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)

2008 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 the provision of logistics management of construction materials for expressway constructions and other sizable infrastructure projects; (2) the operation of expressway service zones and the provision of expressway auxiliary services including the operation of the food and beverage network, convenience stores, outdoor advertising for expressways, vehicle maintenance, gas stations; (3) transportation intelligence services including the installation and maintenance of safety and toll collection facilities; and (4) cross-border transportation services, mainly the operation of the routes between Hong Kong and the Guangdong province. The Company is also engaged in the operation and toll collection of Taiping Interchange in the Guangdong province.

The Company has targeted to establish itself as a modern logistics enterprise that is of an international standard in delivering first-class services to customers and providing good returns to shareholders of the Company ("Shareholders"). To achieve its business objective, the Company will strive to continuously improve its management system and to upgrade its operations in order to meet the changing market demand.

LEGAL NAME OF THE COMPANY

Guangdong Nan Yue Logistics Company Limited

STOCK CODE

03399

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
Wang Wei Bing
Deng Chong Zheng
Zeng Gang Qiang (appointed on 17 June 2008)
Chen Bing Heng (resigned on 17 June 2008)

Non-Executive Directors

Liu Wei
Huang Guo Xuan
Cai Xiao Ju
Chen Guo Zhang
Lu Ya Xing

Independent Non-Executive Directors

Gui Shou Ping
Liu Shao Buo
Peng Xiao Lei

COMPANY SECRETARY

Fung Hon Tung

AUTHORISED REPRESENTATIVES

Deng Chong Zheng
Wang Wei Bing

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank

LEGAL ADVISER

Paul, Hastings, Janofsky & Walker
22nd Floor, Bank of China Tower
1 Garden Road
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16,
17th Floor, Hopewell centre
183 Queen's Road East
Hong Kong

2 January 2008	Guangdong Xinyue Communications Investment Company Limited ("Guangdong Xinyue") succeeded in bidding for the JD2 contract section of the traffic electromechanical engineering project of the Pucheng (boundary between Fujian and Zhejiang) to Nanping Expressway in Fujian province for the supply and installation of monitoring system, toll collection system and communication system at a total contracted value of RMB69.12 million.
March 2008	At the meeting held by the Ministry of Communications of the PRC to commend advanced collectives and individuals in the national communications industry in "fighting disaster and safeguarding communications", the Group was honoured with the title "Advanced collective in the national communications industry in fighting disaster and safeguarding communications" for its outstanding performance in fighting disaster and safeguarding communications amid the 80-year snowstorm calamity occurred during the Spring Festival travel rush.
March 2008	The portable toll collection devices for roads and bridges (model number: XY-PTC-101) developed by Guangdong Xinyue was accredited as Key New Products of Guangdong Province by the Science and Technology Department of Guangdong Province.
April 2008	The Dongguan Asphalt Dock Project was approved by relevant competent authorities of the PRC and stepped into a stage for construction.
1 April 2008	Guangdong Xinyue was accredited as an Excellent Software Enterprise in Guangzhou by Guangzhou Software Industry Association. The "web-based toll collection system V3.0" and "Guangdong Xinyue car-plate automatic identification system V1.0" were accredited as Excellent Software Products in Guangzhou by Guangzhou Software Industry Association.
9 April 2008	The Company held 2007 board meeting and convened press conference after the meeting to announce its annual results as at end of 2007. The overall operating results of the Group for 2007 maintained a steady growth with turnover for the year of 2007 amounting to RMB6,890 million, representing an increase of 22% over the year of 2006; gross profit amounting to RMB 617 million, representing an increase of 3% over 2006; and profit attributable to Shareholders amounting to RMB 159 million, representing an increase of 2% over the year of 2006. The board of directors of the Company (the "Board") proposed a final dividend of RMB0.113 per share.
9 April 2008	Guangdong Top-E Expressway Service Zone Company Limited ("Guangdong Top-E") was awarded the honorary title "Top 10 Chain Operation Enterprises" in the 2007 Guangdong province excellent shops contest hosted by Guangdong Chain Operations Association. Top 10 Chain Operation Enterprises and Excellent Shops were selected out of 35 candidate enterprises and 623 candidate shops after two months' appraisal.

9 April 2008	The "integrated expressway toll collection and operation management system" developed by Guangdong Xinyue was awarded the "Technological Innovation Award for National Expressway Electromechanical Engineering" and Guangdong Xinyue was granted the title "Excellent Integrator for National Expressway Electromechanical Engineering" in the prize presenting ceremony of the "20-year History of China's Expressway - Information Prize" and the tenth Seminar on Application of Information Technology in National Expressway Management organized by China Highway Society.
15 April 2008	Guangdong Xinyue succeeded in bidding for the DL10 contract section for traffic engineering installation and integration construction of Chongqing Dianjiang (boundary between Chongqing and Sichuan) to Sichuan Linshui Expressway of the main trunk line of Hurong National Highway at a total contracted value of RMB81.96 million.
22 April 2008	Guangdong Xinyue succeeded in bidding for the electromechanical engineering project of Anhui Huangshan to Taling Expressway and Xiaohe to Taolin Expressway at a contracted total value of RMB66.31 million.
May 2008	The Company succeeded in bidding for the asphalt purchase project for Hurongxi (En'shi to Lichuan) Expressway (a main trunk line of national highway) in Hubei province at a bid-winning quantity of 10,000 tonnes and a total contracted value of RMB 61.91 million.
May 2008	Guangdong New Way Advertising Company Limited and Jiamei Company entered into a packaged operating lease agreement for 110 planned advertising spaces in 8 sections at a total contracted value of RMB 52.31 million.
8 May 2008	The "Study report on development planning of asphalt industry chain of Guangdong Nan Yue Logistics Company Limited" passed the evaluation conducted by external independent experts and the development of asphalt industry of the Group stepped into a stage of strategic implementation.
14 June 2008	The Company succeeded in bidding for the A3 contract section for heavy traffic asphalt purchase for pavement construction of Ruijin to Ganzhou Expressway construction project in Jiangxi province at a bid-winning quantity of 19,500 tonnes and a total contracted value of RMB 99.41 million.

17 June 2008	The 2007 annual general meeting of the Company was held in Hong Kong at which all of the nine ordinary resolutions and two special resolutions were considered and passed to approve the directors' report, the report of the supervisory committee of the Company (the "Supervisory Committee"), the auditors' report and the audited financial statements, the payment of a final dividend of RMB0.113 per share, the re-appointment of PricewaterhouseCoopers as the international auditor of the Company and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the auditor of the Company in the PRC, to authorize the Board to determine the remuneration of the directors of the Company ("Directors", and each a "Director") and supervisors of the Company ("Supervisors", and each a "Supervisor"), to approve the resignation of Mr. Chen Bing Heng as an executive director of the Company, to approve the appointment of Mr. Zeng Gang Qiang as an executive director of the Company, to give a general mandate to the Board to allot, issue and deal with the 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 to approve the amendments to the articles of association of the Company.
July 2008	The Company succeeded in bidding for the steel supply for material purchase CL-1 contract section of Guangzhou section of Guangzhou to Heyuan Expressway at a bid-winning quantity of 40,000 tonnes and a total contracted value of RMB 205.00 million.
July 2008	The Company succeeded in bidding for the asphalt supply for Hubei section of Daqing to Guangzhou Expressway at a bid-winning quantity of 7,000 tonnes and a total contracted value of RMB 35.70 million.
August 2008	The Company succeeded in bidding for the steel supply for traffic engineering of Guangzhou – Zhuhai Intercity Rail at a bid-winning quantity of 63,000 tonnes and a total contracted value of RMB 362.00 million.
15 August 2008	The Hubei production base for "Nanyue Brand" modified asphalt jointly established by the Company, Wuhan branch of Guangzhou Luxiang Co., Ltd. and Jingzhou City Tianxing Asphalt Co., Ltd commenced commercial operation, which fulfilled the commitment made in bidding for the Hurongxi Expressway project and paved the way for the Group's market expansion in Hubei.
17 September 2008	The Company held a board meeting to consider and approve the 2008 interim report. According to the interim report, as at 30 June 2008, turnover amounted to RMB 3,644 million, representing an increase of 22% over the same period in 2007; the profits attributable to Shareholders amounted to RMB 76.57 million, representing an increase of 9% over the same period in 2007; and earnings per share was RMB 0.18.

September 2008	Guangdong Xinyue was again, after 2007, accredited as a Major Software Enterprise in Guangzhou and continued to enjoy relevant preferential tax policies.
October 2008	The Company succeeded in bidding for the supply of heavy traffic asphalt for pavement construction of Chongqing Pengwu Expressway at a bid-winning quantity of 12,000 tonnes and a total contracted value of RMB 43.55 million.
1 November 2008	Guangdong Xinyue succeeded in bidding for the No.16 contract section for the expressway electromechanical engineering construction of the Bailakan to Maotai Section of Zunchi Highway at a contracted value of RMB 59.69 million. The expressway electromechanical engineering project of the Bailakan to Maotai Section of Zunchi Highway is the largest electromechanical engineering construction project of Guizhou province in 2008.
December 2008	The Company succeeded in bidding for the supply of heavy traffic asphalt for pavement construction of Hubei Suiyuebei Expressway at a bid-winning quantity of 7,000 tonnes and a total contracted value of RMB 27.16 million.
December 2008	Guangdong Xinyue succeeded in bidding for the No. 19-1 contract section for traffic engineering (safety facilities) of the expansion project of Duyun to Xinzhai section of Guiyang to Xinzhai Highway in Guizhou province at a total contracted value of RMB 75.00 million.
December 2008	Guangdong Xinyue was accredited as a New and High-tech Enterprise in Guangdong Province by the Science and Technology Department of Guangdong Province.
December 2008	The Company succeeded in bidding for the supply of heavy traffic asphalt for the major maintenance project of Shenshan Expressway at a bid-winning quantity of 42,800 tonnes and a total contracted value of RMB 241.00 million.

Financial Highlights

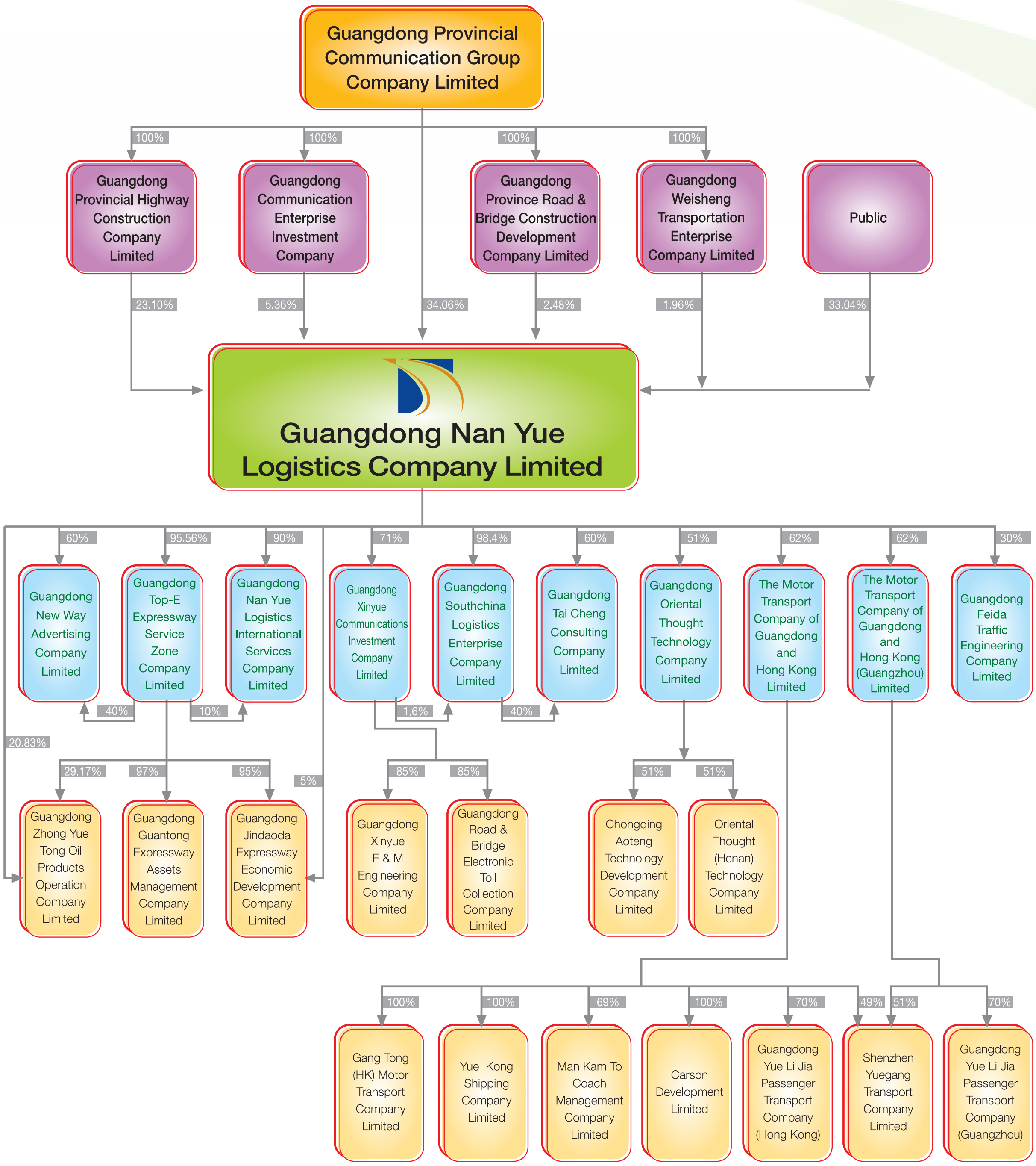
	2008	2007	Change
	RMB'000	*RMB'000*	
Results highlights			
Turnover			
Material Logistics Services	**6,340,111**	5,570,759	13.8%
Expressway Service Zones	**397,940**	400,803	-0.7%
Transportation Intelligence Services	**564,801**	527,039	7.2%
Cross-border Transportation Services	**252,023**	263,940	-4.5%
Tai Ping Interchange	**125,904**	127,187	-1.0%
	7,680,779	6,889,728	11.5%
Gross Profit			
Material Logistics Services	**276,424**	208,223	32.8%
Expressway Service Zones	**115,383**	129,197	-10.7%
Transportation Intelligence Services	**100,179**	105,147	-4.7%
Cross-border Transportation Services	**55,902**	64,455	-13.3%
Tai Ping Interchange	**108,492**	109,896	-1.3%
Total gross profit	**656,380**	616,918	6.4%
Other income	**52,468**	44,406	18.2%
Selling expenses	**(181,768)**	(149,769)	21.4%
Administrative expenses	**(276,051)**	(230,174)	19.9%
Other operating expenses	**(1,783)**	(4,135)	-56.9%
Operating profit	**249,246**	277,246	-10.1%
Finance costs	**(31,101)**	(26,439)	17.6%
Share of results of associates and a joint venture	**(507)**	3,183	-115.9%
Profit before income tax	**217,638**	253,990	-14.3%
Income tax expense	**(49,365)**	(72,287)	-31.7%
Profit for the year	**168,273**	181,703	-7.4%
Minority interests	**(18,174)**	(22,680)	-19.9%
Equity holders of the Company	**150,099**	159,023	-5.6%
Basic earnings per share (expressed in RMB per share)	**0.36**	0.38	-5.3%

Financial Highlights

	2008	2007	Change
	RMB'000	*RMB'000*	
Total assets	**4,776,603**	4,567,554	4.6%
Total net assets	**1,543,769**	1,437,157	7.4%
Shareholder's equity of the Company	**1,352,429**	1,255,168	7.7%
Net assets per share to the Company's shareholders(in RMB)	**3.24**	3.01	7.7%
Ratios			
Gross profit margin (%)	**8.5%**	9.0%	
Interest covered ratio (times)	**8**	10.6	
Current ratio (times)	**1.3**	1.3	

Gross profit margin	=	Gross profit/turnover
Interest covered ratio	=	Profit before income tax and interest expenses / (Interest expenses + capitalized interest)
Current ratio	=	Total current assets/Total current liabilities

Corporate Structure



I am pleased to take this opportunity to present a review of the business activities of the Group in 2008 and an outlook of our future development.

RESULTS AND DIVIDENDS

For the year ended 31 December 2008 (the "Year"), turnover of the Group amounted to RMB7,681 million (2007: RMB 6,890 million), representing an increase of 11.5% over the corresponding period for the year 2007. Profit attributable to Shareholders was RMB150 million (2007: RMB159 million), representing a decrease of 5.6% over the corresponding period for the year 2007. Basic earnings per share was RMB0.36.

As at 31 December 2008, total assets and net current asset value of the Group were RMB4,777 million (2007: RMB4,568 million) and RMB953 million (2007: RMB914 million) respectively, representing an increase of 4.6% and 4.3% respectively over those as of 31 December 2007.

The Board recommended the payment of a final dividend of RMB0.109 per share for the Year, totalling approximately RMB45.52 million to the Shareholders.

BUSINESS REVIEW

2008 marks a year when China experienced a series of significant events, including the snow storm in South China at the beginning of the year, the Wenchuan Earthquake in May, the Beijing Olympics in August and particularly the 100-year global financial crisis which had a material effect on the Chinese economy. As the financial crisis became increasingly severe, the macroeconomic environment in China changed significantly in 2008. Following the strengthened macro regulation and control at the beginning of the year, the PRC government announced a four-trillion-yuan investment plan to increase domestic demand in the second half of the year. In light of the change in domestic macroeconomic environment, the Company actively developed its operations and achieved satisfactory development in its operations during the year.

In respect of material logistics services segment, in 2008, the Group (1) mainly provided material logistics services for expressways such as Guanghe Expressway, Taiao Expressway, Fokai Expressway expansion, Yunwu Expressway, Shanjie Expressway, Guangzhao Expressway Phase II, Jiangzhao Expressway, Guangzhou East Second Ring Expressway, Foshan Liaomei Road and Guanghe Expressway, and provided logistics services for metro, railway and other major construction projects including Guangzhou-Shenzhen-HongKong Railway, Intercity Railway between Guangzhou and Zhuhai and Route Nos. 4, 5 and 6 of Guangzhou Subway. A total of 1,280,000 tonnes of steel products, 57,000 tonnes of asphalt and 1,430,000 tonnes of cement were supplied throughout the year; (2) continued to develop its logistics services for bulk cargoes such as coal, iron ore, fuel and cotton and diversified its material logistics business.

