181,703**	181,272
Attributable to:			
Equity holders of the Company		**159,023**	155,750
Minority interests		**22,680**	25,522
		181,703	181,272
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	26	**0.38**	0.37
Dividends	27	**47,194**	45,941

The notes on pages 64 to 141 are an integral part of these consolidated financial statements.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		Attributable to equity holders of the Company			Minority interests	Total
	Note	**Share capital** (Note 16)	**Other reserves** (Note 17)	**Retained earnings**		
Balance at 1 January 2006		417,642	292,757	319,136	142,512	1,172,047
Profit for the year		—	—	155,750	25,522	181,272
Appropriation from retained earnings		—	22,797	(22,797)	—	—
Dividends payable to minority shareholders		—	—	—	(9,659)	(9,659)
Dividend relating to 2005	27	—	—	(33,411)	—	(33,411)
Exchange differences		—	(4,261)	—	(2,627)	(6,888)
Others		—	1,603	—	570	2,173
Balance at 31 December 2006		417,642	312,896	418,678	156,318	1,305,534
Profit for the year		—	—	159,023	22,680	181,703
Appropriation from retained earnings		—	18,732	(18,732)	—	—
Dividends payable to minority shareholders		—	—	—	(2,969)	(2,969)
Dividend relating to 2006	27	—	—	(45,941)	—	(45,941)
Exchange differences		—	(8,096)	—	(1,009)	(9,105)
Capital contributions from minority shareholders		—	—	—	4,900	4,900
Others		—	966	—	2,069	3,035
Balance at 31 December 2007		**417,642**	**324,498**	**513,028**	**181,989**	**1,437,157**

The notes on pages 64 to 141 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2007	2006
Cash flows from operating activities			
Cash generated from operations	28(a)	**526,182**	161,662
Interest paid		**(26,439)**	(16,012)
Income tax paid		**(64,344)**	(73,209)
Net cash generated from operating activities		**435,399**	72,441
Cash flows from investing activities			
Purchase of fixed assets		**(65,498)**	(69,152)
Proceeds from sale of fixed assets	28(b)	**1,304**	150
Purchase of intangible assets, leasehold land and land use rights		**(7,283)**	(93,352)
Cash restricted for establishment of a subsidiary		**(2,310)**	—
Acquisition of associates		**—**	(31,200)
Interest received		**12,387**	14,643
(Increase)/decrease in amounts due from associates		**(1,438)**	1,495
Dividend received from an associate		**1,410**	—
Net cash used in investing activities		**(61,428)**	(177,416)
Cash flows from financing activities			
Share issuance costs		**—**	(6,116)
Proceeds from bank borrowings		**713,000**	545,000
Repayments of bank borrowings		**(762,000)**	(544,929)
Capital contributions from minority shareholders		**4,900**	—
Dividend paid to Company's equity holders	27	**(45,941)**	(33,411)
Dividend paid to minority shareholders		**(6,096)**	(14,406)
Consideration paid for interests in subsidiaries accounting for using merger accounting and dividend paid to the predecessor holders of such interests		**—**	(7,533)
Net cash used in financing activities		**(96,137)**	(61,395)
Net increase/(decrease) in cash and cash equivalents		**277,834**	(166,370)
Cash and cash equivalents at beginning of the year		**670,637**	840,180
Exchange losses on cash and cash equivalents		**(5,233)**	(3,173)
Cash and cash equivalents at end of the year	28(c)	**943,238**	670,637

The notes on pages 64 to 141 are an integral part of these consolidated financial statements.

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.

The Company and its subsidiaries (together the "Group") are principally engaged in the following businesses: (1) Material logistics services: purchase and sale of materials mainly for construction work and provision of related logistics arrangement services; (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) Cross-border transportation services: cross-border coach and freight transportation services between Hong Kong and Guangdong Province of Mainland China; (5) Tai Ping Interchange: share of toll income from toll stations connecting to Tai Ping Interchange of the Group.

These consolidated financial statements are presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 9 April 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Standard, amendment and interpretations effective in 2007 and relevant to the Group's operations

HKFRS 7	Financial Instruments : Disclosure
HKAS 1 (Amendment)	Presentation of Financial Statements : Capital Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 introduces new disclosures relating to financial instruments and capital in the annual financial statements. There is no impact on the classification and valuation of the Group's financial instruments.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Interpretations effective in 2007 but not relevant to the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations as follows:

HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyper-inflationary Economies
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

(c) Standards, amendments and interpretations which are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

Effective from 1 January 2008

HK(IFRIC) – Int 12	Service Concession Arrangements

HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The Group will apply HK(IFRIC) – Int 12 from 1 January 2008. It is not expected to have significant impact on the Group's consolidated financial statements, but the reclassifications of the underlying assets.

Effective from 1 January 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations

The Group will apply these standards from 1 January 2009, but it is not expected to have any impact on the Group's accounting policies and presentation of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) *Standards, amendments and interpretations which are not yet effective and have not been early adopted by the Group (continued)*

Effective from 1 July 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combination

The Group will apply these standards from 1 January 2010 and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

(d) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but are not relevant to the Group's operations.

HK(IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transaction
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(e) *Changes in accounting policies*

With effect from 1 January 2007, the Group has changed its accounting policy for transactions with minority interests. Under the new accounting policy, the Group treats transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Previously, the Group treated transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary was deducted from equity. Gains or losses on disposals to minority interests were also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests were also recorded in equity.

The change in accounting policy has not resulted in change of net assets attributable to equity holders of the Company as at 1 January 2006, 31 December 2006 and 31 December 2007, and has not resulted in change of profit attributable to equity holders of the Company for the years ended 31 December 2006 and 2007.

2.2 Consolidation

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

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

As permitted by the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA, merger accounting is used to account for the acquisition of subsidiaries from the Parent Company and fellow subsidiaries as they are related to entities under common control. The consolidated income statement and consolidated cash flow statement include the results and operations and cash flows of these companies as if the structure of the Group resulted from the above transactions had been in existence from the earliest period presented; the consolidated balance sheet has been prepared to present the financial position of the Group as at year end as if the group structure resulted from such transactions had been in existence since the earliest date presented.

The purchase method of accounting is used to account for other acquisition of subsidiaries by the Group, which do not meet the criteria for merger accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses (Note 2.7). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(c) Joint ventures

A joint venture is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral over the entity. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in joint ventures are stated at cost less provision for impairment losses (Note 2.7). The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Fixed assets

Construction in progress represents properties under construction and is carried at cost, which includes development and construction expenditure incurred and other direct costs attributable to the development, less any accumulated impairment losses. Construction in progress is not depreciated until such time as the assets are completed and available for use.

All other fixed assets, comprising Tai Ping Interchange, buildings, leasehold improvements, furniture, fixtures and equipment and motor vehicles, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of fixed assets is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

— Tai Ping Interchange	27 years
— Buildings	5-25 years
— Leasehold improvements	5 years
— Furniture, fixtures and equipment	5 years
— Motor vehicles	5-8 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income/other operating expenses-net in the income statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint ventures is included in interests in associates or joint ventures and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

2.7 Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivable are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Loans and receivables are classified as 'trade and other receivables' in the balance sheet (Note 2.11).

(b) Available-for-sale financial assets

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

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(b) Available-for-sale financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

2.9 Inventories

Inventories mainly comprise materials for construction work and spare parts for repair and maintenance, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Construction contracts

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the percentage of completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retentions are included within trade and other receivables.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits

In accordance with the rules and regulations in Mainland China, the Mainland China based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group and the Mainland China based employees are required to make monthly contributions to these plans calculated as a percentage of the employee's salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired Mainland China based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the government in Mainland China.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and Hong Kong Dollar ("HKD") 1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of materials are recognised when the Group has delivered the materials to the customer; the customer has accepted the materials and collectibility of the related receivables is reasonably assured.

Sales from subcontracting certain services in expressway service zones to third parties under non-cancellable subcontracting contracts are recognised in income on a straight-line basis over the subcontract term.

Sales from the provision of logistic arrangement services relating to sale of materials, the support services in expressway service zones, the cross-border coach and freight services and other services are recognised when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales from construction contracts are recognised on the basis as set out in Note 2.10.

Sales from toll income of Tai Ping Interchange of the Group are recognised when the right to receive such income is established.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Operating lease rental income is recognised on a straight line basis over the lease period.

Compensation income from customers is recognised when the right to receive such income is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Government grants

The Group has complied all conditions and reasonably assured that government grants will be received. Grants from the government are recognised at their fair value.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred government grants and are recognised in the income statement on a straight line basis over the expected lives of the related assets.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including sub-contract of expressway service zones from toll expressway owners, are expensed in the income statement on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, concentration of customers and suppliers risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group exposes to foreign exchange risk as cross-border transportation services between Hong Kong and Mainland China are denominated in HKD, and the Group's presentation currency differs from the functional currency of the services. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group aims to manage the foreign exchange risk by maintaining the balances between collections and payments, and recognised assets and liabilities in foreign currency.

As at 31 December 2007, if RMB had strengthened by 10% against HKD, profit before income tax would have been approximately RMB5,676,000 (31 December 2006: RMB6,329,000) lower, mainly as a result of foreign exchange losses on translation of HKD denominated cash in bank. Equity with minority interests would have been approximately RMB26,878,000 (31 December 2006: RMB25,749,000) lower, arising mainly from foreign translation losses on investments in Hong Kong operations.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables, and due from customers on construction contracts, except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. Most of the Group's cash and cash equivalents are held in major financial institutions in Mainland China, which management believes are of high credit quality. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Generally customers are granted credit terms ranging from 0 to 90 days. Normally the Group does not require collaterals from trade debtors.

