廣東南粵物流股份有限公司

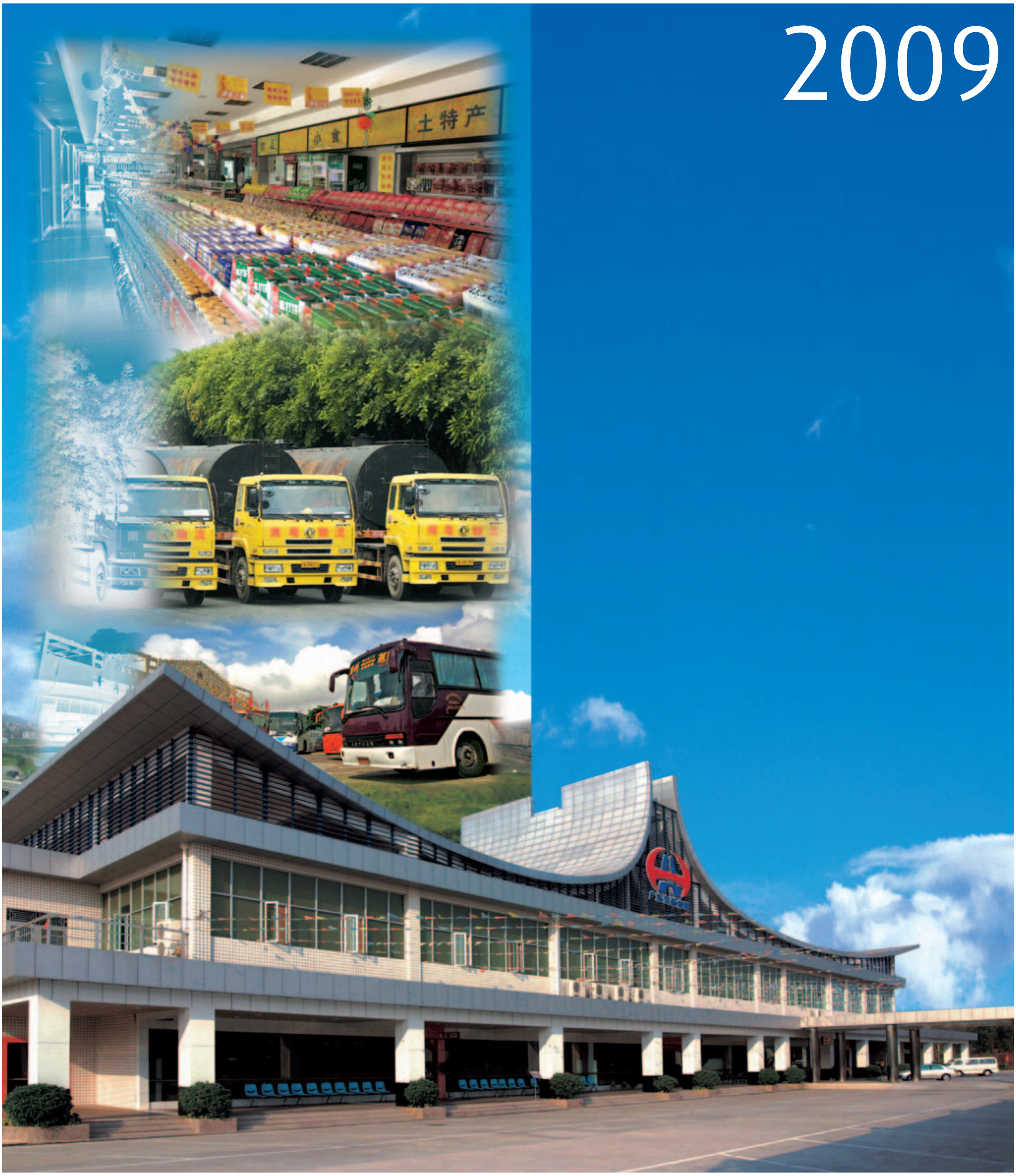
Guangdong Nan Yue Logistics Company Limited*

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

(Stock Code: 03399)

Annual Report

2009



* For identification purposes only

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Company Profile

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

The Group has four main lines of businesses: (1) material logistics services, mainly including logistics management of construction materials for expressway and other sizable infrastructure projects; (2) expressway service zones operation and related auxiliary services, such as operating food and beverage network, convenience stores, outdoor advertising for expressways, vehicle maintenance and gas stations; (3) transportation intelligence services including toll collection and safety facilities installation and maintenance; and (4) cross-border transportation services, in particular operating routes between Hong Kong Special Administrative Region of the PRC ("Hong Kong') and the Guangdong Province, the PRC. The Group is also engaged in the toll collection and operation business at Tai Ping Interchange in the Guangdong Province, PRC.

The aim of the Company is to establish itself as a modern logistics enterprise of international standard, which delivers first-class services to customers and provides 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 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

Unit 4502, 45th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

BOARD OF DIRECTORS

Executive Directors

Liu Hong (appointed on 29 December 2009)
Su Yongdong (resigned on 29 December 2009)
Wang Weibing
Deng Chongzheng
Lu Maohao
Zeng Gangqiang

Non-Executive Directors

Liu Wei (resigned on 19 June 2009)
Huang Guoxuan (resigned on 19 June 2009)
Cao Xiaofeng (appointed on 19 June 2009)
Lu Yaxing
Zheng Renfa (appointed on 19 June 2009)
Cai Xiaoju
Chen Guozhang

Independent Non-Executive Directors

Gui Shouping
Liu Shaobuo
Peng Xiaolei

COMPANY SECRETARY

Fung Hon Tung

AUTHORISED REPRESENTATIVES

Wang Weibing
Deng Chongzheng

AUDITOR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China CITIC Bank
Shanghai Pudong Development 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 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

JANUARY 2009

- Guangdong Top-E Expressway Service Zone Company Limited ("Top-E"), a subsidiary of the Group, and Guangdong Shanfen Expressway Company Limited signed the Shanfen Expressway Chaozhou Service Zone service concession right contracting operation contract.

- Top-E and BP-PetroChina Company Limited signed the leasing and operation contracts for the Ruyuan petrol station site and Guandu petrol station site, respectively.

- Guangdong Xinyue Communications Investment Company Limited ("Guangdong Xinyue"), a subsidiary of the Group, won the bidding for the electromechanical engineering construction project of the 15th contract section of the South Ring Circuit of the Huancheng Expressway in Guiyang city with a successful bid value of approximately RMB34.21 million.

- Guangdong Xinyue won the electromechanical traffic project of the BTJD6 bidding section for the Niubei-Tianshui section of the Gansu Bao(ji)-Tian(shui) Expressway, the main trunk line of the Lianhuo National Highway (GZ45) with a successful bid value of approximately RMB76.60 million.

- The Company won the asphalt supply project for the Shenzhen-Shantou West Express way overhaul service works to supply 3,800 tonnes of heavy traffic asphalt and 39,000 tonnes of modified asphalt with a total contract value of approximately RMB240.88 million.

MARCH 2009

- The Company held an extraordinary general meeting to consider the acquisition of equity interest in Guangdong Traffic Engineering Company Limited and the change of supervisors. The shareholders approved the change of supervisors but did not approve the resolution to acquire equity interest in Guangdong Traffic Engineering Company Limited.

APRIL 2009

- Top-E was awarded Top Ten Outstanding Chain Operation Enterprises of Guangdong Province in 2008 at the 2009 Guangdong Chain Operation Business Conference and Annual Conference of the Guangdong Province Chain Operation Association, which was jointly organized by the Guangdong Province Chain Operation Association and China Commercial Real Estate Industry Research Institute.
- The Board of Directors of the Company (the "Board") convened its 2008 annual meeting and announced the full year results of the Company for year 2008 immediately after the meeting. For the year 2008, revenue of the Company was approximately RMB7.68 billion, increased by approximately 11% as compared to 2007. Profit attributable to equity holders of the Company was approximately RMB150 million, decreased by approximately 6% as compared to 2007. The earnings per share for profit attributable to equity holders of the Company was RMB0.36.The Board recommended the distribution of a final dividend for 2008 of RMB0.109 per share (pre-tax).
- The Company convened the 4th Meeting of the Third Supervisory Committee. Mr. Chen Chuxuan was elected as the chairman of the Third Supervisory Committee, the 2008 Supervisory Committee Working Report and the 2009 Working Plan were considered and the relevant proposals for 2008 were discussed during the meeting.
- Guangdong Oriental Thought Technology Company Limited ("Oriental Thought") of the Group passed the Capability Maturity Model Integration ("CMMI") ML3 assessment, indicating the software research and development and management standard of Oriental Thought had reached the advanced level among its peers of the industry. Now, the CMMI system has become an international authority for maturity standard of software capabilities, more and more domestic enterprises have made passing the CMMI assessment a prerequisite for bidders participating in software project tenders.
- Guangdong New Way Advertising Company Limited ("New Way Advertising"), a subsidiary of the Group, was named one of the Top 100 in the Second China Top 100 Outdoor Media Suppliers Award. New Way Advertising was also named as "Top 10 China Expressway Advertising Enterprises" by the China Highway Society and the relevant industry experts at the annual working conference of the China Highway Society.
- Guangdong Xinyue was granted the China Traffic Information Industry 10th Anniversary Outstanding Enterprise (1999-2009) Award by the China Traffic Information Industry Magazine.

MAY 2009

- The Duying section of the Duwen Expressway, the first expressway built after the Sichuan earthquake, was formally completed and commenced operation. The project of the Duying section of the Duwen Expressway commenced construction in November 2007 but was delayed in 2008 by the severe Wenchuan earthquake. Guangdong Xinyue managed to complete the construction of the control, communication, toll collection and tunnel electromechanical system engineering works of the project within a contract construction period which was reduced from 14 months to 2 months.

- Guangdong Xinyue won the electromechanical engineering projects for the JD1 and JD2 contract sections of the GuangWu Expressway Hekou-Pingtai section in Guangdong with an aggregate total contract value of approximately RMB209.84 million. The construction of the electromechanical engineering project for JD1 and JD2 contract sections commenced in July and August respectively.

- Top-E and Western Guangdong Coastal Expressway Zhuhai Section Company Limited signed a contract operation agreement for the operating right of the service zone along the Jinding Section in Zhuhai to Gujing section in Xinhui of the Western Guangdong Coastal Expressway.

JUNE 2009

- The Company held the 2008 Annual General Meeting in which the resolution on the distribution of a final dividend for the year 2008 and 10 other resolutions were approved. Pursuant to the resolution on the distribution of a final dividend for the year 2008, the Company distributed a final dividend of RMB0.109 per share for the year ended 31 December 2008 to all equity holders listed on the share register of the Company on 19 June 2009.

- Guangdong Xinyue won the electromechanical engineering works for the JT-C01 contract section (communication, control and toll collection systems) for the Qujiang-Nanxiong Expressway in Shaoguan city with successful bidding value of approximately RMB82.99 million.

- The Company won the materials purchasing tender for RHLQ components of the newly built Guangzhou – Zhuhai Intercity Rail traffic project No.WZ-2009-06, and the subject of the successful bid was 12,000 tonnes of emulsified asphalt with a successful bidding value of approximately RMB72.72 million. The Group's asphalt business had successfully expanded from expressway projects to express railway projects.

JULY 2009

- Guangdong Xinyue won the bid for the underground pipeline construction project of the traffic control system and the communication, control and toll collection systems of the Zhongshan Avenue express public transport (BRT) pilot line in Guangzhou with a successful bidding value of approximately RMB39.73 million.

- The 2006 Technology Project "Technical research based on moving image series analysis and its application in expressway video frequency data analysis " and the 2007 Technology Project "Technical research on expressway video frequency transmission based on atmospheric laser communications" of the Guangdong Province Communication Department undertaken by Guangdong Xinyue passed inspection successfully.

- The Company won the bid for the purchase of emulsified asphalt (WZ-2009-12, LQ-2 package) for the Guangzhou-Shenzhen-Hong Kong Passenger Railway Line ZH-2 general tender project, the object of the winning bid was the supply of 5,000 tonnes of SBS modified emulsified asphalt with total value of the project at approximately RMB29.19 million. This was the second high speed railway emulsified asphalt supply project won by the Group.

- Guangdong Xinyue's expressway road network toll collection management and operation management decision-making systems won the Third Honour Prize of the Guangdong Province Science and Technology Advancement Award granted by the People's Government of Guangdong Province.

- The Company won the bid for controlled materials A-10 packaged steel rods for the newly built Guiyang-Guangzhou railway line, the successful bidding quantity was 34,792 tonnes and the winning bid value was approximately RMB139.22 million.

AUGUST 2009

- Top-E and Guangzhou-Shenzhen-Foshan Expressway Company Limited signed a contract operation agreement on the operation right of the service zone along the Shenzhen-Shantou Expressway western section.

- Guangdong Xinyue won the bid for the electromechanical engineering construction project of the Bijiang-Zhongshan section of the Tai, (yuan)-Macau Highway in Shunde County, Guangdong Province (abbreviated as "Guangdong-Zhuhai West Line phase 2") with a contract value of approximately RMB67.41 million, the project was commenced in November. Guangdong-Zhuhai West Line phase 2 is an important part comprising the national key highway "Taiyuan-Macau Highway"as well as an important part of the expressway network in the Pearl River Delta region of Guangdong Province.

SEPTEMBER 2009

- Oriental Thought won the bid for the project of developing an integrated management information system for the core works of the Hong Kong-Zhuhai-Macau Bridge project with No. 1 ranking in overall scores and the contract value exceeded RMB24.00 million.

- Top-E's landscaping branch company had signed a contract pursuant to which the Group will build the first landscaping project in Guizhou, the "Guiyang Monte Carlo" (水映山城) phase 1 landscaping construction project", and signed another contract in December in respect of the landscaping project of the phase 1 clubhouse clock tower area, total value of both contracts exceeded RMB10 million.

- The Board of Directors of the Company convened the 2009 interim meeting and announced the results for the period ended 30 June 2009, turnover was approximately RMB2,550.47 million and profit attributable to equity holders was approximately RMB22.21 million, representing a decrease of approximately 30% and 71% respectively as compared to 2008 year-on-year, with earnings per share at RMB0.05.

- Guangdong Xinyue won the bid for the electromechanical maintenance project No. 2 for the Beijing-Zhuhai Expressway northern Guangdong section, the successful bidding value was approximately RMB12.78 million and the project commenced in October.

- The Supervisory Committee of the Company convened the 2009 interim meeting and endorsed the "Guangdong Nan Yue Logistics Company Limited Supervisory Committee summary of work for the first half of 2009 and working plans for the second half year"as well as the "resolution on the change of supervisors".

- GCGC Expressway Control (Passenger Service) Centre was formally launched, the joint network control system was developed and implemented by Guangdong Xinyue.

- The Company won the bid for the first batch of material purchase (CL-4) for the Guangzhou Zengcheng-Conghua Expressway (including Jiekou branch line) to supply 80,000 tonnes of cement, the successful bidding value was approximately RMB27.40 million. Zeng-Cong Expressway was located on the northern part of Guangzhou and was a key construction project in Guangdong Province with a total length of 66.768 km.

OCTOBER 2009

- Guangdong Xinyue won the bid for the "Guangdong Province main trunk expressway and Guangzhou-Shenzhen urban multi-sources information service platform" project, a major breakthrough project in key areas of Guangdong and Hong Kong offered by the Guangdong Province Communication Department, and was granted government subsidies in the total amount of RMB1 million.

NOVEMBER 2009

- Guangdong Xinyue completed the software development, installation, adjustment and testing and calibration of the weight measurement hardware equipment for the weight-based toll collection system (including the Qinglian Expressway and the Yingfo National Highway weight-based toll collection system renovation projects) for northern Guangdong, and was the pilot project for the implementation of weight-based toll collection for all expressways in Guangdong Province.

- Top-E and Baisheng Catering (Guangdong) Company Limited signed the contractor agreements in respect of the Liang Jinshan Service Zone Kentucky project (Guangzhou-Zhanjiang direction) and the Liang Jinshan Service Zone Kentucky project (Zhanjiang-Guangzhou direction).

- The two projects committed by Guangdong Xinyue, namely, the "Vehicle installed intelligence terminal and service system based on real-time road conditions" and "Research and applications of the digital traffic safety operation management system under different matrix structures" passed the inspections conducted by the expert team.

- The Company and Sinopec Guangdong Oil Products Company ("Sinopec Guangdong Company") entered into a cooperation agreement to further strengthen the strategic partnership between both parties. The Company will hand over the 24 pairs of prospective service zone petrol stations to Sinopec Guangdong Company for an average consideration of RMB 66 million for each petrol station and both parties agree that they would cooperate with each other in logistics services of oil and other products.

DECEMBER 2009

- Guangdong Xinyue was rated as a Grade A enterprise under the software enterprise credit rating by the China Software Industry Association.
- Top-E and the Guangdong branch of China Petrochemical Corporation signed the Jiancheng Service Zone petrol station operation right contractor agreement and the Kuidong Service Zone petrol station operation right contractor agreement of the Guangdong-Wuzhou Expressway Hekou-Pingtai section.
- The Wuhan-Guangdong Passenger Railway line, for which the Group had won the bid for the supply of rolled steel, commenced operation, cumulated supply of rolled steel was approximately 278,700 tonnes and of approximately RMB1,242.67 million in value.
- The Guangzhou Metro Route No. 5, for which the Group had won the bid for the supply of rolled steel, had commenced operation, cumulated supply of rolled steel was approximately 231,000 tonnes and of approximately RMB923.22 million in value.
- The project "microwave vehicle flow inspection system" from Guangdong Province Communication Department undertaken by Guangdong Xinyue had passed inspection smoothly.
- The Company won the bid in respect of material purchases (CL-03) for GuangMing Expressway (Guangzhou section) to supply of 50,000 tonnes rolled steel, with the successful bidding value at approximately RMB209.89 million.
- The Company convened the extraordinary general meeting to approve, endorse and confirm the renewal of the Tai Ping Interchange Master Agreement, the amendment to the annual caps for non-exempt continuing connected transactions and the change of Directors.