As for our expressway service zone segment, it maintained steady development and secured outstanding economic benefit and service quality despite the natural disasters such as the snow storm and the great movement in commodity price. The Group further exploited the operational potential and revenue sources of services zones primarily by strengthening professional management and enhancing investment solicitation. Professional management has been implemented in, among others, product retail chain, food and beverage chain, vehicles maintenance chain, petrol stations, greenery areas and property management and excellent operational results have been achieved. In respect of professional expressway service zones chained operational business, the Group improved its marketing strategies and gross profit margin through streamlined management of chained operation network such as food and beverage stores and convenience shops. The Group adopts a contracting operation system for greenery business and a system incorporating proprietary operation and licensed operation for vehicles maintenance business to exploit the potential of the greenery and vehicles maintenance businesses.

In respect of the expressway advertising business, the Group conducted overall sorting and rating for its advertising resources, strengthened the planning and construction of advertising posts, sped up the construction of expressway advertising network and improved the profitability of its advertising business through sizeable operation.

As for transportation intelligence services, the Group further expanded its presence in the domestic market and developed its business to Guizhou, Fujian, Sichuan and Jiangxi; strengthened the overall project management and smoothly completed the electromechanical engineering, safety engineering and software development projects while ensuring construction quality and timely completion of construction; increased its investment in scientific research projects, further standardized the software research and development and implementation process and improved the quality of its R&D projects. The Company has commenced the development and deployment of toll-by-weight software in Northern Guangdong and trial operation of the CMMI software; and continued to perform and improve the maintenance of electromechanical projects.

In relation to cross-border transportation services, the Group made timely addition and adjustment of schedules, routes and stops of cross-border passenger transportation of medium to long distance in light of the market condition, so as to further consolidate its customer base and increase operation carriage rate. The Company also actively cooperated with strong partners to increase its market share and operational efficiency, consolidated and developed the passenger transportation business in the PRC to establish a transportation network of short, medium and long distances, expanded into the refrigerated transportation business by doing business with new customers and stabilized the cross-border cargo delivery business, and maintained the stable development of commercial vehicle letting business and travelling business with focus on commercial study tours.

OUTLOOK AND STRATEGIES

Driven by the PRC government's policies to further expand domestic demand and boost economic development, construction of expressways in Guangdong province will be greatly accelerated in 2009. Construction of more than 11 expressway projects with a total mileage of over 1,000 kilometres is expected to commence in 2009 by GCGC. The Group will seize this development opportunity to expand its material logistics, service zones and transportation intelligence businesses, strengthen internal management and further improve the Group's business and profitability. The main business goals of the Group are:

1. Material logistics services

The Group will take the opportunity arising from the PRC government's policies to increase domestic demand and promote economic development through infrastructure investment, to

— improve the operational efficiency of the integrated material supply and management mode;

— actively undertake logistics services for key construction projects of the PRC;

— establish a stable procurement and sales channel for production materials; and

— improve the logistics infrastructures, speed up the construction of asphalt warehouses in the Eastern and Western Guangdong and establish an asphalt logistics network covering Guangdong province.

2. Expressway service zones

In 2009, the Group will mainly consummate the following works with continuous construction of the expressway service zones network to achieve economy of scale as its target:

— optimize the service zone operation contracts, improve the construction of infrastructure facilities for the service zones network, carry out CSE management and constantly improve service quality;

— with investment solicitation business as the basis of value creation and convenience shops as the source of value enhancement, expand the service zone network and improve its core competitiveness;

— participate in the operation of relevant processes of the logistics and supply chain of consumer goods, exert funding advantages and identify new revenue sources;

— implement the target responsibility system management, further promote the construction of vehicles maintenance network and greenery area network and improve its market competitiveness; and

— broaden the operational ideas for the advertising business, strengthen the recycling of advertising resources and construction of advertising posts, establish the rate card pricing system.

3. Transportation intelligence services

— further increase the marketing effort and actively undertake transportation intelligence services for key projects;

— increase the investment in scientific research, focus on the development of high-end software and hardware, and build a renowned brand; and

— increase the market share of the electric-engineering maintenance business and reduce maintenance costs and improve maintenance quality through centralized division maintenance.

4. Cross-border transportation services

— consolidate existing passenger transportation routes of medium and long distances and build "golden routes" and further improve operation carriage rate through streamlined management, flexible operational strategies and strengthened industry alliance;

— increase resources, develop new routes and increase market share by way of acquisition, merger or contracting operation;

— establish storage bases in light of market demand, transform cargo delivery services from traditional transportation to modern logistics, adjust and introduce new cargo delivery service categories and carry on transportation services using special vehicle models; and

— develop commercial travelling business, improve the capacity to receive travel groups, expand the travelling business with focus on commercial study tours and continue to develop the letting business of commercial vehicles.

Yours faithfully,

Lu Mao Hao
Chairman

Guangzhou, the PRC
17 April 2009

BUSINESS REVIEW

Material logistics services

In 2008, the Group continued to implement professionalised management on materials for production by continuing to implement the integrated supply chain management model, which comprises centralised purchasing, transportation, storage and distribution, to ensure sufficient steels are supplied for seven expressway projects including Guanghe Expressway, Taiao Expressway, Fokai Expressway expansion, Yunwu Expressway, Shanjie Expressway, Guangzhao Expressway Phase II and Jiangzhao Expressway. The Group also provided steel logistics services for 12 major construction projects in Guangdong, including Guangzhou East Second Ring Expressway, Foshan Liaomei Road, Guanghe Expressway, Guangzhou-Shenzhen-HongKong Railway, Guangzhou - Zhuhai Intercity Railway, Wuguang Passenger Railway, Dongxin Expressway, Route Nos. 4, 5 and 6 of Guangzhou Subway, Chencun Grand Bridge and Shaogan Expressway. As such, the Group has become a leading steel supplier for major construction projects in Guangdong. While the Group attained sustainable sources of revenue, we established our brand reputation in professional construction steel logistics services, and strengthened our high standing in the steel market in Guangdong.

In 2008, the Group placed emphasis on expanding the asphalt business outside Guangdong and won the bids for various projects such as Hubei Daguang North, Hurong West, Jiangxi Ruigan, Chongqing Expressway and Hubei Suiyue, which enhanced the Group's reputation and influence in the asphalt supply industry in the PRC.

The Group's cement business grew steadily in 2008. The Group has established good business relationships with major cement producers in Guangdong through the cement supply to GCGC, and completed the supply of cement to projects such as Guangzhou - Zhuhai Intercity Railway, Dongxin Expressway and Shaogan Expressway.

Given that China is among the largest cotton producers, consumers and importers in the world, the Group, after due investigation and study, commenced its cotton logistics business in cooperation with other entities on purchase, processing and sale of cotton. Currently, the cotton logistics business is progressing well as planned.

The Group was aware of market fluctuations and responded in time to market changes. In the second half of 2008, as coal prices continued to fall and the coal market changed from seller's market to buyer's market, the Group strategically and timely redirected its focus of coal sales from upstream users to downstream powerful users by soliciting more downstream premium customers, mainly major coal-consuming enterprises such as Guangdong Electric Power and Guangzhou Pearl River Power, while stabilizing and optimising its resource channel. With the wealth of experience and accumulated market relations throughout the years of bulk material trading, the Group entered into coal sale and purchase contracts with a number of large enterprises such as Conch Cement and Jiangsu Jinfeng Cement. The Group also substantially increased the amount of purchase from ports while maintaining the amount of purchase directly from mines. By purchasing coals directly from coal mines at discount and arranging coal storage and transportation, the Group lowered its purchase price of coals and in turn increased its revenue.

In addition, the Group intensified its efforts to boost the construction of logistics infrastructures. Currently, the construction of the warehouse in the Dongguan storage and transportation centre project has commenced, and is expected to commence operation in the second quarter of 2009.

Expressway service zones

In 2008, in face of complicated economic environment in mainland China, the service zones overcame difficulties to maintain steady growth by actively expanding its markets and businesses, strengthening professionalised management and investment solicitation. In addition to developing its businesses, the Group has won great reputation in the community by proactively undertaking social responsibilities to help people who were affected by the snowstorm on their way home in services zones along the Jingzhu Expressway and to assist in the torch relay of the Beijing Olympics in Houmen service zone of the Shenshan Expressway.

In respect of improving merchandise retail network, the Group further strengthened the standardised distribution management and improved its delivery capability. It further strengthened marketing management and increased revenue by attracting customers to its outlets and promoting sales of new goods. It also increased the revenue from franchising by further exploiting new markets and enhancing investment solicitation for projects in relation to featured products.

In respect of improving the food and beverage network, the Group has completed the standardisation of fast food, thus, enhancing the monitoring and management in every aspect, which not only ensured the food quality and food safety, but also reduced cost and increased gross profit margin. In addition, the Group improved both customers' satisfaction and revenue by expanding unique food and beverage market and introducing outlets with local specialties.

In respect of improving the vehicle maintenance network, in addition to operating vehicle maintenance business independently, the Group made innovations in operation philosophy by promoting investment solicitation, implementing internal subcontracting and introducing franchisees. As a result, the Group achieved satisfactory economic benefits.

In respect of improving the investment solicitation network, in order to improve auxiliary services in service zones, to exploit the value of commercial resources in service zones and to increase the overall economic benefits of service zones, the Group established an investment solicitation team for service zones to conduct planning, introduction, negotiation, coordination and guidance on investment solicitation, initiated negotiations with fast food chains including KFC and McDonald's to solicit investments, completed the introduction of 12 projects involving food and beverages, featured products and vehicle maintenance, and achieved satisfactory economic benefits.

In respect of improving the property management, the Group enhanced the maintenance of roads, fields, water and electricity, pollutant discharge facilities and parking lots, and reduced the management costs in service zones by formulating rules for management of expressway service zones which defined the scope of maintenance for services zones. The Group also, through management consultation, proposed the property management philosophy based on CSE (clean, safe, environment) services to improve the image of service zones as the model of the society.

In respect of the expressways advertising business, the Group made proactive efforts to expand the scale of its advertising business and the planning of construction of advertising posts along expressways, accelerated the expressway advertising network construction process, completed the sorting and rating works for advertising resources in 43 sections of expressways and defined marketing strategies to reinforce tailored marketing.

Transportation intelligence services

In face of increasingly intense competition in the transportation intelligence market, the Group used more efforts in participating in tenders to explore markets, such as in Anhui, Sichuan, Guizhou and Hubei. In 2008, the Group acquired 18 electromechanical projects at a bid price of over RMB400 million in total and 15 transportation projects at a bid price over RMB300 million in total (more than 60% of which were for projects outside Guangdong). The Group also won projects such as the informationization projects of Zhongshan Transportation Group and Yushen Expressway in Shanxi province.

As the Group's projects outside of Guangdong province continue to grow, project management became more difficult. Particularly, the projects in Sichuan were subject to higher risks due to the earthquake in Sichuan. In this regard, the Group formulated elaborate plans to reinforce the comprehensive management of projects, which ensured the timely and quality completion of projects.

In 2008, the Group increased its investment in scientific research projects, determined research areas in light of market conditions and emphasised on the overall projects supervision from project determinations and implementations to inspection and acceptance. The Group's major research and development projects include the toll-by-weight software development and deployment in Northern Guangdong, the lane software upgrade in Eastern Guangdong, the informationization and OA.NET project and the progressive improvement of CMMI. New research and development projects are progressing well. The Group is conducting preliminary demand research and feasibility analysis for both the "Building Materials Trading Platform" and the "Network Training Platform", which are progressing as planned.

Cross-border transportation services

The cross-border transportation services encountered a number of adverse factors in 2008, such as the increase in fuel oil price, the impact from the commencement of operation of Lok Ma Chau spur line, the global financial tsunami and increasingly intensive competition. The Group adopted various measures to overcome these difficulties, strengthened its management and ensured sustainable operation results for the entire year.

In response to market demand, the Group added medium to long distance passenger routes, and adjusted the time of departure, frequency and stops for certain existing medium to long distance routes. The Group also initiated cooperation with established companies to achieve mutual compliment of advantages through industrial cooperation, which helped to increase the Group's market share and improve its operating results.

The Yau Tsim express and Kwun Tong express of the Group suffered considerable impact brought by the commencement of operation of Lok Ma Chau spur line and Shenzhen Bay Port. The Group strengthened its communication with the Yau Tsim Expressway Management Company to sustain its share of route frequencies and increased its vehicle utilisation rate to control the decrease in profits.

In addition, the Group used considerable efforts to reinforce and expand its passenger transportation market in mainland China, mainly by strengthening the operation of Guangxi routes, building a medium and short distance routes transportation network in the Pearl River Delta and expanding customer base with various marketing methods.

Under extremely tough market conditions, the Group's freight transportation business remained stable by retaining existing customers, soliciting for new customers and commencing new business areas such as refrigerated transportation.

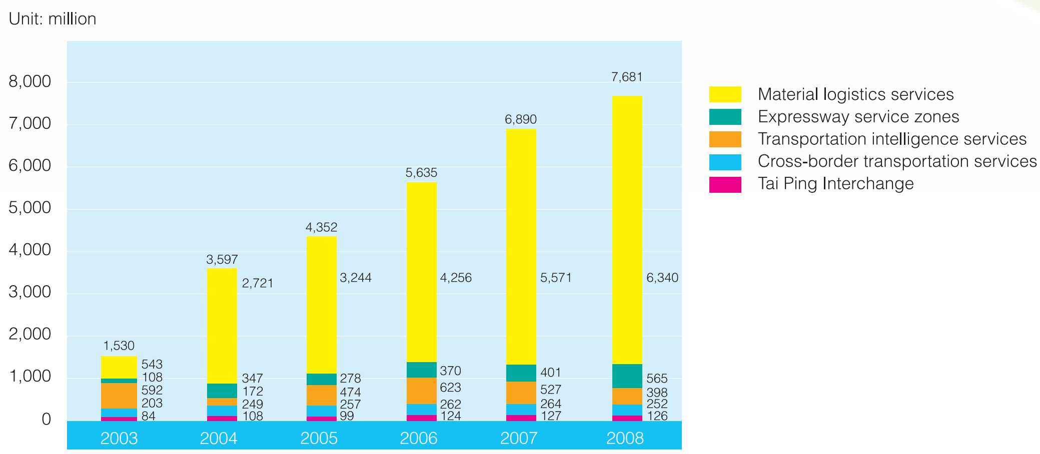
Furthermore, the Group strengthened the operation of commercial travelling business. As a result, the commercial vehicle hiring business developed steadily, the commercial express business continued to grow and the capacity in handling tourists increased gradually.

FINANCIAL REVIEW

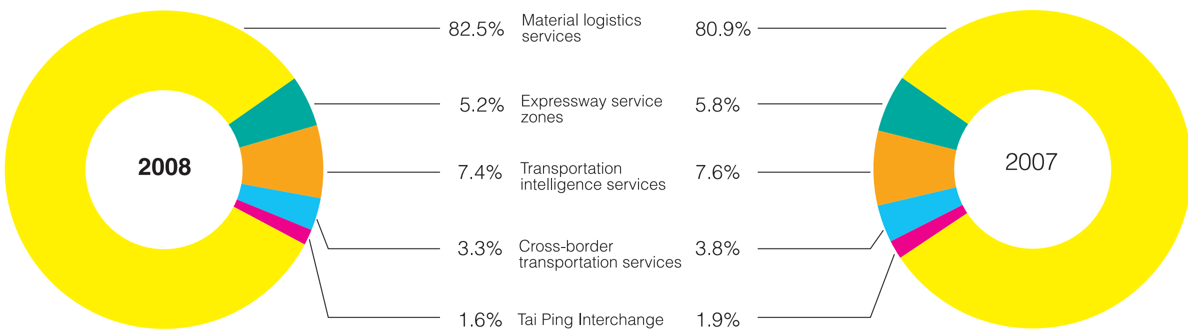
Turnover

The Group's turnover 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 was also included in the Group's turnover. Turnover for the year of 2008 amounted to RMB7,681 million (2007: RMB6,890 million), representing an increase of 11.5% as compared to the year of 2007, 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 RMB769 million in 2008.

Turnover by business segment (RMB million)

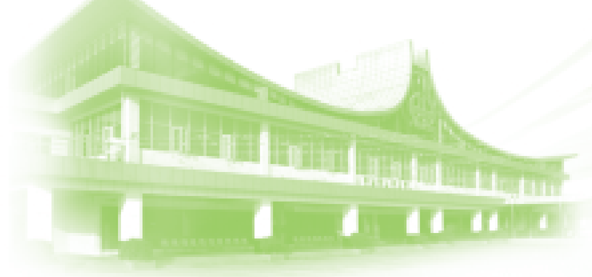


Turnover by business segment (percentage)



Mater ialogisticsser vices

Material logistics services is the Group's largest source of income. During the year of 2008, the Group's turnover of material logistics services attributed to approximately 82.5% (2007: 80.9%) of the Group's total turnover, which amounted to RMB6,340 million (2007: RMB5,571 million), representing an increase of 13.8%. The increase in turnover was primarily due to the growth in the demand of materials as the expressway projects in the Guangdong province such as Taiao, Guanghe and Yunwu, entered into a stage of pavement construction in the year of 2008, the raise in the steel price and development of coal logistics service business.



Expressway service zones

As at 31 December 2008, the number of the Group's expressway service zones was 46 pairs (2007: 46 pairs). The turnover of expressway service zones attributed to approximately 5.2% (2007: 5.8%) of the Group's turnover, which amounted to RMB398million (2007: RMB401 million), representing a slight decrease as compared to the year of 2007. The decrease was principally due to there being no new service zones operated in the year, which resulted in the decline one-off admission fees income in petrol stations as compared to the year of 2007. However, this impact was offset by the increase in revenue from catering services, convenience stores and advertisements.

Transportation intelligence services

Transportation intelligence services attributed to approximately 7.4% (2007: 7.6%) of the Group's total turnover for the year of 2008, which amounted to RMB565 million (2007: RMB527 million), representing an increase of 7.2%. The increase in revenue as compared to 2007 was mainly attributable to the speeding up of the construction of the newly bid large projects during the year, such as Dianlin in Sichuan and Punan in Fujian, which were affected by the government's implementation of the economic stimulation policies.