Sales to retail customers are settled in cash or using major credit cards.

As at 31 December 2007, approximately 23.3% (31 December 2006: 23.7%) of the trade and other receivables and due from customers on construction contracts was concentrated on the top five customers. The Group performs ongoing credit evaluations of their customers' financial condition and generally do not require collaterals on trade and other receivables and due from customers on construction contracts.

No other financial assets carry a significant exposure to credit risk.

(c) Concentration of customers and suppliers risk

During the year, the Group's sales to top five customers accounted for approximately 26.8% of the total revenue (2006: 24.5%); the Group's purchases from top five suppliers accounted for 48.6% (2006: 41.4%) of the total purchase. The Group aims to maintain long-term relationship with reputable customers and suppliers in the expansion of its business.

(d) Interest rate risk

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

The Group's interest-rate risk arises from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings issued at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2007 and 2006, all the Group's bank borrowings were at fixed rate. Details of the Group's bank borrowings are set out in Note 19.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group	**Company**
	Less than 1 year	**Less than 1 year**
At 31 December 2007		
Bank borrowings	**91,622**	76,211
Trade and other payables	**2,675,055**	2,354,350
At 31 December 2006		
Bank borrowings	141,261	121,202
Trade and other payables	1,942,647	1,715,919

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets, as shown in the consolidated balance sheet.

	2007	2006
Total liabilities	**3,130,397**	2,445,362
Total assets	**4,567,554**	3,750,896
Gearing ratio	**69%**	65%

The increase in the gearing ratio during 2007 resulted primarily from the increase in scale of operation and the enhanced utilisation of bills payable which were not due at the balance sheet date.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables and due from customers on construction contracts, and financial liabilities including trade and other payables and current bank borrowings, approximate their fair values due to their short maturities. The carrying value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Percentage of completion of construction contracts

The Group's management estimates the percentage of completion of construction contracts. These estimates are based on the engineers' knowledge and historical experience, and by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Management assesses the completion progress at each balance sheet date. Were the percentage of completion to differ by 5% from management's estimates, the amount of revenue recognised in the year would be increase by RMB18,593,000 if the percentage of completion (limited to 100% of completion) was increased, or would be decreased by RMB18,703,000 if the percentage of completion was decreased.

(b) Useful lives of fixed assets

The Group's management determines the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Were the useful life to differ by 5% from management's estimates, the amount of depreciative charge in the year would be increased by RMB3,226,000 if the useful life was shortened, or would be decreased by RMB2,918,000 if the useful life was prolonged.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market condition. Management reviews the market conditions of inventories periodically and reassesses the sufficiency of provision of impairment accordingly. If the estimated selling price to lower by 10% from management's estimates, the Group would have recognised a provision against inventories by RMB2,984,000.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables in accordance with the accounting policy stated in Note 2.11. This estimate is based on the credit history of its customers and the current market condition. It could change significantly as a result of change in financial positions of customers. Management reviews the debtor settlement status periodically and reassesses the sufficiency of provision accordingly.

5. SEGMENT INFORMATION

Primary reporting format – business segments

Revenue of the segments during the year are as follows:

	2007	2006
Revenue		
- Material logistics services	**5,570,759**	4,255,555
- Expressway service zones	**400,803**	369,969
- Transportation intelligence services	**527,039**	623,130
- Cross-border transportation services	**263,940**	261,891
- Tai Ping Interchange	**127,187**	104,359
- Others	**—**	20,491
	6,889,728	5,635,395

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

The segment results, capital expenditure and other segment information for the year ended 31 December 2007 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Revenue							
Total gross segment revenue	5,584,295	400,803	543,470	263,940	130,247	—	6,922,755
Inter-segment revenue	(13,536)	—	(16,431)	—	(3,060)	—	(33,027)
	5,570,759	400,803	527,039	263,940	127,187	—	6,889,728
Operating profit/(loss)	86,413	74,384	17,264	34,293	100,673	(35,781)	277,246
Finance costs							(26,439)
Share of results of associates and a joint venture							3,183
Profit before income tax							253,990
Income tax expense							(72,287)
Profit for the year							181,703
Depreciation	6,248	17,820	5,496	27,470	9,599	4,252	70,885
Amortisation	2,925	523	288	804	—	595	5,135
Provision for impairment of fixed assets and Intangible assets	—	—	519	—	—	—	519
Provision for/(reversal of) impairment of receivables	8,053	(43)	2,354	465	—	—	10,829

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

The segment assets and liabilities at 31 December 2007 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Total gross segment assets	2,836,972	468,974	644,714	298,657	327,845	154,410	4,731,572
Inter-segment	(60,874)	(100,530)	(6,997)	—	(3,060)	(93,840)	(265,301)
	2,776,098	368,444	637,717	298,657	324,785	60,570	4,466,271
Interests in associates							68,311
Interest in a joint venture							15,542
Available-for-sale financial assets							200
Deferred income tax assets							17,230
Total assets							4,567,554
Total gross segment liabilities	2,352,656	291,772	443,908	48,946	104,876	101,499	3,343,657
Inter-segment	(42,861)	(7,307)	(120,971)	—	(2,615)	(91,547)	(265,301)
	2,309,795	284,465	322,937	48,946	102,261	9,952	3,078,356
Current income tax payable							50,873
Deferred income tax liabilities							1,168
Total liabilities							3,130,397
Capital expenditure	15,883	33,138	2,104	28,466	1,521	864	81,976

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

The segment results, capital expenditure and other segment information for the year ended 31 December 2006 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Others	Unallocated	Group
Revenue								
Total gross segment revenue	4,261,909	369,969	644,051	261,891	104,359	30,110	—	5,672,289
Inter-segment revenue	(6,354)	—	(20,921)	—	—	(9,619)	—	(36,894)
	4,255,555	369,969	623,130	261,891	104,359	20,491	—	5,635,395
Operating profit/(loss)	89,896	71,574	18,208	37,340	84,325	5,922	(34,929)	272,336
Finance costs								(16,012)
Share of results of associates and a joint venture								2,657
Profit before income tax								258,981
Income tax expense								(77,709)
Profit for the year								181,272
Depreciation	5,750	21,620	6,005	30,684	10,135	538	4,542	79,274
Amortisation	735	520	497	813	642	142	—	3,349
Reversal of impairment of fixed assets	—	—	—	(2,339)	—	—	—	(2,339)
(Reversal of)/provision for impairment of receivables	(31)	(1,738)	(2,300)	117	—	—	—	(3,952)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

The segment assets and liabilities at 31 December 2006 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Others	Unallocated	Group
Total gross segment assets	2,117,924	413,567	473,429	288,924	378,930	25,843	67,656	3,766,273
Inter-segment	(16,600)	(70,022)	(8,845)	—	(4,879)	(7,934)	—	(108,280)
	2,101,324	343,545	464,584	288,924	374,051	17,909	67,656	3,657,993
Interests in associates								65,933
Interest in a joint venture								14,709
Available-for-sale financial assets								200
Deferred income tax assets								12,061
Total assets								3,750,896
Total gross segment liabilities	1,675,994	246,958	301,240	61,429	215,969	13,095	—	2,514,685
Inter-segment	(2,734)	(5,818)	(16,020)	—	(77,518)	(6,190)	—	(108,280)
	1,673,260	241,140	285,220	61,429	138,451	6,905	—	2,406,405
Current income tax payable								37,062
Deferred income tax liabilities								1,895
Total liabilities								2,445,362
Capital expenditure	107,752	60,907	3,156	38,082	19,332	1,538	2,799	233,566

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

Unallocated costs represent corporate expenses.

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

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

Capital expenditure comprises additions to fixed assets, leasehold land and land use rights and intangible assets.

Secondary reporting format – geographical segments

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

Revenue

	2007	2006
Mainland China	**6,677,640**	5,426,132
Hong Kong	**212,088**	209,263
	6,889,728	5,635,395

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments *(continued)*

Total assets

	2007	2006
Mainland China	**4,146,480**	3,334,246
Hong Kong	**259,221**	256,091
	4,405,701	3,590,337
Interests in associates	**68,311**	65,933
Interest in a joint venture	**15,542**	14,709
Available-for-sale financial assets	**200**	200
Unallocated assets	**77,800**	79,717
	4,567,554	3,750,896

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

Capital expenditure

	2007	2006
Mainland China	**54,343**	199,492
Hong Kong	**27,633**	34,074
	81,976	233,566

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS

Group

	Tai Ping Interchange	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2006							
Cost	246,070	156,608	19,029	42,898	327,861	10,833	803,299
Accumulated depreciation and impairment	(68,740)	(68,060)	(5,740)	(19,933)	(214,718)	—	(377,191)
Net book amount	177,330	88,548	13,289	22,965	113,143	10,833	426,108
Year ended 31 December 2006							
Opening net book amount	177,330	88,548	13,289	22,965	113,143	10,833	426,108
Exchange differences	—	(1,304)	(41)	(23)	(2,146)	—	(3,514)
Additions	—	2,816	26,247	12,044	39,625	50,762	131,494
Transfers	28,665	—	21,910	—	—	(50,575)	—
Reclassification	—	(8,883)	8,883	—	—	—	—
Disposals	—	(1,723)	(279)	(395)	(588)	—	(2,985)
Depreciation	(10,135)	(9,228)	(18,698)	(7,293)	(33,920)	—	(79,274)
Reversal of impairment	—	2,339	—	—	—	—	2,339
Closing net book amount	195,860	72,565	51,311	27,298	116,114	11,020	474,168
At 31 December 2006							
Cost	274,201	127,139	94,103	54,287	340,123	11,020	900,873
Accumulated depreciation and impairment	(78,341)	(54,574)	(42,792)	(26,989)	(224,009)	—	(426,705)
Net book amount	195,860	72,565	51,311	27,298	116,114	11,020	474,168