Financial Highlights

	2009 RMB'000	2008 RMB'000	Change
Results highlights			
Turnover			
Material logistics services	**4,697,526**	6,340,111	-26%
Expressway service zones	**414,307**	397,940	4%
Transportation intelligence services	**739,242**	564,801	31%
Cross-border transportation services	**248,018**	252,023	-2%
Tai Ping Interchange	**110,738**	125,904	-12%
Total turnover	**6,209,831**	7,680,779	-19%
Gross profit			
Material logistics services	**283,264**	276,424	2%
Expressway service zones	**129,214**	115,383	12%
Transportation intelligence services	**106,522**	100,179	6%
Cross-border transportation services	**50,110**	55,902	-10%
Tai Ping Interchange	**89,066**	108,492	-18%
Total gross profit	**658,176**	656,380	0.3%
Other income	**42,455**	52,468	-19%
Selling expenses	**(162,356)**	(181,768)	-11%
Administrative expenses	**(733,861)**	(276,051)	166%
Other operating expenses	**(6,572)**	(1,783)	269%
Operating (loss)/profit	**(202,158)**	249,246	N/A
Finance costs	**(34,468)**	(31,101)	11%
Share of results of associates and joint ventures	**1,735**	(507)	N/A
(Loss)/profit before income tax	**(234,891)**	217,638	N/A
Income tax benefit/(expense)	**57,951**	(49,365)	N/A
(Loss)/profit for the year	**(176,940)**	168,273	N/A
Minority interests	**(13,459)**	(18,174)	-26%
(Loss)/profit attributable to equity holders of the Company	**(190,399)**	150,099	N/A
Basic (loss)/earnings per share (RMB)	**(0.46)**	0.36	N/A

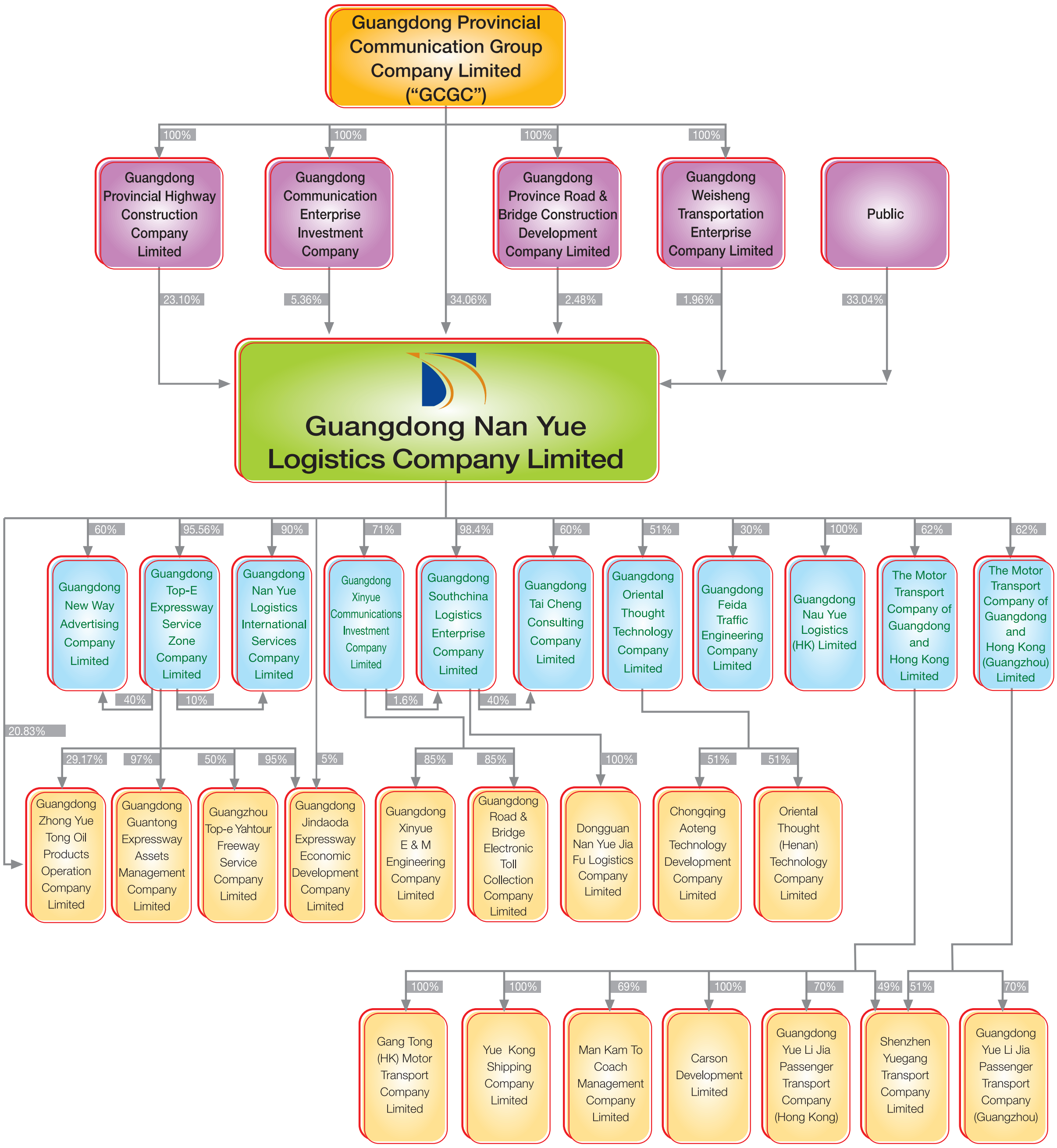
Financial Highlights

	2009 RMB'000	2008 RMB'000	Change
Total assets	**4,500,689**	4,776,603	-6%
Total net assets	**1,312,408**	1,543,769	-15%
Shareholders' equity of the Company	**1,116,127**	1,352,429	-17%
Net assets per share attributable to equity holders of the Company (RMB)	**2.67**	3.24	-18%
Ratios			
Gross profit margin (%)	**10.6%**	8.5%	
Debt to equity ratio (%)	**0.0%**	16.3%	
Current ratio (times)	**1.2**	1.3	

Gross profit margin = Gross profit/Turnover

Debt to equity ratio = Bank borrowings/shareholders' equity of the Company

Current ratio = Total current assets/Total current liabilities


Guangdong Provincial Communication Group Company Limited ("GCGC")
100%
100%
100%
100%
Guangdong Provincial Highway Construction Company Limited
Guangdong Communication Enterprise Investment Company
Guangdong Province Road & Bridge Construction Development Company Limited
Guangdong Weisheng Transportation Enterprise Company Limited
Public
23.10%
5.36%
34.06%
2.48%
1.96%
33.04%
Guangdong Nan Yue Logistics Company Limited
60%
95.56%
90%
71%
98.4%
60%
51%
30%
100%
62%
62%
Guangdong New Way Advertising Company Limited
Guangdong Top-E Expressway Service Zone Company Limited
Guangdong Nan Yue Logistics International Services Company Limited
Guangdong Xinyue Communications Investment Company Limited
Guangdong Southchina Logistics Enterprise Company Limited
Guangdong Tai Cheng Consulting Company Limited
Guangdong Oriental Thought Technology Company Limited
Guangdong Feida Traffic Engineering Company Limited
Guangdong Nau Yue Logistics (HK) Limited
The Motor Transport Company of Guangdong and Hong Kong Limited
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited
40%
10%
1.6%
40%
20.83%
29.17%
97%
50%
95%
5%
85%
85%
100%
51%
51%
Guangdong Zhong Yue Tong Oil Products Operation Company Limited
Guangdong Guantong Expressway Assets Management Company Limited
Guangzhou Top-e Yahtour Freeway Service Company Limited
Guangdong Jindaoda Expressway Economic Development Company Limited
Guangdong Xinyue E & M Engineering Company Limited
Guangdong Road & Bridge Electronic Toll Collection Company Limited
Dongguan Nan Yue Jia Fu Logistics Company Limited
Chongqing Aoteng Technology Development Company Limited
Oriental Thought (Henan) Technology Company Limited
100%
100%
69%
100%
70%
49%
51%
70%
Gang Tong (HK) Motor Transport Company Limited
Yue Kong Shipping Company Limited
Man Kam To Coach Management Company Limited
Carson Development Limited
Guangdong Yue Li Jia Passenger Transport Company (Hong Kong)
Shenzhen Yuegang Transport Company Limited
Guangdong Yue Li Jia Passenger Transport Company (Guangzhou)

I take this opportunity to present a review of the business activities of the Group in 2009 and an outlook of our future development.

RESULTS AND DIVIDENDS

For the year ended 31 December 2009 (the "Year"), turnover of the Group amounted to RMB6,210 million (2008: RMB 7,681 million), representing a decrease of 19% over the corresponding period for the year 2008. Loss attributable to Shareholders was RMB190 million (2008: Profit attributable to Shareholders RMB150 million). Basic loss per share was RMB0.46 (2008: Basic earnings per share RMB0.36).

As at 31 December 2009, total assets and net current asset value of the Group were RMB4,501 million (2008: RMB4,777 million) and RMB475 million (2008: RMB953 million) respectively, representing a decrease of 6% and 50% respectively as compare to 31 December 2008.

DIVIDEND

The Board has decided to adopt a new dividend policy, under which the Company distributes not less than 30% of its profit attributable to equity holders excluding extraordinary items as dividend for the three years from 2010 to 2012.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009. On 13 April 2010, the Board recommended the payment of the first interim dividend of 2010 of RMB0.098 per ordinary share (pre-tax), totally RMB40,929,000.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the proposed 2010 first interim dividend to non-resident enterprise shareholders of overseas H shares, (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, and other entities or organizations) whose names appear on the Company's H share register of members on 25 June 2010. The individual income tax will not be deducted from any natural person shareholders whose names appear on the Company's H shares register of members on 25 June 2010.

BUSINESS REVIEW

In 2009, the PRC government accelerated the implementation of its four-trillion-yuan stimulus package to mitigate the impact of the international financial crisis on the PRC economy. Construction of transportation infrastructures also sped up in Guangdong Province. During the first three quarters of the Year, the domestic economy gradually recovered under the implementation of positive fiscal policy and suitably relaxed monetary policy by the state government, full scale implementation of expansionary measures to boost domestic demand with continuous enhancement and improvement, as well as the package of growth stimulation plans. However, entering the fourth quarter, adjustments to the economic structure were made by the state government. In October 2009, "Certain opinions on curbing excess production capacity and duplicated constructions in some industries and guidance for healthy development of industries" was issued by ten departments including the National Development and Reform Commission, in which, it was explicitly required that excessive production capacity and duplicated constructions in the steel industry had to be curbed, resulting in relatively higher risks involved in the Group's prepayments made to some steel enterprises, as a conseqence impairment provisions were charged, resulting in relatively larger losses in the operations of the Company.

In respect of material logistics, in 2009, the Group (1) mainly provided material logistics services for expressways such as Jiangzhao Expressway, Taiao Expressway, Zhanxu Expressway, Shanjie Expressway, Yangyang Expressway, Nanhuan Expressway, Boshen Expressway etc., and expanded markets actively through successful bid in material logistics business projects for the Intercity Railway between Guangzhou and Zhuhai, Guangzhou-Shenzhen-HongKong Railway, Zengcong Expressway and Guizhou-Guangzhou high speed railway etc., an aggregation of 69,000 tonnes of asphalt, 920,000 tonnes of steel and 2.136 million tonnes of cement were supplied for the full year; (2) construction of the asphalt warehouse in Dongguan was completed and expanded into the asphalt logistics business riding on the advantages of the warehouse capacity.

In 2009, the Group actively expanded the operational concepts for our expressway service zone segment, and drove production and operations to a new level, efforts were mainly aimed to (1) fully utilize the economic advantages of petrol stations through building up resources by excavating petrol stations and realizing new growth in operating results of petrol stations. Revenue from one-off admission fees at petrol stations and annual contracting fees at petrol stations increased by RMB24.50 million and RMB2.94 million from that of 2008 respectively, petrol volume revenue share decreased by RMB8.66 million; (2) adjust operating strategy actively by establishing good image through Top-E, attracting large branded licensees to operate in the service zones, implement the dual operation mode of proprietary and licensed operations to optimize the consolidate the operation network resources; (3) make full use of the commodity retail network and realize better and faster development of the commodity retail business by strengthening management; (4) fully utilize the existing resources of the service zones on the basis of commercial real estate operations, develop investment solicitation business strongly to achieve exceptional growth in revenue; (5) enhance the service zone management standards through the formation of the CSE platform, regulate service standards and increase examinations and inspections; (6) continue to promote economies of scale in advertising operations, strengthen the integration of advertising resources and the construction of vertical poles, and accelerate the construction of expressway advertising network.

As for transportation intelligence services, the Group exerted efforts to: (1) implement 23 construction projects including expressways under construction and newly built to ensure the construction projects will be duly completed in terms of quality, quantity and time; (2) improve maintenance work and manage the workflow process, duly complete technology maintenance work to win customers and expand market shares through quality and highly efficient services; (3) strengthen scientific research management and technology innovation to maintain the core technology advantage in the scientific research area of expressway transportation intelligence in order to create new sources of profit growth; (4) increase the market development efforts, on the basis of the strengthened central China region, focus on the development of markets in the western and northern regions in order to expand market share.

For cross-border transportation services, the Group made refined planning for cross-border passenger transportation of medium to long distance to ensure the core business was developing well. Full efforts were devoted to master the passenger transportation of festival seasons, holidays and summer vacation travelers and achieved good results; actively develop new sources of customers, ensure cross-border freight transportation could overcome the difficult conditions; the operational thinking was adjusted to increase the profitability of business travelers.

OUTLOOK AND STRATEGIES

In 2010, the PRC government will continue to adopt a proactive fiscal policy and a moderately loose monetary policy and accelerate economic restructuring and push forward the transformation of economic development pattern while maintaining the upward economic trend. Against this background, Guangdong province actively promoted the construction of transportation infrastructures and plans to have length of the expressways open to traffic of 5,000 kilometers in Guangdong by the end of 2010. The length of the expressways open to traffic in Guangdong was approximately 4,035 kilometers by the end of 2009, therefore the construction of expressways in Guangdong will speed up in 2010. As the Group's principal business is closely related to the construction of expressways, the Group will further expand the material logistics services for expressways, broaden the expressway service zone network and further promote integrated operation of service zones, improve the level of transportation intelligence services through technological innovation and actively seek new business development opportunities in 2010, so that the Group's businesses can be better developed in 2010.

1. Material logistics services

— strengthen the material supply assurance system to enhance the one-stop supply management efficiency and ensure timely supply of steel, cement and asphalt to key projects;

— active engagement in material logistics services for large infrastructure projects, control operation risk effectively and expand the material logistics services steadily;

— improve the logistics infrastructure, utilize the capacity advantage of the asphalt warehouse in Dongguan Logistics Centre, progress with the construction of the Dongguan warehouse centre terminal and establish an asphalt logistics network; and

— further develop the emulsified asphalt market of high speed railway projects and create a self-owned brand.

2. **Expressway service zones**

— capture the opportunity of a major construction period of expressways, make use of the service zones in newly built projects to create new sources of profit growth;

— excavate petrol stations resources, proceed with the construction of petrol stations and further strengthen our strategic cooperation with Guangdong Petroleum Branch of China Petroleum & Chemical Corporation ("Sinopec Guangdong Company") in operation of petrol stations. Based on historic pricing of petrol stations and estimation of future operation of petrol stations, the Company decided to hand over the 24 pairs of service zone petrol stations of the expressways held by the GCGC as approved by the government authority to Sinopec Guangdong Company for operation for an average consideration of RMB 66 million each by the end of 2015 (specific amount for the respective petrol stations are to be negotiated) and explore models whereby both parties can cooperate with each other in logistics services for petrol and other products;

— explore commercial real estate operation made, strengthen investment solicitation business, implement catering brands licensing projects, actively explore lifestyle information and logistics operations, enhance the overall operation capability of the service zones;

— adopt innovative mode of operation and sales techniques, enhance the operation standards of commodity retail business and strive to improve profitability; and

— actively promote the progress of economies of scale in expressway advertising operations, strengthen advertising resources management and sales management and strive to achieve economic benefits.

3. **Transportation intelligence services**

— intensively develop the mainland market, assure the implementation progress of projects for which we have won the bidding and ensure completion of the construction of such projects;

— the establishment of a control network for expressways through participation in the developments of controlling technological standards for expressways on the basis of the transportation group control centre;

— increase efforts to focus on research and development of projects relating to inter-road network traffic system toll collection, monitoring and control, communications, etc. and to further increase technology competitiveness; and

— duly complete technology maintenance work of the transportation intelligence system of expressways to strengthen maintenance service management for enhancing the level of customer satisfaction.

4. Cross-border transportation services

— response to market changes actively, formulate a three-year plan for future development and clarify the business development direction;

— accelerate the development of medium and long distance new passenger transportation routes, prepare and plan to use the cross-border quota at Shenzhen Bay Port to grasp market shares;

— strengthen and develop customer base for freight business, accelerate the establishment storage bases, and actively explore a diversified mode of operation for freight transportation business; and

— increase marketing management and strive to achieve breakthrough development in business travelers operations.

Yours faithfully,

Liu Hong
Chairman

Guangzhou, the PRC
13 April 2010

BUSINESS REVIEW

As at 31 December 2009, the four main businesses of the Group are categorised as below:

(i) Material logistics services;

(ii) Expressway service zones;

(iii) Transportation intelligence services; and

(iv) Cross-border transportation services.

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

Material logistics services

In 2009, the Group continued to streamline various elements of the logistics supply chain actively and establish a materials supply assurance system for GCGC projects. The centralized tender for six asphalt supply projects for Taiao Expressway, Guanghe Expressway, Guangzhao Expressway Phase II, Zhanxu Expressway, Shanjie Expressway and South Ring Expressway were completed. And we also undertook material logistics business for 11 GCGC projects in respect of the Yangyang Expressway, Boshen Expressway, Guangqing extension, Guangle Expressway etc., and the professional management status of the Group in materials supply for expressways in Guangdong Province was established.

The Group actively participated in bidding key projects outside the GCGC to expand market business significantly. Successful bids included cement supply for Zengcong Expressway and supply of steel for Guiguang high speed railway. A research and development project on new materials was collaborated with Central South University (中南大學) to cater for market demand. The newly built emulsified asphalt plant with monthly output of 10,000 tonnes passed the assessment by the Ministry of Railway and we became a qualified producer and supplier of emulsified asphalt for high speed railways and successfully bid for Guangzhou - Zhuhai Intercity Railway traffic project as well as the projects of emulsified asphalt supply for Guangzhou-Shenzhen-Hong Kong Railway, strengthening the Group's the integrated capability in material logistics.

The Group accelerated the construction of logistics infrastructures. The Dongguan asphalt warehouse with storage capacity of 54,000 cubic meters was completed in August 2009 and commenced construction. The terminal project relating to the asphalt storage had commenced operation and was expected to be completed by 2010. The improved infrastructure will significantly enhance the material logistics operation capability of the Group.

As announced in the profit warning issued on 15 January 2010, impairment provision has to be made in respect of the significant risk of prepayments made by the Group to three enterprises in Tangshan for purchase of steel. The global financial crisis has a significant adverse impact on their businesses, and in October 2009, ten government departments including the National Development and Reform Commission jointly issued《關於抑制部分行業產能過剩和重複建設引導產業健康發展的若干意見》(Opinions Regarding Restrain on Overcapacity and Duplicated Construction Leading to Healthy Development of Certain Industries) declaring expressly to control overcapacity and duplicated construction in the steel industry. This has made the operation of the three steel enterprises in Tangshan even more difficult. As at 31 December 2009, the total amount owed to the Group by the three enterprises for purchase of steel was approximately RMB482 million. The Company has sent a team to the three enterprises to negotiate debt settlement proposal with them.

Apart from making appropriate impairment provision in respect of the prepayments made by the Group to the three enterprises in Tangshan for purchase of steel, the Company has further improved its efforts in monitoring business contracts and payments and has improved the relevant internal control, approval procedures and business procedures as well as refining the division of responsibilities of the purchasing, sales and finance divisions. The Company has also strengthened the monitoring of all divisions so as to allow them to better perform their roles and increase the Company's governance standard. The Company will also conduct inquiries into the business and financial status of all major suppliers and customers and pay close attention to the operation conditions of suppliers and customers and improve the credit rating system for suppliers and customers. Besides, the Company will strictly select suppliers with good reputation and make different payment arrangements in accordance with the credit ratings of suppliers.

The Company has recently become aware of the fact that certain former relevant personnel of the Group who were in charge of the business with the aforementioned three steel enterprises in Tangshan were under investigation by the relevant authorities. As the above incident is still under investigation, the Company will in due course publish further announcement(s) if it becomes aware of any progress about the above investigation. The Company believes and reiterates the above incident will not have any material impact on the continued operations of the Company.

Expressway service zones

In 2009, the Group actively capitalized on its service zone network, expanded the operational concepts and exploited the potential of investment solicitations, hence a stable growth trend was maintained and secured good economic benefits.

The Group utilized the economic advantages of petrol stations fully to built up resources and realized new growth in the operating results of petrol stations by establishing the Ruyuan, Guandu, Jiancheng and Kuidong petrol stations.

The Group adjusted the operation strategies positively. Through establishing a good brand image for Top-E, Kentucky, a large branded licencsee, was successfully attracted to join the service zone, realizing the operation mode of combining proprietary and licensing operations to optimize and consolidate the resources of the operating network.

The Group made full use of the rich operation management experience of the commodity retail network. By strengthening the control on purchases, introduction of new products, classification planning for commodities and increasing marketing efforts, the commodity retail business had realized better and faster developments.