Cross-border transportation services

The revenue of the cross-border transportation services for the year of 2008 amounted to RMB252 million (2007: RMB264 million), representing a decrease of 4.5% as compared to that of last year, which amounted to approximately 3.3% (2007: 3.8%) of the Group's total turnover. The decrease in revenue was mainly attributed to, firstly, the continuous decpreciation of Hong Kong Dollars against Renminbi, which reduced the revenue contribution from passengers transportation services brought by measures such as the integration of market resources, co-operation with business counterparts and price hikes, and secondly, the decrease in revenue from freight transportation services compared to that of last year as the Pearl River Delta region was under the pressure from the financial crisis.

Tai Ping Interchange

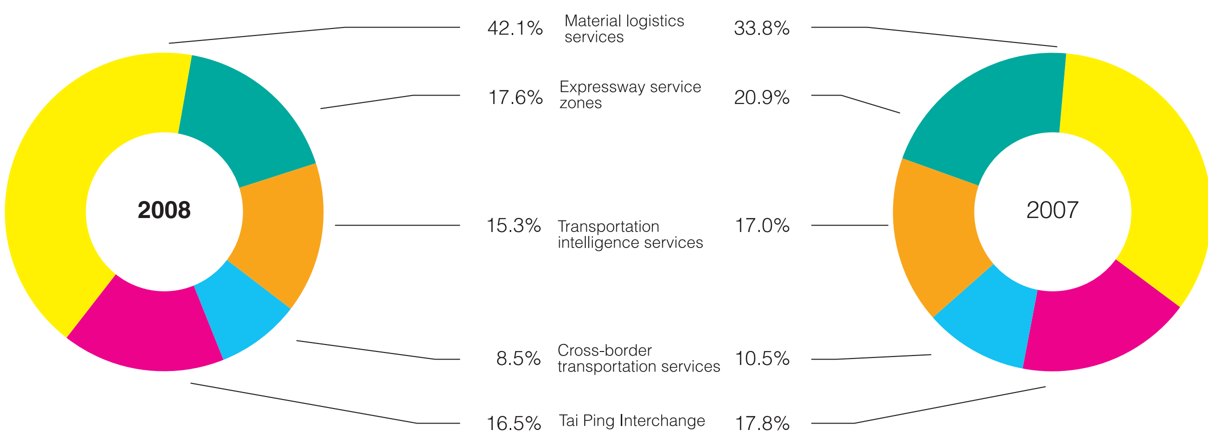
Approximately 1.6% (2007: 1.9%) of the Group's turnover was derived from Tai Ping Interchange for the year of 2008. The turnover amounted to RMB126 million (2007: RMB127 million), a slight decrease from last year, mainly because the reinforcement and maintenance works of the Tai Ping Interchange and the impact of the financial crisis on the Pearl River Delta region in the second half of the year resulted in decrease in revenue, which offset the increase in revenue of the diverted traffic from the Guangshen Expressway to the Humen Bridge when Guangshen Expressway was under maintenance work in the first half of the year.

Gross profit

The gross profit of the Group in 2008 increased by RMB39 million or 6.4% to RMB656 million (2007: RMB617 million) due to the growth in turnover. Gross profit margin was 8.5%, which was slightly lower than that of 2007 (2007: 9%).

Gross profit by business segment (RMB million)

Gross profit by business segment (percentage)



Material logistics services

Gross profit of material logistics services of the year of 2008 attributed to 42.1% (2007: 33.8%) of the Group's total gross profit, representing an increase of 32.8% to RMB276 million (2007: RMB208 million). The gross profit margin was 4.4% (2007: 3.7%). The increase in gross profit was mainly due to firstly, the increase in revenue, and secondly, some projects with a relatively higher gross profit margin.

Expressway service zones

Gross profit of expressway service zones attributed to 17.6% (2007: 20.9%) of the Group's total gross profit for the year of 2008, which amounted to RMB115 million (2007: RMB129 million). Gross profit margin was 29.0% (2007: 32.2%). The decrease in gross profit margin of service zones was mainly due to the decrease in one-off admission fees income at the petrol stations.

Transportation intelligence services

Gross profit of transportation intelligence services attributed to 15.3% (2007: 17.0%) of the Group's total gross profit for the year of 2008, which amounted to RMB100 million (2007: RMB105 million) and was comparable to that of the year of 2007. The gross profit margin decreased to 17.7% as compared to the year of 2007 (2007: 20.0%), primarily due to the fact that most of the projects in the year were conducted in provinces outside the Guangdong province, which faced fierce competition and with higher cost of operations and lower gross profit margin as compared to those conducted within the Guangdong province.

Cross-border transportation services

Gross profit of cross-border transportation services attributed to 8.5% (2007: 10.5%) of the Group's total gross profit for the year of 2008, amounted to RMB56 million (2007: RMB64 million) and represented a decrease of 13.3% from last year. The gross profit margin was 22.2% (2007: 24.4%), which was primarily attributed to the decrease in revenue and the raise in petrol prices that increased transportation costs.

Tai Ping Interchange

Gross profit of Tai Ping Interchange attributed to 16.5% (2007: 17.8%) of the Group's total gross profit for the year of 2008. Gross profit earned by Tai Ping Interchange decreased from RMB110 million in the year of 2007 to RMB108 million, representing a decrease of 1.3% as compared to 2007. Gross profit margin was 86.2% (2007: 86.4%), and was comparable to that for the year of 2007.

Other income

Other revenues of the Group increased to RMB52.468 million (2007: RMB44.406 million) for the year of 2008, representing an increase of 18.2%. The increase was mainly attributed by the compensation revenue of RMB5.4 million arising from providing disaster relief service for Jingzhu Expressway.

Selling expenses

In 2008, the selling expenses of the Group increased to RMB182 million (2007: RMB150 million), representing an increase of 21.4% and accounted for 2.4% of the Group's total turnover. The increase was mainly due to the increase in transportation and loading costs as the logistics services for materials business grew.

Administrative expenses

In 2008, administrative expenses increased by 19.9% to RMB276 million (2007: RMB230 million), mainly due to: firstly, the impairment provision made for the doubtful receivables, inventory and construction contracts; and secondly, the increase in employee benefits expense and other charges such as bank charges.

Finance costs

In 2008, the finance costs increased by 17.6% from RMB26.439 million of the year 2007 to RMB31.101 million. The increase was mainly due to the bank borrowings increase as the business of the Group expanded and the increase of the interest rate increased during the year.

Taxation

The effective tax rate in 2008 was 22.7% for the year (2007: 28.5%), representing a decrease as compared to that of the year of 2007. The decrease was primarily due to the adjustment made by the government to the rate of income tax.

Liquidity and capital structure

The Group continues to maintain a robust financial position. As at 31 December 2008, cash and bank balance amounted to RMB1,121 million (2007: RMB948 million). As at 31 December 2008, balance of bill payables was RMB1,618 million (2007: RMB1,670 million); net current assets was RMB953 million (2007: RMB914 million); current ratio was 1.3 times (2007: 1.3 times); and interest covering ratio was 8 times (2007: 10.6 times).

Cash flows

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

Cash and cash equivalents (net of the effect of exchange) during 2008 are as follows:

	Year ended 31 December	
	2008	2007
Cash from/(used in)	***RMB'000***	*RMB'000*
Operating activities	**203,907**	435,399
Investing activities	**(107,965)**	(61,428)
Financing activities	**75,927**	(96,137)
Increase of cash and cash equivalents	**171,869**	277,834

Operating activities

The net cash flows from operating activities for the year of 2008 amounted to RMB204 million (2007: RMB435 million), representing a decrease of RMB231 million, mainly due to strengthening of working capital management in the year of 2007 by increasing use of bills to extend the payment period, which decreased the cash outflow in that year and such impact diminished in the year of 2008.

Investing activities

Net cash outflow for investing activities in the year of 2008 amounted to RMB107.965 million, mainly comprised (i) RMB34.06 million for acquisition of transportation equipment; (ii) RMB62.331 million for the reinforcement and maintenance works and construction of service area carried out by Tai Ping Interchange and (iii) RMB9.19 million for acquiring of investment properties.

Financing activities

The principal financing activities for the year of 2008 included (i) dividends of RMB47.194 million paid to the Shareholders for 2007; (ii) dividends of RMB6.851 million paid to the minority Shareholders and (iii) increase in short-term bank loans by RMB129 million as compared to the year of 2007.

Borrowings

As at 31 December 2008, all outstanding bank borrowings of the Group were unsecured short-term bank loans, totaling RMB220 million in total (2007: RMB91 million), representing an increase of RMB129 million compared to last year. This increase was mainly attributed to the expansion of the material logistic business which raised the working capital requirement.

Acquisitions

Save as disclosed in the announcement of the Company dated 18 December 2008 relating to the proposed purchase of the entire equity interest in Guangdong Traffic Engineering Company Limited, as at 31 December 2008, 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 that relate to cross-border transportation services. In 2008, the Group's working capital and liquidity were 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 based on its operating needs will adopt proper measures to reduce the Group's currency risk exposures.

Contingent liabilities

As at 31 December 2008, the Group did not have any material contingent liabilities.

As at the date of this report, the Company has 13 Directors and seven Supervisors as well as a group of senior management personnels. 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 45, 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 has extensive experience in road and expressway related corporate management, operation and administration. Mr. Lu graduated with a bachelor's degree in expressway and city road engineering from the Changsha Communication Institute (長沙交通學院) in 1988 and obtained a master's degree in business administration from the Murdoch University in 2000. He also finished a 12 months management-related academic training at San Francisco State University in 2002.

Su Yong Dong (蘇永東), aged 56, is an executive Director and vice Chairman of the Board. Mr. Su joined the Group in July 2003 and has served as a Director since December 2007. Mr. Su was the 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, 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 ("Guangdong Highway Construction"). He 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 42, 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 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 has extensive experience in expressway projects management and development. He obtained a master's 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 55, is an executive Director and has served as a Director since December 2007. Mr. Deng has 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 served at various positions in the Guangdong Transportation Bureau and Guangdong Highway Construction, respectively. Prior to his appointment as a Director, from June 2000 to August 2001, Mr. Deng had served as the department head of GCGC. From August 2001 to November 2007, he was the chairman and party secretary of Guangdong Highway Construction. Mr. Deng is a senior politic-worker. He 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.

Zeng Gang Qiang (曾剛強), aged 51, is an executive Director and has served as a Director of the Company since June 2008. Mr. Zeng 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 ("GCGC Investmnet") from July 1993 to October 1996; worked with Guangdong Highway Construction 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 from August 2000 to March 2004; director and general manager of Guangdong Top-E 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.

Non-executive Directors

Liu Wei (劉偉), aged 49, is a non-executive Director and has served as a Director since October 2002. Mr. Liu is currently the deputy general manager of GCGC. He 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 as the director and general manager of GATC in February 2002. He also served as director, deputy general manager and office manager of Weisheng Transportation & Enterprises Company Limited ("Weisheng Transportation") from 1989 to 1997. From 1985 to 1989, he was appointed as 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. He graduated from International East-West University in 1999 with an executive master's degree in business administration.

Huang Guo Xuan (黃國宣), aged 60, 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 GCGC Investment since 2003. From 1993 to 2002, he was appointed as a director and general manager of GCGC Investment. From 1991 to 1993, he served as a manager of Road Engineer and Machinery Construction Company of the Guangdong Provincial Road Authority (廣東省公路管理局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. He graduated from Hunan University in 1982 with a bachelor's degree in civil engineering.

Cai Xiao Ju (蔡小駒), aged 45, 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 ("Guangdong Road & Bridge Construction"). Since October 2006, he has served as the chairman and party secretary of Guangdong Road & Bridge Construction. From November 2001 to October 2006, Mr. Cai had served at various positions in the Meizhou Municipal Committee and 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 Sun Yat-sen University, majoring in Geology and obtained a bachelor's Degree in Science. He then obtained a master's degree in Economy from the Central Party School in Guangdong province.

Chen Guo Zhang (陳國章), aged 59, 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 obtained a bachelor's 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 45, is a non-executive Director and has served as a Director since June 2006. He is general manager of Guangdong Highway Construction. Mr. Lu served in the contract department of Guangdong Road & Bridge Construction 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 served as the deputy chief economist of GCGC. Mr. Lu obtained his bachelor's degree in civil engineering, majoring in highway and urban road engineering from Nanjing Institute of Technology (Southeast University). He also obtained a master's degree in highway transportation engineering from the management department of Xi'an Highway University, and had served as a lecturer and an assistant professor 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 56, is an independent non-executive Director and has served as a Director since February 2004. Currently, Mr. Gui is a vice president of Economics and Trade Faculty 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. 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 48, 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 has served as a doctoral advisor in finance of Jinan University and has 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 obtained the qualification of professor from Jinan University in 1995, a master's degree in economics from Jinan University in 1986 and subsequently a doctorate degree in management from Sun Yat-sen University.

Peng Xiao Lei (彭曉雷), aged 57, is an independent non-executive Director and has served as a Director since February 2004. Mr. Peng obtained his master's degree in economics from Zhong Nan Finance University in 1996 and was awarded the professional qualification of senior accountant by Guangdong Province Personnel Office (廣東省人事廳). 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 was responsible for supervising the internal controls of GCGC 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. 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 dean for the department 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審計工作手冊(2005版)》.

SUPERVISORS

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

Chen Chu Xuan (陳楚宣), aged 41, has served as a Supervisor since 3 March 2009. Mr. Chen is a senior accountant and a senior economist with professional practice qualifications. Mr. Chen is the Chairman of the External Supervisory Committee of GCGC. He graduated from the Faculty of Engineering and Financial Accounting of the Changsha Communications University with a bachelor's degree in July 1990, and graduated from Jinan University with a master's degree in Management Studies in September 2006. After obtaining his bachelor's degree in July 1990, he undertook the position as the Accountant of the Second Branch Office of the Guangdong Provincial Highway Engineering Company and Head of the Operations and Finance Department of the Technology Development Company until April 1997. He then served as the Chief Accountant of the Third Branch Office of Guangdong Changda Highway Engineering Company Limited ("Guangdong Changda") from April 1997 to September 2001. From September 2001 to September 2008, he was appointed as the Chief Accountant of Guangdong Guanyue Highway & Bridge Company Limited, and was assigned to the Guangdong Provincial Office of the State-owned Assets Supervision and Administration Commission during March 2008 acting as the Deputy Head of the Office of the Supervisory Committee. Since December 2008, he has served as the Chairman of the Supervisory Committee of Guangdong Provincial Expressway Development Company Limited. Mr. Chen is also the Chairman of the Supervisory Committee of GCGC Investment.

Xiao Li (肖麗), aged 37, has served as a Supervisor since 3 March 2009. Ms. Xiao is the External Supervisor of the GCGC. Ms. Xiao is a senior accountant, a registered tax advisor and economist with professional practice qualifications respectively. She graduated from the Faculty of Finance and Accountancy of Changsha Communications University in June 1993, and later graduated from the School of Computerized Accountancy in the College of Continuing Education of South China University of Technology in July 2005. Ms. Xiao has achieved over 15 years of work experience in accounting and finance. After graduating from Changsha Communications University in June 1993, she worked as the Cashier and Accountant for the Humen Bridge Project under the Fifth Branch Office of Guangdong Changda until August 1997. From August 1997 to April 2006, she served as the Accountant of the Finance Department and Chief Accountant of the Fifth Branch Office of Guangdong Changda. From May 2006 to October 2007, she was appointed as the Chief Accountant of the Finance Department of the Third Branch Office of Guangdong Changda. In October 2007, she was promoted as the Head of Finance Department of the Design and Development Company under Guangdong Changda and provided a year of service under this position.

Rao Feng Sheng (饒鋒生), aged 45, 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 labor union of the Company. Mr. Rao is a qualified senior political commissar and a senior economist. 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 and obtained a Bachelor of Laws from Beijing Institute of Technolgy in 2007. 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.

Cheng Zhuo (成卓), aged 41, has served as a Supervisor since February 2004. 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 committee 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 42, has served as a Supervisor since February 2004. 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 Sun Yat-sen University in 1987.

Li Hui (李輝), aged 45, has served as a Supervisor since February 2004 and is currently deputy manager of the Company's audit and compliance department. Ms. Li 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 obtained a bachelor's 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 32, a senior economist, 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 54, is the deputy general manager of the Company. Ms. Lin joined the Group in August 2000 and served as the deputy general manager of Guangdong Xinyue and was appointed as the 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 obtained a bachelor's degree in economic management from the Central Communist Party School in 2001.

Yao Han Xiong (姚漢雄), aged 43, 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 ("Guangdong Jing Tong"). From the years of 2002 to 2005, Mr. Yao was designated by the Organization Department of Guangdong Provincial Party Committee to practise at a post 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 branch office of Guangdong Changda from 1989 to 2002. Mr. Yao obtained a bachelor's 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 Bing Heng (陳秉恒), aged 37, has acted as the deputy general manager of the Company since November 2007. Mr. Chen served as an executive Director from July 2005 to June 2008. 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 Guangdong Oriental Thought Technology Company Limited ("Oriental Thought"), respectively. Prior to that, Mr. Chen worked respectively in the Construction Department of Guangdong Provincial Freeway Company Limited for Eastern Section of Shenshan Expressway, Guangdong Jindaoda Expressway Economic Development Company Limited and Guangdong Kai Yang Expressway Company Limited. Mr. Chen graduated from Sun Yat-sen University with a bachelor's degree majoring in Geology and graduated from Jinan University with an executive master of Business Administration Degree in January 2009. Mr. Chen obtained his professional qualification of senior engineer in roads and bridges in 2005.

Chen Hong Hui (陳鴻輝), aged 37, is the deputy general manager of the Company since November 2007. Mr. Chen joined the Group in 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 of 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's degree from Xi'an Highway University in 1997 majoring in civil engineering and obtained a professional qualification as a senior engineer and economist.