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Group *(continued)*

	Tai Ping Interchange	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progres	Total
Year ended 31 December 2007							
Opening net book amount	195,860	72,565	51,311	27,298	116,114	11,020	474,168
Exchange differences	—	(2,740)	(314)	(409)	(4,095)	—	(7,558)
Additions	955	746	5,873	1,829	17,098	34,370	60,871
Transfers	—	69	4,174	2,764	—	(7,007)	—
Transfers to leasehold land (Note 7)	—	(15,903)	—	—	—	—	(15,903)
Disposals	—	—	(375)	(2,066)	(158)	—	(2,599)
Depreciation	(9,599)	(4,430)	(18,199)	(6,666)	(31,991)	—	(70,885)
Impairment charge	—	—	(335)	—	—	—	(335)
Closing net book amount	187,216	50,307	42,135	22,750	96,968	38,383	437,759
At 31 December 2007							
Cost	275,156	101,433	97,116	52,825	321,013	38,383	885,926
Accumulated depreciation and impairment	(87,940)	(51,126)	(54,981)	(30,075)	(224,045)	—	(448,167)
Net book amount	187,216	50,307	42,135	22,750	96,968	38,383	437,759

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Company

	Tai Ping Interchange	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progres	Total
At 1 January 2006							
Cost	246,070	1,749	13,249	3,665	16,507	10,333	291,573
Accumulated depreciation	(68,740)	(347)	(4,388)	(1,453)	(5,985)	—	(80,913)
Net book amount	177,330	1,402	8,861	2,212	10,522	10,333	210,660
Year ended 31 December 2006							
Opening net book amount	177,330	1,402	8,861	2,212	10,522	10,333	210,660
Additions	—	—	182	915	2,032	23,538	26,667
Transfers	31,335	—	1,537	—	—	(32,872)	—
Disposals	—	(1,333)	(279)	(9)	—	—	(1,621)
Depreciation	(10,259)	(69)	(2,851)	(691)	(2,447)	—	(16,317)
Closing net book amount	198,406	—	7,450	2,427	10,107	999	219,389
At 31 December 2006							
Cost	276,871	—	13,727	4,557	18,539	999	314,693
Accumulated depreciation	(78,465)	—	(6,277)	(2,130)	(8,432)	—	(95,304)
Net book amount	198,406	—	7,450	2,427	10,107	999	219,389
Year ended 31 December 2007							
Opening net book amount	198,406	—	7,450	2,427	10,107	999	219,389
Additions	955	—	—	376	—	1,047	2,378
Disposals	—	—	(371)	—	(228)	—	(599)
Depreciation	(9,724)	—	(2,877)	(816)	(2,259)	—	(15,676)
Closing net book amount	189,637	—	4,202	1,987	7,620	2,046	205,492
At 31 December 2007							
Cost	277,826	—	13,356	4,933	18,044	2,046	316,205
Accumulated depreciation	(88,189)	—	(9,154)	(2,946)	(10,424)	—	(110,713)
Net book amount	189,637	—	4,202	1,987	7,620	2,046	205,492

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

The Group does not have the title deeds of certain buildings in expressway service zones as they were built on land owned by other entities. The Group has entered into agreements with the relevant entities to use such land in the form of lease or sub-contract, with a period in line with the useful lives of the relevant buildings. The total net book amount of such buildings amounted to approximately RMB22,169,000 at 31 December 2007 (31 December 2006: RMB24,060,000).

Depreciation charges of approximately RMB54,097,000 (2006: RMB60,971,000), RMB4,044,000 (2006: RMB2,983,000) and RMB12,744,000 (2006: RMB15,320,000) were included in cost of sales, selling expenses and administrative expenses, respectively.

7. LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2007	2006
In Mainland China held on:		
Leases of between 10 to 50 years	**108,466**	100,881
In Hong Kong held on:		
Leases of between 10 to 50 years	**15,631**	7,472
Leases of over 50 years	**22,562**	6,659
	146,659	115,012

The movements of leasehold land and land use rights are as follows:

	2007	2006
Opening net book amount	**115,012**	11,151
Additions	**20,991**	97,626
Transfers from investment properties	**—**	7,715
Transfers from fixed assets (Note 6)	**15,903**	—
Exchange differences	**(1,997)**	(380)
Amortisation	**(3,250)**	(1,100)
Closing net book amount	**146,659**	115,012

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS

Group

	Goodwill	Computer software	Total
At 1 January 2006			
Cost	1,450	8,803	10,253
Accumulated amortisation	—	(3,733)	(3,733)
Net book amount	1,450	5,070	6,520
Year ended 31 December 2006			
Opening net book amount	1,450	5,070	6,520
Additions	—	4,446	4,446
Amortisation charge	—	(2,249)	(2,249)
Closing net book amount	1,450	7,267	8,717
At 31 December 2006			
Cost	1,450	13,249	14,699
Accumulated amortisation	—	(5,982)	(5,982)
Net book amount	1,450	7,267	8,717
Year ended 31 December 2007			
Opening net book amount	1,450	7,267	8,717
Additions	—	114	114
Amortisation charge	—	(1,885)	(1,885)
Impairment charge	—	(184)	(184)
Closing net book amount	1,450	5,312	6,762
At 31 December 2007			
Cost	1,450	13,363	14,813
Accumulated amortisation and impairment	—	(8,051)	(8,051)
Net book amount	1,450	5,312	6,762

Amortisation charges of approximately RMB301,000 (2006: RMB907,000) and RMB1,584,000 (2006: RMB1,342,000) were included in cost of sales and administrative expenses, respectively.

Goodwill is allocated to the expressway service zones segment, which is operated in Mainland China, for test of impairment. There is no material impairment of goodwill as at year end.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS *(continued)*

Company

	Computer Software
At 1 January 2006	
Cost	4,635
Accumulated amortisation	(839)
Net book amount	3,796
Year ended 31 December 2006	
Opening net book amount	3,796
Additions	2,240
Amortisation charge	(1,331)
Closing net book amount	4,705
At 31 December 2006	
Cost	6,875
Accumulated amortisation	(2,170)
Net book amount	4,705
Year ended 31 December 2007	
Opening net book amount	4,705
Additions	1,657
Amortisation charge	(1,610)
Closing net book amount	4,752
At 31 December 2007	
Cost	8,532
Accumulated amortisation	(3,780)
Net book amount	4,752

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2007	2006
Investments, at cost:		
- Unlisted shares	415,882	324,742
Amounts due from subsidiaries	12,687	97,598
	428,569	422,340

The amounts due from subsidiaries are unsecured and interest-free. The settlement of such amounts is neither planned nor likely to occur in the coming year.

The following is a list of the principal subsidiaries at 31 December 2007, all of which are limited liability companies:

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital/issued share capital	Interest held Direct	Interest held Indirect
Guangdong Top-E Expressway Service Zone Company Limited	Mainland China	Toll road services in Mainland China	RMB100,000,000	95.6%	—
Guangdong Nan Yue Logistics International Service Company Limited	Mainland China	Freight and transportation in Mainland China	RMB10,000,000	90.0%	9.6%
Guangdong Southchina Logistics Enterprise Company Limited	Mainland China	Construction and logistics in Mainland China	RMB100,000,000 (Note a)	98.4%	1.1%
Guangdong Xinyue Communications Investment Company Limited ("Guangdong Xinyue")	Mainland China	Construction and logistics, including purchase and sale of construction materials in Mainland China	RMB60,000,000	71.0%	—

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital/issued share capital	Interest held Direct	Interest held Indirect
Guangdong New Way Advertising Company Limited	Mainland China	Advertising services in Mainland China	RMB3,000,000	60.0%	38.2%
Guangdong Tai Cheng Consulting Company Limited	Mainland China	Consulting services in Mainland China	RMB1,000,000	60.0%	39.4%
The Motor Transport Company of Guangdong and Hong Kong Limited	Hong Kong	Coach and freight services in Mainland China and Hong Kong	HKD9,000,000	62.0%	—
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	Mainland China	Coach and freight services in Mainland China and Hong Kong	HKD9,000,000	62.0%	—
Guangdong Oriental Thought Technology Company Limited (“Guangdong Oriental Thought”)	Mainland China	Software development and management in Mainland China	RMB22,000,000 (Note b)	51.0%	—
Guangdong Jindaoda Expressway Economic Development Company Limited	Mainland China	Toll road services in Mainland China	RMB10,000,000	5.0%	90.8%
Guangdong Guantong Expressway Assets Management Company Limited	Mainland China	Toll road services in Mainland China	RMB10,000,000	—	92.7%
Guangdong Xinyue E & M Engineering Company Limited (“Guangdong Xinyue E & M”)	Mainland China	Construction and engineering services in Mainland China	RMB10,000,000	—	60.4%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital/issued share capital	Interest held Direct	Interest held Indirect
Guangdong Road & Bridge Electronic Toll Collection Company Limited	Mainland China	Development of electronic toll collection system in Mainland China	RMB30,000,000	—	60.4%
Shenzhen Yuegang Transport Company Limited	Mainland China	Provision of coach services in Mainland China	HKD10,500,000	—	62.0%
Gang Tong (H.K.) Motor Transportation Company Limited	Hong Kong	Provision of coach services in Mainland China and Hong Kong	HKD500,000	—	62.0%
Yue Kong Shipping Company Limited	Hong Kong	Provision of transport agency services in Hong Kong	HKD20,000	—	62.0%
Carson Development Limited	Hong Kong	Property holding in Hong Kong	HKD10,000	—	62.0%
Man Kam To Coach Management Company Limited	Hong Kong	Provision of coach services in Hong Kong	HKD100,000	—	42.8%
Chongqing Aoteng Technology Development Company Limited ("Chongqing Aoteng")	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	26.0%
Oriental Thought (Henan) Technology Company Limited	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	26.0%
Guangdong Yue Li Jia Passenger Transport Company Limited	Hong Kong	Provision of coach services in Mainland China and Hong Kong	HKD10,000	—	43.4%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

(a) The Company made additional capital contributions of RMB84,000,000 to the subsidiary in 2007.