Based on the operation concepts of commercial real estate, the Group fully utilized the existing resources of the service zones, developed investment solicitation business strongly, and through developing new customers base, launching new business lines (such as "automobile travel world", a tour enquiry project) and adopting flexible investment solicitation strategies, favorable growth in revenue from investment solicitations was achieved.

The Group, through the establishment of the CSE (Cleanliness, Safety and Environment) platform, regulated the service standards, strengthened examinations and inspections and increased the management standard of the service zones continuously. The Group continued to expand the scale of its advertising business, strengthen the integration of advertising resources and the construction of advertising posts. In 2009, 14 road sections with 324 advertising spaces were integrated. Meanwhile, operational concepts were expanded, innovative marketing modes were adopted, marketing was strengthened, proportion of directly-operated advertising customers was increased and advertisement planning and designing capability was improved, economic benefits increased continuously.

Transportation intelligence services

During 2009, the Group expanded its external markets and improved its internal management. While maintaining its existing technical competitive capability and business development trend, the Company's internal management was strengthened. The construction work of more than 20 traffic projects including expressways under construction and newly built were implemented at full force, ensuring sustainable development of the Company's transportation intelligence services.

The Group made active progress in construction projects and completed 4 projects on electromechanical and safety facilities of Duwen Expressway in Sichuan, Ballakan-Mootai Expressway in Guizhou, Baotian Expressway in Gansu and South Ring Line of Huancheng Expressway in Guiyang, ensuring the full operation of key railway projects.

The Group relied on its technological capability to create innovative concepts and completed the construction of the traffic group's expressway control centre, the installation and operation of the weight-based toll collection software system in northern Guangdong, and the unified network toll collection project for the Shenzhen Pearl River Delta region. Among these, the control centre project was an integrated project of control, customer service, traffic information, contingent commanding and adjustment functions, accumulating experience for the Group to expand into new market sectors.

The Group also strengthened its scientific research management and increased its efforts in product research. Projects, such as "automobile model identification system", "IC card cleaning system" and "high definition camera car plate identification system" were established for assessment. And assessment was commenced for projects such as "research and manufacture of integrated traffic information terminals using wind-light complementary power supply" and "electromechanical operation and maintenance management platform system". The projects of electromechanical operation and maintenance management platform system and the unified toll collection system entered into the actual development stage. The development and utilization of such new technologies and new products will create new profit growth points for the Group.

The Group put in great efforts in developing markets outside Guangdong such as Guizhou, Sichuan, Gansu and Guangxi by active participation in bidding market tenders and won more than 10 large scale projects with value above RMB10 million each, including Guangwu Expressway, Erguang Expressway, Beijing-Hong Kong-Macau Expressway, Hong Kong-Zhuhai-Macau Bridge etc., and the successful bidding value exceeded RMB600 million. Our market competitiveness was significantly enhanced and our market share was well maintained.

Cross-border transportation services

In 2009, facing a number of adverse factors, the cross-border transportation services encountered some unprecedented difficulties and challenges, the Group advanced its planning and scientific solution in response by refining the planning for the three key operations in passenger transport, freight business and business travelling business, ensuring the development trend of the cross-border transportation services.

For cross-border passenger transport, medium to long distance passenger routes were thoughtfully designed, and new routes were created on the strengthened basis of the original medium to long distance routes. At the same time, for new routes which had not been launched, operation plans at the local level were prepared well. And efforts were devoted to master the passenger transport in festival seasons, on holidays and during summer vacation. Through scientific scheduling to coordinate frequency arrangement, and additional frequency for sectional transportation, the number of passengers on holidays had reached a new historic peak level, increasing revenue from passenger transportation.

For mainland passenger transportation service, the potential of the stable domestic passenger transportation market was exploited to raise the actual transportation rate for various routes by adopting package tickets and adjusting the frequency schedules. Convenient connecting services for travelers were provided to secure new sources of customers, and negotiations with surrounding provinces of Guangdong were conducted proactively for collaboration in the extension development of existing routes New sources of customer growth were developed continuously with remarkable achievements.

For freight business, collection of market information was strengthened and marketing efforts were increased to develop key customers actively in order to secure solid customers thus ensuring stable operation of the cargo transportation business.

For business travelling business, timely adjustments were made to internal operations and reduced the management chains. Active measures were adopted to consolidate and develop customer segments, while the key focus was developing highlight tours with Hong Kong specialties and business study group tours in order to enhance the profitability of business travel operations.

Tai Ping Interchange

The Group possesses the toll collection right of Tai Ping Interchange. In 2009, the Group carried out enhancement works on Tai Ping Interchange. As a result of the enhancement works and the impact of the financial crisis on the Pearl River Delta, total annual toll income from Tai Ping Interchange decreased by approximately 12% from that of last year. However, toll income from Tai Ping Interchange began to increase from September 2009 compared with last year as the economy in Pearl River Delta gradually stablized in the second half of 2009.

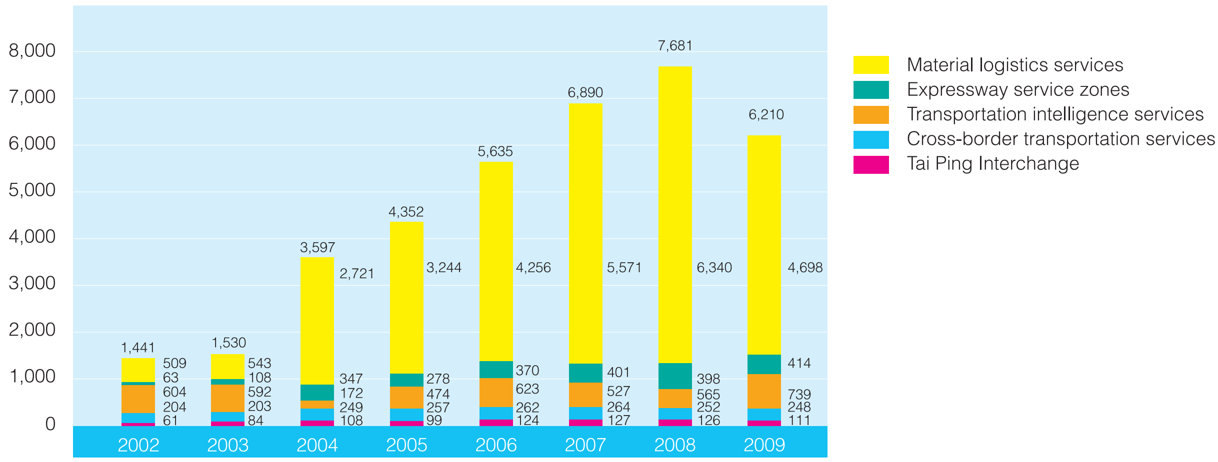
FINANCIAL REVIEW

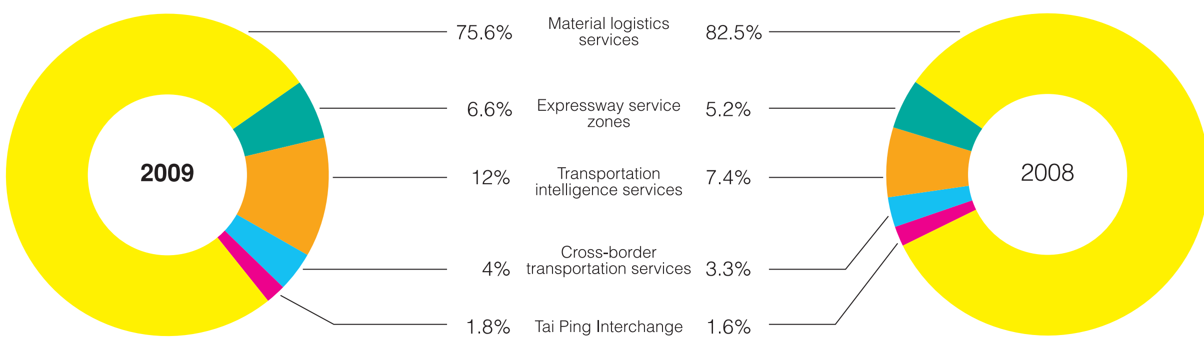
Turnover

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 amounted to RMB6,210 million (2008: RMB7,681 million) (Unless otherwise stated, all amounts mentioned below in this Financial Review are denominated in RMB), representing a decrease of 19% year-on-year, which was mainly attributable to the decrease in the business volume in steels and coals of material logistics services for non-construction projects.

Turnover by business segment:

Unit: million





Material Logistics Services

Material logistics service is the Group's largest source of income. Turnover attained for the year was RMB4,698 million (2008: RMB6,340 million), decreased by 26% and accounted for approximately 75.6% in the total turnover of the Group (2008: 82.5%). Such decrease was mainly attributable to the restructuring of the material logistics services of the Group, by gradually reducing non-project related material logistics services in order to reduce operational risk due to significant fluctuation in material prices caused by the global financial crisis. This effect was offset by the commencement of construction of expressway projects in second half of the year.

Expressway Service Zones

During the year, the number of the Group's expressway service zones was 46 pairs (2008: 46 pairs). The turnover of expressway service zones amounted to RMB414 million (2008: RMB398 million) and accounted for approximately 6.6% (2008: 5.2%) in the Group's total turnover, representing an increase of RMB16 million or approximately 4% as compared to the previous year. The increase in turnover was principally due to the increase in revenue from one-off admission fees and subcontract fees at petrol stations, revenue from investment solicitation and advertising income, which had offset the decrease of petrol volume revenue share and revenue from catering services and convenience stores.

Transportation Intelligence Services

Turnover of transportation intelligence services for the year amounted to RMB739 million (2008: RMB565 million), an increase of 31% from last year, representing 12% (2008: 7.4%) of the Group´s total turnover for the year. The increase in revenue was mainly attributable to the effects of the economic stimulation policy of the government and the enlargement in scale and the acceleration of construction of highways in the post-earthquake reconstruction project of Duwen Expressway in Sichuan.

Cross-border Transportation Services

The revenue of the cross-border transportation services for the year was RMB248 million (2008: RMB252 million), representing a decrease of 2% year-on-year, which attributed to approximately 4% (2008: 3.3%) of the Group's total turnover. Such decrease was mainly attributable to the impact of financial crisis in the Pearl River Delta, and lower the prices of passenger and freight transport in order to maintenance the market share.

Tai Ping Interchange

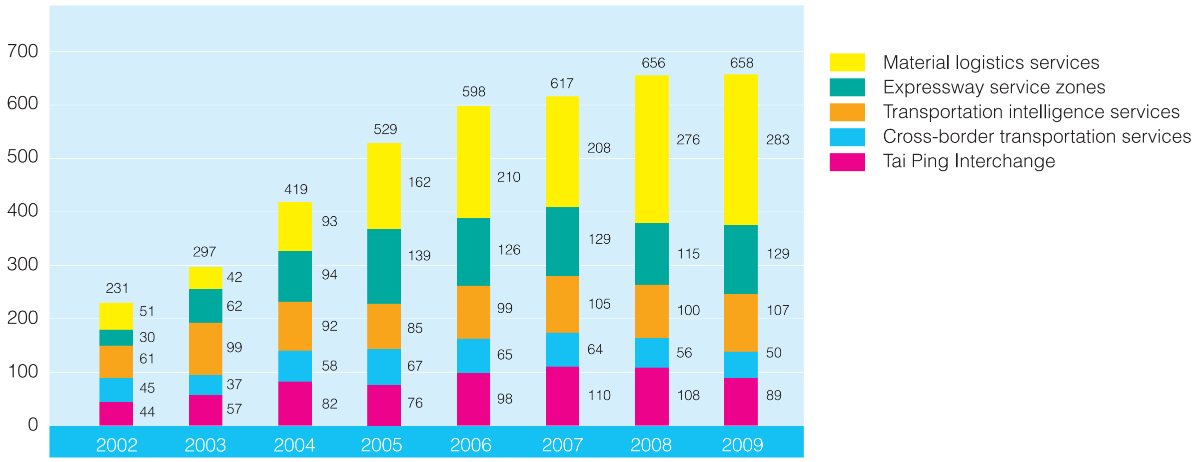
Approximately 1.8% (2008: 1.6%) of the Group's turnover was derived from Tai Ping Interchange for the year. Its turnover amounted to RMB111 million (2008: RMB126 million), representing a decrease of 12% from last year, it was mainly due to the enhancement works of the Tai Ping Interchange and the impact of the financial crisis on the Pearl River Delta region. Turnover from Tai Ping Interchange began to increase from September 2009 compared with last year as the economy in Pearl River Delta gradually stablized in the second half of the year.

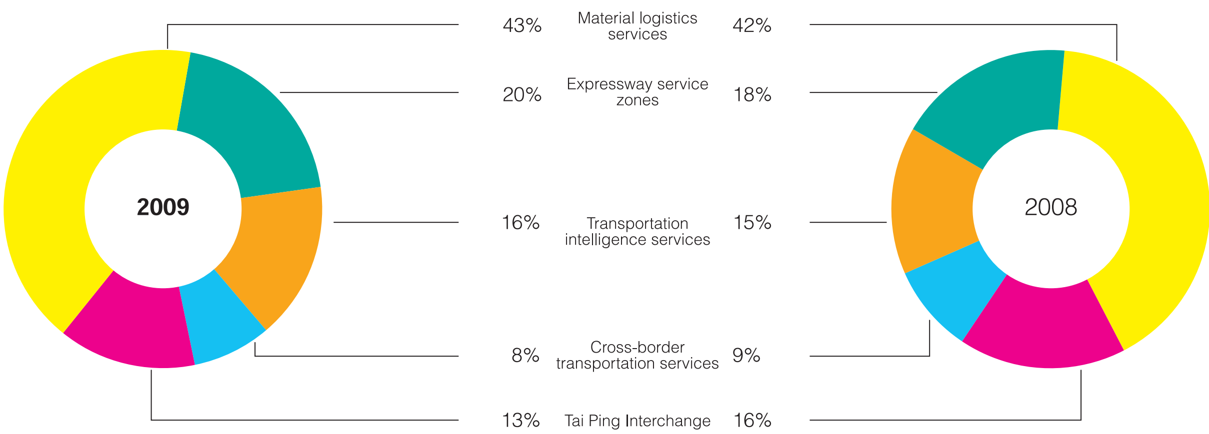
Gross profit

As the gross profit from material logistics services increased and the one-off admission fees at petrol stations of the service zones increased during the year as compared to last year. The gross profit of the Group for the year increased by RMB2 million or 0.3% to RMB658 million (2008: RMB656 million) as compared to the previous year. Gross profit margin was 10.6%, which was higher than gross profit margin of 8.5% for the previous year.

Gross profit by business segment:

Unit: million





Material Logistics Services

Gross profit of material logistics services for the year accounted for 43% (2008: 42%) of the Group's total gross profit, The increase in gross profit margin offset the impact of decrease in turnovers resulted in the increase of gross profit by 2% to RMB283 million (2008: RMB276 million). The gross profit margin was 6.0% (2008: 4.4%). The increase in gross profit margin was mainly attributable to a decrease in the number of non-project related material business items with a relatively lower gross profit margin, as well as an increase in the gross profit margin of asphalt operations and the effect of cost cutting measures.

Expressway Service Zones

Gross profit of expressway service zones accounted for 20% (2008: 18%) in the Group's total gross profit for the year, and amounted to RMB129 million (2008: RMB115 million) increased by 12%. Gross profit margin was 31.2% (2008: 29.0%). The increase in the gross profit margin of service zones was mainly attributable to an increase in the income from one-off admission fees at the petrol stations year-on-year.

Transportation Intelligence Services

Gross profit of transportation intelligence services accounted for 16% (2008: 15%) in the Group's total gross profit for the year, and amounted to RMB107 million (2008: RMB100 million), representing an increase of RMB7 million or 6%. The gross profit margin decreased to 14.4% as compared to the previous year (2008: 17.7%), primarily due to the fact that most of the projects in the year were conducted in provinces outside the Guangdong, which faced fierce competition and with higher cost of operations and lower gross profit margin as compared to those conducted within the Guangdong.

Cross-border Transportation Services

Gross profit of cross-border transportation services accounted for 8% (2008: 9%) in the Group's total gross profit for the year, amounted to RMB50 million (2008: RMB56 million) and represented a decrease of 10% from year-on-year. The decrease was mainly attributable to a decline in revenue. The gross profit margin was 20.2% (2008: 22.2%). The decrease in gross profit margin was primarily attributable to the decrease in revenue the fixed cost remained stable as compared to last year.

Tai Ping Interchange

Gross profit of Tai Ping Interchange decreased 18% from RMB108 million to RMB89 million year-on-year and accounted for 13% (2008: 16%) of the Group's total gross profit. The gross profit margin was 80.4% (2008: 86.2%), representing a decline from the previous year which was mainly caused by a decline in revenue and fixed cost remained stable.

Operating expenses

The Group's operating expenses increased to RMB903 million (2008: RMB460 million), increased by 96%, which was mainly due to the total charge of impairment provision of RMB478 million for the year. Of which, a total provision of RMB435 million was charged for this year in respect of three enterprises in Tangshan for supply of steel. Excluding the provisions made, the operating expenses would approximate that of last year.

Finance costs

Finance costs increased by 11% from RMB31 million last year to RMB34 million this year, mainly due to the increase in the discounting of bills payable. Working capital requirements for the year increased from that of last year. Since the discount rate of bills payable was lower than the interest rate on bank borrowings, the Company has decreased the utilization of bank loans to make payments and used discounted bills payable with lower finance costs during the year. Interest on bank loans decreased from that of last year.

Liquidity and capital structure

As at 31 December 2009, cash and cash equivalents amounted to RMB1,495 million (2008: RMB1,121 million). As at 31 December 2009, the balance of bills payable was RMB1,584 million (2008: RMB1,618 million); net current assets was RMB475 million (2008: RMB953 million); the debt to equity ratio was zero (2008: 16.3%); current ratio was 1.2 times (2008: 1.3 times).

Cash flows

The Group satisfied its requirement for cash in respect of payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities, bank borrowings and proceeds from issue of shares of the Company.

Cash and cash equivalents (net of the effect of exchange) during 2009 are as follows:

	For the year ended 31 December		
	2009	2008	Change
Cash generated from / (used in)	**RMB'000**	RMB'000	
Operating activities	**780,015**	203,907	283%
Investing activities	**(127,626)**	(107,965)	18%
Financing activities	**(273,746)**	75,927	N/A
Net increase in cash and cash equivalents	**378,643**	171,869	120%

Operating activities

The net cash flows from operating activities for the year of 2009 amounted to RMB780 million (2008: RMB204 million), representing an increase of RMB576 million. The increase was mainly because the Company further strengthened the management of account receivables and inventories during the year and, in addition to saving finance costs, reduced cash payments and prolonged payment terms by utilizing bill payment in view of the lower discounting rate of bills payable.

Investing activities

Investing activities in 2009 had used RMB128 million, which mainly comprised (i) RMB45 million for investment in the asphalt storage area for material logistics; (ii) RMB19 million for the enhancement works at the Tai Ping Interchange and RMB21 million for construction in the service zones; (iii) RMB27 million for acquiring operating vehicles; (iv) RMB5 million for construction of advertising posts; and (v) RMB2 million for investment in a joint venture company.

Financing activities

Amounts used in financing activities for the year of 2009 was RMB274 million including (i) dividends of RMB45 million paid to the shareholders for 2008; (ii) dividends of RMB8 million paid to the minority shareholders; and (iii) net repayment of bank borrowings of RMB220 million.

Borrowings

As at 31 December 2009, the Group has no bank borrowings. As at 31 December 2009, the amount of unused banking facilities was RMB2,406 million.

Acquisitions

As at 31 December 2009, the Group has no acquisitions pending for completion.