Liang Xin (梁鑫), aged 41, has served as the chief accountant of the Company since June 2008. Prior to that, from July 1989 to March 1995, Mr. Liang worked at the finance section of Guangdong Provincial Highway Engineering Department. He was appointed as the manager of the Finance Department of Guangdong Jing Tong from March 1995 to August 1998. He served as the chief accountant of Guangdong Jing Tong from August 1998 to June 2004. During the period from June 2004 to June 2008, he was appointed as the director and the chief accountant of Guangdong Jing Tong. Mr. Liang graduated and obtained a bachelor's degree from Changsha Communications University in 1989, majoring in engineering finance and accounting. He has obtained the professional qualification of a senior accountant.

Liu Zhi Quan (劉志全), aged 43, is the secretary of the Board. Mr. Liu has joined the Group since January 2001. He has obtained an executive master's 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 39, is the Company Secretary of the Company. Mr. Fung has 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 is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

The Board has pleasure in presenting the Report of the Directors for the year ended 31 December 2008 together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of integrated logistics services and expressway-related services. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries are set out in note 10 to the consolidated financial statements. There was no material change to the nature of the principal activities of the Group during the year ended 31 December 2008.

FINANCIAL RESULTS

The financial highlights of the year are set out on pages 8 to 9 of this report. The results and financial position of the year are set out on pages 15 to 24 of this report for discussion and analysis.

CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2008 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") are set out on page 60 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 five financial years are set out on page 149 of this report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

As at 31 December 2008, the profit attributable to Shareholders was RMB150 million. It is intended a final dividend of RMB0.109 per share be distributed, which amounts to approximately RMB45.52 million.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2008, the Group's purchases attributable to the Group's five largest suppliers were approximately 38.4% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were approximately 15.6% of the Group's total sales.

RESERVE

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2008 and details of the distributable reserves of the Company as at 31 December 2008 are set out in note 18 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

STATUTORY RESERVE FUNDS

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the movements in property, plant and equipment of the Group and the Company during the year ended 31 December 2008 are set out in note 6 and note 9 to the consolidated financial statements.

EMPLOYEES' PENSION SCHEME

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

DIRECTORS AND SUPERVISORS

The Directors who held office during the year ended 31 December 2008 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
Wang Wei Bing	11 January 2001	N/A
Chen Bing Heng	30 June 2005	17 June 2008
Su Yong Dong	20 December 2007	N/A
Deng Chong Zheng	20 December 2007	N/A
Zeng Gang Qiang	17 June 2008	N/A
Non-Executive Director		
Liu Wei	28 October 2002	N/A
Huang Guo Xuan	11 January 2001	N/A
Chen Guo Zhang	9 December 2004	N/A
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	3 March 2009
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	3 March 2009
Rao Feng Sheng	12 June 2007	N/A
Fan Xin Cai	12 June 2007	N/A
Chen Chu Xuan	3 March 2009	N/A
Xiao Li	3 March 2009	N/A

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 32 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 18 December 2008, the Company entered into an equity transfer agreement with Guangdong Jing Tong Highway Construction Group Company Limited and Guangdong Province Highway Machinery and Material Company, pursuant to which the Company agreed to purchase and Guangdong Jing Tong Highway Construction Group Company Limited and Guangdong Province Highway Machinery and Material Company agreed to sell the entire equity interest in Guangdong Traffic Engineering Company Limited, at a consideration of RMB92,962,000.

For further information relating to the above transaction, please refer to the Company's announcement dated 19 December 2008 and the Company's circular dated 9 January 2009.

Such transaction was not approved by independent Shareholders at the Shareholders' general meeting held on 3 March 2009.

(b) On 23 December 2008, the Company and Guangdong Humen Bridge Company Limited entered into a toll fee collection and entrustment management agreement, pursuant to which Guangdong Humen Bridge Company Limited shall provide entrusted toll fee collection services to the Company in respect of the toll fees to be collected at the Tai Ping Interchange for the period from 1 January 2009 to 31 December 2009, at a consideration of RMB4,200,000. The agreement will expire on 31 December 2009.

For further information relating to the above transaction, please refer to the Company's announcement dated 24 December 2008.

(c) On 10 February 2009, the Company and Oriental Thought entered into a technical development and entrustment agreement, pursuant to which Oriental Thought shall provide technical development services to the Company in respect of the integrated management information system of the Company, at a services fee of RMB5,980,100.

For further information relating to the above transaction, please refer to the Company's announcement dated 10 February 2009.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has granted a waiver (the "Waiver") to the Company for a period of three years ending 31 December 2007 from strict compliance with the requirements of (i) disclosure by way of announcement, and (ii) disclosure by way of announcements, circular to Shareholders and/or independent Shareholders' approval, in respect of the continuing connected transactions as set out in the prospectus issued by the Company dated 14 October 2005 (the "Prospectus"). As the Waiver had expired on 31 December 2007, 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 following table sets out the relevant annual caps and the actual amounts for the year ended 31 December 2008 in relation to the continuing connected transactions of the Company.

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 2008 (RMB '000)	Actual Figure for the year ended 31 December 2008 (RMB '000)
Discloseable continuing connected transactions for which waivers from announcement requirement have been granted by the Stock Exchange		
1. 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	49,165	25,859
2. First right to operate new expressway service zones and subcontracting obligations under subsisting agreements	108,319	51,000
3. Provision of material logistics services under subsisting agreements and the relevant master agreement	769,406	515,401
4. Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the relevant master agreement	390,904	176,406
5. Subcontracting of certain work procedures in relation to expressway intelligence and purchase of other construction services under master agreement	110,783	68,110
6. Purchase of materials under subsisting agreements and the relevant master agreement	193,340	84,788
7. Financial assistance provided by the Company to Guangdong Xinyue pursuant to a loan agreement	90,000	52,000

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 auditor of the Company, PricewaterhouseCoopers, has 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 ended 31 December 2008.

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 the note 17 to the consolidated financial statement prepared in accordance with the HKFRS contained herein.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director, as at 31 December 2008, 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 Highway Construction	Domestic shares	96,476,444	Beneficial owner	34.50	23.10
Pope Asset Management, LLC	H shares	25,103,000	Investment manager	18.19	6.01
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	15,000,000	Investment Manager	10.87	3.59
Sky Investment Counsel Inc.	H shares	13,759,484	Investment Manager	9.97	3.29
UBS AG	H shares	12,459,451	Investment Manager	9.03	2.98
Barclays Global Investors UK Holdings Limited (Note 2)	H shares	8,266,000	Interests of controlled corporations	5.99	1.98
Barclays PLC (Note 2)	H shares	8,266,000	Interests of controlled corporations	5.99	1.98

Note:

(1) Guangdong Highway Construction and GCGC Investment are wholly-owned subsidiaries of GCGC. Accordingly, GCGC is deemed to be interested in the domestic shares of the Company held by Guangdong Highway 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 Road & Bridge Construction and Guangdong Weisheng Transportation Enterprise Company Limited.

(2) The two references to 8,266,000 H shares of the Company relate to the same block of H 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 H shares of the Company by virtue of their deemed interests in the shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2008, 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 2008, GCGC held 142,266,080 domestic shares of the Company, representing 34.06% of the total issued share capital of the Company, while Guangdong Highway 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 2008 was RMB19,800,000,000. It is principally engaged in the investment, construction and management of the majority of roads, and expressways networks in Guangdong province.

SUFFICIENCY OF PUBLIC FLOAT

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

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

As at 31 December 2008, the interests of Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

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

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

Name of Associated corporation	Name of Director/ Supervisors	Type of Interests	No. of shares held	Percentage in the relevant class of share capital	Note
Guangdong Provincial Expressway Development Co. Ltd. ("Guangdong Expressway")	Lu Mao Hao	Personal	18,421	0.002	(1)
Guangdong Expressway	Rao Feng Sheng	Personal	2,602	0.0003	(2)
Guangdong Expressway	Deng Chong Zheng	Family	11,972	0.001	(3)

Notes:

(1) Lu Mao Hao is taken to be interested in 18,421 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.

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

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

Save as disclosed above, as at 31 December 2008, 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 ended 31 December 2008 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 and the five highest paid individuals of the Group are set out in note 22 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2008.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2008, no Director or Supervisor has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

None of the Directors or Supervisors had any 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 2008.

BOARD COMMITTEES

The Company has established an audit committee and remuneration committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 47 to 53 of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had 3,712 employees, the staff costs (including directors' remuneration) of the Group was RMB232 million for the year.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During this reporting period, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year ended 31 December 2008.

DONATIONS

Donations made by the Group during the year ended 31 December 2008 amounted to RMB55,256.

AUDITORS

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company for the year ended 31 December 2008. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS. Resolutions for re-appointments of PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company will be proposed at the forthcoming Shareholders' annual general meeting.

By order of the Board
Lu Mao Hao
Chairman

Guangzhou, the PRC
17 April 2009

Dear Shareholders,

The Supervisory Committee has actively safeguarded the interests of all Shareholders and the Company, fully performed its supervisory functions and planned its development tasks by closely focusing on the annual tasks of the Supervisory Committee, which provided a positive impetus in terms of corporate governance and towards sound development of the Company. We hereby present to the general meeting of the Shareholders the work report of the Supervisory Committee for the year 2008:

I. MEETINGS OF THE SUPERVISORY COMMITTEE CONVENED

1. On 2 April 2008, the second meeting of the third session of the Supervisory Committee was held, which was chaired by Mr. Chen Di Li, the chairman of the Supervisory Committee. During the meeting the report by the management of the Company on the production management status and financial status of 2007 was presented. Futherure, the Supervisory Committee considered and approved the work report of the Supervisory Committee for 2007, approved such report to be presented to the Company's annual general meeting of 2007 for the Shareholder's consideration; and passed the working plan of the Supervisory Committee for 2008.

2. On 5 November 2008, the third meeting of the third session of the Supervisory Committee was held, which was chaired by Mr. Chen Di Li, chairman of the Supervisory Committee. During the meeting it was resolved that the resignation of Mr. Chen Di Li as a Supervisor and the chairman of the Supervisory Committee and the resignation of Ms. Ling Ping as a Supervisor be approved, and agreed to submit the said resignations to an extraordinary general meeting of the Shareholders for approval. It was further resolved during the meeting that the appointment of Mr. Chen Chu Xuan and Ms. Xiao Li as Supervisors be approved, and agreed to submit the appointment to an extraordinary general meeting of the Shareholders for approval.

3. 0n 22 April 2009, the fourth meeting of the third session of the Supervisory Committee was held, which was chaired by Mr. Chen Chu Xuan. The meeting unanimously appointed Mr. Chen Chu Xuan as the chairman of the third session of the Supervisory Committee. The meeting considered and approved the "2008 Working Report of the Supervisory Committee" and "2009 Working Plan of the Supervisory Committee" and gave comments and opinions on the "2008 Report on Performance of Duties by the Board", "2008 Report of the General Manager", "Summary of the 10th Meeting of the Audit Committee", "Summary of the Meeting of the Remuneration Committee", "2008 Report on Financial Decisions", "2008 Report on the Execution of Investment", "2008 Profit Distribution Plan", "2008 Remuneration Distribution Plan", "Resolution on the Appointment of the Accounting Firm", "2008 Audit Report and Management Recommendations"

II. WORKS OF THE SUPERVISORY COMMITTEE PERFORMED

In 2008, the Supervisory Committee, through attending the board meetings, participated in the production operations meeting convened by the Company, participated in the audit undertaken by the Company's audit and compliance department, reviewed the Company's annual and monthly financial statements, supervised and inspected the Company's operation and management behaviour, connected transactions and financial reports etc.

The Supervisory Committee is of the view that:

1. The Board was able to strictly execute each of the resolutions and authorizations given in the general meetings of the Company, and had faithfully safeguarded the interests of Shareholders.The Board was able to implement democratic decision making. The procedures for convening meetings and the resolution process complied with the laws and regulations.

2. The Company was able to continue to improve the corporate governance structure in accordance with the Company Law, the articles of association of the Company and the relevant laws and regulations of the Stock Exchange. The Company's management is able to carry out operations in accordance with the "Articles of Association" and the mandate granted by the Board, and implemented effective operations under the correct guidance and leadership of the Board, and fully completed the operation tasks assigned by the Board.

3. The Supervisory Committee is not aware of any violation of the laws, regulations and the articles of association of the Company by the Company's Directors, managers and senior management which will damage the interest of the Company and the Shareholders.

4. The Company is basically able to establish sound internal control systems in the aspects of internal audit, human resources management, investment and operation management, financial management, administrative management, information technology management. The internal control system was further improved.

5. The Supervisory Committee unanimously agreed to the audit opinions issued by PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants on our financial report of 2008.

6. The approved investment in respect of the overhaul project at Tai Ping Interchange and the construction project at Dongguan Asphalt Dock have been basically implemented in accordance with the investment plans. The project change complied with the procedure and the relevant procedures were completed.

7. In 2008, the amount of connected transactions amounted to RMB645 million, representing 8.5% of the total revenue of RMB7,600 million recorded during the year, and a slight decrease compared to the RMB751 million recorded in 2007 out of a revenue increase of RMB800 million. 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 harm to the interest of Shareholders holding small to medium size of shareholdings in the Company.

8. The aggregate banking facilities secured by the Company from banks amounted to RMB7,267 million (including banker's acceptances). The maximum peak value utilized facility amounted to RMB2,702 million, within the limit of RMB5,000 million approved by the Board. Acts of issuing letters of credit illegally were not found.

   In view of the current international financial crisis, as a logistics enterprise, we urge the Company's board and management to pay high attention to risk control in respect of the logistics business and make the following recommendations:

   1. to make an effort to study and formulate the Company's development strategy and leverage on the core competitiveness of the principal operations.

   2. to further improve the control procedure of the logistics business, to strengthen internal control management.

   3. to pay attention to financial risks, to strengthen treasury management, to ensure the Company's financial soundness.

Sound corporate governance represents a longstanding objective of the Company. Since the listing of the Company, the Company has made huge efforts in enhancing its standard of corporate governance. The Company, with reference to the Company Law of the People's Republic of China, 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 other relevant laws and regulations, as amended from time to time, 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 2008 in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board is accountable to the general meetings of the Company under its commitment to pursue the best interests of the Shareholders. Board members collectively and individually accept the responsibility for the management and control of the Company in the interests of Shareholders.

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. Zeng Gang Qiang

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 general manager 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 and convening general meetings and executing the resolutions passed in general meetings of the Company. 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 the relevant laws and regulations in a diligent manner.

The independent non-executive Directors, who were appointed from the finance and logistics industries with extensive experience in accounting or financial management and other professional areas, are expected to act and have 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 the long-term development of the Company.

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

The articles of association of the Company clearly provides 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.

The Directors acknowledge that it is their responsibility to prepare the Group's financial statements and warrant that the financial statements are prepared in accordance with the requirements of laws and regulations and applicable accounting standards. The Directors also warrant the timely publication of the Group's financial statements.

For the year ended 31 December 2008, the Company held a total of eight Board meetings, with an average attendance rate of 90%. The Company kept detailed minutes for the business transacted in such meetings.

The attendance details of each member of the Board for the year ended 31 December 2008 are set out below:

	Meetings attended/held	Attendance Rate
Executive Directors		
Lu Mao Hao *(Chairman)*	8/8	100%
Su Yong Dong	7/8	88%
Wang Wei Bing	8/8	100%
Deng Chong Zheng	8/8	100%
Chen Bing Heng *(resigned as Director on 17 June 2008)*	4/4	100%
Zeng Gang Qiang *(appointed as Director on 17 June 2008)*	4/4	100%
Non-executive Directors		
Liu Wei	4/8	50%
Huang Guo Xuan	7/8	88%
Chen Guo Zhang	8/8	100%
Lu Ya Xing	6/8	75%
Cai Xiao Ju	6/8	75%
Independent non-executive Directors		
Gui Shou Ping	8/8	100%
Liu Shao Buo	8/8	100%
Peng Xiao Lei	8/8	100%

Notes: Mr. Lu Ya Xing did not attend the second meeting of the third session of Board and appointed Mr. Lu Mao Hao in writing to vote and sign the relevant documents on his behalf.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' and Supervisors' securities transactions for the year ended 31 December 2008. 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 2008.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "Audit Committee") 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 2008, 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 reviewed the external audit reports and the annual accounts of the Group. It has reviewed the audited financial statements for the year ended 31 December 2008, and recommended their adoption by the Board. The Audit Committee held three meetings in the year ended 31 December 2008 with an average attendance rate of 78% by each of its members, whereby the Company reported to the Audit Committee the major businesses of the Company and the various management suggestions proposed by the Company's international auditor, PricewaterhouseCoopers. For the year ended 31 December 2008, the Company has been in compliance with the requirements relating to audit committees under Rule 3.21 of the Listing Rules.

REMUNERATION COMMITTEE

The Company has also established a remuneration committee of the Company ("Remuneration Committee") to determine the policies in relation to human resources management, to review the compensation strategies, to determine the remuneration 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 Remuneration 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 the year ended 31 December 2008, the Remuneration Committee held one meeting.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises seven members, four 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 of the Company, so as to safeguard the interests of the Shareholders. For the year ended 31 December 2008, the Supervisory Committee examined the financial position and the legal compliance of the operations of the Company and conducted the due diligence review of the senior management of the Company 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

The Board is responsible for the establishment and maintenance of the internal control system of the Company; for reviewing the effectiveness of the key operational and financial procedures and for maintaining the safe and effective operation of the Group's assets, so as to safeguard the interests of the Shareholders.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable law and regulations, to identify and manage potential risks and to safeguard assets of the Group.

In the year ended 31 December 2008, 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 Capital 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 promoted its standard.

The internal auditors of the Company monitor 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 held three meetings to liaise and discuss with the auditors of the Company and the department of finance 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 of the Company 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 took 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 proceeding 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 major investment 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. The fees for the audit and non-audit services provided by the above auditors to the Group for the period ended 31 December 2008 amounted to RMB3.08 million and RMB0.72 million respectively.

GENERAL MEETINGS

The general meeting holds the highest authority of the Company. The Company convened one general meeting for the year ended 31 December 2008 to review, consider and approve the resolutions relating to the report of the Directors, the report of the Supervisory Committee, the profit distribution proposal, the appointment and resignation of Directors and Supervisors and the amendments to the constitution of the Company, etc. 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 on the websites of the Stock Exchange and the Company, pursuant to the disclosure requirements under the Listing Rules. This is to ensure the right to information and participation of the Shareholders.