(b) The Company and the minority shareholders made additional capital contributions of RMB14,000,000 to the subsidiary in the original interest held respectively in 2007.

10. INTERESTS IN ASSOCIATES

	Group		Company	
	2007	2006	**2007**	2006
Beginning of the year	**42,486**	1,538	**20,000**	—
Acquisition/incorporation of associates	**11,200**	38,000	**11,200**	20,000
Share of associates' results	**2,350**	2,948	**—**	—
Dividend from an associate	**(1,410)**	—	**—**	—
End of the year	**54,626**	42,486	**31,200**	20,000
Prepayment for acquisition of an associate	**—**	11,200	**—**	11,200
Amounts due from associates	**17,985**	16,547	**—**	640
Less: provision for impairment of receivables	**(4,300)**	(4,300)	**—**	—
	68,311	65,933	**31,200**	31,840

Interests in associates as at 31 December 2007 include goodwill of RMB8,075,000 (31 December 2006: RMB8,075,000).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. INTERESTS IN ASSOCIATES *(continued)*

The Group's interest in its principal associates, all of which are unlisted, are as follows:

Name	Particulars of issued/registered capital	Country/place of incorporation	% Interest held on 31 December	
			2007	2006
Guangdong Foda Expressway Economy Development Company Limited	RMB1,000,000	Mainland China	**49.0%**	49.0%
Lufeng Shenshan Expressway Service Company Limited	RMB1,000,000	Mainland China	**45.0%**	45.0%
Guangdong Road Technology Development Company Limited	RMB2,000,000	Mainland China	**40.0%**	40.0%
Sha Tau Kok Bus Management Company Limited	HKD60,000	Hong Kong	**30.8%**	30.8%
Express Cross-Border Coach Management Company Limited	HKD199,000	Hong Kong	**23.6%**	23.6%
Southern United Assets and Equity Exchange Company Limited	RMB80,000,000	Mainland China	**25.0%**	25.0%
Shenzhen Man Kam To Coach Management Company Limited	RMB30,000,000	Mainland China	**20.0%**	20.0%
Guangdong Feida Traffic Engineering Company Limited ("Feida Traffic")	RMB5,000,000	Mainland China	**30.0%**	—

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. INTERESTS IN ASSOCIATES *(continued)*

The Group's share of the results of its principle associates, all of which are unlisted, and their aggregated assets (including goodwill) and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit
2007	**120,730**	**87,894**	**87,039**	**2,350**
2006	98,276	74,833	97,674	2,948

The prepayment for acquisition of an associate as at 31 December 2006 represented the Group's payment for 30% equity interest in Feida Traffic. The business registration for this acquisition has been completed in 2007.

As at 31 December 2007, the amounts due from associates are unsecured, interest free and have no fixed repayment terms. As at 31 December 2006, an amount due from an associate of RMB4,547,000 was unsecured, bearing interest at a rate of 7.5% per annum. The other amounts due from associates were unsecured, interest free and had no fixed repayment terms.

11. INTEREST IN A JOINT VENTURE

The Group holds, directly and indirectly, 48.7% interest in a joint venture, Guangdong Zhong Yue Tong Oil Products Operation Company Limited, which was incorporated in Mainland China on 24 October 2005. This company is mainly engaged in operation of petrol station (including purchase and sale of gasoline).

	Group		Company	
	2007	2006	**2007**	2006
Beginning of the year	**14,709**	15,000	**6,250**	6,250
Share of a joint venture's results	**833**	(291)	**—**	—
End of the year	**15,542**	14,709	**6,250**	6,250

The Group's share of the results of its joint venture, of which is unlisted, and its aggregated assets and liabilities are as follow:

	Assets	Liabilities	Revenues	Profit/(loss)
2007	**15,272**	**134**	**31,727**	**833**
2006	14,444	52	8,661	(291)

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the joint venture itself.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2007	2006	**2007**	2006
Deferred tax assets:				
- Deferred tax assets to be recovered within 12 months	**7,414**	5,528	**4,488**	1,235
- Deferred tax assets to be recovered after more than 12 months	**9,816**	6,533	**149**	1,077
	17,230	12,061	**4,637**	2,312
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered within 12 months	**(770)**	—	**—**	—
- Deferred tax liabilities to be recovered after more than 12 months	**(398)**	(1,895)	**—**	—
	(1,168)	(1,895)	**—**	—
Deferred tax assets - net	**16,062**	10,166	**4,637**	2,312

The movement on the deferred income tax is as follows:

	Group		Company	
	2007	2006	**2007**	2006
Beginning of the year	**10,166**	7,509	**2,312**	1,779
Recognised in the income statement (Note 24)	**5,868**	2,572	**2,325**	533
Exchange differences	**28**	85	**—**	—
End of the year	**16,062**	10,166	**4,637**	2,312

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. DEFERRED INCOME TAX *(continued)*

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Group				Company		
	Provision of impairment of receivables	Provision of impairment inventories	Accrued expenses	Total	Provision of impairment of receivables	Accrued expenses	Total
At 1 January 2006	9,752	204	269	10,225	1,202	577	1,779
Recognised in the income statement	(3,134)	—	5,259	2,125	(125)	658	533
Exchange differences	(25)	(7)	—	(32)	—	—	—
At 31 December 2006	6,593	197	5,528	12,318	1,077	1,235	2,312
Recognised in the income statement	(5,099)	(197)	11,137	5,841	(928)	3,253	2,325
At 31 December 2007	1,494	—	16,665	18,159	149	4,488	4,637

Deferred tax liabilities:

	Group		
	Accelerated tax depreciation	Proposed dividend of a subsidiary	Total
At 1 January 2006	(2,716)	—	(2,716)
Recognised in the income statement	447	—	447
Exchange differences	117	—	117
At 31 December 2006	(2,152)	—	(2,152)
Recognised in the income statement	1,726	(1,699)	27
Exchange differences	28	—	28
At 31 December 2007	**(398)**	**(1,699)**	**(2,097)**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. DEFERRED INCOME TAX *(continued)*

The Group had carry-forward tax losses of approximately RMB32,599,000 as at 31 December 2007 (31 December 2006: RMB61,388,000). Deferred income tax assets arissing from such tax losses of approximately RMB5,901,000 (31 December 2006: RMB13,195,000) have not been recognised as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. As at 31 December 2007, tax losses of approximately RMB3,367,000 (31 December 2006: RMB15,817,000) will expire within a period of 5 years.

At 31 December 2007, there were no other material unprovided deferred income tax assets and liabilities.

13. INVENTORIES

	Group		Company	
	2007	2006	**2007**	2006
Materials	**346,533**	395,711	**329,402**	373,764
Spare parts, merchandise and others	**20,969**	18,029	**—**	—
	367,502	413,740	**329,402**	373,764

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB5,427,644,000 (2006: RMB4,100,356,000).

14. CONSTRUCTION CONTRACTS – GROUP

	2007	2006
Contract costs incurred plus recognised profits		
(less foreseeable losses to date)	**3,160,937**	3,223,689
Less: progress billings to date	**(2,945,588)**	(3,139,945)
	215,349	83,744
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers on construction contracts	**215,349**	139,805
Amounts due to customers on construction contracts	**—**	(56,061)
	215,349	83,744

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. CONSTRUCTION CONTRACTS – GROUP *(continued)*

At 31 December 2007, retentions held by customers for contract work included in trade and other receivables of the Group under Note 15 amounted to approximately RMB76,198,000 (31 December 2006: RMB22,932,000).

At 31 December 2007, advances received from customers for contract work included in trade and other payables of the Group under Note 18 amounted to approximately RMB16,921,000 (31 December 2006: RMB51,302,000).

Certain amounts due from/to customers on construction contracts were with related parties as follows:

	2007	2006
Amounts due from customers on construction contracts		
- Fellow subsidiaries	**108,978**	41,823
- Fellow associates	**10,285**	13,610
- Associates	**573**	—
	119,836	55,433
Amounts due to customers on construction contracts		
- Fellow subsidiaries	**—**	49,693
- Fellow associates	**—**	1,367
	—	51,060

15. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2007	2006	**2007**	2006
Trade receivables (Note a)	**836,556**	735,745	**718,928**	666,067
Bills receivable (Note b)	**37,528**	6,691	**37,528**	6,691
Other receivables (Note c)	**127,175**	87,937	**30,249**	39,665
Prepayments (Note d)	**655,929**	548,853	**598,791**	506,012
Due from related parties (Note e)	**687,499**	456,688	**649,047**	358,926
	2,344,687	1,835,914	**2,034,543**	1,577,361

The carrying amounts of trade and other receivables approximate to their fair value.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables

	Group		Company	
	2007	2006	**2007**	2006
Trade receivables	**841,422**	743,502	**718,928**	666,067
Less: provision for impairment of receivables	**(4,866)**	(7,757)	**—**	—
	836,556	735,745	**718,928**	666,067

The various Group companies have different credit policy, dependent on the requirements of their markets and the business in which they operate. For material logistics services business and transportation intelligence services business, certain percentage of the trade receivables is retained by customers as quality assurance and is repaid upon finalisation of the relevant construction projects.