Post balance sheet date events

On 13 April 2010, the Board of the Company recommended the payment of the first dividend of 2010 of RMB0.098 per share (pre-tax), totally RMB40,929,000. Such dividends are subject to approval by the shareholders at the annual general meeting to be held on 25 June 2010. These financial statements have not reflected such dividends payables.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the proposed 2010 first interim dividend to non-resident enterprise shareholders of overseas H shares, (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, and other entities or organizations) whose names appear on the Company's H share register of members on 25 June 2010. The individual income tax will not be deducted from any natural person shareholders whose names appear on the Company's H shares register of members on 25 June 2010.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled by or denominated in RMB, except for the revenue and expenditure that relate to cross-border transportation services. In 2009, the operations of liquidity of the Group were less affected by the fluctuation of foreign exchanges. The Directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the Group's currency risk exposures based on operating needs.

Contingent liabilities

As at 31 December 2009, the Group did not have any material contingent liabilities.

As at the date of this report, the Company has 13 Directors and 7 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 5 executive Directors, 5 non-executive Directors and 3 independent non-executive Directors.

Executive Directors

Liu Hong（劉洪）, aged 47, is an executive Director and the Chairman of the Board of the Company and has served as deputy Chairman of the Board from January to February 2010, he was appointed as a Director of the Company since December 2009. Mr. Liu was graduated from Beijing Jiaotong School of Management（北京交通管理學院）. He obtained a Master of Business Administration from the Murdoch University of Australia in 2000. He is an economist and a qualified corporate legal advisor. He has almost 30 years of experience in logistic services. Mr. Liu was the office supervisor and the assistant to manager of Guangdong Kwong Fat Transport Limited from May 1990 to May 1993. He then worked as the assistant to the general manager of Kwong Fat Transport Limited in Hong Kong from May 1993 to May 1997. Mr. Liu was the general manager of Weisheng Bus Limited in Hong Kong from May 1997 to January 2000 and the chief economist of Weisheng Transportation & Enterprises Company Limited ("Weisheng Transportation") in Hong Kong from January to June 2000. Mr. Liu worked for GCGC from June 2000 to June 2005, and was the deputy head of the investment operation department of GCGC from August 2000 to June 2005. Mr. Liu served as a non-executive Director of the Company from May 2003 to February 2004 and from December 2004 to June 2005. Mr. Liu has been the chairman of Guangdong Gongbei Motorcar Transportation Co., Ltd.（廣東省拱北汽車運輸有限責任公司）since June 2005, and he has also been serving as the secretary to the communist party of Guangdong Gongbei Motorcar Transportation Co., Ltd.（廣東省拱北汽車運輸有限責任公司）since March 2006. Mr. Liu is currently the secretary to the communist party of the Company, an executive Director and the Chairman of the Board.

Wang Weibing（王衛兵）, aged 43, is an executive Director and the general manager of the Company and has served as Director of the Company since January 2001. Mr. Wang is also a director of Guangdong Nan Yue Logistics (HK) Limited（廣東南粵物流股份（香港）有限公司）since December 2008. 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 Chongzheng（鄧崇正）, aged 56, is an executive Director and has served as a Director of the Compay since December 2007. Mr. Deng is also the chairman of Shenzhen Yuegung Transport Company Limited（深圳粵港汽車運輸有限公司） since January 2008. 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.

Lu Maohao（魯茂好）, aged 46, is an executive Director, he has served as a Director of the Company since October 2002 and had served as the Chairman of the Board from May 2003 to February 2010. Mr. Lu is also a director of Guangdong Nan Yue Logistics (HK) Limited（廣東南粵物流股份（香港）有限公司）since December 2008. 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.

Zeng Gangqiang（曾剛強）, aged 53, 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 2008. 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

Cao Xiaofeng（曹曉峰）, aged 45, is a non-executive Director and has served as a Director of the Company since June 2009. Mr. Cao 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（暨南大學）with a master's degree. He has served as a director and general manager of Guangdong Communication Enterprise Investment Company（廣東交通實業投資公司）from 2007 to 2009, and has served as the Chairman of the Board of Guangdong Communication Enterprise Investment Company since 2009. The other key work experiences of Mr. Cao include: from 1988 to 1993, he worked for Guangdong Provincial Freeway Co., Ltd.（廣東省高速公路有限公司）; from 1993 to 1997, he served as deputy general manager of Guangdong Provincial Fokai Expressway Co., Ltd.（廣東省佛開高速公路有限公司）; from 1998 to 1999, he served as executive deputy general manager of Guangdong Provincial Expressway Development Co. Ltd.（廣東省高速公路發展股份有限公司）; and from 1999 to 2007, he successively served as vice-chairman, general manager and chairman of Guangdong Provincial Expressway Development Co. Ltd.（廣東省高速公路發展股份有限公司）.

Lu Yaxing（陸亞興）, aged 46, is a non-executive Director and has served as a Director of the Company since June 2006. He is general manager of Guangdong Highway Construction Limited（廣東省公路建設有限公司）. Mr. Lu served in the contract department of Guangdong Province Road & Bridge Construction Development Company Limited（廣東省路橋建設發展有限公司）("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（新粵有限公司）, as well as deputy general manager, acting general manager and general manager of Xin Yue Company Limited（新粵有限公司）. 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)（南京工學院（東南大學））. He also obtained a master's degree in highway transportation engineering from the management department of Xi'an Highway University（西安公路交通大學）, and had served as a lecturer and an assistant professor in the management engineering department of Chongqing Jiaotong University（重慶交通學院）. Mr. Lu also obtained his Ph.D. in highway, urban road and airport engineering from the road transportation department of Tongji University（同濟大學）.

Zheng Renfa（鄭任發）, aged 40, is a non-executive Director and has served as a Director of the Company since June 2009. Mr. Zheng possesses professional technical qualification as a senior economist and has served as the deputy head of the Department of Investment Development of GCGC since December 2005 and is a director of Guangdong Highway Design Institute Co., Ltd.（廣東省公路勘察規劃設計院有限公司）. Mr. Zheng graduated from the Department of Mineral Processing Engineering of Kunming University of Science and Technology（昆明理工大學）with a bachelor's degree in 1991 and graduated from a postgraduate course in national economics at South China University of Technology（華南理工大學）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.（廣東省高速公路有限公司）; and from 2001 to 2005, he served as the head of the Department of Investment Planning of Guangdong Provincial Freeway Co., Ltd（廣東省高速公路有限公司）.

Cai Xiaoju（蔡小駒）, aged 46, is a non-executive Director and has served as a Director of the Company since December 2007. He is a geological engineer and is the chairman and party secretary of 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（中山大學）, 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（中共廣東省委黨校）in Guangdong province.

Chen Guozhang（陳國章）, aged 60, is a non-executive Director and has served as a Director of the Company since December 2004. Mr. Chen has served as the general manager of Weisheng Transportation since from 2004 to 2009 and served as general manager of Guangdong Automobile Transportation Group Co., Ltd.（廣東省汽車運輸集團有限公司）from 1998 to 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.

Independent Non-Executive Directors

Gui Shouping（桂壽平）, aged 57, is an independent non-executive Director and has served as a Director of the Company 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 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 Shaobuo（劉少波）, aged 49, is an independent non-executive Director and has served as a Director of the Company 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（暨南大學）. 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（中山大學）.

Peng Xiaolei（彭曉雷）, aged 58, is an independent non-executive Director and has served as a Director of the Company 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年版）》and Auditing Handbook of Guangdong Guangye Assets Management Co.《廣東省廣業資產經營有限公司常規審計工作手冊（2005年版）》. Since 2008 Mr. Peng is also an independent non-executive director of Guangzhou Shipyard International Company Limited, a company listed on the Stock Exchange (stock code: 00317).

SUPERVISORS

The Company has 7 Supervisors, with 2 of them being the independent Supervisors (namely, Ms Zhou Jiede and Ms. Cheng Zhuo) while 3 are supervisors, representing the staff of the Group (namely, Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li).

Chen Chuxuan（陳楚宣）, aged 42, has served as a Supervisor of the Company since 3 March 2009 and has served as the Chairman of the Supervisory Committee of the Company since April 2009. Mr. Chen is a senior accountant and a senior economist. Mr. Chen is the Chairman of the External Supervisory Committee of GCGC. Mr. Chen has been engaged in road construction projects and financial management over the years. He graduated from the Faculty of Engineering and Financial Accounting of the Changsha Communications University（長沙交通學院）with a bachelor's degree in July 1990, and graduated from postgraduate studies at the Faculty of Accounting of Jinan University（暨南大學）with a master's degree in Management Studies in September 2006. From July 1990 to April 1997, he held positions as the Accountant of the Second Branch Office of the Guangdong Provincial Highway Engineering Company（廣東省公路工程公司）and Head of the Operations and Finance Department of the Technology Development Company（技術開發公司）from July 1990 to April 1997. He then served as the Chief Accountant of the Third Branch Office of Guangdong Changda Highway Engineering Company Limited（廣東省長大公路工程有限公司）("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. He has been the Chairman of the External Supervisory Committee of GCGC since July 2008, during which he was assigned to the Guangdong Provincial Office of the State-owned Assets Supervision and Administration Commission from March 2008 to March 2009. Mr. Chen has been 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（廣東省高速公路發展股份有限公司）. Mr. Chen is also the Chairman of the Supervisory Committee of GCGC Investment.

Xiao Li（肖麗）, aged 38, has served as a Supervisor of the Company since 3 March 2009. 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（長沙交通學院）in June 1993, and later graduated from the School of Financial Accountancy of South China University of Technology in July 2005. Ms. Xiao has over 15 years of work experience in accounting and finance. From July 1993 to October 2008, she was the head of financial accounting, host accounting and finance of the companies under Guangdong Changda. Ms. Xiao is the External Supervisor of GCGC.

Rao Fengsheng（饒鋒生）, aged 46, has served as a Supervisor of the Company 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 a senior economist and qualified senior political commissar. He graduated from Guangdong Academy of Social Sciences with a degree in corporate management, and graduated from Jinan University（暨南大學版）with a postgraduate degree in applied psychology and graduated from Beijing Institute of Technology with a bachelor's degree and obtained a Bachelor of Laws from Beijing Institute of Technolgy（北京理工大學）. 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 and deputy officer for the Guangzhou office 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 42, has served as a Supervisor of the Company since February 2004. Ms. Cheng is currently the chairman of board of China King International Holdings（中基國際集團）. Other major concurrent posts include vice-chairman of Venture Capital Profession Commission of Science and Technology Financial Promotion Association of China, 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. In 2008, Ms. Cheng initiated the Siyuan Torch Fund which built upon the Venture Philanthropy concept to support enterprise development and served as the Chairman of the fund. Ms. Cheng obtained a master degree in journalism from Beijing Broadcast Institute（北京廣播學院）in 1998 and obtained a doctor's degree in advertising from the Communication University of China in 2009.

Zhou Jiede（周潔德）, aged 43, has served as a Supervisor of the Company 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會計所）. 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 46, has served as a Supervisor of the Company 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 accounting from the University of Southern California in 1999 and professional qualification of economist and auditor.

Zhang Li（張莉）, aged 38, has served as a Supervisor of the Company since September 2009 and she is a senior economist and the vice-manager of the Securities Department of the Company. Ms. Zhang Li is also a director of Guangdong South China Logistics Enterprise Co., Ltd.（廣東南粵物流實業有限公司）, Guangdong Xinyue Communications Investment Co., Ltd（廣東新粵交通投資有限公司）. and Guangdong Tai Cheng Consulting Co., Ltd.（廣東泰誠諮詢顧問有限公司）, all of which are subsidiaries of the Company. Ms. Zhang Li joined the Group in March 2001. Prior to joining the Group, she worked in the Securities Department of Guangzhou Economic and Technological Development Zone International Trust and Investment Company（廣州經濟技術開發區國際信託投資公司）. Ms. Zhang Li obtained a Bachelor of Economics from Huazhong University of Science and Technology（華中理工大學）in 1993 and obtained a Master of Economics from Jinan University（暨南大學）in 2002.

SENIOR MANAGEMENT

Yao Hanxiong（姚漢雄）, aged 44, 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（廣東晶通公路工程建設集團有限公司）("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（重慶交通學院）in 1989, and has obtained the Executive Master of Business Administration degree from Jinan University（暨南大學）in 2009, Mr. Yao is also a senior engineer for roads and bridges with practising qualification certificate.

Chen Bingheng（陳秉恒）, aged 38, has acted as the deputy general manager of the Company since November 2007 and has served as a deputy director of the General Legal Regulations Office of the Guangdong Provincial State-owned Assets Supervision and Administration Commission（廣東省國資委綜合法規處）since August 2009. 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（廣東東方思維科技有限公司）("Oriental Thought"), respectively. Prior to that, Mr. Chen worked respectively in the Construction Department of Guangdong Provincial Freeway Company Limited（廣東省高速公路有限公司）for Eastern Section of Shenshan Expressway, Guangdong Jindaoda Expressway Economic Development Company Limited（廣東金道達高速公路經濟開發有限公司）and Guangdong Kai Yang Expressway Company Limited（廣東開陽高速公路有限公司）. Mr. Chen graduated from Sun Yat-sen University（中山大學）with a bachelor's degree majoring in Geology and graduated from Jinan University（暨南大學）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 Honghui（陳鴻輝）, aged 38, 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（廣東新粵機電工程有限公司）. 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.

Chen Min（陳敏）, aged 46, has served as the deputy general manager of the Company since September 2009. Prior to that, Mr. Chen had served as a teacher at the Guangdong Province Jiaotong School（廣東省交通學校）from 1985 to 1991; he had served as a design department engineer, contracts department engineer and head of the contracts team of the principal contractor consortium for the Guangzhou-Shenzhen Expressway from 1991 to 1994; and had served as the deputy manager, deputy chief economist, chief economist and deputy general manager of Guangdong Gaintop from 1994 to 2007 and had served as the general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. from September 2007 to August 2009. Mr. Chen was graduated from the Roads and Bridges Department of the Changsha Jiaotong University（長沙交通學院）with a bachelor's degree. Mr. Chen is a qualified technical professional to practise as an economist and lecturer.

Liang Xin（梁鑫）, aged 43, 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 Zhiquan（劉志全）, aged 44, is the secretary of the Board and has served as the managing director of Guangdong Nan Yue Logistics (HK) Limited（廣東南粵物流股份（香港）有限公司）since July 2009. 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）in 2004. Mr. Liu is currently a member of the Hong Kong Institute of Chartered Secretaries and possesses professional technical qualification as an economist.

Fung Hon Tung（馮漢棟）, aged 40, 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 presents the report of the Directors for the year ended 31 December 2009 together with the audited financial statements of the Group for the year ended 31 December 2009.

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 2009.

FINANCIAL RESULTS

The financial highlights of the year are set out on pages 11 to 12 of this report. The results and financial position of the year are set out on pages 19 to 29 of this report for discussion and analysis.

CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2009 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") are set out on page 73 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 164 of this report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

The Board has decided to adopt a new dividend policy, under which the Company distributes not less than 30% of its profit attributable to equity holders excluding extraordinary items as dividend for the three years from 2010 to 2012.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009. On 13 April 2010, the Board recommended the payment of the first interim dividend of 2010 of RMB0.098 per ordinary share (pre-tax) and RMB0.0088 (after tax), amounting to RMB40,929,000.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the proposed 2010 first interim dividend to non-resident enterprise shareholders of overseas H shares, (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, and other entities or organizations) whose names appear on the Company's H share register of members on 25 June 2010. The individual income tax will not be deducted from any natural person shareholders whose names appear on the Company's H shares register of members on 25 June 2010. The first interim dividend of 2010 is expected to be distributed on or around 17 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from Tuesday, 25 May 2010 to Friday, 25 June 2010, both days inclusive, for the purpose of determining shareholders who are eligible for the first interim dividend payment of 2010 during which period no transfer of the shares of the Company will be effected. Holders of H shares and domestic shares of the Company whose names appear on the registers of members of the Company on Monday, 24 May 2010 at 4:30 p.m. are entitled to attend the AGM to be held on Friday, 25 June 2010.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2009, the Group's total purchases attributable to the Group's five largest suppliers were approximately 24.8%, and the Group's aggregate sales attributable to the Group's five largest customers were approximately 19.4%.

RESERVE

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2009 and details of the distributable reserves of the Company as at 31 December 2009 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.

FIXED ASSETS AND INVESTMENT PROPERTIES

Particulars of the movements in fixed assets and investment properties of the Group and the Company during the year ended 31 December 2009 are set out in note 6 and 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 2009 and up to the date of this report are as follows:

Name	Date of Appointment as Director	Date of Resignation as Director
Executive Directors		
Liu Hong	29 December 2009	N/A
Wang Weibing	11 January 2001	N/A
Deng Chongzheng	20 December 2007	N/A
Lu Maohao	28 October 2002	N/A
Zeng Gangqiang	17 June 2008	N/A
Su Yongdong	20 December 2007	29 December 2009
Non-Executive Directors		
Cao Xiaofeng	19 June 2009	N/A
Lu Yaxing	22 June 2006	N/A
Zheng Renfa	19 June 2009	N/A
Cai Xiaoju	20 December 2007	N/A
Chen Guozhang	9 December 2004	N/A
Liu Wei	28 October 2002	19 June 2009
Huang Guoxuan	11 January 2001	19 June 2009
Independent Non-Executive Directors		
Gui Shouping	2 February 2004	N/A
Liu Shaobuo	2 February 2004	N/A
Peng Xiaolei	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
Cheng Zhuo	2 February 2004	N/A
Zhou Jiede	2 February 2004	N/A
Li Hui	2 February 2004	N/A
Rao Fengsheng	12 June 2007	N/A
Fan Xincai	12 June 2007	29 September 2009
Chen Chuxuan	3 March 2009	N/A
Xiao Li	3 March 2009	N/A
Ling Ping	11 January 2001	3 March 2009
Chen Dili	12 June 2007	3 March 2009

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 30 to 39 of this report.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the following connected transactions of the Group as at 31 December 2009 are required to be disclosed in the annual report of the Company:

(a) On 9 August 2006, the Company and GCGC, the controlling shareholder of the Company, entered into a master agreement, pursuant to which the GCGC Group provides the repair and renovation services to the Group ("Tai Ping Interchange Master Agreement"). The initial term of the Tai Ping Interchange Master Agreement expired on 8 August 2009, and shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. The parties to the Tai Ping Interchange Master Agreement have agreed to renew the term of the Tai Ping Interchange Master Agreement for a further term commencing on 9 August 2009 and ending on 31 December 2010. Revision of the approved annual cap for the financial year ending 31 December 2009 for the Tai Ping Interchange Master Agreement is necessary. This is because: (1) part of the repair and renovation works, which were scheduled to be carried out in the year of 2008, was delayed and postponed to the years of 2009 and 2010. Accordingly, the annual transaction value under the Tai Ping Interchange Master Agreement for the year of 2009 is expected to increase; and (2) during repair and renovation, it was discovered that the actual damage to the Tai Ping Interchange is worse than expected, and therefore additional repair and renovation works are required. In compliance with the relevant PRC statutory requirements, the Group has invited public tenders for such additional repair and renovation works. The GCGC Group is one of the bidders. If the GCGC Group wins the bid, the annual consideration payable by the Group to the GCGC Group for the Tai Ping Interchange Repair Services will exceed the existing approved annual cap for the year of 2009. The annual caps for the transactions contemplated under the Tai Ping Interchange Master Agreement for the two years ending 31 December 2010 were approved at the extraordinary general meeting held on 29 December 2009 to be revised to RMB20,184,000 and RMB19,261,000, respectively.

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

(b) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a master agreement pursuant to which the Group provides material logistics services to GCGC Group in the construction of expressway and other infrastructure projects (the "Material Logistics Services Master Agreement"). The related annual cap for the two years ended 31 December 2010 was approved at the extraordinary general meeting held on 20 December 2007 but because of the new expressway construction projects of GCGC, which led to the increased demand of GCGC for material logistics services, the annual transaction amount for the year ending 31 December 2010 was revised to RMB2,485,949,000 which was approved at the extraordinary general meeting on 29 December 2009.