The Company place strong emphasis on communications as it believes that ongoing and open communications with investors will enhance their understanding of and confidence in the Company as well as improving its corporate governance standards. Management of the Company maintain close communications with investor through different channels, such as road shows, conferences and one-on-one meetings, so that investors may have a better understanding of the Company's management philosophy, operating environment and development strategies.

The Company also maintains a website at http://www.southchina-logistics.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

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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 56 to 148, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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, 17 April 2009

Consolidated Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2008	2007 (Restated)
ASSETS			
Non-current assets			
Fixed assets	6	**298,485**	250,543
Leasehold land and land use rights	7	**150,790**	146,659
Intangible assets	8	**184,050**	193,978
Investment properties	9	**4,864**	—
Interests in associates	11	**65,032**	68,311
Interest in a joint venture	12	**16,195**	15,542
Available-for-sale financial assets		**200**	200
Deferred income tax assets	13	**29,750**	17,230
		749,366	692,463
Current assets			
Inventories	14	**896,577**	367,502
Due from customers on construction contracts	15	**155,558**	215,349
Trade and other receivables	16	**1,854,048**	2,344,687
Cash and bank balances	29	**1,121,054**	947,553
		4,027,237	3,875,091
Total assets		**4,776,603**	4,567,554
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**417,642**	417,642
Other reserves	18	**336,234**	324,498
Retained earnings			
- Proposed final dividend	28	**45,523**	47,194
- Others		**553,030**	465,834
		1,352,429	1,255,168
Minority interests in equity		**191,340**	181,989
Total equity		**1,543,769**	1,437,157

Consolidated Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2008	2007 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**1,465**	1,168
Trade and other payables	19	**157,383**	168,525
		158,848	169,693
Current liabilities			
Trade and other payables	19	**2,822,609**	2,818,831
Current income tax payable		**31,377**	50,873
Bank borrowings	20	**220,000**	91,000
		3,073,986	2,960,704
Total liabilities		**3,232,834**	3,130,397
Total equity and liabilities		**4,776,603**	4,567,554
Net current assets		**953,251**	914,387
Total assets less current liabilities		**1,702,617**	1,606,850

The notes on pages 63 to 148 are an integral part of these financial statements.

Lu Mao Hao
Director

Wang Wei Bing
Director

Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2008	2007 (Restated)
ASSETS			
Non-current assets			
Fixed assets	6	**41,722**	15,855
Intangible assets	8	**184,465**	194,389
Investments in subsidiaries	10	**434,168**	428,569
Interests in associates	11	**31,200**	31,200
Interest in a joint venture	12	**6,250**	6,250
Deferred income tax assets	13	**15,278**	4,637
		713,083	680,900
Current assets			
Inventories	14	**821,168**	329,402
Trade and other receivables	16	**1,554,874**	2,034,543
Cash and bank balances	29	**635,467**	485,451
		3,011,509	2,849,396
Total assets		**3,724,592**	3,530,296
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**417,642**	417,642
Other reserves	18	**400,441**	390,019
Retained earnings			
- Proposed final dividend	28	**45,523**	47,194
- Others		**210,053**	164,676
Total equity		**1,073,659**	1,019,531

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2008	2007 (Restated)
LIABILITIES			
Current liabilities			
Trade and other payables	19	**2,417,125**	2,413,306
Current income tax payable		**13,808**	21,459
Bank borrowings	20	**220,000**	76,000
		2,650,933	2,510,765
Total liabilities		**2,650,933**	2,510,765
Total equity and liabilities		**3,724,592**	3,530,296
Net current assets		**360,576**	338,631
Total assets less current liabilities		**1,073,659**	1,019,531

The notes on pages 63 to 148 are an integral part of these financial statements.

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 2008	2007
Revenue	5	**7,680,779**	6,889,728
Cost of sales	21	**(7,024,399)**	(6,272,810)
Gross profit		**656,380**	616,918
Other income	23	**52,468**	44,406
Selling expenses	21	**(181,768)**	(149,769)
Administrative expenses	21	**(276,051)**	(230,174)
Other operating expenses		**(1,783)**	(4,135)
Operating profit		**249,246**	277,246
Finance costs	24	**(31,101)**	(26,439)
Share of results of associates and a joint venture		**(507)**	3,183
Profit before income tax		**217,638**	253,990
Income tax expense	25	**(49,365)**	(72,287)
Profit for the year		**168,273**	181,703
Attributable to:			
Equity holders of the Company		**150,099**	159,023
Minority interests		**18,174**	22,680
		168,273	181,703
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	27	**0.36**	0.38
Dividend	28	**45,523**	47,194

The notes on pages 63 to 148 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company			Minority interests	Total equity
		Share capital (Note 17)	Other reserves (Note 18)	Retained earnings		
Balance at 1 January 2007		417,642	312,896	418,678	156,318	1,305,534
Exchange differences - Group		—	(8,096)	—	(1,009)	(9,105)
Net expense recognised directly in equity		—	(8,096)	—	(1,009)	(9,105)
Profit for the year		—	—	159,023	22,680	181,703
Total recognised income and expense for 2007		—	(8,096)	159,023	21,671	172,598
Appropriation from retained earnings		—	18,732	(18,732)	—	—
Dividends payable to minority shareholders		—	—	—	(2,969)	(2,969)
Dividend relating to 2006		—	—	(45,941)	—	(45,941)
Capital contributions from minority shareholders		—	—	—	4,900	4,900
Others		—	966	—	2,069	3,035
		—	19,698	(64,673)	4,000	(40,975)
Balance at 31 December 2007		417,642	324,498	513,028	181,989	1,437,157
Balance at 1 January 2008		**417,642**	**324,498**	**513,028**	**181,989**	**1,437,157**
Revaluation gain on investment property - Group		**—**	**2,301**	**—**	**1,880**	**4,181**
Exchange differences - Group		**—**	**(7,945)**	**—**	**(4,824)**	**(12,769)**
Net expense recognised directly in equity		**—**	**(5,644)**	**—**	**(2,944)**	**(8,588)**
Profit for the year		**—**	**—**	**150,099**	**18,174**	**168,273**
Total recognised income and expense for 2008		**—**	**(5,644)**	**150,099**	**15,230**	**159,685**
Appropriation from retained earnings		**—**	**17,380**	**(17,380)**	**—**	**—**
Dividends payable to minority shareholders		**—**	**—**	**—**	**(6,851)**	**(6,851)**
Dividend relating to 2007	28	**—**	**—**	**(47,194)**	**—**	**(47,194)**
Capital contributions from minority shareholders		**—**	**—**	**—**	**972**	**972**
		—	**17,380**	**(64,574)**	**(5,879)**	**(53,073)**
Balance at 31 December 2008		**417,642**	**336,234**	**598,553**	**191,340**	**1,543,769**

The notes on pages 63 to 148 are an integral part of these financial statements.

Consolidated Cash Flow Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2008	2007
Cash flows from operating activities			
Cash generated from operations	29(a)	**316,063**	526,182
Interest paid		**(31,101)**	(26,439)
Income tax paid		**(81,055)**	(64,344)
Net cash generated from operating activities		**203,907**	435,399
Cash flows from investing activities			
Purchase of fixed assets		**(106,598)**	(65,498)
Proceeds from sale of fixed assets	29(b)	**1,130**	1,304
Purchase of intangible assets, leasehold land and land use rights		**(4,628)**	(7,283)
Purchase of investment properties		**(9,190)**	—
Cash restricted for establishment of a subsidiary		**—**	(2,310)
Interest received		**9,248**	12,387
Decrease/(increase) in amounts due from associates		**687**	(1,438)
Dividend received from an associate		**1,386**	1,410
Net cash used in investing activities		**(107,965)**	(61,428)
Cash flows from financing activities			
Proceeds from bank borrowings		**1,110,000**	713,000
Repayments of bank borrowings		**(981,000)**	(762,000)
Capital contributions from minority shareholders		**972**	4,900
Dividend paid to Company's equity holders	28	**(47,194)**	(45,941)
Dividends paid to minority shareholders		**(6,851)**	(6,096)
Net cash generated from/(used in) financing activities		**75,927**	(96,137)
Net increase in cash and cash equivalents		**171,869**	277,834
Cash and cash equivalents at beginning of the year		**943,238**	670,637
Exchange losses on cash and cash equivalents		**(6,274)**	(5,233)
Cash and cash equivalents at end of the year	29(c)	**1,108,833**	943,238

The notes on pages 63 to 148 are an integral part of these 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 17 April 2009.

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 and investment properties 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amendment and interpretation effective in 2008 and relevant to the Group's operations

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK (IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). Adoption of the interpretation resulted in changes in accounting policies on accounting for the service concession arrangements of the Group. The details and impact on the financial statements are described in Note 2.1 (e) below.

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

2.1 Basis of preparation *(continued)*

(b) Interpretations effective in 2008 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 2008 but are not relevant to the Group's operations as follows:

- HK(IFRIC) - Int 11, 'HKFRS 2 - Group and treasury share transactions'
- HK(IFRIC) - Int 14, 'HKAS19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

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

2.1 Basis of preparation *(continued)*

(c) Standards and amendments that are not yet effective and have not been early adopted by the Group (continued)

- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) retrospectively from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The impact is still being assessed in detail by management.

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

2.1 Basis of preparation *(continued)*

(c) Standards and amendments that are not yet effective and have not been early adopted by the Group (continued)

- HKICPA's improvements to HKFRS published in October 2008

  > HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's financial statements.

  > HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

  > HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.

  > HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

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

2.1 Basis of preparation *(continued)*

(c) Standards and amendments that are not yet effective and have not been early adopted by the Group (continued)

- HKICPA's improvements to HKFRS published in October 2008 *(continued)*

  > HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Group will apply the HKAS 40 (Amendment) to measure the value of investment property under construction from 1 January 2009.

  > There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant to the Group's operations.

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- HKAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items' (effective from 1 July 2009).
- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009).

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

2.1 Basis of preparation *(continued)*

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

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).
- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009)
- HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008)
- HK(IFRIC) - Int 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009).
- HK(IFRIC) - Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009).
- HKICPA's improvements to HKFRS published in October 2008
  - > HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009).
  - > HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
  - > HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
  - > HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is related to investment in a subsidiary when it is accounted for under HKAS 39, 'Financial instruments: recognition and measurement'.
  - > HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is related to disclosures if an investment in associate is accounted for in accordance with HKAS39.
  - > HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

2.1 Basis of preparation *(continued)*

(d) Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations (continued)

- HKICPA's improvements to HKFRS published in October 2008 *(continued)*

  > HKAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009). The amendment is related to disclosures if an investment in joint venture is accounted for in accordance with HKAS39.

  > HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

  > HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

  > HKAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

  > HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009).

(e) Changes in accounting policies

In prior years, the cost of Tai Ping Interchange under the service concession arrangements (Note 2.7) were accounted for as fixed assets and were depreciated on a straight-line basis over the periods within which the Group is granted the rights to operate. HK (IFRIC) – Int 12 requires the Group to account for the assets under service concession arrangements under this interpretation from 1 January 2008 onwards as disclosed in Note 2.7.

The changes in accounting policies have been applied retrospectively and resulted in the following financial impact to the Group's financial statements:

	As at 31 December	
	2008	2007
Increase in intangible assets	**177,616**	187,216
Decrease in fixed assets	**177,616**	187,216

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

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.

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 all other acquisitions of subsidiaries by the Group, which does 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).

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

2.2 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

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 in the consolidated financial statements 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 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and 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.

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

2.2 Consolidation *(continued)*

(c) 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 investment 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 consolidated 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 2.9). 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)*

(d) *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 consolidated 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 2.9). 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 is 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 or valuation where items are remeasured. 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.

Foreign exchange gains and losses are presented in the consolidated income statement within 'administrative expenses'.

(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 approximate 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.

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

2.4 Foreign currency translation *(continued)*

(c) Group companies

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.

2.5 Fixed assets

Construction in progress mainly represents properties and intelligence system 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 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. The carrying amount of the replaced part is derecognised. 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:

– Buildings	5-25 years
– Leasehold improvements	5 years
– Furniture, fixtures and equipment	5 years
– Motor vehicles	5-8 years

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

2.5 Fixed assets *(continued)*

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 2.9).

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

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 investments in associates or joint ventures and is tested for impairment as part of the overall balance. Separately capitalise 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.

(c) Tai Ping Interchange

It represents service concession right granted by local government authorities to charge users of Tai Ping Interchange. The service concession right is contributed by the Parent Company and is initially recognised at the approved appraised value upon the contribution to the Company. It is amortised on a straight-line basis over the concession periods of 27 years granted.

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

2.7 Service concession arrangements (HK(IFRIC) - Int 12)

The Group is granted a right by local government authorities ("Grantors") to operate Tai Ping Interchange and entitlement to the fee collection from users of Tai Ping Interchange.

In accordance with HK(IFRIC) – Int 12, the assets under the service concessions are classified as intangible assets or financial assets depending on the remuneration commitments given by the Grantor.

The Group records Tai Ping Interchange under this service concession as "Intangible assets" on the balance sheet, to the extent that it receives a right to charge users of the public service.

The Group accounts for revenue and costs relating to upgrade work under service concession in accordance with HKAS 11 (Note 2.12) and accounts for revenue and costs relating to operation services under service concession in accordance with HKAS 18 (Note 2.22).

Tai Ping Interchange under service concession is stated at cost less accumulated amortisation and impairment losses. The amortisation is calculated on a straight-line basis over the concession periods of 27 years granted.

Where the carrying amount of assets under service concession is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.9).

The re-pricing right of Tai Ping Interchange is owned by the Grantors. The Grantors control the residual interest in Tai Ping Interchange at the end of the concession periods.

As part of its obligation under service concession arrangements, the Group assumes responsibility for the maintenance and repairs of Tai Ping Interchange it operates (Note 2.21).

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

2.8 Investment properties

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

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

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market price, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent price of less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income for current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expect in respect of the property.

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

Changes in fair values are recognised in the income statement.

If an investment property becomes owner–occupied, it is reclassified as a fixed asset and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as fixed assets and carried at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

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

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

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

Assets that have an indefinite useful life, for example goodwill, 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.

2.10 Financial assets

2.10.1 Classification

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

(a) Loans and receivables

Loans and receivables 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 (excluding prepayments)' and 'cash and cash equivalents' in the balance sheet (Note 2.13 and 2.14).

(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.

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

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement

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. Loans and receivables are carried at amortised cost using the effective interest method.

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.

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 consolidated income statement (Impairment testing of trade and other receivables is described in Note 2.13).

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

2.11 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.

2.12 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)*

2.13 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 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 receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

2.14 Cash and cash equivalents

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

2.15 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.

2.16 Trade and other payables

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

2.17 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 consolidated 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 which they are incurred.

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

2.18 Other financial liabilities

Other financial liabilities are classified as 'trade and other payables (excluding advance from customers)' and 'borrowings' in the balance sheet (Note 2.16 and 2.17).

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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 and 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 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)*

2.20 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 HKD1,000. 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.

2.21 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.

As part of its obligations under service concession contracts in relation to Tai Ping Interchange, the Group assumes responsibility for the maintenance and repair of Tai Ping Interchange it operates. The resulting maintenance and repair costs are analysed in accordance with HKAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

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)*

2.22 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 collectability of the related receivables is reasonably assured.

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

Revenue 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.

Revenue from construction contracts are recognised on the basis as set out in Note 2.12.

Toll income of Tai Ping Interchange of the Group is 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.

Rental income from investment properties is recognised on a straight line basis over the lease period.

Income received from customers as compensation for delay in payment ("compensation income") is recognised when the right to receive such income is established.

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

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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.

2.24 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.

2.25 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.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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 Hong Kong Dollor ("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 2008, if RMB had strengthened by 10% against HKD, profit before income tax would have been approximately RMB3,812,000 (31 December 2007: RMB5,676,000) lower, mainly as a result of foreign exchange losses on translation of HKD denominated cash in bank.

(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 bank balances are held in financial institutions in Mainland China, which management believes are of high credit quality.

The table below shows the bank deposit balances of the major counterparties with external credit ratings as at 31 December.

Counterparties with external credit rating (Note)	**2008**	2007
A1	**531,545**	464,635
Baa1	**980**	20,866
Baa2	**193,963**	190,517
Baa3	**124,262**	100,009
Ba1	**129,350**	32,396

Note: The source of credit rating is from Moody's.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

Management periodically assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Management performs ageing analysis to identify long-aged balances and take appropriate actions for collection.

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

As at 31 December 2008, approximately 9.7% (31 December 2007: 23.3%) 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 15.6% of the total revenue (2007: 26.8%); the Group's purchase from top five suppliers accounted for 38.4% (2007: 48.6%) 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 2008 and 2007, all the Group's bank borrowings were at fixed rate. Details of the Group's bank borrowings are set out in Note 20.

(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 2008		
Bank borrowings	**222,683**	**222,683**
Trade and other payables	**2,425,595**	**2,128,085**
At 31 December 2007		
Bank borrowings	91,622	76,211
Trade and other payables	2,675,055	2,354,350

(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 marco economy, 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 consolidation balance sheet.

	2008	2007
Total liabilities	**3,232,834**	3,130,397
Total assets	**4,776,603**	4,567,554
Gearing ratio	**68%**	69%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables, 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 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 JUDGMENTS

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 increased by RMB40,544,000 if the percentage of completion (limited to 100% of completion) was increased, or would be decreased by RMB44,604,000 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 depreciation charge in the year would be increased by RMB3,000,000 if the useful life was shortened, or would be decreased by RMB3,316,000 if the useful life was prolonged.

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

(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 RMB406,000.