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2007	2006	**2007**	2006
Within 3 months	**720,609**	654,346	**634,575**	602,502
Over 3 months and within 6 months	**19,032**	33,956	**12,653**	31,478
Over 6 months and within 1 year	**45,632**	37,219	**37,456**	32,087
Over 1 year and within 2 years	**43,429**	4,268	**34,244**	—
Over 2 years and within 3 years	**3,841**	7,348	**—**	—
Over 3 years	**8,879**	6,365	**—**	—
	841,422	743,502	**718,928**	666,067

(b) Bills receivable

At 31 December 2006 and 2007, bills receivable of the Group and the Company had maturity dates within 6 months.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Other receivables

	Group		Company	
	2007	2006	**2007**	2006
Other receivables	**130,831**	93,245	**30,249**	39,897
Less: provision for impairment of receivables	**(3,656)**	(5,308)	**—**	(232)
	127,175	87,937	**30,249**	39,665

(d) Prepayments

Prepayments mainly represented deposits for purchase of inventories, including materials for construction work.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Due from related parties

	Group		Company	
	2007	2006	**2007**	2006
Trade receivables				
- Fellow subsidiaries	**482,283**	371,580	**343,674**	243,807
- Fellow associates	**162,256**	41,385	**152,979**	17,355
- Subsidiaries	**—**	—	**31,399**	29,796
- Associates	**10,659**	—	**—**	—
Less: provision for impairment of receivables	**(18,710)**	(6,935)	**(10,815)**	(3,031)
	636,488	406,030	**517,237**	287,927
Other receivables				
- Fellow subsidiaries	**18,619**	29,294	**7,228**	7,157
- Fellow associates	**531**	808	**466**	8
- Subsidiaries	**—**	—	**94,613**	47,363
- Associates	**—**	—	**356**	—
Less: provision for impairment of receivables	**(1,649)**	(1,899)	**(532)**	—
	17,501	28,203	**102,131**	54,528
Prepayments				
- Fellow subsidiaries	**33,510**	22,455	**29,679**	16,471
Total				
- Fellow subsidiaries	**534,412**	423,329	**380,581**	267,435
- Fellow associates	**162,787**	42,193	**153,445**	17,363
- Subsidiaries	**—**	—	**126,012**	77,159
- Associates	**10,659**	—	**356**	—
Less: provision for impairment of receivables	**(20,359)**	(8,834)	**(11,347)**	(3,031)
	687,499	456,688	**649,047**	358,926

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Due from related parties *(continued)*

Except for the balance due from subsidiaries amounting to RMB63,320,000 at 31 December 2007, which was interest-bearing at rate of 5.38% per annum (31 December 2006: RMB30,000,000 at 5.508%), other balances with related parties at 31 December 2006 and 2007 were unsecured and interest-free.

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

	Group		Company	
	2007	2006	**2007**	2006
Within 3 months	**541,427**	340,197	**496,742**	251,097
Over 3 months and within 6 months	**1,829**	7,878	**862**	3,933
Over 6 months and within 1 year	**19,777**	18,929	**3,060**	28,837
Over 1 year and within 2 years	**70,217**	18,543	**20,366**	2,893
Over 2 years and within 3 years	**3,707**	2,554	**2,824**	1,030
Over 3 years	**18,241**	24,864	**4,198**	3,168
	655,198	412,965	**528,052**	290,958

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Management make periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

Trade and bills receivable which are past due are analysed as below:

	2007	2006
Fully performing under credit term	**1,283,038**	904,483
Past due and partially impaired	**251,110**	258,675
Total trade and bills receivable	**1,534,148**	1,163,158
Less: provision for impairment	**(23,576)**	(14,692)
Trade and bills receivable - net	**1,510,572**	1,148,466

The ageing of the past due and partially impaired receivables is as follows:

	2007	2006
Up to 3 months	**74,507**	123,886
Over 3 months	**176,603**	134,789
	251,110	258,675

Ageing analyses of receivables are prepared and closely monitored in order tp minimise only credit risk associated. Management considers that the provision for impairment is sufficient to cover the credit risk by reference to the corresponding default history.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. TRADE AND OTHER RECEIVABLES *(continued)*

(g) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
RMB	**2,351,738**	1,837,241	**2,045,890**	1,580,624
HKD	**21,830**	20,572	**—**	—
	2,373,568	1,857,813	**2,045,890**	1,580,624

Movements on the provision for impairment of trade and other receivables are as follows:

	Group		Company	
	2007	2006	**2007**	2006
Beginning of the year	**(21,899)**	(25,851)	**(3,263)**	(3,643)
Provision for impairment of receivables	**(13,772)**	(1,747)	**(8,084)**	(207)
Receivables written off as uncollectible	**3,847**	—	**—**	—
Unused amounts reversed	**2,943**	5,699	**—**	587
End of the year	**(28,881)**	(21,899)	**(11,347)**	(3,263)

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement (Note 20). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Above table contained all classes within trade and other receivables impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collaterals as security.

16. SHARE CAPITAL

	Number of shares (thousands)	Amount
At 31 December 2006 and 2007	417,642	417,642

The total authorised number of ordinary shares is 417,641,877 shares (31 December 2006: 417,641,877 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

17. OTHER RESERVES

Group	Capital reserve	Merger reserve	Share premium	Statutory surplus reserve	Statutory public welfare fund	Enterprise expansion fund	Investment property revaluation	Translation	Total
		(note a)		(note b)	(note b)	(note c)			
Balance at 1 January 2006	12,798	(167,367)	282,739	58,855	53,050	53,753	1,535	(2,606)	292,757
Appropriation from retained earnings	—	—	—	22,797	—	—	—	—	22,797
Exchange differences	—	—	—	—	—	—	—	(4,261)	(4,261)
Transfers	—	—	—	53,050	(53,050)	—	—	—	—
Others	930	(227)	900	—	—	—	—	—	1,603
Balance at 31 December 2006	13,728	(167,594)	283,639	134,702	—	53,753	1,535	(6,867)	312,896
Appropriation from retained earnings	—	—	—	18,732	—	—	—	—	18,732
Exchange differences	—	—	—	—	—	—	—	(8,096)	(8,096)
Others	966	—	—	—	—	—	—	—	966
Balance at 31 December 2007	14,694	(167,594)	283,639	153,434	—	53,753	1,535	(14,963)	324,498

17. OTHER RESERVES *(continued)*

(a) Merger reserve

Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control (Note 2.2).

(b) Statutory reserves

According to relevant rules and regulations in Mainland China and the articles of association of the Company and certain of its subsidiaries, when distributing profit attributable to shareholders each year, the Company and certain of its subsidiaries shall set aside at least 10% of its profit attributable to shareholders based on the Company's and its subsidiaries' local statutory accounts for the statutory reserve fund (except where the statutory surplus reserve has reached 50% of the Company's and these subsidiaries' registered share capital). These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividend without prior approval from a shareholders' general meeting under certain conditions.

When the statutory reserve is not sufficient to make good for any losses of the Company and these subsidiaries from previous years, current year profit attributable to equity holders shall be used to make good the losses before allocations are set aside for the statutory reserve fund.

Pursuant to the amendment to the Company Law of Mainland China effective on 1 January 2006, the Company and these subsidiaries within Mainland China are no longer required to provide statutory public welfare fund. According to the relevant accounting regulations in Mainland China, these companies have transferred the balances of statutory public welfare fund as at 1 January 2006 to statutory surplus reserve.

(c) Enterprise expansion fund

According to relevant rules and regulations in Mainland China and the articles of association of certain group companies, the enterprise expansion fund is created for increase of capital upon approval by relevant authorities, and appropriation to this fund is at the discretion of the directors of these group companies.

(d) Distributable reserves

Dividends will be distributed out of the Group's distributable reserves, which represent the lower amount as determined in accordance with generally accepted accounting principles in Mainland China ("China GAAP") and HKFRS. As at 31 December 2007, the Company's distributable reserves were approximately RMB211,870,000 (31 December 2006: RMB159,926,000), being the lower of the distributable reserves as determined under China GAAP and HKFRS.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. OTHER RESERVES (continued)

(e) The movement in other reserves and retained earnings of the Company during the years are as follows:

	Other reserves					
	Capital reserve	Share premium	Statutory surplus reserve	Statutory public welfare fund	Total	Retained earnings
Balance at 1 January 2006	8,174	282,739	35,923	35,923	362,759	68,935
Profit for the year	—	—	—	—	—	139,861
Appropriation from retained earnings	—	—	15,459	—	15,459	(15,459)
Dividends relating to 2005	—	—	—	—	—	(33,411)
Transfers	—	—	35,923	(35,923)	—	—
Others	—	900	—	—	900	—
Balance at 31 December 2006	8,174	283,639	87,305	—	379,118	159,926
Profit for the year	—	—	—	—	—	108,711
Appropriation from retained earnings	—	—	10,826	—	10,826	(10,826)
Dividends relating to 2006	—	—	—	—	—	(45,941)
Others	75	—	—	—	75	—
Balance at 31 December 2007	**8,249**	**283,639**	**98,131**	**—**	**390,019**	**211,870**

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
Trade payables (Note a)	**616,561**	442,726	**334,219**	324,250
Bills payable (Note b)	**1,669,650**	1,155,623	**1,669,650**	1,155,623
Advances to customers	**312,301**	267,697	**58,956**	55,259
Accrued expenses and other payables (Note c)	**267,439**	210,713	**120,932**	64,512
Due to related parties (Note d)	**121,405**	133,585	**229,549**	171,534
	2,987,356	2,210,344	**2,413,306**	1,771,178
Less: Non-current portion (Note e)	**(168,525)**	(125,050)	**—**	—
Current portion	**2,818,831**	2,085,294	**2,413,306**	1,771,178

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. TRADE AND OTHER PAYABLES *(continued)*

(a) Trade payables

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2007	2006	**2007**	2006
Within 3 months	**504,042**	374,774	**276,636**	308,514
Over 3 months and within 6 months	**19,147**	4,827	**3,029**	468
Over 6 months and within 1 year	**50,978**	12,242	**45,801**	1,438
Over 1 year and within 2 years	**16,629**	34,508	**8,439**	13,648
Over 2 years and within 3 years	**9,908**	5,794	**314**	182
Over 3 years	**15,857**	10,581	**—**	—
	616,561	442,726	**334,219**	324,250

(b) Bills payable

Bills payable of the Group and the Company have maturity dates within six months and were bearing interest at rates from nil to 7.50% per annum (2006: nil to 3.20% per annum).