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

(c) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a mater agreement pursuant to which the Group (including Guangdong Xinyue Communications Investment Company Limited (廣東新粵交通投資有限公司) and Guangdong Oriental Thought Technology Company Limited (廣東東方思維科技有限公司)) provides transportation intelligence services to the GCGC Group (the "Transportation Intelligence Services Master Agreement"). The related annual caps for the two years ending 31 December 2010 were approved at the extraordinary general meeting held on 20 December 2007 but because of the new expressway construction projects of GCGC, which led to the increased demand of GCGC for material logistics services, the annual transaction amount for the year ending 31 December 2010 was revised to RMB642,150,000 which was approved at the extraordinary general meeting on 29 December 2009.

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

(d) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a master agreement pursuant to which the Group purchases construction materials (including asphalt) from the GCGC Group (the "Materials Purchase Master Agreement"). The related annual caps for the two years ending 31 December 2010 were approved at the extraordinary general meeting held on 20 December 2007 but because of the delay of some of the transaction under the Materials Purcahse Master Agreement which were expected to be carried out in 2009 and the new expressway construction projects of GCGC, the annual transaction amount for the year ending 31 December 2010 was revised to RMB934,342,000 which was approved at the extraordinary general meeting on 29 December 2009.

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

(e) On 28 December 2009, the Company and Guangdong Humen Bridge Company Limited（廣東虎門大橋有限公司）("Humen Bridge Company") entered into a toll fee collection and entrustment management agreement, pursuant to which Humen Bridge Company shall provide certain 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 2010 to 31 December 2010 at an annual service fee of RMB4,200,000 ("Toll Free Collection and Entrustment Management Agreement").

For further information relating to the above transaction, please refer to the Company's announcement dated 28 December 2009.

THE ANNUAL CAPS AND ACTUAL AMOUNTS IN RESPECT OF THE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY

The following table sets out the relevant annual caps and the actual amounts for the year ended 31 December 2009 in relation to the continuing connected transactions of the Company.

Transaction	Annual Cap for the year ended 31 December 2009 (RMB '000)	Actual Amount for the year ended 31 December 2009 (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 under the Toll Free Collection and Entrustment Management Agreement	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 the Tai Ping Interchange Master Agreement	20,184	18,983
2. Provision of material logistics services under subsisting agreements and the Materials Logistics Services Master Agreement	1,343,060	922,720
3. Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the Transportation Intelligence Service Master Agreement	509,442	215,728
4. Purchase of materials under subsisting agreements and the Materials Purchase Master Agreement	324,996	93,947
5. Provision by the Company of financial assistance to Guangdong Xinyue	95,000	93,828
6. Prior operating rights and contracting obligations for expressway service zones under subsisting agreements	118,091	50,926
7. Subcontracting of certain work procedures in relation to expressway intelligence and outsourcing of construction labor under subsisting agreements and the relevant master agreement	232,722	42,539

The independent non-executive Directors, Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei, have reviewed the above continuing connected transactions as set out in (a) to (d) 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 14A.38 of the Listing Rules, the auditor of the Company, PricewaterhouseCoopers（羅兵咸永道會計師事務所）, 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

As at 31 December 2009, the Board was aware of the following material litigations involving the Company:

The Company brought a legal proceeding before 廣州市白雲區人民法院 (Guangzhou Bai Yun People's Court*) against 唐山鴻達熱軋有限責任公司 (Tang Shan Hong Da Re Ga Limited Liability Company*) ("Tang Shan Hong Da") to recover the price paid by the Company for purchase of goods in the amount of RMB28,175,009 and the related default penalty due to the Company from Tang Shan Hong Da. The court hearing was commenced on 21 September 2009 and Tang Shan Hong Da had repaid RMB28,175,009 and the default penalty to the Company in October 2009. Full provision has been made in respect of the above legal proceeding as at 31 December 2009.

佛山市南海人民檢察院 (Foshan Nanhai People's Procuratorate*) commenced a legal proceeding on 26 October 2009 before 佛山市南海人民法院 (Foshan Nanhai People's Court*) against the legal representative of 南海囤達倉運輸有限公司 (Nanhai Tun Da Storage and Transportation Company Limited*) to recover the profit of RMB5,329,861 from illegal sale of the Company's steels by such legal representative. Full provision has been made in respect of the amount due from the relevant enterprise involved in the above legal proceeding in the year 2009.

* *for identification purpose only*

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 AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director, as at 31 December 2009, 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
Sky Investment Counsel Inc.	H shares	12,365,884	Investment Manager	8.96	2.96
Guangdong Province Road & Bridge Construction	Domestic shares	10,346,749	Beneficial owner	3.70	2.48
Guangdong Weisheng	Domestic shares	8,181,245	Beneficial owner	2.93	1.96

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.

Save as disclosed above, as at 31 December 2009, 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.

SUBSTANTIAL SHAREHOLDERS WITH SHAREHOLDING OF 10% OR MORE IN THE COMPANY

As at 31 December 2009, 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 Xiaoling and its registered capital as at 31 December 2009 was RMB19,800,000,000. It is principally engaged in the investment, construction and management of the majority of roads, and expressways networks in the Guangdong province.

SUFFICIENCY OF PUBLIC FLOAT

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

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

As at 31 December 2009, 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 interest in the shares, underlying shares and debentures of the Company.

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

Name of Associated corporation	Name of Director/ Supervisor	Nature of Interests	No. of shares	Percentage in the relevant class of share capital	Note
Guangdong Provincial Expressway Development Co. Ltd. ("Guangdong Expressway")	Liu Hong	Personal	11,972	0.001	(1)
Guangdong Expressway	Lu Maohao	Personal	18,421	0.002	(2)
Guangdong Expressway	Rao Fengsheng	Personal	2,602	0.0003	(3)
Guangdong Expressway	Chen Chuxuan	Personal	5,987	0.0007	(4)

Notes:

(1) Liu Hong is taken to be interested in 11,972 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.

(2) Lu Maohao 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.

(3) Rao Fengsheng 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.

(4) Chen Chuxuan is taken to be interested in 5,987 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.

Save as disclosed above, as at 31 December 2009, 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 2009 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.

REMUNERATIONS OF THE DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

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 2009.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2009, 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 2009.

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 59 to 66 of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had 3,627 employees, the staff costs (including directors' remuneration) of the Group was RMB225 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 2009.

DONATIONS

Donations made by the Group during the year ended 31 December 2009 amounted to RMB164,000.

AUDITORS

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and the PRC auditors of the Company for the year ended 31 December 2009. 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
Liu Hong
Chairman

Guangzhou, the PRC
13 April 2010

Dear Shareholders,

In 2009, by following the principle of safeguarding the interests of all Shareholders, the Supervisory Committee of Guangdong Nan Yue Logistics Company Limited (hereinafter referred to as the "Company") has conscientiously performed its supervisory functions and actively conducted various supervisory and examination tasks in accordance with the Company Law, the articles of association of the Company (the "Articles of Association") and the relevant requirements of The Stock Exchange of Hong Kong Limited. We hereby present the major tasks carried out by the Supervisory Committee of the Company for the year 2009:

1. WORK UNDERTAKEN BY THE SUPERVISORY COMMITTEE IN 2009

In 2009, on the basis of continuing to carry out daily supervision, the Supervisory Committee undertook special examination by focusing on the actual situation of the enterprise in accordance with the "2009 Working Plan of the Supervisory Committee". By gaining an overall insight into the situation of the enterprise from daily supervision and management, the Committee completed the "2008 Performance Supervision and Appraisal Report of Nan Yue Logistics Company Limited". Meanwhile, the Committee organized and convened two supervisory meetings according to working needs. The details are as follows:

(1) Carrying out daily supervision to understand corporate information

1. Collecting and analyzing corporate operational management, financial information. The Supervisory Committee collected, analyzed corporate financial statements, paid attention to significant changes in major financial indicators; paid attention to problems identified in the audit process of the accounting firm and followed up with the rectification; collected, analyzed the basic conditions of the operations of the Company; followed up with the liquidation of Guangdong Fei Da Transportation Engineering Company Limited; paid attention to other material issues of the Company;

2. Issuing letters to reinforce supervision according to the needs of supervision. In order to carry out the supervision better, we reinforced the supervision of the operations of the Company by issuing work letters and reminders to the Company during the year.

(2) Carrying out special examination, paying attention to major problems

The Supervisory Committee actively carried out special examination during the year with details as follows:

1. Carrying out the special examination of accounts receivable and prepayments of the Company. The Supervisory Committee conducted special investigation into accounts receivable, prepayments, inventory and bank acceptances of the Company and issued a special examination report. The Supervisory Committee investigated the businesses with risks of the Company and made recommendations on controlling business risks;

2. Carrying out the special examination of Guangdong Xinyue Communications Investment Company Limited (hereinafter called "Guangdong Xinyue"). In July 2009, the Committee started to carry out the special examination of Guangdong Xinyue so as to gain an insight into the company's project construction, income, cost and expense accounting, capital income and expenditure, sub-contracted project management, inventory management and internal control system establishment etc.

(3) Writing performance reports, making reasonable recommendations

In the second quarter of 2009, the Supervisory Committee gained an overall insight into the situation of the enterprise from daily supervision and management and completed the "2008 Performance Supervision and Appraisal Report of Nan Yue Logistics Company Limited" which fully reflected the overall operating conditions of the Company in 2008, and made an objective appraisal of the Company's management and made recommendations according to the situation of the Company.

(4) Making concerted efforts to capitalize on supervision synergy

From June to August 2009, the Supervisory Committee, in conjunction with the audit and compliance department of the Company, examined subsidiaries such as Guangdong Xinyue to understand the implementation and rectification of internal and external audit opinions;

(5) Convening Supervisory Committee meetings in accordance with the Articles of Association

In 2009, the Supervisory Committee convened a total of two Supervisory Committee meetings. The meetings were convened and held in compliance with the Company Law and the Articles of Association. The resolutions of the meetings were legal and valid.

1. On 22 April 2009, the fourth meeting of the third session of the Supervisory Committee was held. I was elected as the chairman of the third session of the Supervisory Committee. During the meeting, the Board and management of the Company gave an introduction to the tasks undertaken in 2008. The Supervisory Committee considered and approved the "Work Report of the Supervisory Committee for 2008" and the "Work Plan of the Supervisory Committee for 2009", and discussed and gave comments and opinions on the "Report of the Company for 2008" and the "Summary of the 10th Meeting of the Audit Committee" etc. The meeting called the Company's high attention to the issue of risk control and requested the Company to take concrete steps to reinforce risk control and financial management for the non-project logistics business so as to ensure the healthy development of the Company;

2. On 29 September 2009, the fifth meeting of the third session of the Supervisory Committee was held. The Supervisory Committee considered and approved the "Resolution on the Change in Staff Supervisors of the Company" and the "Work Performed by the Supervisory Committee in the First Half of 2009 and the Work Plan for the Second Half Year" and gave comments and opinions on the "2009 Interim Report of the Company" and the "Summary of the 11th Meeting of the Audit Committee under the Board of the Company", and determined the respective duties of members of the Supervisory Committee of the Company during the meeting. The Company was requested to pay close attention to the establishment of the internal control system so as to ensure the healthy development of the Company.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELATED MATTERS OF THE COMPANY

(1) The operation of the Company according to law

In 2009, the procedures for convening board meetings and the process for passing resolution complied with the laws and regulations. The Board was able to strictly execute each of the resolutions and authorizations given at the general meetings of the Company. Directors and the management of the Company were able to perform their duties in accordance with the resolutions of the general meetings. The Supervisory Committee was not aware of any violation of the laws, regulations and the Articles of Association which will damage the interest of the Company and the shareholders.

(2) Financial audit of the Company

Each of PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants audited the 2009 Financial Report of the Company. Currently, both PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants have issued standard unqualified audit reports. Upon examination and approval by the Supervisory Committee, the audit reports issued by PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants give a fair view of the Company's true and objective financial position and operating results.

(3) Connected transactions

As far as connected transactions were concerned, the Company was able to enter into the transactions at market prices based on the principles of being open, fair and just, and no harm to the interest of shareholders holding small to medium size of shareholdings in the Company and the interest of the Company has been identified.

3. RELEVANT RECOMMENDATIONS

In view of the current operating conditions of the Company and considering the complexity of the management environment in 2010, the Supervisory Committee suggests the Board and the management of the Company focus their efforts on the following aspects in the future:

(1) To clarify the Company's development strategic positioning, develop the Company's new core competitiveness and ensure the Company's sustainable development;

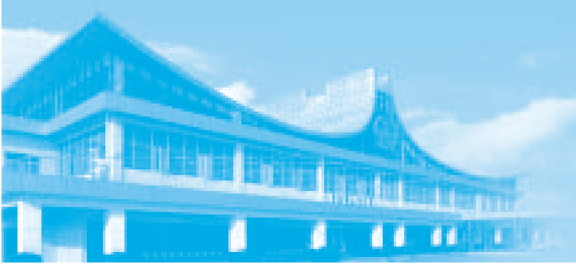
(2) To further improve the Company's corporate governance structure, regulate the Company's operation, rationalize the Company's internal business management process;

(3) To further improve the Company's internal control system of enterprises of all levels, refine the internal control system, strengthen execution and reduce operating risks; and

(4) To expedite the integration of the Company's resources, in particular, to streamline administration and control management costs effectively.

By Order of the Supervisory Committee
Chen Chuxuan
Chairman of the Supervisory Committee

Guangzhou, the PRC
13 April 2010



The Company believes that stringent corporate governance practices could enhance credibility and transparency and are in the interests of the Shareholders. Accordingly, the Company has been making continuous efforts in enhancing its standard of corporate governance with reference to 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 applicable laws and regulations.

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 2009 in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

The following summarizes details of the corporate governance of the Company for the year ended 31 December 2009.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises thirteen 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. Liu Hong
Executive Directors:	Mr. Liu Hong, Mr. Wang Weibing, Mr. Deng Chongzheng, Mr. Lu Maohao and Mr. Zeng Gangqiang
Non-executive Directors:	Mr. Cao Xiaofengi, Mr. Lu Yaxing, Mr. Zheng Renfa, Mr. Cai Xiaoju and Mr. Chen Guozhang
Independent non-executive Directors:	Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei

The Board considers that its composition has maintained a reasonable balance between five executive Directors, five non-executive Directors and three independent non-executive Directors. The five non-executive Directors and three independent non-executive Directors participate actively in the formulation of the Company's policies and seek to represent the interests of Shareholders as a whole.

The chairman and the general manager of the Company are two distinct and separate positions, which are held by Mr. Liu Hong and Mr. Wang Weibing respectively, both being executive Directors.

The Board is accountable to the general meetings of the Company under its commitment to pursue the best interests of the Shareholders. The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Company. Board members collectively and individually accept the responsibility for the management and control of the Company in the interests of Shareholders.

The main duties of the Board include: determining the operating plans and investment proposals of the Company, evaluating the performance of the Company, overseeing the management, 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. The participation of the independent non-executive Directors in the Board brings independent judgment on the issues relating to the Group's strategy, performance, conflicts of interest, connected transactions, significant events and management process in order to ensure that the interests of all Shareholders of the Company have been duly considered. The independent non-executive Directors also provide 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 2009, the Company held a total of six Board meetings, with an average attendance rate of 90%. The Company kept detailed minutes for the business transacted in such meetings.

The board meeting attendance details of each member of the Board for the year ended 31 December 2009 are set out below:

	Meetings attended/held	Attendance Rate
Executive Directors		
Liu Hong (Chairman, appointed as Director on 29 December 2009)	0/0	N/A
Su Yongdong (resigned as Director on 29 December 2009)	6/6	100%
Wang Weibing	6/6	100%
Deng Chongzheng	6/6	100%
Lu Maohao	6/6	100%
Zeng Gangqiang	6/6	100%
Non-executive Directors		
Liu Wei (resigned as Director on 19 June 2009)	0/2	0%
Huang Guoxuan (resigned as Director on 19 June 2009)	2/2	100%
Cao Xiaofeng (appointed as Director on 19 June 2009)	3/4	75%
Lu Yaxing	4/6	67%
Zheng Renfa (appointed as Director on 19 June 2009)	4/4	100%
Cai Xiaoju	5/6	83%
Chen Guozhang	5/6	83%
Independent non-executive Directors		
Gui Shouping	6/6	100%
Liu Shaobuo	6/6	100%
Peng Xiaolei	5/6	83%

Apart from the above regular Board meetings, the Board met on other occasions when a board-level decision on a particular matter is required. The Directors received details of agenda items for decision and minutes of the committee meetings in advance of each Board meeting.

The Secretary to the Board is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Secretary to the Board with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

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 2009. 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 2009.

COMMITTEES OF THE BOARD

The Company's audit committee and remuneration committee have laid down specific terms of reference, detailing the powers and responsibilities of these committees. All the committees shall report their decisions or submit their proposals to the Board within their authorities, and under certain circumstances. have to request for the Board's approval before taking any actions.

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 , review quarterly, interim and annual results and internal control system of the Group and provide advice and comments to the Board. As at 31 December 2009, the Audit Committee, chaired by Mr. Peng Xiaolei, had a total of three members, namely Mr. Peng Xiaolei, Mr. Liu Shaobo and Mr. Cao Xiaofeng. The members of Audit Committee met regularly with the management and external auditors and reviewed the external audit reports and the annual financial statements of the Group, and made recommendations thereon. It has reviewed the audited financial statements for the year ended 31 December 2009, and recommended their adoption by the Board. 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 2009, the Company has been in compliance with the requirements relating to audit committees under Rule 3.21 of the Listing Rules.

The Audit Committee held three meetings in the year ended 31 December 2009 with an average attendance rate of 78% by each of its members.

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 approve the term of the service contract of the executive Diretors, to assess the performance of the executive Directors, 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 Weibing, and two independent non-executive Directors, Mr. Gui Shaoping and Mr. Liu Shaobo. Mr. Wang Weibing is the chairman of the Remuneration Committee.

During the year ended 31 December 2009, the Remuneration Committee held one meeting.

SUPERVISORY COMMITTEE

The supervisory committee of the Company (the "Supervisory Committee") comprises seven members, two of whom are independent Supervisors (namely, Ms. Zhou Jiede and Ms. Cheng Zhuo), two are Supervisors appointed by Shareholders (namely, Mr. Chen Chuxuan and Mr. Xiao Li) while three are Supervisors representing the staff of the Group (namely, Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li). The Supervisory Committee is responsible for supervising the Board, Directors as well as the senior management of the Company, so as to prevent them from abusing their power to damage the lawful rights and interests of the Shareholders, the Company and its staff. For the year ended 31 December 2009, 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.

During the year ended 31 December 2009, the Supervisory Committee held two meetings.

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. The internal control system of the Company includes the perfection of the organizational structure, and the establishment of a comprehensive set of policies and standards. The responsibilities of each of the business and operational units shall be clearly presented to ensure effective control.

The Board has conducted a review of the effectiveness of the system of internal control of the Company. In the year ended 31 December 2009, 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 system 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 advise 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 judgments 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.

The Company has also adopted a series of policies and processes to identify, control and report the major risks faced by the Company. The Company has laid down procedures to control the risk of damaging reputation caused by daily business activities.

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 2009 amounted to RMB2,980,000 and RMB777,000 respectively.

The statement of the auditors of the Company concerning their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 67 to 68 of this annual report.