(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 2.13. 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.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION

Primary reporting format – business segments

The segment results, capital expenditure and other segment information for the year ended 31 December 2008 and the segment assets and liabilities at 31 December 2008 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	6,357,128	398,070	574,662	252,023	125,904	—	7,707,787
Inter-segment revenue	(17,017)	(130)	(9,861)	—	—	—	(27,008)
	6,340,111	397,940	564,801	252,023	125,904	—	7,680,779
Segment results	95,438	53,798	14,152	31,966	102,915	(49,023)	249,246
Finance costs							(31,101)
Share of results of associates and a joint venture							(507)
Profit before income tax							217,638
Income tax expense							(49,365)
Profit for the year							168,273
Depreciation charge	7,018	23,126	4,717	24,581	—	3,559	63,001
Amortisation charge	3,313	1,475	106	792	9,790	720	16,196
Provision for impairment of inventories	3,677	—	—	—	—	—	3,677
Provision for impairment of construction contracts	—	—	2,694	—	—	—	2,694
Provision for / (reversal of) impairment of receivables	26,805	(467)	(1,404)	43	485	—	25,462

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Total gross segment assets	3,089,553	505,736	636,918	297,450	267,853	131,112	4,928,622
Inter-segment	(35,976)	(131,273)	(6,540)	(172)	—	(89,235)	(263,196)
	3,053,577	374,463	630,378	297,278	267,853	41,877	4,665,426
Interests in associates							65,032
Interest in a joint venture							16,195
Available-for-sale financial assets							200
Deferred income tax assets							29,750
Total assets							4,776,603
Total gross segment liabilities	2,296,779	303,793	429,164	38,331	43,673	351,448	3,463,188
Inter-segment	(48,908)	(1,977)	(76,576)	(168)	(4,119)	(131,448)	(263,196)
	2,247,871	301,816	352,588	38,163	39,554	220,000	3,199,992
Current income tax payable							31,377
Deferred income tax liabilities							1,465
Total liabilities							3,232,834
Capital expenditure	7,099	46,449	3,492	43,149	27,354	1,958	129,501

(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 and the segment assets and liabilities at 31 December 2007 are as follows (restated):

	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
Segment results	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 charge	6,248	17,820	5,496	27,470	—	4,252	61,286
Amortisation charge	2,925	523	288	804	9,599	595	14,734
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)*

	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

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, investment properties, 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, intangible assets and investment properties.

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 other business are operated in Mainland China.

Revenue

	2008	2007
Mainland China	**7,482,950**	6,677,640
Hong Kong	**197,829**	212,088
	7,680,779	6,889,728

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

	2008	2007
Mainland China	**4,349,831**	4,146,480
Hong Kong	**273,718**	259,221
	4,623,549	4,405,701
Interests in associates	**65,032**	68,311
Interest in a joint venture	**16,195**	15,542
Available-for-sale financial assets	**200**	200
Unallocated assets	**71,627**	77,800
	4,776,603	4,567,554

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

Capital expenditure

	2008	2007
Mainland China	**92,660**	54,343
Hong Kong	**36,841**	27,633
	129,501	81,976

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS

Group

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2007 (Restated)						
Cost	127,139	94,103	54,287	340,123	11,020	626,672
Accumulated depreciation and impairment	(54,574)	(42,792)	(26,989)	(224,009)	—	(348,364)
Net book amount	72,565	51,311	27,298	116,114	11,020	278,308
Year ended 31 December 2007						
Opening net book amount	72,565	51,311	27,298	116,114	11,020	278,308
Exchange differences	(2,740)	(314)	(409)	(4,095)	—	(7,558)
Additions	746	5,873	1,829	17,098	34,370	59,916
Transfers	69	4,174	2,764	—	(7,007)	—
Transfers to leasehold land	(15,903)	—	—	—	—	(15,903)
Disposals	—	(375)	(2,066)	(158)	—	(2,599)
Depreciation charge	(4,430)	(18,199)	(6,666)	(31,991)	—	(61,286)
Impairment charge	—	(335)	—	—	—	(335)
Closing net book amount	50,307	42,135	22,750	96,968	38,383	250,543
At 31 December 2007						
Cost	101,433	97,116	52,825	321,013	38,383	610,770
Accumulated depreciation and impairment	(51,126)	(54,981)	(30,075)	(224,045)	—	(360,227)
Net book amount	50,307	42,135	22,750	96,968	38,383	250,543

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Group *(continued)*

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Year ended 31 December 2008						
Opening net book amount	50,307	42,135	22,750	96,968	38,383	250,543
Exchange differences	(839)	(78)	(41)	(3,258)	—	(4,216)
Additions	6,575	8,616	4,101	34,060	62,331	115,683
Transfers	33,080	25,192	2,161	—	(60,433)	—
Transfers from investment properties (Note 9)	488	—	—	—	—	488
Transfers to investment properties (Note 9)	(16)	—	—	—	—	(16)
Disposals	—	—	(388)	(608)	—	(996)
Depreciation charge	(6,543)	(21,230)	(7,057)	(28,171)	—	(63,001)
Closing net book amount	83,052	54,635	21,526	98,991	40,281	298,485
At 31 December 2008						
Cost	119,918	130,866	56,853	310,433	40,281	658,351
Accumulated depreciation and impairment	(36,866)	(76,231)	(35,327)	(211,442)	—	(359,866)
Net book amount	83,052	54,635	21,526	98,991	40,281	298,485

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Company

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2007 (Restated)						
Cost	—	13,727	4,557	18,539	999	37,822
Accumulated depreciation	—	(6,277)	(2,130)	(8,432)	—	(16,839)
Net book amount	—	7,450	2,427	10,107	999	20,983
Year ended 31 December 2007						
Opening net book amount	—	7,450	2,427	10,107	999	20,983
Additions	—	—	376	—	1,047	1,423
Disposals	—	(371)	—	(228)	—	(599)
Depreciation charge	—	(2,877)	(816)	(2,259)	—	(5,952)
Closing net book amount	—	4,202	1,987	7,620	2,046	15,855
At 31 December 2007						
Cost	—	13,356	4,933	18,044	2,046	38,379
Accumulated depreciation	—	(9,154)	(2,946)	(10,424)	—	(22,524)
Net book amount	—	4,202	1,987	7,620	2,046	15,855
Year ended 31 December 2008						
Opening net book amount	**—**	**4,202**	**1,987**	**7,620**	**2,046**	**15,855**
Additions	**3,908**	**81**	**450**	**1,560**	**26,648**	**32,647**
Disposals	**—**	**—**	**—**	**(176)**	**—**	**(176)**
Depreciation charge	**(681)**	**(2,704)**	**(807)**	**(2,412)**	**—**	**(6,604)**
Closing net book amount	**3,227**	**1,579**	**1,630**	**6,592**	**28,694**	**41,722**
At 31 December 2008						
Cost	**3,908**	**13,437**	**5,383**	**19,144**	**28,694**	**70,566**
Accumulated depreciation	**(681)**	**(11,858)**	**(3,753)**	**(12,552)**	**—**	**(28,844)**
Net book amount	**3,227**	**1,579**	**1,630**	**6,592**	**28,694**	**41,722**

(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 by the group 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 RMB53,778,000 at 31 December 2008 (31 December 2007: RMB22,169,000).

Depreciation charges of approximately RMB46,599,000 (2007: RMB44,498,000), RMB3,594,000 (2007: RMB4,044,000) and RMB12,808,000 (2007: RMB12,744,000) 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:

	2008	2007
- In Mainland China		
Leases of between 10 to 50 years	**106,017**	108,466
- In Hong Kong		
Leases of between 10 to 50 years	**21,341**	15,631
Leases of over 50 years	**23,432**	22,562
	150,790	146,659

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

	2008	2007
Opening net book amount	**146,659**	115,012
Additions	**1,611**	20,991
Transfers to investment properties (Note 9)	**(656)**	—
Transfers from fixed assets	**—**	15,903
Transfers from investment properties (Note 9)	**8,702**	—
Exchange differences	**(2,275)**	(1,997)
Amortisation charge	**(3,251)**	(3,250)
Closing net book amount	**150,790**	146,659

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS

Group

	Tai Ping Interchange	Goodwill	Computer software	Total
At 1 January 2007 (Restated)				
Cost	274,201	1,450	13,249	288,900
Accumulated amortisation	(78,341)	—	(5,982)	(84,323)
Net book amount	195,860	1,450	7,267	204,577
Year ended 31 December 2007				
Opening net book amount	195,860	1,450	7,267	204,577
Additions	955	—	114	1,069
Amortisation charge	(9,599)	—	(1,885)	(11,484)
Impairment charge	—	—	(184)	(184)
Closing net book amount	187,216	1,450	5,312	193,978
At 31 December 2007				
Cost	275,156	1,450	13,363	289,969
Accumulated amortisation and impairment	(87,940)	—	(8,051)	(95,991)
Net book amount	187,216	1,450	5,312	193,978
Year ended 31 December 2008				
Opening net book amount	**187,216**	**1,450**	**5,312**	**193,978**
Additions	**2,669**	**—**	**348**	**3,017**
Amortisation charge	**(9,972)**	**—**	**(2,973)**	**(12,945)**
Closing net book amount	**179,913**	**1,450**	**2,687**	**184,050**
At 31 December 2008				
Cost	**277,826**	**1,450**	**8,866**	**288,142**
Accumulated amortisation and impairment	**(97,913)**	**—**	**(6,179)**	**(104,092)**
Net book amount	**179,913**	**1,450**	**2,687**	**184,050**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS *(continued)*

Group *(continued)*

Amortisation charges of approximately RMB10,464,000 (2007: RMB9,900,000) and RMB2,481,000 (2007: RMB1,584,000) 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.

Company

	Tai Ping Interchange	Computer Software	Total
At 1 January 2007 (Restated)			
Cost	276,871	6,875	283,746
Accumulated amortisation	(78,465)	(2,170)	(80,635)
Net book amount	198,406	4,705	203,111
Year ended 31 December 2007			
Opening net book amount	198,406	4,705	203,111
Additions	955	1,657	2,612
Amortisation charge	(9,724)	(1,610)	(11,334)
Closing net book amount	189,637	4,752	194,389
At 31 December 2007			
Cost	277,826	8,532	286,358
Accumulated amortisation	(88,189)	(3,780)	(91,969)
Net book amount	189,637	4,752	194,389
Year ended 31 December 2008			
Opening net book amount	**189,637**	**4,752**	**194,389**
Additions	**—**	**1,709**	**1,709**
Amortisation charge	**(9,724)**	**(1,909)**	**(11,633)**
Closing net book amount	**179,913**	**4,552**	**184,465**
At 31 December 2008			
Cost	**277,826**	**10,241**	**288,067**
Accumulated amortisation	**(97,913)**	**(5,689)**	**(103,602)**
Net book amount	**179,913**	**4,552**	**184,465**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INVESTMENT PROPERTIES – GROUP

	2008	2007
Opening net book amount	—	—
Additions	9,190	—
Transfers from fixed assets (Note 6)	16	—
Transfers from leasehold land (Note 7)	656	—
Transfers to leasehold land and land use rights (Note 7)	(8,702)	—
Transfers to fixed assets (Note 6)	(488)	—
Increase in valuation	4,181	—
Exchange differences	11	—
Closing net book amount	4,864	—

The investment properties are valued annually on 31 December at fair value, comprising market value by an independent, professionally qualified valuer.

10. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2008	2007
Investments, at cost:		
– Unlisted shares	422,111	415,882
Amounts due from subsidiaries	12,057	12,687
	434,168	428,569

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.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES – COMPANY *(continued)*

The following is a list of the principal subsidiaries at 31 December 2008, 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 Logistic International Service Company Limited	Mainland China	Freight and transportation in Mainland China	RMB10,000,000	90.0%	10.0%
Guangdong Southchina Logistic Enterprise Company Limited	Mainland China	Construction and logistics in Mainland China	RMB100,000,000	98.4%	1.6%
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%	—
Guangdong New Way Advertising Company Limited	Mainland China	Advertising services in Mainland China	RMB3,000,000	60.0%	40.0%
Guangdong Tai Cheng Consulting Company Limited	Mainland China	Consulting services in Mainland China	RMB1,000,000	60.0%	40.0%
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	HKD19,000,000 (Note a)	62.0%	—

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. 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 Oriental Thought Technology Company Limited ("Guangdong Oriental Thought")	Mainland China	Software development and management in Mainland China	RMB22,000,000	51.0%	—
Guandong Jindaoda Expressway Economic Development Company Limited	Mainland China	Toll road services in Mainland China	RMB10,000,000	5.0%	95.0%
Guangdong Guantong Expressway Assets Management Company Limited	Mainland China	Toll road services in Mainland China	RMB10,000,000	—	97.0%
Guangdong Xinyue E&M Engineering Company Limited	Mainland China	Construction and engineering services in Mainland China	RMB10,000,000	—	85.0%
Guangdong Road & Bridge Electronic Toll Collection Company Limited	Mainland China	Development of electronic toll collection system in Mainland China	RMB30,000,000	—	85.0%
Shenzhen Yuegang Transport Company Limited ("Shenzhen Yuegang")	Mainland China	Provision of coach services in Mainland China	HKD10,500,000	—	100.0%
Gang Tong (H.K.) Motor Transportation Company Limited	Hong Kong	Provision of coach services in Mainland China and Hong Kong	HKD500,000	—	100.0%
Yue Kong Shipping Company Limited	Hong Kong	Provision of transport agency services in Hong Kong	HKD20,000	—	100.0%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. 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
Carson Development Limited	Hong Kong	Property holding in Hong Kong	HKD10,000	—	100.0%
Man Kam To Coach Management Company Limited	Hong Kong	Provision of coach services in Hong Kong	HKD100,000	—	69.0%
Chongqing Aoteng Technology Development Company Limited ("Chongqing Aoteng")	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	51.0%
Oriental Thought (Henan) Technology Company Limited	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	51.0%
Guangdong Yue Li Jia Passenger Transport Company Limited (Hong Kong)	Hong Kong	Provision of coach services in Mainland China and Hong Kong	HKD10,000	—	70.0%
Guangdong Yue Li Jia Passenger Transport Company Limited (Guangzhou)	Mainland China	Provision of coach services in Mainland China and Hong Kong	HKD3,500,000	—	70.0%

(a) The registered capital of the subsidiary was increased by HKD10,000,000 during 2008 by a way of the transfer from its retained earnings.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTERESTS IN ASSOCIATES

	Group		Company	
	2008	2007	**2008**	2007
Beginning of the year	**54,626**	42,486	**31,200**	20,000
Acquisition of an associate	**—**	11,200	**—**	11,200
Share of associates' results	**(1,160)**	2,350	**—**	—
Dividend from an associate	**(1,386)**	(1,410)	**—**	—
Exchange differences	**(46)**	—	**—**	—
End of the year	**52,034**	54,626	**31,200**	31,200
Amounts due from associates	**17,298**	17,985	**—**	—
Less: provision for impairment of receivables	**(4,300)**	(4,300)	**—**	—
	65,032	68,311	**31,200**	31,200

Interests in associates as at 31 December 2008 include goodwill of RMB8,075,000 (2007: RMB8,075,000).

As at 31 December 2008 and 2007, the amounts due from associates are unsecured, interest free and have no fixed repayment terms. The settlement of such amounts is neither planned nor likely to occur in the coming year.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. 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 and 2008	
			Direct	Indirect
Guangdong Foda Expressway Economy Development Company Limited	RMB1,000,000	Mainland China	—	49.0%
Lufeng Shenshan Expressway Service Company Limited	RMB1,000,000	Mainland China	—	45.0%
Guangdong Road Technology Development Company Limited	RMB2,000,000	Mainland China	—	40.0%
Sha Tau Kok Bus Management Company Limited	HKD60,000	Hong Kong	—	30.8%
Express Cross-Border Coach Management Company Limited	HKD199,000	Hong Kong	—	23.6%
Southern United Assets and Equity Exchange Company Limited	RMB80,000,000	Mainland China	25.0%	—
Shenzhen Man Kam To Coach Management Company Limited	RMB30,000,000	Mainland China	—	20.0%
Guangdong Feida Traffic Engineering Company Limited	RMB5,000,000	Mainland China	30.0%	—

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTERESTS IN ASSOCIATES *(continued)*

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

	Assets	Liabilities	Revenues	(Loss)/profit
2008	**136,691**	**105,902**	**80,872**	**(1,160)**
2007	120,730	87,894	87,039	2,350

12. INTEREST IN A JOINT VENTURE

The Group directly holds 20.8% and indirectly holds 29.2% 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	
	2008	2007	**2008**	2007
Beginning of the year	**15,542**	14,709	**6,250**	6,250
Share of a joint venture's result	**653**	833	**—**	—
End of the year	**16,195**	15,542	**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 below:

	Assets	Liabilities	Revenues	Profit
2008	**16,287**	**92**	**39,315**	**653**
2007	15,676	134	31,727	833

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)

13. 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	
	2008	2007	**2008**	2007
Deferred tax assets:				
– Deferred tax assets to be recovered within 12 months	**17,078**	7,414	**6,353**	4,488
– Deferred tax assets to be recovered after more than 12 months	**12,672**	9,816	**8,925**	149
	29,750	17,230	**15,278**	4,637
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered within 12 months	**(982)**	(770)	**—**	—
– Deferred tax liabilities to be recovered after more than 12 months	**(483)**	(398)	**—**	—
	(1,465)	(1,168)	**—**	—
Deferred tax assets - net	**28,285**	16,062	**15,278**	4,637

The movement on the deferred income tax account is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Beginning of the year	**16,062**	10,166	**4,637**	2,312
Recognised in the income statement (Note 25)	**12,194**	5,868	**10,641**	2,325
Exchange differences	**29**	28	**—**	—
End of the year	**28,285**	16,062	**15,278**	4,637

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. 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 for impairment of receivables	Provision for impairment of inventories	Provision for impairment of construction contracts	Accrued expenses	Total	Provision for impairment of receivables	Provision for impairment of inventories	Accrued expenses	Total
At 1 January 2007	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
Recognised in the income statement	8,836	919	404	2,878	13,037	8,776	919	946	10,641
At 31 December 2008	10,330	919	404	19,543	31,196	8,925	919	5,434	15,278

Deferred tax liabilities:

	Group			Company
	Accelerated tax depreciation	Proposed dividend of a subsidiary	Total	
At 1 January 2007	(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)	—
Recognised in the income statement	(114)	(729)	(843)	—
Exchange differences	29	—	29	—
At 31 December 2008	(483)	(2,428)	(2,911)	—

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. DEFERRED INCOME TAX *(continued)*

The Group had carry-forward tax losses of approximately RMB19,615,000 as at 31 December 2008 (31 December 2007: RMB32,599,000). Deferred income tax assets arising from such tax losses of approximately RMB3,399,000 (31 December 2007: RMB5,901,000) 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 2008, tax losses of approximately RMB4,877,000 (31 December 2007: RMB3,367,000) will expire within a period of 5 years. The remaining tax losses can be carried forward indefinitely.

At 31 December 2008, there were no other material unprovided deferred income tax assets and liabilities.

14. INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
Materials	**849,615**	346,533	**824,845**	329,402
Spare parts, merchandise and others	**50,639**	20,969	**—**	—
Less: provision for impairment of inventories	**(3,677)**	—	**(3,677)**	—
	896,577	367,502	**821,168**	329,402

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB6,151,821,000 (2007: RMB5,427,644,000).

15. DUE FROM CUSTOMERS ON CONSTRUCTION CONTRACTS – GROUP

	2008	2007
Contract costs incurred plus recognised profits	**3,614,615**	3,160,937
Less: progress billings to date	**(3,456,363)**	(2,945,588)
provision for impairment of construction contracts	**(2,694)**	—
	155,558	215,349

At 31 December 2008, retentions held by customers for contract work included in trade and other receivables of the Group under Note 16 amounted to approximately RMB33,320,000(31 December 2007: RMB76,198,000).

At 31 December 2008, advances received from customers for contract work included in trade and other payables of the Group under Note 19 amounted to approximately RMB16,174,000 (31 December 2007: RMB16,921,000).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. DUE FROM CUSTOMERS ON CONSTRUCTION CONTRACTS – GROUP *(continued)*

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

	2008	2007
Amounts due from customers on construction contracts		
– Fellow subsidiaries	**65,668**	108,978
– Fellow associates	**1,914**	10,285
– Associates	**1,322**	573
	68,904	119,836

16. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2008	2007	**2008**	2007
Trade receivables (Note a)	**502,577**	836,556	**354,098**	718,928
Bills receivable (Note b)	**17,529**	37,528	**15,311**	37,528
Other receivables (Note c)	**105,467**	127,175	**38,767**	30,249
Prepayments (Note d)	**1,050,314**	655,929	**914,355**	598,791
Due from related parties (Note e)	**178,161**	687,499	**232,343**	649,047
	1,854,048	2,344,687	**1,554,874**	2,034,543

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

(a) Trade receivables

	Group		**Company**	
	2008	2007	**2008**	2007
Trade receivables	**524,790**	841,422	**373,507**	718,928
Less: provision for impairment of receivables	**(22,213)**	(4,866)	**(19,409)**	—
	502,577	836,556	**354,098**	718,928

The various group companies have different credit policies, dependent on the requirements of the market 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.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within 3 months	**398,860**	720,609	**309,595**	634,575
Over 3 months and within 6 months	**22,131**	19,032	**677**	12,653
Over 6 months and within 1 year	**11,037**	45,632	**911**	37,456
Over 1 year and within 2 years	**48,893**	43,429	**30,032**	34,244
Over 2 years and within 3 years	**38,761**	3,841	**32,292**	—
Over 3 years	**5,108**	8,879	**—**	—
	524,790	841,422	**373,507**	718,928

(b) Bills receivable

At 31 December 2007 and 2008, bills receivable of the Group and the Company had maturity dates within 6 months.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Other receivables

	Group		Company	
	2008	2007	**2008**	2007
Other receivables	**126,625**	130,831	**54,995**	30,249
Less: provision for impairment of receivables	**(21,158)**	(3,656)	**(16,228)**	—
	105,467	127,175	**38,767**	30,249

The ageing analysis of other receivables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within 3 months	**30,394**	53,656	**3,304**	24,385
Over 3 months and within 6 months	**13,703**	39,186	**10,635**	—
Over 6 months and within 1 year	**10,823**	19,366	**2,761**	1,506
Over 1 year and within 2 years	**27,594**	11,765	**6,262**	4,353
Over 2 years and within 3 years	**37,724**	4,564	**32,028**	—
Over 3 years	**6,387**	2,294	**5**	5
	126,625	130,831	**54,995**	30,249

(d) Prepayments

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Due from related parties

	Group		Company	
	2008	2007	**2008**	2007
Trade receivables				
– Fellow subsidiaries	**101,339**	482,283	**31,337**	343,674
– Fellow associates	**48,376**	162,256	**45,879**	152,979
– Subsidiaries	**—**	—	**286**	31,399
– Associates	**1,627**	10,659	**—**	—
Less: provision for impairment of receivables	**(8,498)**	(18,710)	**(2,519)**	(10,815)
	142,844	636,488	**74,983**	517,237
Other receivables				
– Fellow subsidiaries	**20,176**	18,619	**3,628**	7,228
– Fellow associates	**574**	531	**—**	466
– Subsidiaries	**—**	—	**147,619**	94,613
– Associates	**107**	—	**95**	356
Less: provision for impairment of receivables	**(2,213)**	(1,649)	**(63)**	(532)
	18,644	17,501	**151,279**	102,131

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2008	2007	**2008**	2007
Prepayments				
– Fellow subsidiaries	**12,971**	33,510	**6,069**	29,679
– Fellow associates	**1,553**	—	**—**	—
– Subsidiaries	**—**	—	**12**	—
– Associates	**2,149**	—	**—**	—
	16,673	33,510	**6,081**	29,679
Total				
– Fellow subsidiaries	**134,486**	534,412	**41,034**	380,581
– Fellow associates	**50,503**	162,787	**45,879**	153,445
– Subsidiaries	**—**	—	**147,917**	126,012
– Associates	**3,883**	10,659	**95**	356
Less: provision for impairment of receivables	**(10,711)**	(20,359)	**(2,582)**	(11,347)
	178,161	687,499	**232,343**	649,047

Except for the balance due from subsidiaries amounting to RMB54,743,000 at 31 December 2008, which was interest-bearing at rate of 5.25% per annum (31 December 2007: RMB63,320,000 at 5.38%), other balances with related parties at 31 December 2007 and 2008 were unsecured and interest-free.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

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	
	2008	2007	**2008**	2007
Within 3 months	**94,700**	541,427	**63,840**	496,742
Over 3 months and within 6 months	**7,970**	1,829	**354**	862
Over 6 months and within 1 year	**11,421**	19,777	**1,327**	3,060
Over 1 year and within 2 years	**12,126**	70,217	**1,013**	20,366
Over 2 years and within 3 years	**15,371**	3,707	**10,968**	2,824
Over 3 years	**9,754**	18,241	**—**	4,198
	151,342	655,198	**77,502**	528,052

The ageing analysis of other receivables, due from related parties of the Group and the Company is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within 3 months	**3,756**	2,121	**90,353**	11,073
Over 3 months and within 6 months	**623**	546	**13,136**	45,124
Over 6 months and within 1 year	**1,304**	1,875	**4,577**	881
Over 1 year and within 2 years	**3,758**	2,075	**32,799**	29,308
Over 2 years and within 3 years	**1,729**	7,812	**4,446**	15,807
Over 3 years	**9,687**	4,721	**6,031**	470
	20,857	19,150	**151,342**	102,663

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. 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 receivables, including those under amounts due from third parties and related parties, are analysed as below:

	Group		Company	
	2008	2007	**2008**	2007
Fully performing under credit term	**558,379**	1,283,038	**351,623**	1,103,694
Past due but not impaired	**66,745**	202,673	**59,792**	164,656
Past due and impaired	**68,537**	48,437	**54,905**	16,158
Total trade and bills receivables	**693,661**	1,534,148	**466,320**	1,284,508
Less: provision for impairment of receivables	**(30,711)**	(23,576)	**(21,928)**	(10,815)
Trade and bills receivables - net	**662,950**	1,510,572	**444,392**	1,273,693

For trade and bills receivables with past due but not impaired, they relate to customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within 3 months	**25,653**	72,868	**25,175**	40,713
Over 3 months	**41,092**	129,805	**34,617**	123,943
	66,745	202,673	**59,792**	164,656

For trade and bills receivables with past due and impaired, they mainly relate to customers who have recent history of default in payments or are in significant financial difficulties. Impairment provision is made to the extent that the amount is not expected to be recovered. The ageing analysis of these receivables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within 3 months	**12,720**	1,639	**12,720**	—
Over 3 months	**55,817**	46,798	**42,185**	16,158
	68,537	48,437	**54,905**	16,158

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. 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. *(continued)*

Other receivables, including those under amounts due from third parties and related parties, are analysed as below:

	Group		Company	
	2008	2007	**2008**	2007
Fully performing under credit term	**113,671**	143,413	**177,693**	131,691
Past due and impaired	**33,811**	6,568	**28,644**	1,221
Total other receivables	**147,482**	149,981	**206,337**	132,912
Less: provision for impairment of receivables	**(23,371)**	(5,305)	**(16,291)**	(532)
Other receivables - net	**124,111**	144,676	**190,046**	132,380

For other receivables with past due and impaired, they mainly relate to customers who have recent history of default in payments or are in significant financial difficulties. Impairment provision is made to the extent that the amount is not expected to be recovered. The ageing analysis of these receivables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within 3 months	**479**	929	**446**	—
Over 3 months	**33,332**	5,639	**28,198**	1,221
	33,811	6,568	**28,644**	1,221

Ageing analysis of receivables are prepared and closely monitored in order to minimise credit risk associated. Management considers that the majority of the receivables are fully performing with long trading history and 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)

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2008	2007	**2008**	2007
RMB	**1,882,602**	2,351,738	**1,593,093**	2,045,890
HKD	**25,528**	21,830	**—**	—
	1,908,130	2,373,568	**1,593,093**	2,045,890

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

	Group		Company	
	2008	2007	**2008**	2007
Beginning of the year	**(28,881)**	(21,899)	**(11,347)**	(3,263)
Provision for impairment of receivables	**(41,020)**	(13,772)	**(38,156)**	(8,084)
Receivables written off as uncollectible	**261**	3,847	**—**	—
Unused amounts reversed	**15,558**	2,943	**11,284**	—
End of the year	**(54,082)**	(28,881)	**(38,219)**	(11,347)

The creation and release of provision have been included in 'administrative expenses' in the income statement (Note 21). Amounts charged to the 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 carrying value of each class of receivable mentioned above.

17. SHARE CAPITAL

	Number of shares (thousands)	Amount
At 31 December 2007 and 2008	417,642	417,642

The total authorised number of ordinary shares is 417,641,877 shares (31 December 2007: 417,641,877 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

18. OTHER RESERVES

Group	Capital reserve (note a)	Merger reserve (note b)	Share premium	Statutory surplus reserve (note c)	Enterprise expansion fund (note d)	Revaluation reserve	Translation	Total
Balance at 1 January 2007	13,728	(167,594)	283,639	134,702	53,753	1,535	(6,867)	312,896
Exchange differences	—	—	—	—	—	—	(8,096)	(8,096)
Appropriation from retained earnings	—	—	—	18,732	—	—	—	18,732
Others	966	—	—	—	—	—	—	966
Balance at 31 December 2007	14,694	(167,594)	283,639	153,434	53,753	1,535	(14,963)	324,498
Revaluation gain on investment property transfer	—	—	—	—	—	2,301	—	2,301
Exchange differences	—	—	—	—	—	—	(7,945)	(7,945)
Appropriation from retained earnings	—	—	—	17,380	—	—	—	17,380
Balance at 31 December 2008	14,694	(167,594)	283,639	170,814	53,753	3,836	(22,908)	336,234

(a) Capital reserve

Capital reserve mainly represents the gain derived from a waiver of a debt by the Parent Company.

18. OTHER RESERVES *(continued)*

(b) 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).

(c) 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.

(d) 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.

(e) Distributable reserve

Dividend will be distributed of the Group's distributable reserves, which represent the lower amount as determined in according with generally accepted accounting principles in Mainland China("China GAAP") and HKFRS. As at 31 December 2008, the Company's distributable reserves, representing the Company's retained earning as at year end, were approximately RMB255,576,000 (31 December 2007: RMB211,870,000), being the lower of the distributable reserves as determined under China GAAP and HKFRS (Note 18(f)).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. OTHER RESERVES *(continued)*

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

	Other reserves				Retained earnings
	Capital reserve	Share premium	Statutory surplus reserve	Total	
Balance at 1 January 2007	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)
Dividend relating to 2006	—	—	—	—	(45,941)
Others	75	—	—	75	—
Balance at 31 December 2007	8,249	283,639	98,131	390,019	211,870
Profit for the year	—	—	—	—	101,322
Appropriation from retained earnings	—	—	10,422	10,422	(10,422)
Dividend relating to 2007	—	—	—	—	(47,194)
Balance at 31 December 2008	8,249	283,639	108,553	400,441	255,576

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
Trade payables (Note a)	**498,539**	616,561	**236,822**	334,219
Bills payable (Note b)	**1,618,070**	1,669,650	**1,618,070**	1,669,650
Advances from customers	**332,910**	312,301	**81,222**	58,956
Accrued expenses and other payables (Note c)	**243,052**	267,439	**90,168**	120,932
Due to related parties (Note d)	**287,421**	121,405	**390,843**	229,549
	2,979,992	2,987,356	**2,417,125**	2,413,306
Less: Non-current portion (Note e)	**(157,383)**	(168,525)	**—**	—
Current portion	**2,822,609**	2,818,831	**2,417,125**	2,413,306

(a) Trade payables

The ageing analysis of the trade payables are as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within 3 months	**439,635**	504,042	**214,897**	276,636
Over 3 months and within 6 months	**8,065**	19,147	**5,534**	3,029
Over 6 months and within 1 year	**17,243**	50,978	**9,764**	45,801
Over 1 year and within 2 years	**13,083**	16,629	**3,887**	8,439
Over 2 years and within 3 years	**3,706**	9,908	**2,432**	314
Over 3 years	**16,807**	15,857	**308**	—
	498,539	616,561	**236,822**	334,219

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

(b) Bills payable

Bills payable of the Group and the Company have maturity dates within six months and were bearing interest at rates from 0 to 7.20% per annum (2007: 0 to 7.50% per annum).

(c) Accrued expenses and other payables

	Group		Company	
	2008	2007	**2008**	2007
Value added tax and other taxes payable	**42,686**	109,839	**25,594**	71,584
Other payables	**200,366**	157,600	**64,574**	49,348
	243,052	267,439	**90,168**	120,932

Other payables mainly represents the portion of deposit from suppliers, accrued expenses and accrued employee benefits.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

(d) Due to related parties

	Group		Company	
	2008	2007	**2008**	2007
Trade payables				
– Parent Company	**—**	335	**—**	—
– Fellow subsidiaries	**58,803**	106,524	**20,374**	74,467
– Fellow associates	**2,511**	1,487	**1,621**	—
– Subsidiaries	**—**	—	**25,956**	57,203
	61,314	108,346	**47,951**	131,670
Advances from customers				
– Fellow subsidiaries	**218,196**	5,498	**207,692**	752
– Fellow associates	**2,962**	469	**126**	—
– Associates	**329**	—	**—**	—
	221,487	5,967	**207,818**	752
Other payables				
– Parent Company	**994**	984	**984**	983
– Fellow subsidiaries	**3,584**	4,498	**1,261**	1,281
– Fellow associates	**42**	1,610	**—**	1,349
– Subsidiaries	**—**	—	**132,829**	93,514
	4,620	7,092	**135,074**	97,127
Total				
– Parent Company	**994**	1,319	**984**	983
– Fellow subsidiaries	**280,583**	116,520	**229,327**	76,500
– Fellow associates	**5,515**	3,566	**1,747**	1,349
– Subsidiaries	**—**	—	**158,785**	150,717
– Associates	**329**	—	**—**	—
	287,421	121,405	**390,843**	229,549

Except for the balance due to subsidiaries amounting to RMB124,054,000 as at 31 December 2008 (2007: RMB93,000,000), which was interest-bearing at rate of 5.40% (2007: 5.40%) per annum, other balances with related parties as at 31 December 2007 and 2008 were unsecured and interest-free.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

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

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	
	2008	2007	**2008**	2007
Within 3 months	**15,835**	77,569	**7,460**	117,433
Over 3 months and within 6 months	**4,821**	5,641	**54**	3,489
Over 6 months and within 1 year	**14,688**	4,465	**25,297**	6,343
Over 1 year and within 2 years	**13,729**	13,853	**11,048**	2,336
Over 2 years and within 3 years	**6,690**	3,588	**2,133**	2,069
Over 3 years	**5,551**	3,230	**1,959**	—
	61,314	108,346	**47,951**	131,670

(e) Non-current portion

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. BANK BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
Current bank borrowings:				
- Unsecured	**220,000**	91,000	**220,000**	76,000

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 2008 was 5.805% (31 December 2007: 5.265%) per annum.