(c) Accrued expenses and other payables

	Group		Company	
	2007	2006	**2007**	2006
Value added tax and other taxes payable	**109,839**	41,953	**71,584**	17,205
Other payables	**157,600**	168,760	**49,348**	47,307
	267,439	210,713	**120,932**	64,512

Other payables mainly represents deposits from suppliers, accrued expenses and accrued employee benefits.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. TRADE AND OTHER PAYABLES *(continued)*

(d) Due to related parties

	Group		Company	
	2007	2006	**2007**	2006
Trade payables				
- Parent company	**335**	—	**—**	—
- Fellow subsidiaries	**106,524**	65,179	**74,467**	36,573
- Fellow associates	**1,487**	25,668	**—**	13,537
- Subsidiaries	**—**	—	**57,203**	34,388
	108,346	90,847	**131,670**	84,498
Advances to customers				
- Fellow subsidiaries	**5,498**	36,852	**752**	14,426
- Fellow associates	**469**	1,475	**—**	—
	5,967	38,327	**752**	14,426
Other payables				
- Parent company	**984**	891	**983**	874
- Fellow subsidiaries	**4,498**	3,513	**1,281**	1,536
- Fellow associates	**1,610**	7	**1,349**	200
- Subsidiaries	**—**	—	**93,514**	70,000
	7,092	4,411	**97,127**	72,610
Total				
- Parent company	**1,319**	891	**983**	874
- Fellow subsidiaries	**116,520**	105,544	**76,500**	52,535
- Fellow associates	**3,566**	27,150	**1,349**	13,737
- Subsidiaries	**—**	—	**150,717**	104,388
	121,405	133,585	**229,549**	171,534

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. TRADE AND OTHER PAYABLES *(continued)*

(d) Due to related parties *(continued)*

Except for the balance due to subsidiaries amounting to RMB93,000,000 as at 31 December 2007 (31 December 2006: RMB70,000,000), which was interest-bearing at rate of 5.40% (2006: 0.72%) per annum, other balances with related parties as at 31 December 2006 and 2007 were unsecured and interest-free.

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

	Group		Company	
	2007	2006	**2007**	2006
Within 3 months	**77,569**	68,097	**117,433**	61,767
Over 3 months and within 6 months	**5,641**	90	**3,489**	3,838
Over 6 months and within 1 year	**4,465**	461	**6,343**	14,742
Over 1 year and within 2 years	**13,853**	9,699	**2,336**	4,151
Over 2 years and within 3 years	**3,588**	8,741	**2,069**	—
Over 3 years	**3,230**	3,759	**—**	—
	108,346	90,847	**131,670**	84,498

(e) Non-current portion

Non-current portion of trade and other payables represents advances received from third parties for sub-contracting certain services in expressway service zones.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. BANK BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
Current bank borrowings:				
- Unsecured	**91,000**	140,000	**76,000**	120,000

The carrying amounts of current bank borrowings approximate their fair value.

All of the Group's bank borrowings are denominated in RMB and are at fixed rates. The weighted average effective interest rates at 31 December 2007 was 5.265% (31 December 2006: 5.035%) per annum.

The Group has the following undrawn banking facilities:

	2007	2006
Floating rate		
- expiring within one year	**1,214,358**	1,504,776

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	2007	2006
Charging/(Credit)		
Cost of inventories sold	**5,427,644**	4,100,356
Cost of sales for construction contracts	**399,967**	524,791
Transportation expense	**278,921**	235,984
Business tax and other surcharges	**46,157**	47,277
Depreciation of fixed assets	**70,885**	79,274
Amortisation of leasehold land and land use rights	**3,250**	1,100
Amortisation of intangible assets	**1,885**	2,249
Loss on disposal of fixed assets	**1,295**	2,835
Employee benefit expense (Note 21)	**219,624**	208,287
Operating lease expense	**56,247**	52,514
Provision/(reversal) of impairment of fixed assets and intangible assets	**519**	(2,339)
Fair value gain on investment properties	**—**	(386)
Provision/(reversal) for impairment of receivables	**10,829**	(3,952)
Auditor's remuneration	**3,775**	3,636
Research and development costs	**5,756**	6,385

21. EMPLOYEE BENEFIT EXPENSE

	2007	2006
Wages and salaries	**177,093**	167,881
Retirement scheme contributions and defined contribution plans	**8,616**	7,474
Welfare and other expenses	**33,915**	32,932
	219,624	208,287
Number of employees	**3,577**	3,628

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. EMPLOYEE BENEFIT EXPENSE *(continued)*

(a) Directors' and senior management's emoluments

The remuneration of every Director and Supervisor for the year ended 31 December 2007 is set out below:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
Director					
Mr. Lu Mao Hao	—	449	—	16	465
Mr. Wang Wei Bing	—	449	—	16	465
Mr. Zeng Hong An (a)	—	490	195	12	697
Mr. Jiang Li (b and f)	—	—	—	—	—
Mr. Liu Wei (f)	—	—	—	—	—
Mr. Lu Ya Xing (f)	—	—	—	—	—
Mr. Huang Guo Xuan (f)	—	—	—	—	—
Mr. Ren Mei Long (a and f)	—	—	—	—	—
Mr. Chen Guo Zhang (f)	—	—	—	—	—
Mr. Chen Bing Heng	—	280	234	16	530
Mr. Liu Shao Buo	60	—	—	—	60
Mr. Gui Shou Ping	60	—	—	—	60
Mr. Peng Xiao Lei	60	—	—	—	60
Mr. Su Yong Dong (c)	—	12	—	1	13
Mr. Deng Chong Zheng (c and f)	—	—	—	—	—
Mr. Cai Xiao Ju (c and f)	—	—	—	—	—
Mr. Guo Jun Fa (e)	—	389	—	7	396
Supervisor					
Mr. Wu Wei Jia (b and f)	—	—	—	—	—
Ms. Ling Ping (f)	—	—	—	—	—
Mr. Tian Ke Geng (b)	—	—	—	—	—
Ms. Li Hui	—	177	—	12	189
Mr. Long Xin Hua (b)	—	41	—	5	46
Mr. Chen Di Li (d and f)	—	—	—	—	—
Mr. Rao Feng Sheng (d)	—	213	—	8	221
Ms. Fan Xin Cai (d)	—	121	—	4	125
Ms. Cheng Zhuo	48	—	—	—	48
Ms. Zhou Jie De	48	—	—	—	48

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. EMPLOYEE BENEFIT EXPENSE *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

The remuneration of every Director and Supervisor for the year ended 31 December 2006 is set out below:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
Director					
Mr. Lu Mao Hao	—	422	—	18	440
Mr. Wang Wei Bing	—	422	—	18	440
Mr. Zeng Hong An	—	1,122	—	12	1,134
Mr. Jiang Li (f)	—	—	—	—	—
Mr. Liu Wei (f)	—	—	—	—	—
Mr. Lu Ya Xing (f)	—	—	—	—	—
Mr. Huang Guo Xuan (f)	—	—	—	—	—
Mr. Ren Mei Long (f)	—	—	—	—	—
Mr. Chen Guo Zhang (f)	—	—	—	—	—
Mr. Chen Bing Heng	—	180	200	18	398
Mr. Liu Shao Buo	48	—	—	—	48
Mr. Gui Shou Ping	48	—	—	—	48
Mr. Peng Xiao Lei	48	—	—	—	48
Supervisor					
Mr. Wu Wei Jia (f)	—	—	—	—	—
Ms. Ling Ping (f)	—	—	—	—	—
Mr. Tian Ke Geng	—	270	—	13	283
Ms. Li Hui	—	153	—	14	167
Mr. Long Xin Hua	—	154	—	14	168
Ms. Cheng Zhuo	36	—	—	—	36
Ms. Zhou Jie De	36	—	—	—	36

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. EMPLOYEE BENEFIT EXPENSE *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

Notes:

(a) Resigned on 20 December 2007.

(b) Resigned on 12 June 2007.

(c) Appointed on 20 December 2007.

(d) Appointed on 12 June 2007.

(e) Appointed on 12 June 2007 and resigned on 20 December 2007.