GENERAL MEETINGS

The general meeting holds the highest authority of the Company. The Company held an extraordinary general meeting on 3 March 2009 to consider the acquisition of equity interest in Guangdong Traffic Engineering Company Limited and the change of supervisors. The Company held the 2008 Annual General Meeting on 19 June 2009 in which the resolution on the distribution of a final dividend for the year 2008 and 10 other resolutions were approved. The Company convened and held an extraordinary general meeting on 29 December 2009 to consider and approve the resolutions relating to non-exempt continuing connected transactions of the Company and the proposed annual caps and the change of Directors. The meeting was convened in compliance with the relevant legal procedures and safeguarded shareholders' participation and exercise of rights. 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 through the publication of announcements, notices, circulars, interim and annual reports 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 and to provide a true and fair view of the Company to the public.

The Company has established a specialized team responsible for investor relations. Placing strong emphasis on the communication with investors, the Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence to 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.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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 69 to 163, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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 2009 and of the Group's loss 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, 13 April 2010

Consolidated Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2009	2008
ASSETS			
Non-current assets			
Fixed assets	6	**360,829**	298,485
Leasehold land and land use rights	7	**147,182**	150,790
Intangible assets	8	**227,569**	184,050
Investment properties	9	**5,834**	4,864
Interests in associates	11	**65,156**	65,032
Interests in joint ventures	12	**18,906**	16,195
Available-for-sale financial assets		**200**	200
Deferred income tax assets	13	**148,792**	29,750
		974,468	749,366
Current assets			
Inventories	14	**320,977**	896,577
Due from customers on construction contracts	15	**226,146**	155,558
Trade and other receivables	16	**1,484,277**	1,854,048
Cash and bank balances	29	**1,494,821**	1,121,054
		3,526,221	4,027,237
Total assets		**4,500,689**	4,776,603
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**417,642**	417,642
Other reserves	18	**343,110**	336,234
Retained earnings			
– Proposed final dividend	28	**—**	45,523
– Others		**355,375**	553,030
		1,116,127	1,352,429
Minority interests in equity		**196,281**	191,340
Total equity		**1,312,408**	1,543,769

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2009	2008
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**277**	1,465
Trade and other payables	19	**136,383**	157,383
		136,660	158,848
Current liabilities			
Trade and other payables	19	**3,011,464**	2,822,609
Current income tax payable		**40,157**	31,377
Bank borrowings	20	**—**	220,000
		3,051,621	3,073,986
Total liabilities		**3,188,281**	3,232,834
Total equity and liabilities		**4,500,689**	4,776,603
Net current assets		**474,600**	953,251
Total assets less current liabilities		**1,449,068**	1,702,617

The notes on pages 78 to 163 are an integral part of these financial statements.

The financial statements on pages 69 to 163 were approved by the Board of Directors on 13 April 2010 and were signed on its behalf.

Liu Hong
Director

Wang Weibing
Director

Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2009	2008
ASSETS			
Non-current assets			
Fixed assets	6	**14,749**	41,722
Intangible assets	8	**226,470**	184,465
Investments in subsidiaries	10	**445,295**	434,168
Interests in associates	11	**31,200**	31,200
Interest in a joint venture	12	**6,250**	6,250
Deferred income tax assets	13	**131,207**	15,278
		855,171	713,083
Current assets			
Inventories	14	**258,535**	821,168
Trade and other receivables	16	**1,253,691**	1,554,874
Cash and bank balances	29	**1,104,580**	635,467
		2,616,806	3,011,509
Total assets		**3,471,977**	3,724,592
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**417,642**	417,642
Other reserves	18	**400,272**	400,441
(Accumulated loss)/retained earnings			
– Proposed final dividend	28	**—**	45,523
– Others		**(17,464)**	210,053
Total equity		**800,450**	1,073,659

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2009	2008
LIABILITIES			
Current liabilities			
Trade and other payables	19	**2,643,492**	2,417,125
Current income tax payable		**28,035**	13,808
Bank borrowings	20	**—**	220,000
		2,671,527	2,650,933
Total liabilities		**2,671,527**	2,650,933
Total equity and liabilities		**3,471,977**	3,724,592
Net current (liabilities)/assets		**(54,721)**	360,576
Total assets less current liabilities		**800,450**	1,073,659

The notes on pages 78 to 163 are an integral part of these financial statements.

The financial statements on pages 69 to 163 were approved by the Board of Directors on 13 April 2010 and were signed on its behalf.

Liu Hong
Director

Wang Weibing
Director

Consolidated Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2009	2008
Revenue	5	**6,209,831**	7,680,779
Cost of sales	21	**(5,551,655)**	(7,024,399)
Gross profit		**658,176**	656,380
Other income	23	**42,455**	52,468
Selling expenses	21	**(162,356)**	(181,768)
Administrative expenses	21	**(733,861)**	(276,051)
Other operating expenses		**(6,572)**	(1,783)
Operating (loss)/profit		**(202,158)**	249,246
Finance costs	24	**(34,468)**	(31,101)
Share of results of associates and joint ventures		**1,735**	(507)
(Loss)/profit before income tax		**(234,891)**	217,638
Income tax benefit/(expense)	25	**57,951**	(49,365)
(Loss)/profit for the year		**(176,940)**	168,273
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(190,399)**	150,099
Minority interests		**13,459**	18,174
		(176,940)	168,273
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	27	**(0.46)**	0.36
Dividend	28	**—**	45,523

The notes on pages 78 to 163 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2009	2008
(Loss)/profit for the year	**(176,940)**	168,273
Revaluation gain on investment properties, net of tax	**—**	4,181
Exchange differences	**(675)**	(12,769)
Total comprehensive (loss)/income for the year	**(177,615)**	159,685
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(190,779)**	144,455
Minority interests	**13,164**	15,230
	(177,615)	159,685

The notes on pages 78 to 163 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 2008		417,642	324,498	513,028	181,989	1,437,157
Comprehensive income						
Profit for the year		—	—	150,099	18,174	168,273
Other comprehensive income/(loss)						
Revaluation gain on investment properties, net of tax - Group		—	2,301	—	1,880	4,181
Exchange differences - Group		—	(7,945)	—	(4,824)	(12,769)
Total other comprehensive loss		—	(5,644)	—	(2,944)	(8,588)
Total comprehensive (loss)/income		—	(5,644)	150,099	15,230	159,685
Transactions with owners						
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
Total transactions with owners		—	17,380	(64,574)	(5,879)	(53,073)
Balance at 31 December 2008		417,642	336,234	598,553	191,340	1,543,769

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 2009		**417,642**	**336,234**	**598,553**	**191,340**	**1,543,769**
Comprehensive (loss)/income						
(Loss)/profit for the year		**—**	**—**	**(190,399)**	**13,459**	**(176,940)**
Other comprehensive loss						
Exchange differences - Group		**—**	**(380)**	**—**	**(295)**	**(675)**
Total comprehensive (loss)/income		**—**	**(380)**	**(190,399)**	**13,164**	**(177,615)**
Transactions with owners						
Appropriation from retained earnings		**—**	**7,256**	**(7,256)**	**—**	**—**
Dividends payable to minority shareholders		**—**	**—**	**—**	**(8,223)**	**(8,223)**
Dividend relating to 2008	28	**—**	**—**	**(45,523)**	**—**	**(45,523)**
Total transactions with owners		**—**	**7,256**	**(52,779)**	**(8,223)**	**(53,746)**
Balance at 31 December 2009		**417,642**	**343,110**	**355,375**	**196,281**	**1,312,408**

The notes on pages 78 to 163 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	
		2009	2008
Cash flows from operating activities			
Cash generated from operations	29(a)	**867,982**	316,063
Interest paid		**(34,468)**	(31,101)
Income tax paid		**(53,499)**	(81,055)
Net cash generated from operating activities		**780,015**	203,907
Cash flows from investing activities			
Purchase of fixed assets		**(128,722)**	(106,598)
Proceeds from sale of fixed assets and intangible assets	29(b)	**234**	1,130
Purchase of intangible assets, leasehold land and land use rights		**(2,181)**	(4,628)
Purchase of investment properties		**—**	(9,190)
Investment in a joint venture		**(1,500)**	—
Interest received		**3,841**	9,248
Decrease in amounts due from associates		**702**	687
Dividend received from an associate		**—**	1,386
Net cash used in investing activities		**(127,626)**	(107,965)
Cash flows from financing activities			
Proceeds from bank borrowings		**1,310,000**	1,110,000
Repayments of bank borrowings		**(1,530,000)**	(981,000)
Capital contributions from minority shareholders		**—**	972
Dividend paid to Company's equity holders	28	**(45,523)**	(47,194)
Dividends paid to minority shareholders		**(8,223)**	(6,851)
Net cash (used in)/generated from financing activities		**(273,746)**	75,927
Net increase in cash and cash equivalents		**378,643**	171,869
Cash and cash equivalents at beginning of the year		**1,108,833**	943,238
Exchange losses on cash and cash equivalents		**(39)**	(6,274)
Cash and cash equivalents at end of the year	29(c)	**1,487,437**	1,108,833

The notes on pages 78 to 163 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 service: 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 13 April 2010.

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.

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

2.1 Basis of preparation *(continued)*

Change in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The Group has adopted the following new and revised HKFRSs on 1 January 2009

- Hong Kong Accounting Standard ("HKAS") 7 'Financial Instruments – Disclosures' (Amendment) – effective from 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKAS 1 (Revised) 'Presentation of financial statements' – effective from 1 January 2009. The revised standard prohibits 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 in a statement of comprehensive income. Therefore, the Group presents all owner changes in equity in the consolidated statement of changes in equity whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments' – effective from 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the Statements of Financial Accounting Standards ("SFAS") 131 of the Untied States, '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. Since comparative figures for 2008 have been presented in accordance with the basis adopted in internal reporting, a change in the standard does not have any material impact on the Group's financial statements.

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

2.1 Basis of preparation *(continued)*

Change in accounting policy and disclosures (continued)

(b) Standards, amendments and interpretations to existing standards 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 2010 or later periods, but the Group has not early adopted them:

- HKAS 24 (revised), 'Related party disclosures' – effective from 1 January 2011. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose: (a) the name of the government and the nature of their relationship; and (b) the nature and amount of any individually-significant transactions; and (c) the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

- HKAS 27 (revised), 'Consolidated and separate financial statements' – effective from 1 July 2009. The revised standard requires the effects of all transactions with minority interest 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 minority interest 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 income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale 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.

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

2.1 Basis of preparation *(continued)*

Change in accounting policy and disclosures (continued)

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

- HKFRS 9, 'Financial instruments' – effective from 1 January 2013. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The Group will apply HKFRS 9 retrospectively from 1 January 2013. The standard does not have a material impact on the Group's and the Company's financial statements.

- In May 2009, HKICPA has published certain other improvements to the HKFRS which will be effective for accounting period beginning on or after 1 July 2009. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvement:

HKFRS	**Subject of amendment**
HKAS 7 Cash flow statements	Classification of expenditures on unrecognised assets
HKAS 18 Revenue	Additional guidance added to the appendix regarding the determination as to whether an entity is acting as a principal or an agent
HKAS 36 Impairment of assets	Unit of accounting for goodwill impairment test
HKAS 38 Intangible assets	Additional consequential amendments arising from revised HKFRS 3
	Measuring the fair value of an intangible asset acquired in business combination
HKFRS 8 Operating segments	Disclosure of information about segment assets

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

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).

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

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

2.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

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 for 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.

(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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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.

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

2.4 Foreign currency translation *(continued)*

(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's 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.

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 of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

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

2.5 Fixed assets

Construction in progress 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

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 arerecognised within other income/other operating expenses in the income statement.

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

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint ventures is included in investments in associates or joint ventures and is tested for impairment as part of the overall balance. Separately capitalised 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) Motor vehicle licences

Motor vehicle licences are capitalised on the basis of the costs incurred to obtain rights to provide cross-border transportation services between Hong Kong and Mainland China. The licences have indefinite useful lives and are not subject to amortisation.

(d) 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 expected 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 measured 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.

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.

Impairment testing of the investments in subsidiaries, associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Classification

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

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments 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 (Notes 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 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 subsequently carried at amortised cost using the effective interest method.

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

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

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

2.10 Financial assets *(continued)*

2.10.3 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

2.10 Financial assets *(continued)*

2.10.3 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 through the income statement.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.14 Cash and cash equivalents

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

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

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 payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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 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.

2.18 Other financial liabilities

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

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

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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 only 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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 when 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 and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group exposes to foreign exchange risk as cross-border transportation services between Hong Kong and Mainland China are denominated in Hong Kong Dollar ("HKD"), and the Group's presentation currency differs from the functional currency of the services. The Group also has some purchases of imported materials denominated in US Dollar ("USD"). 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 2009, if RMB has strengthened/weakened by 10% against HKD with all other variables held constant, profit before income tax would have been approximately RMB440,000 (31 December 2008: RMB3,812,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD denominated cash in bank.

As at 31 December 2009, if RMB has strengthened/weakened by 10% against USD with all other variables held constant, profit before income tax would have been approximately RMB465,000 (31 December 2008: RMB Nil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated cash in bank.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables, and due from customers on construction contracts, except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. Most of the Group's cash and 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)	**2009**	2008
A1	**520,545**	531,545
Baa1	**314**	980
Baa2	**144,304**	193,963
Baa3	**60,305**	124,262
Ba1	**404,672**	129,350
Ba2	**136,548**	—

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

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 2009, approximately 12% (31 December 2008: 9.7%) of the trade 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. The Group has obtained collaterals in the form of inventories and fixed assets to secure trade receivable balances of RMB63,798,000 (31 December 2008: Nil) that are past due. Other than the collaterals, the Group did not hold other collaterals as securities for other past due balances. The Group has assessed credit risks on past due balances and provision has been made against the balances that are past due and impaired (Note 16).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Concentration of customers and suppliers risk

During the year, the Group's sales to top five individual customers accounted for approximately 19.4% of the total revenue (2008: 15.6%); the Group's purchase from top five individual suppliers accounted for 24.8% (2008: 38.4%) of the total purchase. The Group aims to maintain long-term relationship with reputable customers and suppliers in the expansion of its business.

(d) Interest rate risk

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

The Group's interest-rate risk arises from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings issued at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2009, all the Group's bank borrowings were at fixed rate. Details of the Group's bank borrowings are set out in Note 20.

The Company's loans to subsidiaries were issued at fixed rates. Other current balances due with subsidiaries were interest free. The balances due with subsidiaries expose the Company to fair value interest rate risk.

(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 (Note 20).

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury allocates available cash on hand according to working capital requirements of each operating entity.

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 2009		
Trade and other payables		
(exclude advances from customers)	2,738,302	2,513,385
At 31 December 2008		
Bank borrowings	222,683	222,683
Trade and other payables		
(exclude advances from customers)	2,425,595	2,128,085

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

	2009	2008
Total liabilities	**3,188,281**	3,232,834
Total assets	**4,500,689**	4,776,603
Gearing ratio	**71%**	68%

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial instruments that are measured in the balance sheet at fair value included available-for-sale financial assets, of which fair value estimates are included in level 3.

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 RMB56,751,000 if the percentage of completion (limited to 100% of completion) was increased, or would be decreased by RMB60,015,000 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 RMB2,961,000 if the useful life was shortened, or would be decreased by RMB3,273,000 if the useful life was prolonged.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market condition. Management reviews the market conditions of inventories periodically and reassesses the sufficiency of provision of impairment accordingly. If the estimated selling price to lower by 10% from management's estimates, the Group would have recognised a provision against inventories by RMB519,000.

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

(d) Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables in accordance with the accounting policy stated in Note 2.13. 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.

5. SEGMENT INFORMATION

The management of the Group reviews the Group's internal report in order to assess its performance and allocate resources. The Group's internal reporting is measured in a manner consistent with that in the financial information.

After considering the different nature of the business, the board identifies five operating segments: material, logistics services, expressway service zones, transportation intelligence services, cross-border transportation services and Tai Ping Interchange. Each operating segment provides different products or services.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Segment information on reporting segments provided to the management for the year ended 31 December 2009 is as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Revenue							
Segment revenue	4,737,490	415,286	744,635	248,018	110,738	—	6,256,167
Inter-segment revenue	(39,964)	(979)	(5,393)	—	—	—	(46,336)
Revenue from external customers	4,697,526	414,307	739,242	248,018	110,738	—	6,209,831
Operating (loss)/profit	(333,322)	50,955	12,278	23,444	86,013	(41,526)	(202,158)
Depreciation and amortisation	(8,840)	(22,850)	(5,620)	(26,254)	(11,498)	(2,529)	(77,591)
Provision for impairment losses	(473,518)	(1,208)	(3,493)	(39)	—	—	(478,258)
Share of results of associates and joint ventures	—	425	47	(159)	—	1,422	1,735
Income tax benefit/(expense)	102,738	(15,709)	(3,437)	(242)	(21,436)	(3,963)	57,951
Total segment assets	2,270,927	327,554	763,640	322,523	547,586	119,467	4,351,697
Total segment assets include:							
Interests in associates	—	1,668	4,822	28,656	—	30,010	65,156
Interests in joint ventures	—	8,492	—	—	—	10,414	18,906
Additions to non-current assets (other than financial instruments and deferred income tax assets)	87,488	37,832	3,948	30,348	25,922	1,820	187,358
Total segment liabilities	2,397,409	287,676	406,069	29,207	27,486	—	3,147,847

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Segment information for the year ended 31 December 2008 is as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Revenue							
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)
Revenue from external customers	6,340,111	397,940	564,801	252,023	125,904	—	7,680,779
Operating profit/(loss)	95,438	53,798	14,152	31,966	102,915	(49,023)	249,246
Depreciation and amortisation	(10,332)	(24,601)	(4,823)	(25,372)	(9,790)	(4,279)	(79,197)
(Provision for)/reversal of impairment losses	(30,482)	467	(1,290)	(485)	(43)	—	(31,833)
Share of results of associates and a joint venture	—	667	98	28	—	(1,300)	(507)
Income tax (expense)/benefit	(15,153)	(19,120)	(3,570)	2,066	(26,147)	12,559	(49,365)
Total segment assets	3,055,614	389,441	637,166	326,092	296,663	41,677	4,746,653
Total segment assets include:							
Interests in associates	—	2,041	4,775	28,815	—	29,401	65,032
Interest in a joint venture	—	9,448	—	—	—	6,747	16,195
Additions to non-current assets (other than financial instruments and deferred income tax assets)	7,099	46,449	3,492	43,149	27,354	1,958	129,501
Total segment liabilities	2,247,871	301,816	352,588	38,163	39,554	220,000	3,199,992

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Segment assets are reconciled to total assets as follows:

	2009	2008
Total segment assets	**4,351,697**	4,746,653
Deferred income tax assets	**148,792**	29,750
Available-for-sale financial assets	**200**	200
Total assets per consolidated balance sheet	**4,500,689**	4,776,603

Total of non-current assets are located as follows:

	2009	2008
Mainland China	**686,616**	588,956
Hong Kong	**138,860**	130,460
	825,476	719,416
Deferred income tax assets	**148,792**	29,750
Available-for-sale financial assets	**200**	200
Total non-current assets per consolidated balance sheet	**974,468**	749,366

Segment liabilities are reconciled to total liabilities as follows:

	2009	2008
Total segment liabilities	**3,147,847**	3,199,992
Current income tax payable	**40,157**	31,377
Deferred income tax liabilities	**277**	1,465
Total liabilities per consolidated balance sheet	**3,188,281**	3,232,834

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

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.

	2009	2008
Revenue		
Mainland China	**6,016,557**	7,482,950
Hong Kong	**193,274**	197,829
	6,209,831	7,680,779

Revenue of approximately RMB1,053,902,000 (2008: RMB632,217,000) are derived from external customers within a single group which over 10% of the Group's revenue. These revenues are attributable to segments of material logistics services, expressway service zones and transportation intelligence services.