The Group has the following undrawn banking facilities:

	2008	2007
Floating rate		
– expiring within one year	**2,048,522**	1,214,358

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. EXPENSES BY NATURE

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

	2008	2007 (Restated)
Charging		
Cost of inventories sold	**6,151,821**	5,427,644
Cost of sales for construction contracts	**428,912**	399,967
Transportation expense	**299,924**	278,921
Business tax and other surcharges	**51,188**	46,157
Depreciation of fixed assets	**63,001**	61,286
Amortisation of leasehold land and land use rights	**3,251**	3,250
Amortisation of intangible assets	**12,945**	11,484
Loss on disposal of fixed assets	**—**	1,295
Employee benefits expense (Note 22)	**232,016**	219,624
Operating lease expense	**59,383**	56,247
Provision for impairment of fixed assets and intangible assets	**—**	519
Provision for impairment of receivables	**25,462**	10,829
Provision for impairment of inventories	**3,677**	—
Provision for impairment of construction contracts	**2,694**	—
Auditor's remuneration	**4,260**	3,775
Research and development costs	**6,181**	5,756

22. EMPLOYEE BENEFITS EXPENSE

	2008	2007
Wages and salaries	**179,580**	177,093
Retirement scheme contributions and defined contribution plans	**12,291**	8,616
Welfare and other expenses	**40,145**	33,915
	232,016	219,624
Average number of employee	**3,712**	3,577

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFITS EXPENSE *(continued)*

(a) Directors' and senior management's emoluments

The remuneration of every Director and Supervisor for the year ended 31 December 2008 is set out below:

Name	Fees	Salary	Employer's contribution to pension scheme	Total
Director				
Mr. Lu Mao Hao	—	**484**	**15**	**499**
Mr. Wang Wei Bing	—	**490**	**15**	**505**
Mr. Liu Wei (e)	—	—	—	—
Mr. Lu Ya Xing (e)	—	—	—	—
Mr. Huang Guo Xuan (e)	—	—	—	—
Mr. Chen Guo Zhang (e)	—	—	—	—
Mr. Chen Bing Heng (a)	—	**194**	**6**	**200**
Mr. Zeng Gang Qiang (b)	—	**178**	**7**	**185**
Mr. Liu Shao Buo	**60**	—	—	**60**
Mr. Gui Shou Ping	**60**	—	—	**60**
Mr. Peng Xiao Lei	**60**	—	—	**60**
Mr. Su Yong Dong	—	**413**	**14**	**427**
Mr. Deng Chong Zheng (e)	—	**843**	**11**	**854**
Mr. Cai Xiao Ju (e)	—	—	—	—
Supervisor				
Ms. Ling Ping (e)	—	—	—	—
Ms. Li Hui	—	**226**	**8**	**234**
Mr. Chen Di Li (e)	—	—	—	—
Mr. Rao Feng Sheng	—	**389**	**14**	**403**
Ms. Fan Xin Cai	—	**203**	**8**	**211**
Ms. Cheng Zhuo	**48**	—	—	**48**
Ms. Zhou Jie De	**48**	—	—	**48**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFITS EXPENSE *(continued)*

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

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 (c)	—	490	195	12	697
Mr. Jiang Li (d and e)	—	—	—	—	—
Mr. Liu Wei (e)	—	—	—	—	—
Mr. Lu Ya Xing (e)	—	—	—	—	—
Mr. Huang Guo Xuan (e)	—	—	—	—	—
Mr. Ren Mei Long (c and e)	—	—	—	—	—
Mr. Chen Guo Zhang (e)	—	—	—	—	—
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	—	12	—	1	13
Mr. Deng Chong Zheng (e)	—	—	—	—	—
Mr. Cai Xiao Ju (e)	—	—	—	—	—
Mr. Guo Jun Fa (c)	—	389	—	7	396
Supervisor					
Mr. Wu Wei Jia (d and e)	—	—	—	—	—
Ms. Ling Ping (e)	—	—	—	—	—
Mr. Tian Ke Geng (d)	—	—	—	—	—
Ms. Li Hui	—	177	—	12	189
Mr. Long Xin Hua (d)	—	41	—	5	46
Ms. Cheng Zhuo	48	—	—	—	48
Mr. Chen Di Li (e)	—	—	—	—	—
Mr. Rao Feng Sheng	—	213	—	8	221
Ms. Fan Xin Cai	—	121	—	4	125
Ms. Zhou Jie De	48	—	—	—	48

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFITS EXPENSE *(continued)*

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

Notes:

(a) Resigned on 17 June 2008.

(b) Appointed on 17 June 2008.

(c) Resigned on 20 December 2007.

(d) Resigned on 12 June 2007.

(e) 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 three (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: one) individuals during the year is as follows:

	2008	2007
Basic salaries and other allowances	**1,370**	699
Bonuses	**198**	180
Employer's contribution to pension scheme	**26**	11
	1,594	890

23. OTHER INCOME

	2008	2007
Rental income	**2,616**	1,207
Interest income	**9,248**	12,387
Government grants *	**3,213**	630
Refund of value added tax	**2,515**	3,084
Compensation income	**25,183**	21,875
Diasaster relief service income	**5,400**	—
Others	**4,293**	5,223
	52,468	44,406

* Government grants represent the finance assistance on research and development of transportation intelligence equipment.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

24. FINANCE COSTS

	2008	2007
Interest expense:		
- Bank borrowings	**22,204**	16,094
- Bills payable	**8,897**	10,345
	31,101	26,439

25. INCOME TAX EXPENSE

Except for Guangdong Oriental Thought, Guangdong Xinyue and Shenzhen Yuegang, all the other group companies incorporated in mainland China are subject to Mainland China Corporate Income Tax ("CIT"), which has been calculated on the estimated assessable profit for the year at a rate of 25%. Guangdong Oriental Thought and Guangdong Xinyue are regarded as New-High Technology Enterprise by the relevant government authorities, and are subject to CIT at a rate of 15%. Shenzhen Yuegang is located in Shenzhen Special Economic Zone and is subject to a preferential tax rate of 18%.

As approved by the relevant tax authorities, Chongqing Aoteng was entitled to 50% CIT reduction for the year ended 31 December 2008 (2007: 50% CIT 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 16.5% (2007: 17.5%).

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

	2008	2007
Current income tax		
- Hong Kong profits tax	**161**	202
- Mainland China current CIT	**61,398**	77,953
Deferred income tax (Note 13)	**(12,194)**	(5,868)
Income tax expense	**49,365**	72,287

25. INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using tax rates applicable to profits of respective companies within the Group as follows:

	2008	2007
Profit before income tax	**217,638**	253,990
Calculated at tax rates applicable to profits of respective companies within the Group	**50,525**	73,511
Effect of change in future tax rate	**—**	1,136
Utilisation of previous unrecognised tax losses	**(2,271)**	(2,788)
Income not subject to tax	**(723)**	(667)
Expenses not deductible for tax purposes	**2,208**	1,571
Others	**(374)**	(476)
Income tax expense	**49,365**	72,287

26. 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 RMB101,322,000 (2007: RMB108,711,000).

27. 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.

	2008	2007
Profit attributable to equity holders of the Company	**150,099**	159,023
Weighted average number of ordinary shares in issue (thousands)	**417,642**	417,642
Basic earnings per share (RMB per share)	**0.36**	0.38

There were no dilutive potential shares during the year.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

28. DIVIDEND

The dividends paid in 2008 and 2007 were RMB47,194,000 (RMB0.113 per share) and RMB45,941,000 (RMB0.11 per share), respectively.

The directors of the Company recommend the payment of a final dividend of RMB0.109 per ordinary share (pre-tax), totaling approximately RMB45,523,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 19 June 2009. These financial statements do not reflect this dividend payable.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2008	2007 (Restated)
Profit for the year	**168,273**	181,703
Income tax expense	**49,365**	72,287
Provision for impairment of receivables	**25,462**	10,829
Provision for impairment of inventories	**3,677**	—
Provision for impairment of construction contracts	**2,694**	—
Depreciation	**63,001**	61,286
Provision for impairment of fixed assets and intangible assets	**—**	519
Amortisation of leasehold land and land use rights	**3,251**	3,250
Amortisation of intangible assets	**12,945**	11,484
(Gain)/loss on disposal of fixed assets	**(134)**	1,295
Share of results of associates and a joint venture	**507**	(3,183)
Interest income	**(9,248)**	(12,387)
Interest expense	**31,101**	26,439
	350,894	353,522
Change in working capital:		
Inventories	**(532,752)**	46,238
Balances on construction contracts	**57,097**	(131,605)
Trade and other receivables	**468,909**	(519,602)
Restricted cash	**(7,906)**	(2,005)
Trade and other payables	**(20,179)**	779,634
Cash generated from operations	**316,063**	526,182

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

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

	2008	2007
Net book amount	**996**	2,599
Gain/(loss) on sale of fixed assets	**134**	(1,295)
Proceeds from sale of fixed assets	**1,130**	1,304

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

	Group		Company	
	2008	2007	**2008**	2007
Cash at bank and in hand	**1,044,280**	838,832	**609,756**	431,140
Bank deposits with original term of less than three months	**76,774**	108,721	**25,711**	54,311
Cash and bank balances	**1,121,054**	947,553	**635,467**	485,451
Less: Restricted cash *	**(12,221)**	(4,315)	**—**	—
Cash and cash equivalents	**1,108,833**	943,238	**635,467**	485,451

* Restricted cash represents bank balances pledged against bank acceptance notes issued by the Group, which will be released upon the maturity of the bank acceptance notes, it receives interest at rate of 0.72% per annum.

The effective interest rate per annum on cash at bank as at 31 December 2008 was 0.02% to 0.36% (31 December 2007: 0.5% to 0.72%).

The effective interest rate per annum on bank deposits with original terms of less than three months as at 31 December 2008 was from 0.3% to 2.375% (31 December 2007: from 1.10% to 3.33%).

Part of the above bank deposits are kept in state-owned banks (Note 31 (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.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

(d) The Group and the Company's cash and bank balances are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
RMB	**1,012,536**	791,239	**593,529**	423,011
HKD	**108,518**	156,314	**41,938**	62,440
	1,121,054	947,553	**635,467**	485,451

30. COMMITMENTS – GROUP

(a) Capital commitments

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

	2008	2007
Fixed assets		
Contracted but not provided for	**68,689**	27,801

(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:

	2008	2007
Not later than 1 year	**43,184**	43,007
Later than 1 year and not later than 5 years	**215,920**	215,033
Later than 5 years	**582,886**	624,599
	841,990	882,639

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. COMMITMENTS – GROUP

(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 supplementary 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:

	2008	2007
Not later than 1 year	**4,061**	5,091
Later than 1 year and not later than 5 years	**4,709**	6,198
Later than 5 years	**6,714**	7,327
	15,484	18,616

(d) Future operating lease receivables

The Group has subcontracted several expressway service zones as a whole or partially to third parties. Under such contracts, the Group receives rent during the subcontract period.

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

	2008	2007
Not later than 1 year	**48,721**	49,254
Later than 1 year and not later than 5 years	**202,772**	200,377
Later than 5 years	**574,970**	634,509
	826,463	884,140

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. 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 and associates) were carried out by the Group during the year:

a) Related-party transactions

i) Revenue	**2008**	2007
Material logistics services:		
- Fellow subsidiaries	**466,933**	436,499
- Fellow associates	**2,216**	49,514
	469,149	486,013
Expressway service zones:		
- Fellow subsidiaries	**547**	7,241
Transportation intelligence services:		
- Fellow subsidiaries	**165,284**	216,288
- Fellow associates	**7,268**	26,019
- Associates	**2,752**	16,133
	175,304	258,440
Other services:		
- Fellow subsidiaries	**—**	33
	645,000	751,727

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

ii) Purchase of materials and services	**2008**	2007
Purchases of materials:		
- Fellow subsidiaries	**83,600**	237,170
Purchases of services:		
- Management fee for collection of toll income to fellow associates	**4,200**	4,200
- Licence fee paid to a fellow subsidiary	**—**	616
- Construction services		
- Fellow subsidiaries	**16,240**	4,894
- Fellow associates	**—**	755
- Associates	**—**	11,111
	16,240	16,760
	20,440	21,576
	104,040	258,746
iii) Lease of office buildings, land and warehouse from fellow subsidiaries	**1,880**	1,780
iv) Sub-contracting fee in for management of expressway service zones		
- Fellow subsidiaries	**47,348**	48,934
- Fellow associates	**2,517**	2,933
- Associates	**1,134**	—
	50,999	51,867
v) Key management compensation		
- Salary	**5,271**	4,374
- Discretionary bonuses	**—**	624
- Employer's contribution to pension scheme	**152**	151
	5,423	5,149

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

b) Balances with related parties

	2008	2007
Due from customers on construction contracts (Note 15)	**68,904**	119,836
Due from related parties (Note 16)		
- Trading nature	**159,517**	669,998
- Non-trading nature	**18,644**	17,501
	178,161	687,499
Due to related parties (Note 19)		
- Trading nature	**282,801**	114,313
- Non-trading nature	**4,620**	7,092
	287,421	121,405

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 2008 mainly represented certain taxes and insurance premium withheld by/from related parties.

31. 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, fellow subsidiaries, fellow associates 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)

31. RELATED-PARTY TRANSACTIONS *(continued)*

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

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

	2008	2007
Revenue:		
- Material logistics services	**3,409,131**	1,308,875
- Expressway service zones	**105,650**	124,441
- Transportation intelligence services	**328,675**	228,665
- Cross-border transportation services	**1,853**	2,390
	3,845,309	1,664,371
Purchase of materials	**2,168,637**	1,965,989
Purchase of fixed assets and leasehold land	**37,025**	7,430
Purchase of services	**19,373**	21,693
Interest income from state-owned banks	**9,182**	12,007
Interest expense to state-owned banks	**30,788**	25,216

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

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

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

	2008	2007
Due from Other State-owned Enterprises included in:		
- Due from customers on construction contracts	**77,380**	94,671
- Trade receivables	**332,058**	496,279
- Other receivables	**37,673**	72,144
- Prepayments	**70,076**	46,219
	517,187	709,313

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

	2008	2007
Due to Other State-owned Enterprises included in:		
- Trade payables	**108,362**	85,164
- Bills payables	**583,710**	1,471,152
- Advances from customers	**256,507**	262,689
- Other payables	**59,671**	27,712
	1,008,250	1,846,717

Balances with Other State-owned Enterprises, except for certain bills payable (Note 19(b)), were unsecured and interest-free.

	2008	2007
Bank deposits in state-owned banks	**1,046,719**	899,091
Bank borrowings from state-owned banks	**220,000**	91,000

32. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2008 (31 December 2007: Nil).

RESULTS

(All amounts in Renminbi Yuan thousands)

Year ended 31 December	2008	2007	2006	2005	As restated (Note) 2004
Turnover	**7,680,779**	6,889,728	5,635,395	4,352,022	3,596,633
Profit before income tax	**217,638**	253,990	258.981	226,438	186,391
Income tax expense	**(49,365)**	(72,287)	(77,709)	(65,684)	(60,245)
Profit for the year	**168,273**	181,703	181,272	160,754	126,146
Attributable to:					
Equity holders of the Company	**150,099**	159,023	155,750	136,588	108,790
Minority interests	**18,174**	22,680	25,522	24,166	17,356

ASSETS AND LIABILITIES

As at 31 December	2008	2007	2006	2005	As restated (Note) 2004
Total assets	**4,776,603**	4,567,554	3,750,896	3,383,058	2,590,580
Total liabilities	**(3,232,834)**	(3,130,397)	(2,445,362)	(2,211,011)	(1,797,768)
	1,543,769	1,437,157	1,305,534	1,172,047	792,812

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 year ended 31 December 2004 have been restated to reflect the impact of applying merger accounting for the above transactions.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2008 annual general meeting of Guangdong Nan Yue Logistics Company Limited (the "Company") will be held at Narcissus Room, 27th Floor, Park Lane Hotel, 310 Gloucester Road, Causeway Bay, Hong Kong on Friday, 19 June 2009 at 3:00 p.m. (the "AGM") 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") for the year ended 31 December 2008;

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2008;

3. To consider and approve the report of the auditors and audited financial statements of the Company for the year ended 31 December 2008;

4. To consider and approve the profit distribution proposal and the payment of a final dividend for the year ended 31 December 2008 as recommended by the Board;

5. To 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 of the Company and to authorize the Board to fix their remuneration;

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

7. To consider and approve the resignation of Mr. Liu Wei as non-executive director of the Company;

8. To consider and approve the resignation of Mr. Huang Guo Xuan as non-executive director of the Company;

9. To consider and approve the appointment of Mr. Zheng Ren Fa as non-executive director of the Company;

10. To consider and approve the appointment of Mr. Cao Xiao Feng as non-executive director of the Company; and

11. To transact, consider and approve any other business, if any.

By Order of the Board
Lu Mao Hao
Chairman

Guangzhou, the PRC
30 April 2009

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 is demanded before or after any vote by show of hands. A poll may be demanded by the chairman of the general meeting or at least two shareholders of the Company entitled to vote, present in person or by proxy, or by one or more shareholders of the Company present in person or by proxy representing 10% or more of all shares carrying the voting rights at the meeting singly or in aggregate. As it is a requirement under the Listing Rules that any vote of shareholders at general meeting must be taken by poll, the chairman of the AGM will direct that each of the resolutions set out in the notice of AGM be voted on by poll.

2. The register of members of the Company will be closed from Tuesday, 19 May 2009 to Friday, 19 June 2009, 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 Monday, 18 May 2009 at 4:30 p.m. are entitled to attend the AGM.

3. A shareholder of the Company entitled to attend and vote at the AGM 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 of the Company or his attorney duly authorized in writing. If the shareholder of the Company 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 of the Company, 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 of the Company, and at the Company's H share registrar, Computershare Hong Kong Investor Services Limited of Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H shares of the Company, not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of a proxy form will not preclude a shareholder of the Company from attending and voting in person at the AGM if he so wishes.

6. Shareholders of the Company who intend to attend the AGM in person or by proxy should return the reply slip to the registered office of the Company for holders of domestic shares of the Company, and to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, for holders of H shares of the Company, not later than 20 days before the date of the AGM, i.e. Friday, 29 May 2009.

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

8. **Biography of Mr. Zheng Ren Fa**

   Mr. Zheng Ren Fa, aged 39, possesses professional technical qualification as a senior economist and has served as the deputy head of the Department of Investment Development of Guangdong Provincial Communication Group Company Limited since December 2005 and is a director of Guangdong Highway Design Institute Co., Ltd.. Mr. Zheng graduated from the Department of Mineral Processing Engineering of Kunming University of Science and Technology with a bachelor's degree in 1991 and graduated from a postgraduate course in national economics at South China University of Technology with a master's degree in 1999. The other key work experiences of Mr. Zheng include: from 1999 to 2000, he worked as an accountant in the Department of Finance of Guangdong Provincial Freeway Co., Ltd.; from 2000 to 2001, he served as the deputy manager of the Department of Investment Management of Guangdong Provincial Freeway Co., Ltd.; and from 2001 to 2005, he served as the head of the Department of Investment Planning of Guangdong Provincial Freeway Co., Ltd..

9. **Biography of Mr. Cao Xiao Feng**

Mr. Cao Xiao Feng, aged 44, possesses the professional technical qualifications as a senior engineer and as a senior economist. He graduated from the Department of Business Administration of Jinan University with a master's degree. He has served as a director, general manager and deputy secretary of the party committee of Guangdong Communication Enterprise Investment Company since 2007. The other key work experiences of Mr. Cao include: from 1988 to 1993, he served as secretary of the Youth League Committee of Guangdong Provincial Freeway Co., Ltd.; from 1993 to 1997, he served as deputy general manager of Guangdong Provincial Fokai Expressway Co., Ltd.; from 1998 to 1999, he served as executive deputy general manager of Guangdong Provincial Expressway Development Co. Ltd.; and from 1999 to 2007, he successively served as vice-chairman, general manager, chairman and secretary of the party committee of Guangdong Provincial Expressway Development Co. Ltd..

As at the date of this notice, the Board comprises Mr. Lu Mao Hao, Mr. Su Yong Dong, Mr. Wang Wei Bing, Mr. Deng Chong Zheng and Mr. Zeng Gang Qiang, 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.