(f) The director or supervisor received emoluments from the parent company, part of which is in respect of his services to the Company and its subsidiaries. No apportionment has been made as the director considers that it is impracticable to apportion this amount between their services to the Group and their services to the Company's parent company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2006: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2006: four) individual during the year is as follows:

	2007	2006
Basic salaries and other allowances	**699**	1,299
Bonuses	**180**	1,808
Employer's contribution to pension scheme	**11**	97
	890	3,204

22. OTHER INCOME

	2007	2006
Rental income	**1,207**	1,181
Interest income	**12,387**	14,643
Government grants	**630**	2,960
Refund of value added tax	**3,084**	3,133
Compensation income received from a customer	**21,875**	—
Others	**5,223**	6,648
	44,406	28,565

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. FINANCE COSTS

	2007	2006
Interest expense:		
- bank borrowings	**16,094**	10,773
- bills payable	**10,345**	5,239
	26,439	16,012

24. INCOME TAX EXPENSE

Except for Guangdong Oriental Thought, Guangdong Xinyue, Guangdong Xinyue E & M and Chongqi Aoteng, all the other 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 a rate of 33%. Guangdong Oriental Thought and Chongqing Aoteng are regarded as a software company by the relevant government authorities, and are subject to EIT at a rate of 15%. Guangdong Xinyue and Guangdong Xinyue E & M are regarded as high technology companies by the relevant government authorities, and are subject to EIT at a rate of 15%.

As approved by the relevant tax authorities, Chongqing Aoteng was entitled to 50% EIT reduction for the year ended 31 December 2007 (2006: 100% EIT reduction). Such beneficial treatments were granted to newly incorporated companies under the relevant tax regulations.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the year at a rate of 17.5% (2006: 17.5%).

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

	2007	2006
Current income tax		
- Hong Kong profits tax	**202**	895
- Mainland China EIT	**77,953**	79,386
Deferred income tax (Note 12)	**(5,868)**	(2,572)
Income tax expense	**72,287**	77,709

(All amounts in Renminbi Yuan thousands unless otherwise stated)

24. INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2007	2006
Profit before income tax expense	**253,990**	258,981
Calculated at tax rates applicable to profits in the respective jurisdictions	**75,011**	75,271
Effect of change in future tax rate (Note a)	**1,136**	—
Utilisation of previous unrecognised tax loss	**(2,788)**	—
Effect of tax benefit of accelerated tax depreciation	**(2,418)**	(4,988)
Income not subject to tax	**(667)**	(633)
Expenses not deductible for tax purposes	**1,571**	5,164
Tax losses for which no deferred income tax assets were recognised	**442**	2,895
Income tax expense	**72,287**	77,709

(a) On 6 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the EIT rate for all the group companies incorporated in Mainland China will be uniformed at 25%. There will be a transition period for enterprises that currently receive preferential tax treatments and are entitled to tax exemptions or reductions granted by relevant tax authorities. Since the deferred income tax assets shall be measured at the tax rates that are expected to apply when the asset is realised and the deferred tax liabilities shall be measured at the tax rates that are expected to apply when the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred income tax of the Group.

25. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB108,711,000 (2006: RMB139,861,000).

26. 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 year.

	2007	2006
Profit attributable to equity holders of the Company	**159,023**	155,750
Weighted average number of ordinary shares in issue (thousands)	**417,642**	417,642
Basic earnings per share (RMB per share)	**0.38**	0.37

There were no dilutive potential shares during the year.

27. DIVIDENDS

The dividends paid in 2007 and 2006 were RMB45,941,000 (RMB0.11 per share) and RMB33,411,000 (RMB0.08 per share), respectively.

The directors recommend the payment of a final dividend of RMB0.113 per ordinary share (pre-tax), totalling approximately RMB47,194,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 17 June 2008. These financial statements do not reflect this dividend payable.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2007	2006
Profit for the year	**181,703**	181,272
Income tax expense	**72,287**	77,709
Provision/(reversal) for impairment of receivables	**10,829**	(3,952)
Depreciation	**70,885**	79,274
Amortisation of leasehold land and land use rights	**3,250**	1,100
Amortisation of intangible assets	**1,885**	2,249
Provision/(reversal) of impairment of fixed assets and intangible assets	**519**	(2,339)
Fair value gain on investment properties	**—**	(386)
Loss on disposal of fixed assets	**1,295**	2,835
Share of results of associates and a joint venture	**(3,183)**	(2,657)
Interest income	**(12,387)**	(14,643)
Financial costs	**26,439**	16,012
	353,522	336,474
Change in working capital:		
Inventories	**46,238**	(115,601)
Balances on construction contracts, net	**(131,605)**	102,375
Trade and other receivables	**(519,602)**	(330,047)
Restricted cash	**(2,005)**	—
Trade and other payables	**779,634**	168,461
Cash generated from operations	**526,182**	161,662

(b) In the cash flow statement, proceeds from sale of fixed assets:

	2007	2006
Net book amount	**2,599**	2,985
Loss on sale of fixed assets	**(1,295)**	(2,835)
Proceeds from sale of fixed assets	**1,304**	150

(All amounts in Renminbi Yuan thousands unless otherwise stated)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Analysis of the balances of cash and cash equivalents:

	Group		Company	
	2007	2006	**2007**	2006
Cash at bank and in hand	**838,832**	548,523	**431,140**	156,044
Bank deposits with original term of less than three months	**108,721**	122,114	**54,311**	65,299
Cash and bank balances	**947,553**	670,637	**485,451**	221,343
Less: Restricted cash *	**(4,315)**	—	**—**	—
Cash and cash equivalents	**943,238**	670,637	**485,451**	221,343

* Restricted cash represents bank balances pledged against bank acceptance notes issued by the Group, which are to be released upon the maturity of the bank acceptance notes; and cash restricted for establishment of a subsidiary.

The effective interest rate per annum on cash at bank as at 31 December 2007 was 0.5% to 0.72% (31 December 2006: 0.72% to 2.50%).

The effective interest rate per annum on bank deposits with original terms of less than three months as at 31 December 2007 was from 1.10% to 3.33% (31 December 2006: from 1.62% to 4.06%).

Part of the above bank deposits are kept in state-owned banks (Note 30 (c)(ii)).

The conversion of RMB into foreign currencies and the remittance of bank balances and cash out of Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the Mainland China government.

29. COMMITMENTS – GROUP

(a) Capital commitments

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

	2007	2006
Fixed assets		
Contracted but not provided for	**27,801**	6,253

(All amounts in Renminbi Yuan thousands unless otherwise stated)

29. COMMITMENTS – GROUP *(continued)*

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

The Group has 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 year end, the Group had future aggregate minimum payments under such contracts for management of expressway service zones to fellow subsidiaries of the Company as follows:

	2007	2006
Not later than 1 year	**43,007**	42,172
Later than 1 year and not later than 5 years	**215,033**	207,446
Later than 5 years	**624,599**	642,046
	882,639	891,664

(c) Operating lease for land and buildings

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 supplementory 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.

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

	2007	2006
Not later than 1 year	**5,091**	3,152
Later than 1 year and not later than 5 years	**6,198**	3,604
Later than 5 years	**7,327**	7,388
	18,616	14,144

(All amounts in Renminbi Yuan thousands unless otherwise stated)

29. COMMITMENTS – GROUP *(continued)*

(d) Future operating lease receivables

The future aggregate minimum lease rental receivables under operating leases in respect of expressway service zone rental income are as follows:

	2007	2006
Not later than 1 year	**49,254**	50,927
Later than 1 year and not later than 5 years	**200,377**	200,896
Later than 5 years	**634,509**	683,243
	884,140	935,066

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. 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 year:

a) Related-party transactions

i) Revenue

	2007	2006
Material logistics services:		
- fellow subsidiaries	**436,499**	379,907
- fellow associates	**49,514**	44,708
	486,013	424,615
Expressway service zones:		
- fellow subsidiaries	**7,241**	7,783
- fellow associates	**—**	389
	7,241	8,172
Transportation intelligence services:		
- fellow subsidiaries	**216,288**	379,070
- fellow associates	**26,019**	27,284
- associates	**16,133**	—
	258,440	406,354
Other services:		
- fellow subsidiaries	**33**	2,819
- fellow associates	**—**	34
	33	2,853
	751,727	841,994

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

ii) Purchase of materials and services

	2007	2006
Purchases of materials:		
- fellow subsidiaries	**237,170**	165,415
- fellow associates	**—**	43,217
	237,170	208,632
Purchases of services:		
- Management fee for collection of toll income to fellow associates	**4,200**	4,000
- Licence fee paid to a fellow subsidiary	**616**	1,166
- Construction services		
- fellow subsidiaries	**4,894**	9,903
- fellow associates	**755**	969
- associates	**11,111**	—
	16,760	10,872
	21,576	16,038
	258,746	224,670

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

		2007	2006
iii)	Lease of office buildings and warehouse from a fellow subsidiary	**1,780**	1,817
iv)	Sub-contracting fee in for management of expressway service zones		
	- fellow subsidiaries	**48,934**	52,894
	- fellow associates	**2,933**	83
		51,867	52,977
v)	Key management compensation		
	- Salary	**4,374**	5,359
	- Discretionary bonuses	**624**	500
	- Employer's contribution to pension scheme	**151**	242
		5,149	6,101

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

b) Balances with related parties

	2007	2006
Due from customers on construction contracts (Note 14)	**119,836**	55,433
Due to customers on construction contracts (Note 14)	**—**	51,060
Due from related parties (Note 15)		
- Trading nature	**669,998**	428,485
- Non-trading nature	**17,501**	28,203
	687,499	456,688
Due to related parties (Note 18)		
- Trading nature	**114,313**	129,174
- Non-trading nature	**7,092**	4,411
	121,405	133,585

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

Other receivables and payables from/to related parties as at 31 December 2007 mainly represented certain taxes and insurance premium withheld by/from related parties.