(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 2008						
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
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)*

Group *(continued)*

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Year ended 31 December 2009						
Opening net book amount	83,052	54,635	21,526	98,991	40,281	298,485
Exchange differences	(26)	(3)	(2)	(67)	—	(98)
Additions	2,498	8,805	2,775	30,064	141,035	185,177
Transfers	17,030	3,435	50,069	—	(70,534)	—
Transfers to intangible assets (Note 8)	—	—	—	—	(53,765)	(53,765)
Disposals	—	(4,490)	(972)	(1,326)	—	(6,788)
Depreciation charge	(6,373)	(20,131)	(6,364)	(29,314)	—	(62,182)
Closing net book amount	96,181	42,251	67,032	98,348	57,017	360,829
At 31 December 2009						
Cost	139,364	129,419	103,036	318,640	57,017	747,476
Accumulated depreciation	(43,183)	(87,168)	(36,004)	(220,292)	—	(386,647)
Net book amount	96,181	42,251	67,032	98,348	57,017	360,829

(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 2008						
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
Year ended 31 December 2009						
Opening net book amount	**3,227**	**1,579**	**1,630**	**6,592**	**28,694**	**41,722**
Additions	**—**	**155**	**942**	**—**	**30,768**	**31,865**
Transfers to intangible assets (Note 8)	**—**	**—**	**—**	**—**	**(53,765)**	**(53,765)**
Depreciation charge	**(742)**	**(1,618)**	**(671)**	**(2,042)**	**—**	**(5,073)**
Closing net book amount	**2,485**	**116**	**1,901**	**4,550**	**5,697**	**14,749**
At 31 December 2009						
Cost	**3,908**	**13,592**	**6,325**	**19,144**	**5,697**	**48,666**
Accumulated depreciation	**(1,423)**	**(13,476)**	**(4,424)**	**(14,594)**	**—**	**(33,917)**
Net book amount	**2,485**	**116**	**1,901**	**4,550**	**5,697**	**14,749**

(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 RMB44,880,000 at 31 December 2009 (31 December 2008: RMB53,778,000).

Depreciation charges of approximately RMB45,677,000 (2008: RMB46,599,000), RMB 4,035,000 (2008: RMB3,594,000) and RMB12,470,000 (2008: RMB12,808,000) 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:

	2009	2008
- In Mainland China		
Leases of between 10 to 50 years	**103,593**	106,017
- In Hong Kong		
Leases of between 10 to 50 years	**20,644**	21,341
Leases of over 50 years	**22,945**	23,432
	147,182	150,790

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

	2009	2008
Opening net book amount	**150,790**	146,659
Exchange differences	**(523)**	(2,275)
Additions	**—**	1,611
Transfers to investment properties (Note 9)	**—**	(656)
Transfers from investment properties (Note 9)	**—**	8,702
Amortisation charge	**(3,085)**	(3,251)
Closing net book amount	**147,182**	150,790

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS

Group

	Tai Ping Interchange	Goodwill	Computer software	Motor vehicle licences	Total
At 1 January 2008					
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)*

	Tai Ping Interchange	Goodwill	Computer software	Motor vehicle licences	Total
Year ended 31 December 2009					
Opening net book amount	179,913	1,450	2,687	—	184,050
Exchange Differences	—	—	—	(1)	(1)
Additions	—	—	884	1,297	2,181
Transfers from construction in progress (Note 6)	53,765	—	—	—	53,765
Disposals	—	—	(286)	—	(286)
Amortisation charge	(10,734)	—	(1,590)	—	(12,324)
Reversal of impairment provision	—	—	184	—	184
Closing net book amount	222,944	1,450	1,879	1,296	227,569
At 31 December 2009					
Cost	331,591	1,450	9,433	1,296	343,770
Accumulated amortisation	(108,647)	—	(7,554)	—	(116,201)
Net book amount	222,944	1,450	1,879	1,296	227,569

Amortisation charges of approximately RMB10,737,000 (2008: RMB10,464,000) and RMB1,587,000 (2008: RMB2,481,000) 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 for goodwill as at year end.

Motor vehicle licences are allocated to the cross-border transportation services segment, which are operated in Hong Kong, for test of impairment. There is no material impairment for motor vehicle licences as at year end.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS *(continued)*

Company

	Tai Ping Interchange	Computer Software	Total
At 1 January 2008			
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
Year ended 31 December 2009			
Opening net book amount	**179,913**	**4,552**	**184,465**
Additions	**—**	**926**	**926**
Transfers from construction in progress (Note 6)	**53,765**	**—**	**53,765**
Disposals	**—**	**(42)**	**(42)**
Amortisation charge	**(10,734)**	**(1,910)**	**(12,644)**
Closing net book amount	**222,944**	**3,526**	**226,470**
At 31 December 2009			
Cost	**331,591**	**11,125**	**342,716**
Accumulated amortisation	**(108,647)**	**(7,599)**	**(116,246)**
Net book amount	**222,944**	**3,526**	**226,470**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INVESTMENT PROPERTIES - GROUP

	2009	2008
Opening net book amount	**4,864**	—
Exchange differences	**(15)**	11
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	**985**	4,181
Closing net book amount	**5,834**	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

	2009	2008
Investments, at cost:		
– Unlisted shares	**441,433**	422,111
Amounts due from subsidiaries	**3,862**	12,057
	445,295	434,168

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 2009, 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	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	RMB33,000,000 (Note a)	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	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	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 (HK) Motor Transport 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%
Carson Development Limited	Hong Kong	Property holding in Hong Kong	HKD10,000	—	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
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%
Guangdong Nan Yue Logistics (HK) Limited	Hong Kong	Trading of asphalt	HKD1,500,000	100%	—
Dongguan Nan Yue Jia Fu Logistics Company Limited	Mainland China	Transportation and storage in Mainland China	RMB10,000,000	—	100%

(a) The Company and the minority shareholders made additional capital contributions of RMB30,000,000 to the subsidiary in the original interest held respectively during 2009.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTERESTS IN ASSOCIATES

	Group		Company	
	2009	2008	**2009**	2008
Beginning of the year	**52,034**	54,626	**31,200**	31,200
Share of associates' results	**524**	(1,160)	**—**	—
Dividend from an associate	**—**	(1,386)	**—**	—
Exchange differences	**—**	(46)	**—**	—
End of the year	**52,558**	52,034	**31,200**	31,200
Amounts due from associates	**16,596**	17,298	**—**	—
Less: provision for impairment of receivables	**(3,998)**	(4,300)	**—**	—
	65,156	65,032	**31,200**	31,200

Interests in associates as at 31 December 2009 include goodwill of RMB8,075,000 (2008: RMB8,075,000).

As at 31 December 2009 and 2008, 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.

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 2009 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%
Express Cross-Border Coach Management Company Limited	HKD199,000	Hong Kong	—	23.6%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTERESTS IN ASSOCIATES *(continued)*

Name	Particulars of issued/registered capital	Country/place of incorporation	Interest held on 31 December 2009 and 2008 Direct	Indirect
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	RMB10,000,000	Mainland China	30.0%	—

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	Profit/(loss)
2009	**146,958**	**93,282**	**89,304**	**524**
2008	136,691	105,902	80,872	(1,160)

12. INTERESTS IN JOINT VENTURES

	Group		Company	
	2009	2008	**2009**	2008
Beginning of the year	**16,195**	15,542	**6,250**	6,250
Incorporation of a joint venture	**1,500**	—	**—**	—
Share of joint ventures' results	**1,211**	653	**—**	—
End of the year	**18,906**	16,195	**6,250**	6,250

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. INTERESTS IN JOINT VENTURES *(continued)*

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

Name	Particulars of issued/registered capital	Country/place of incorporation	Interest held on 31 December 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	RMB30,000,000	Mainland China	**20.8%**	**29.2%**	20.8%	29.2%
Guangzhou Top-e Yahtour Freeway Service Company Limited	RMB3,000,000	Mainland China	**—**	**50.0%**	—	—

The Group's share of the results of its joint ventures, all of which are unlisted, and its aggregated assets and liabilities are as below:

	Assets	Liabilities	Revenues	Profit
2009	**19,839**	**933**	**22,779**	**1,211**
2008	16,287	92	39,315	653

(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	
	2009	2008	**2009**	2008
Deferred tax assets:				
– Deferred tax assets to be recovered within 12 months	**18,950**	17,078	**2,916**	6,353
– Deferred tax assets to be recovered after more than 12 months	**129,842**	12,672	**128,291**	8,925
	148,792	29,750	**131,207**	15,278
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered within 12 months	**—**	(982)	**—**	—
– Deferred tax liabilities to be recovered after more than 12 months	**(277)**	(483)	**—**	—
	(277)	(1,465)	**—**	—
Deferred tax assets - net	**148,515**	28,285	**131,207**	15,278

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

	Group		Company	
	2009	2008	**2009**	2008
Beginning of the year	**28,285**	16,062	**15,278**	4,637
Credited in the income statement (Note 25)	**120,226**	12,194	**115,929**	10,641
Exchange differences	**4**	29	**—**	—
End of the year	**148,515**	28,285	**131,207**	15,278

(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 2008	1,494	—	—	16,665	18,159	149	—	4,488	4,637
Credited 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
Credited/(Charged) in the income statement	118,593	—	(83)	452	118,962	118,447	—	(2,518)	115,929
At 31 December 2009	128,923	919	321	19,995	150,158	127,372	919	2,916	131,207

Deferred tax liabilities:

	Group			Company
	Accelerated tax depreciation	Proposed dividend of a subsidiary	Total	
At 1 January 2008	(398)	(1,699)	(2,097)	—
Charged in the income statement	(114)	(729)	(843)	—
Exchange differences	29	—	29	—
At 31 December 2008	(483)	(2,428)	(2,911)	—
Credited in the income statement	202	1,062	1,264	—
Exchange differences	4	—	4	—
At 31 December 2009	(277)	(1,366)	(1,643)	—

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. DEFERRED INCOME TAX *(continued)*

The Group had carry-forward tax losses of approximately RMB50,737,000 as at 31 December 2009 (31 December 2008: RMB19,615,000). Deferred income tax assets arising from such tax losses of approximately RMB8,459,000 (31 December 2008: RMB3,399,000) 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 2009, tax losses of approximately RMB7,343,000 (31 December 2008: RMB4,877,000) will expire within a period of 5 years. The remaining tax losses can be carried forward indefinitely.

At 31 December 2009, there were no other material unprovided deferred income tax assets and liabilities.

14. INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
Materials	**270,061**	849,615	**261,170**	824,845
Spare parts, merchandise and others	**54,593**	50,639	**1,042**	—
Less: provision for impairment of inventories	**(3,677)**	(3,677)	**(3,677)**	(3,677)
	320,977	896,577	**258,535**	821,168

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB4,498,153,000 (2008: RMB6,151,821,000).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. DUE FROM CUSTOMERS ON CONSTRUCTION CONTRACTS - GROUP

	2009	2008
Contract costs incurred plus recognised profits	3,441,892	3,614,615
Less: progress billings to date	(3,213,607)	(3,456,363)
provision for impairment of construction contracts	(2,139)	(2,694)
	226,146	155,558

At 31 December 2009, retentions held by customers for contract work included in trade and other receivables of the Group under Note 16 amounted to approximately RMB78,829,000 (31 December 2008: RMB33,320,000).

At 31 December 2009, advances received from customers for contract work included in trade and other payables of the Group under Note 19 amounted to approximately RMB80,181,000 (31 December 2008: RMB16,174,000).

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

	2009	2008
Amounts due from customers on construction contracts		
– Fellow subsidiaries	118,582	65,668
– Fellow associates	6,149	1,914
– Associates	175	1,322
	124,906	68,904

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
Trade receivables (Note a)	**503,179**	502,577	**285,084**	354,098
Bills receivable (Note b)	**82,834**	17,529	**82,834**	15,311
Other receivables (Note c)	**127,341**	105,467	**31,555**	38,767
Prepayments (Note d)	**315,102**	1,050,314	**247,508**	914,355
Amounts due from related parties (Note e)	**455,821**	178,161	**606,710**	232,343
	1,484,277	1,854,048	**1,253,691**	1,554,874

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

(a) Trade receivables

	Group		Company	
	2009	2008	**2009**	2008
Trade receivables	**546,720**	524,790	**324,159**	373,507
Less: provision for impairment of receivables	**(43,541)**	(22,213)	**(39,075)**	(19,409)
	503,179	502,577	**285,084**	354,098

The various companies of the Group 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 before provision is as follows:

	Group		Company	
	2009	2008	**2009**	2008
Within 3 months	**301,607**	398,860	**161,600**	309,595
Over 3 months and within 6 months	**107,974**	22,131	**92,601**	677
Over 6 months and within 1 year	**55,201**	11,037	**22,321**	911
Over 1 year and within 2 years	**34,301**	48,893	**14,648**	30,032
Over 2 years and within 3 years	**20,557**	38,761	**9,832**	32,292
Over 3 years	**27,080**	5,108	**23,157**	—
	546,720	524,790	**324,159**	373,507

(b) Bills receivable

At 31 December 2008 and 2009, bills receivable of the Group and the Company had maturity dates within 6 months.

(c) Other receivables

	Group		Company	
	2009	2008	**2009**	2008
Other receivables	**165,977**	126,625	**66,989**	54,995
Less: provision for impairment of receivables	**(38,636)**	(21,158)	**(35,434)**	(16,228)
	127,341	105,467	**31,555**	38,767

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Other receivables *(continued)*

The ageing analysis of other receivables is as follows:

	Group		Company	
	2009	2008	**2009**	2008
Within 3 months	**67,600**	30,394	**26,024**	3,304
Over 3 months and within 6 months	**9,619**	13,703	**677**	10,635
Over 6 months and within 1 year	**13,280**	10,823	**2,224**	2,761
Over 1 year and within 2 years	**43,393**	27,594	**36,515**	6,262
Over 2 years and within 3 years	**18,992**	37,724	**65**	32,028
Over 3 years	**13,093**	6,387	**1,484**	5
	165,977	126,625	**66,989**	54,995

(d) Prepayments

	Group		Company	
	2009	2008	**2009**	2008
Prepayments	**750,082**	1,050,314	**682,488**	914,355
Less: provision for impairment of prepayment	**(434,980)**	—	**(434,980)**	—
	315,102	1,050,314	**247,508**	914,355

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

As at 31 December 2009, the Group has obtained collaterals in the form of fixed assets from steel suppliers to secure prepayment balance of RMB479,818,000 (31 December 2008: Nil). The Group, after taking consideration of the collaterals, has made provision of RMB434,980,000 against the balances to their net realisalbe value.

As at 31 December 2009, the Group has also obtained collaterals in the form of inventories from coal suppliers to secure prepayment balance of RMB100,730,000 (31 December 2008: Nil).

Other than above collaterals, the Group did not hold other collaterals as securities for other prepayments.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Due from related parties

	Group		Company	
	2009	2008	**2009**	2008
Trade receivables				
– Fellow subsidiaries	**140,106**	101,339	**62,138**	31,337
– Fellow associates	**4,900**	48,376	**916**	45,879
– Subsidiaries	**—**	—	**14,497**	286
– Associates	**1,520**	1,627	**—**	—
Less: provision for impairment of receivables	**(10,443)**	(8,498)	**(1,761)**	(2,519)
	136,083	142,844	**75,790**	74,983
Other receivables				
– Fellow subsidiaries	**17,752**	20,176	**4,545**	3,628
– Fellow associates	**1,324**	574	**—**	—
– Subsidiaries	**—**	—	**229,518**	147,619
– Associates	**107**	107	**95**	95
Less: provision for impairment of receivables	**(3,088)**	(2,213)	**—**	(63)
	16,095	18,644	**234,158**	151,279

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
Prepayments				
– Fellow subsidiaries	**302,706**	12,971	**295,231**	6,069
– Fellow associates	**103**	1,553	**—**	—
– Subsidiaries	**—**	—	**1,531**	12
– Associates	**834**	2,149	**—**	—
	303,643	16,673	**296,762**	6,081
Total				
– Fellow subsidiaries	**460,564**	134,486	**361,914**	41,034
– Fellow associates	**6,327**	50,503	**916**	45,879
– Subsidiaries	**—**	—	**245,546**	147,917
– Associates	**2,461**	3,883	**95**	95
Less: provision for impairment of receivables	**(13,531)**	(10,711)	**(1,761)**	(2,582)
	455,821	178,161	**606,710**	232,343

Except for the balance due from subsidiaries amounting to RMB171,322,000 at 31 December 2009, which was interest-bearing at rate of 4.52% per annum (31 December 2008: RMB54,743,000 at 5.38%), other balances with related parties at 31 December 2008 and 2009 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 trade receivables due from related parties of the Group and the Company, is as follows:

	Group		Company	
	2009	2008	**2009**	2008
Within 3 months	**78,625**	94,700	**54,755**	63,840
Over 3 months and within 6 months	**3,684**	7,970	**191**	354
Over 6 months and within 1 year	**15,653**	11,421	**10,390**	1,327
Over 1 year and within 2 years	**23,306**	12,126	**6,176**	1,013
Over 2 years and within 3 years	**4,789**	15,371	**—**	10,968
Over 3 years	**20,469**	9,754	**6,039**	—
	146,526	151,342	**77,551**	77,502

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

	Group		Company	
	2009	2008	**2009**	2008
Within 3 months	**8,011**	3,756	**54,557**	90,353
Over 3 months and within 6 months	**2,114**	623	**4,056**	13,136
Over 6 months and within 1 year	**734**	1,304	**85,472**	4,577
Over 1 year and within 2 years	**1,104**	3,758	**62,008**	32,799
Over 2 years and within 3 years	**1,833**	1,729	**19,684**	4,446
Over 3 years	**5,387**	9,687	**8,381**	6,031
	19,183	20,857	**234,158**	151,342

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Credit quality analysis

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, valuation of the collaterals and whether there are any trade disputes with the debtors.

Trade and bills receivables, including those under amount due from third parties and related parties, are analysed as below:

	Group		Company	
	2009	2008	**2009**	2008
Fully performing under credit term	**404,311**	558,379	**248,848**	351,623
Past due but not impaired	**298,714**	66,745	**191,311**	59,792
Past due and impaired	**73,055**	68,537	**44,385**	54,905
Total trade and bills receivables	**776,080**	693,661	**484,544**	466,320
Less: provision for impairment of receivables	**(53,984)**	(30,711)	**(40,836)**	(21,928)
Trade and bills receivables - net	**722,096**	662,950	**443,708**	444,392

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	
	2009	2008	**2009**	2008
Within 3 months	**74,060**	25,653	**47,780**	25,175
Over 3 months	**224,654**	41,092	**143,531**	34,617
	298,714	66,745	**191,311**	59,792

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Credit quality analysis *(continued)*

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	
	2009	2008	**2009**	2008
Within 3 months	**4,488**	12,720	**4,467**	12,720
Over 3 months	**68,567**	55,817	**39,918**	42,185
	73,055	68,537	**44,385**	54,905

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

	Group		Company	
	2009	2008	**2009**	2008
Fully performing under credit term	**113,647**	113,671	**268,235**	177,693
Past due and impaired	**71,513**	33,811	**32,912**	28,644
Total other receivables	**185,160**	147,482	**301,147**	206,337
Less: provision for impairment of receivables	**(41,724)**	(23,371)	**(35,434)**	(16,291)
Other receivables - net	**143,436**	124,111	**265,713**	190,046

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Credit quality analysis *(continued)*

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	
	2009	2008	**2009**	2008
Within 3 months	**5,046**	479	**4,771**	446
Over 3 months	**66,467**	33,332	**28,141**	28,198
	71,513	33,811	**32,912**	28,644

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.