30. RELATED-PARTY TRANSACTIONS *(continued)*

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 Hong Kong Accounting Standard 24 "Related Party Disclosures" ("HKAS 24"), 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").

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.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

c) Additional information on other state-owned enterprises *(continued)*

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

	2007	2006
Revenue:		
- Material logistics services	**1,308,875**	1,064,717
- Expressway service zones	**124,441**	146,806
- Transportation intelligence services	**228,665**	71,875
- Cross-border transportation services	**2,390**	1,204
- Others	**—**	14,298
	1,664,371	1,298,900
Purchase of materials	**1,965,989**	1,438,723
Purchase of fixed assets and leasehold land	**7,430**	2,852
Purchase of services	**21,693**	21,953
Interest income to state-owned banks	**12,007**	14,207
Interest expense to state-owned banks	**25,216**	16,012

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

c) Additional information on other state-owned enterprises *(continued)*

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

	2007	2006
Due from Other State-owned Enterprises included in:		
- Due from customers on construction contracts	**94,671**	65,988
- Trade receivables	**496,279**	250,831
- Other receivables	**72,144**	27,667
- Prepayments	**46,219**	196,306
	709,313	540,792

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

	2007	2006
Due to Other State-owned Enterprises included in:		
- Due to customers on construction contracts	—	2,449
- Trade payables	**85,164**	90,206
- Bills payables	**1,471,152**	468,967
- Advances from customers	**262,689**	211,136
- Other payables	**27,712**	30,899
	1,846,717	803,657

Balances with Other State-owned Enterprises, except for certain bills payable (Note 18(b)), were unsecured and interest-free.

	2007	2006
Bank deposits in state-owned banks	**899,091**	637,136
Bank borrowings from state-owned banks	**91,000**	140,000

31. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2007 (2006: Nil).

RESULTS

(All amounts in Renminbi Yuan thousands)

Year ended 31 December	2007	2006	2005	As restated (Note) 2004	As restated (Note) 2003
Turnover	**6,889,728**	5,635,395	4,352,022	3,596,633	1,530,074
Profit before income tax	**253,990**	258.981	226,438	186,391	134,847
Income tax expense	**(72,287)**	(77,709)	(65,684)	(60,245)	(47,021)
Profit for the year	**181,703**	181,272	160,754	126,146	87,826
Attributable to:					
Equity holders of the Company	**159,023**	155,750	136,588	108,790	73,314
Minority interests	**22,680**	25,522	24,166	17,356	14,512

ASSETS AND LIABILITIES

As at 31 December	2007	2006	2005	As restated (Note) 2004	As restated (Note) 2003
Total assets	**4,567,554**	3,750,896	3,383,058	2,590,580	1,669,180
Total liabilities	**(3,130,397)**	(2,445,362)	(2,211,011)	(1,797,768)	(965,755)
	1,437,157	1,305,534	1,172,047	792,812	703,425

Note:

In December 2005, the Company acquired 62% equity interests in The Motor Transport Company of Guangdong and Hong Kong Limited and The Motor Transport Company of Guangdong and Hong Kong (Guangdong) Limited from GCGC, its ultimate parent company, and a fellow subsidiary. As permitted by the Accounting Guideline 5 "Merger Acccounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, merger accounting is used to account for these transactions as they are related to entities under common control. The consolidated income statements include the results and operations of these companies as if the structure of the Group resulted from the above transactions had been in existence from the earliest period presented; the consolidated balance sheets have been prepared to present the financial position of the Group as at balance sheet dates as if the Group structure resulted from the above transactions had been in existence since 1 January 2002.

The consolidated financial statements for the years ended 31 December 2003 and 2004 have been restated to reflect the impact of applying merger accounting for the above transactions.

NOTICE IS HEREBY GIVEN that the 2007 annual general meeting ("**AGM**") of Guangdong Nan Yue Logistics Company Limited (the "**Company**") will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 17 June 2008 at 3:30 p.m. for the purposes of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company (the "**Board of Directors**") for the year ended 31 December 2007;

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2007;

3. To consider and approve the report of the auditors and audited financial statements of the Company for the year ended 31 December 2007;

4. To consider and approve the profit distribution proposal and the payment of a final dividend for the year ended 31 December 2007 as recommended by the Board of Directors;

5. To consider and approve the re-appointment of PricewaterhouseCoopers as the international auditors of the Company and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the auditors of the Company in the People's Republic of China, to hold office until the conclusion of the next annual general meeting and to authorize the Board of Directors to fix their remuneration;

6. To authorize the Board of Directors to determine the remuneration of the directors and supervisors of the Company;

7. To consider and approve the resignation of Mr. Chen Bing Heng as an executive director of the Company;

8. To consider and approve the appointment of Mr. Zeng Gang Qiang (whose profile is set out in the Note (8) to this Notice below) as an executive director of the Company;

AS SPECIAL RESOLUTIONS

9. To give a general mandate to the Board of Directors to issue, allot and deal with additional domestic shares not exceeding 20% of the domestic shares of the Company in issue and additional H shares not exceeding 20% of the H shares of the Company in issue and authorize the Board of Directors to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares:

"THAT

(A) (a) subject to paragraph (c) below and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Articles of Association of the Company and the applicable laws and regulations of the People's Republic of China, the exercise by the Board of Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional domestic shares and H shares of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorize the Board of Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) each of the aggregate nominal amounts of domestic shares and H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board of Directors pursuant to the approval granted in paragraph (a) shall not exceed 20% of each of the aggregate nominal amounts of domestic shares and H shares of the Company in issue at the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or other applicable laws to be held; or

(iii) the revocation or variation of the authority given under this resolution by a special resolution of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board of Directors be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in sub-paragraph (a) of paragraph (A) above of this resolution."

10. To consider and approve other matters, if any.

By Order of the Board of Directors
Lu Mao Hao
Chairman

Guangzhou, the PRC
25 April 2008

Notes:

1. According to the Articles of Association of the Company, resolutions at general meetings of the Company will be determined by a show of hands unless a poll is required under the Listing Rules or demanded before or after any vote by show of hands. A poll may be demanded by the chairman of the meeting or at least two shareholders entitled to vote, present in person or by proxy, or by one or more shareholders present in person or by proxy representing 10% or more of all shares carrying the voting rights at the meeting singly or in aggregate. Irrespective of whether the voting is carried out by show of hands or by poll, the votes counted will be based on the number of shares represented by such votes.

2. The register of members of the Company will be closed from Saturday, 17 May 2008 to Tuesday, 17 June 2008, both days inclusive, during which period no transfer of shares will be registered. Holders of H shares and domestic shares of the Company whose names appear on the register of members of the Company on Friday, 16 May 2008 at 4:30 p.m. are entitled to attend this meeting.

3. A shareholder entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not to be a shareholder of the Company.

4. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

5. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the registered office of the Company for holders of domestic shares and at the Company"s H share registrar, Computershare Hong Kong Investor Services Limited (address: Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen"s Road East, Wanchai, Hong Kong) for holders of H shares not less than 24 hours before the time appointed for the holding of this meeting or any adjournment thereof (as the case may be). Completion and return of a proxy form will not preclude a shareholder from attending and voting in person at this meeting if he so wishes.

6. Shareholders who intend to attend this meeting in person or by proxy should return the reply slip to the registered office of the Company for holders of domestic shares and the Company"s H share registrar, Computershare Hong Kong Investor Services Limited, for holders of H shares not later than 20 days before the date of this meeting, i.e. Wednesday, 28 May 2008.

7. Shareholders or their proxies attending this meeting shall produce their identity documents.

8. Profile of Mr. Zeng Gang Qiang:

   Mr. Zeng Gang Qiang, aged 51, has been the chairman of Guangdong South China Logistics Enterprise Company Limited, chairman of Guangdong Feida Transporation Engineering Company Limited, chairman of Guangdong Nan Yue Logistics International Services Company Limited and chairman of Guangdong Tai Cheng Consulting Company Limited since December 2007. The past working experience of Mr. Zeng included the general secretary of Communist Youth League and deputy director of party office of Guangdong Zhujiang Navigation Company Hongkong & Macau Passenger Branch from December 1982 to December 1991; officer of organisation division of Guangdong Navigation Administration Bureau from December 1991 to June 1993; department deputy manager of Guangdong Communication Enterprise Investment Company from July 1993 to October 1996; worked with Guangdong Provincial Highway Construction Company Limited as the manager of the operation department of Humen Bridge Company Limited from November 1996 to August 1998; general manager of Guangdong Guantong Expressway Assets Management Company Limited from September 1998 to July 2000; general manager of Guangdong Top-E Expressway Service Zone Company Limited from August 2000 to March 2004; director and general manager of Guangdong Top-E Expressway Service Zone Company Limited from March 2004 to December 2007. Mr. Zeng graduated from South China Normal University in July 1992, majoring in economic management, and has obtained professional qualification as an economist in business administration.

As at the date of this notice, the Board comprises of Mr. Lu Mao Hao, Mr. Su Yong Dong, Mr. Wang Wei Bing, Mr. Deng Chong Zheng and Mr. Chen Bing Heng, as executive directors of the Company, Mr. Liu Wei, Mr. Huang Guo Xuan, Mr. Cai Xiao Ju Mr. Chen Guo Zhang and Mr. Lu Ya Xing as non-executive directors of the Company, and Mr. Gui Shou Ping, Mr. Liu Shao Buo and Mr. Peng Xiao Lei as independent non-executive directors of the Company.