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

	Group		Company	
	2009	2008	**2009**	2008
RMB	**1,972,592**	1,882,602	**1,764,941**	1,593,093
HKD	**42,373**	25,528	**—**	—
	2,014,965	1,908,130	**1,764,941**	1,593,093

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
Beginning of the year	**(54,082)**	(28,881)	**(38,219)**	(11,347)
Provision for receivable impairment	**(482,940)**	(41,020)	**(478,413)**	(38,156)
Receivables written off as uncollectible	**1,034**	261	**485**	—
Unused amounts reversed	**5,300**	15,558	**4,897**	11,284
End of the year	**(530,688)**	(54,082)	**(511,250)**	(38,219)

The creation and release of provision have been included in administrative expenses in the income statement (Note 21). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

17. SHARE CAPITAL

	Number of shares (thousands)	Amount
At 31 December 2008 and 2009	417,642	417,642

The total authorised number of ordinary shares is 417,641,877 shares (31 December 2008: 417,641,877 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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 2008	14,694	(167,594)	283,639	153,434	53,753	1,535	(14,963)	324,498
Revaluation gain on investment properties	—	—	—	—	—	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
Exchange differences	—	—	—	—	—	—	(380)	(380)
Appropriation from retained earnings	—	—	—	7,256	—	—	—	7,256
Balance at 31 December 2009	14,694	(167,594)	283,639	178,070	53,753	3,836	(23,288)	343,110

(a) Capital reserve

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

(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).

18. OTHER RESERVES *(continued)*

(c) Statutory surplus 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 2009, the Company's accumulated loss were approximately RMB17,464,000 (As at 31 December 2008, the Company's distributable reserves, representing the Company's retained earnings as at year end, were approximately RMB255,576,000), 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/(accumulated loss) of the Company during the years are as follows:

	Other reserves				Retained earnings/ (accumulated loss)
	Capital reserve	Share premium	Statutory surplus reserve	Total	
Balance at 1 January 2008	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
Loss for the year	—	—	—	—	(227,686)
Appropriation from retained earnings	—	—	(169)	(169)	169
Dividend relating to 2008	—	—	—	—	(45,523)
Balance at 31 December 2009	8,249	283,639	108,384	400,272	(17,464)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
Trade payables (Note a)	**793,354**	498,539	**449,824**	236,822
Bills payable (Note b)	**1,583,579**	1,618,070	**1,583,579**	1,618,070
Advances from customers	**243,335**	332,910	**30,298**	81,222
Accrued expenses and other payables (Note c)	**281,230**	243,052	**167,879**	90,168
Amount due to related parties (Note d)	**246,349**	287,421	**411,912**	390,843
	3,147,847	2,979,992	**2,643,492**	2,417,125
Less: Non-current portion (Note e)	**(136,383)**	(157,383)	**—**	—
Current portion	**3,011,464**	2,822,609	**2,643,492**	2,417,125

(a) Trade payables

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2009	2008	**2009**	2008
Within 3 months	**676,222**	439,635	**421,080**	214,897
Over 3 months and within 6 months	**34,162**	8,065	**19,310**	5,534
Over 6 months and within 1 year	**46,771**	17,243	**3,383**	9,764
Over 1 year and within 2 years	**10,704**	13,083	**1,938**	3,887
Over 2 years and within 3 years	**8,637**	3,706	**1,795**	2,432
Over 3 years	**16,858**	16,807	**2,318**	308
	793,354	498,539	**449,824**	236,822

(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 7.50% per annum (2008: 0 to 7.20% per annum).

(c) Accrued expenses and other payables

	Group		Company	
	2009	2008	**2009**	2008
Value added tax and other taxes payable	**135,102**	42,686	**131,165**	25,594
Other payables*	**146,128**	200,366	**36,714**	64,574
	281,230	243,052	**167,879**	90,168

* Other payables mainly represent 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	
	2009	2008	**2009**	2008
Trade payables				
– Fellow subsidiaries	**74,590**	58,803	**33,568**	20,374
– Fellow associates	**952**	2,511	**350**	1,621
– Subsidiaries	**—**	—	**40,553**	25,956
	75,542	61,314	**74,471**	47,951
Advances from customers				
– Fellow subsidiaries	**140,238**	218,196	**75,234**	207,692
– Fellow associates	**25,643**	2,962	**24,575**	126
– Associates	**329**	329	**—**	—
	166,210	221,487	**99,809**	207,818
Other payables				
– Parent Company	**1,312**	994	**1,312**	984
– Fellow subsidiaries	**3,186**	3,584	**1,347**	1,261
– Fellow associates	**—**	42	**—**	—
– Associate	**99**	—	**—**	—
– Subsidiaries	**—**	—	**234,973**	132,829
	4,597	4,620	**237,632**	135,074
Total				
– Parent Company	**1,312**	994	**1,312**	984
– Fellow subsidiaries	**218,014**	280,583	**110,149**	229,327
– Fellow associates	**26,595**	5,515	**24,925**	1,747
– Subsidiaries	**—**	—	**275,526**	158,785
– Associates	**428**	329	**—**	—
	246,349	287,421	**411,912**	390,843

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

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

Except for the balance due to subsidiaries amounting to RMB234,745,000 as at 31 December 2009 (2008: RMB124,054,000), which was interest-bearing at rate of 0.36% (2008: 5.40%) per annum, other balances with related parties as at 31 December 2008 and 2009 were unsecured and interest-free.

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

	Group		Company	
	2009	2008	**2009**	2008
Within 3 months	**34,381**	15,835	**31,531**	7,460
Over 3 months and within 6 months	**7,049**	4,821	**—**	54
Over 6 months and within 1 year	**6,941**	14,688	**17,114**	25,297
Over 1 year and within 2 years	**13,531**	13,729	**21,357**	11,048
Over 2 years and within 3 years	**6,698**	6,690	**1,466**	2,133
Over 3 years	**6,942**	5,551	**3,003**	1,959
	75,542	61,314	**74,471**	47,951

(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	
	2009	2008	**2009**	2008
Current bank borrowings:				
– Unsecured	**—**	220,000	**—**	220,000

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 rate at 31 December 2009 was nil (31 December 2008: 5.805%).

The Group has the following undrawn banking facilities:

	2009	2008
Floating rate		
– expiring within one year	**2,406,240**	2,048,522

(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:

	2009	2008
Charge/(reverse)		
Cost of inventories sold	**4,498,153**	6,151,821
Cost of sales for construction contracts	**605,410**	428,912
Transportation expense	**286,493**	299,924
Business tax and other surcharges	**53,684**	51,188
Depreciation of fixed assets	**62,182**	63,001
Amortisation of leasehold land and land use rights	**3,085**	3,251
Amortisation of intangible assets	**12,324**	12,945
Loss on disposal of fixed assets and intangible assets	**6,840**	—
Employee benefits expense (Note 22)	**225,015**	232,016
Operating lease expense	**62,597**	59,383
Reversal of provision for impairment of intangible assets	**(184)**	—
Provision for impairment of receivables (Note a)	**477,338**	25,462
Provision for impairment of inventories	**—**	3,677
Provision for impairment of construction contracts	**1,104**	2,694
Auditor's remuneration	**3,757**	4,260
Research and development costs	**9,425**	6,181

Note a: The amount in 2009 mainly represented impairment provision made for prepayments advanced to the three steel suppliers in Tangshan, who are not able to fulfill obligations in accordance with the contracts to supply goods to the Group. For details, please see note 16(d).

22. EMPLOYEE BENEFITS EXPENSE

	2009	2008
Wages and salaries	**166,631**	179,580
Retirement scheme contributions and defined contribution plans	**12,234**	12,291
Welfare and other expenses	**46,150**	40,145
	225,015	232,016
Average number of employee	**3,627**	3,712

(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 2009 is set out below:

Name	Fees	Salary	Employer's contribution to pension scheme	Total
Director				
Mr. Lu Maohao	—	452	17	469
Mr. Wang Weibing	—	452	17	469
Mr. Liu Wei (b and j)	—	—	—	—
Mr. Lu Yaxing (j)	—	—	—	—
Mr. Huang Guoxuan (b and j)	—	—	—	—
Mr. Chen Guozhang (j)	—	—	—	—
Mr. Zeng Gangqiang	—	315	15	330
Mr. Liu Shaobuo	60	—	—	60
Mr. Gui Shouping	60	—	—	60
Mr. Peng Xiaolei	60	—	—	60
Mr. Su Yongdong (i)	—	320	13	333
Mr. Deng Chongzheng	—	898	—	898
Mr. Cai Xiaoju (j)	—	—	—	—
Mr. Liu Hong (h)	—	5	—	5
Mr. Zeng Renfa (c and j)	—	—	—	—
Mr. Cao Xiaofeng (c and j)	—	—	—	—
Supervisor				
Ms. Ling Ping (e and j)	—	—	—	—
Ms. Li Hui	—	232	14	246
Mr. Chen Dili (e and j)	—	—	—	—
Mr. Rao Fengsheng	—	360	16	376
Ms. Fan Xincai (f)	—	73	3	76
Ms. Zhang Li (g)	—	61	4	65
Mr. Chen Chuxuan (d and j)	—	—	—	—
Ms. Xiao Li (d and j)	—	—	—	—
Ms. Cheng Zhuo	48	—	—	48
Ms. Zhou Jiede	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 2008 is set out below:

Name	Fees	Salary	Employer's contribution to pension scheme	Total
Director				
Mr. Lu Maohao	—	484	15	499
Mr. Wang Weibing	—	490	15	505
Mr. Liu Wei (b and j)	—	—	—	—
Mr. Lu Yaxing (j)	—	—	—	—
Mr. Huang Guoxuan (b and j)	—	—	—	—
Mr. Chen Guozhang (j)	—	—	—	—
Mr. Chen Bingheng (a)	—	194	6	200
Mr. Zeng Gangqiang	—	178	7	185
Mr. Liu Shaobuo	60	—	—	60
Mr. Gui Shouping	60	—	—	60
Mr. Peng Xiaolei	60	—	—	60
Mr. Su Yongdong (i)	—	413	14	427
Mr. Deng Chongzheng	—	843	11	854
Mr. Cai Xiaoju (j)	—	—	—	—
Supervisor				
Ms. Ling Ping (e and j)	—	—	—	—
Ms. Li Hui	—	226	8	234
Mr. Chen Dili (e and j)	—	—	—	—
Mr. Rao Fengsheng	—	389	14	403
Ms. Fan Xincai (f)	—	203	8	211
Ms. Cheng Zhuo	48	—	—	48
Ms. Zhou Jiede	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) Resigned on 19 June 2009.

(c) Appointed on 19 June 2009.

(d) Appointed on 3 March 2009.

(e) Resigned on 3 March 2009.

(f) Resigned on 29 September 2009.

(g) Appointed on 29 September 2009.

(h) Appointed on 29 December 2009.

(i) Resigned on 29 December 2009.

(j) 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 (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year is as follows:

	2009	2008
Basic salaries and other allowances	**1,144**	1,370
Bonuses	**197**	198
Employer's contribution to pension scheme	**28**	26
	1,369	1,594

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. OTHER INCOME

	2009	2008
Rental income	2,855	2,616
Interest income	3,841	9,248
Government grants *	1,880	3,213
Refund of value added tax	2,687	2,515
Compensation income	20,226	25,183
Disaster relief service income	—	5,400
Revaluation gain on investment properties	985	—
Others	9,981	4,293
	42,455	52,468

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

24. FINANCE COSTS

	2009	2008
Interest expense:		
– bank borrowings	19,959	22,204
– bills payable	14,509	8,897
	34,468	31,101

25. INCOME TAX BENEFIT/(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-tech 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 20%.

As approved by the relevant tax authorities, Chongqing Aoteng was entitled to 50% CIT reduction for the year ended 31 December 2009 (2008: 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% (2008: 16.5%).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

25. INCOME TAX BENEFIT/(EXPENSE) *(continued)*

The amount of income tax benefit/(expense) credited/(charged) to the consolidated income statement represents:

	2009	2008
Current income tax		
– Hong Kong profits tax	**—**	(161)
– Mainland China current CIT	**(62,275)**	(61,398)
Deferred income tax (Note 13)	**120,226**	12,194
Income tax benefit/(expense)	**57,951**	(49,365)

The tax on the Group's (loss)/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:

	2009	2008
Loss/(profit) before income tax	**234,891**	(217,638)
Calculated at tax rates applicable to loss/(profit) of respective companies within the Group	**61,419**	(50,525)
Utilisation of previous unrecognised tax loss	**503**	2,271
Income not subject to tax	**2,242**	723
Expenses not deductible for tax purposes	**(5,978)**	(2,208)
Others	**(235)**	374
Income tax benefit/(expense)	**57,951**	(49,365)

26. LOSS/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2009, the loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB227,686,000. For the year ended 31 December 2008, 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.

27. (LOSS)/EARNINGS PER SHARE

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

	2009	2008
(Loss)/profit attributable to equity holders of the Company	**(190,399)**	150,099
Weighted average number of ordinary shares in issue (thousands)	**417,642**	417,642
Basic (loss)/earnings per share (RMB per share)	**(0.46)**	0.36

There were no dilutive potential shares during the years presented.

28. DIVIDEND

The dividends paid in 2009 and 2008 were RMB45,523,000 (RMB0.109 per share) and RMB47,194,000 (RMB0.113 per share), respectively.

The board of the Company does not recommend any dividend for the year ended 31 December 2009.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2009	2008
(Loss)/profit for the year	**(176,940)**	168,273
Income tax (benefit)/expense	**(57,951)**	49,365
Provision for impairment of receivables	**477,338**	25,462
Provision for impairment of inventories	**—**	3,677
Provision for impairment of construction contracts	**1,104**	2,694
Reversal of provision for impairment of intangible assets	**(184)**	—
Depreciation of fixed assets	**62,182**	63,001
Amortisation of leasehold land and land use rights	**3,085**	3,251
Amortisation of intangible assets	**12,324**	12,945
Loss/(gain) on disposal of fixed assets and intangible assets	**6,840**	(134)
Fair value gain of investment properties	**(985)**	—
Share of results of associates and joint ventures	**(1,735)**	507
Interest income	**(3,841)**	(9,248)
Interest expense	**34,468**	31,101
	355,705	350,894
Change in working capital:		
Inventories	**575,600**	(532,752)
Balances on construction contracts	**(71,692)**	57,097
Trade and other receivables	**(132,526)**	468,909
Restricted cash	**4,837**	(7,906)
Trade and other payables	**136,058**	(20,179)
Cash generated from operations	**867,982**	316,063

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

	2009	2008
Net book amount	**7,074**	996
(Loss)/gain on sale of fixed assets and intangible assets	**(6,840)**	134
Proceeds from sale of fixed assets and intangible assets	**234**	1,130

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

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

	Group		Company	
	2009	2008	**2009**	2008
Cash at bank and in hand	**1,442,821**	1,044,280	**1,104,580**	609,756
Bank deposits with original term of less than three months	**52,000**	76,774	**—**	25,711
Cash and bank balances	**1,494,821**	1,121,054	**1,104,580**	635,467
Less: Restricted cash *	**(7,384)**	(12,221)	**—**	—
Cash and cash equivalents	**1,487,437**	1,108,833	**1,104,580**	635,467

* Restricted cash represents bank balances pledged against bank acceptance notes issued by the Group, which will be released upon maturity of the bank acceptance notes. It receives interest at rate of 0.36% per annum.

The effective interest rate per annum on cash at bank as at 31 December 2009 was 0.01% to 0.36% (31 December 2008: 0.02% to 0.36%).

The effective interest rate per annum on bank deposits with original terms of less than three months as at 31 December 2009 was from 0.05% to 1.71% (31 December 2008: from 0.3% to 2.375%).

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.

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

	Group		Company	
	2009	2008	**2009**	2008
RMB	**1,454,431**	1,012,536	**1,099,369**	593,529
HKD	**35,736**	108,518	**5,211**	41,938
USD	**4,654**	—	**—**	—
	1,494,821	1,121,054	**1,104,580**	635,467

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. COMMITMENTS – GROUP

(a) Capital commitments

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

	2009	2008
Fixed assets		
– Contracted but not provided for	**57,998**	68,689

(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:

	2009	2008
Not later than 1 year	**50,858**	43,184
Later than 1 year and not later than 5 years	**255,160**	215,920
Later than 5 years	**547,066**	582,886
	853,084	841,990

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. COMMITMENTS – GROUP *(continued)*

(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:

	2009	2008
Not later than 1 year	**4,052**	4,061
Later than 1 year and not later than 5 years	**4,553**	4,709
Later than 5 years	**6,097**	6,714
	14,702	15,484

(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:

	2009	2008
Not later than 1 year	**100,686**	48,721
Later than 1 year and not later than 5 years	**334,416**	202,772
Later than 5 years	**614,499**	574,970
	1,049,601	826,463

(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

	2009	2008
Material logistics services:		
– Fellow subsidiaries	868,932	466,933
– Fellow associates	—	2,216
– Associates	3,512	—
	872,444	469,149
Expressway service zones:		
– Parent company	88	—
– Fellow subsidiaries	558	547
– Fellow associates	631	—
	1,277	547
Transportation intelligence services:		
– Fellow subsidiaries	184,324	165,284
– Fellow associates	5,265	7,268
– Associates	18	2,752
	189,607	175,304
	1,063,328	645,000

(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

	2009	2008
Purchases of materials:		
– Fellow subsidiaries	93,947	83,600
Purchases of services:		
– Management fee for collection of toll income to fellow associates	4,200	4,200
Construction services		
– Fellow subsidiaries	27,208	16,240
– Fellow associates	408	—
– Associates	2,023	—
	29,639	16,240
	127,786	104,040

iii) Lease of office buildings, land and warehouse from fellow subsidiaries

	2009	2008
Lease of office buildings, land and warehouse from fellow subsidiaries	1,780	1,880

iv) Sub-contracting fee in for management of expressway service zones

	2009	2008
– Fellow subsidiaries	46,704	47,348
– Fellow associates	3,124	2,517
– Associates	1,134	1,134
	50,962	50,999

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

v) Key management compensation

	2009	2008
– Salary	**5,034**	5,271
– Discretionary bonuses	**197**	—
– Employer's contribution to pension scheme	**213**	152
	5,444	5,423

b) Balances with related parties

	2009	2008
Due from customers on construction contracts (Note 15)	**124,906**	68,904
Due from related parties (Note 16)		
– Trading nature	**439,726**	159,517
– Non-trading nature	**16,095**	18,644
	455,821	178,161
Due to related parties (Note 19)		
– Trading nature	**241,752**	282,801
– Non-trading nature	**4,597**	4,620
	246,349	287,421

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 2009 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

	2009	2008
Revenue:		
– Material logistics services	**3,100,966**	3,409,131
– Expressway service zones	**133,946**	105,650
– Transportation intelligence services	**502,680**	328,675
– Cross-border transportation services	**—**	1,853
	3,737,592	3,845,309
Purchase of materials	**1,805,717**	2,168,637
Purchase of fixed assets and leasehold land	**95,132**	37,025
Purchase of services	**76,148**	19,373
Interest income from state-owned banks	**3,784**	9,182
Interest expense to state-owned banks	**34,332**	30,788

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

	2009	2008
Due from Other State-owned Enterprises included in:		
– Due from customers on construction contracts	**91,643**	77,380
– Trade receivables	**317,256**	332,058
– Other receivables	**42,528**	37,673
– Prepayments	**114,377**	70,076
	565,804	517,187

(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 (continued)

Balances with Other State-owned Enterprises were unsecured and interest-free, except for certain prepayments (Note 16(d)).

	2009	2008
Due to Other State-owned Enterprises included in:		
– Trade payables	**157,839**	108,362
– Bills payables	**665,239**	583,710
– Advances from customers	**165,991**	256,507
– Other payables	**26,555**	59,671
	1,015,624	1,008,250

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

	2009	2008
Bank deposits in state-owned banks	**1,423,582**	1,046,719
Bank borrowings from state-owned banks	**—**	220,000

32. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2009 (31 December 2008: Nil).

33. EVENT AFTER REPORTING PERIOD

On 13 April 2010, the Board recommend the payment of a first interim dividend for 2010 of RMB0.098 per ordinary share (pre-tax) totaling RMB40,929,000, which is subject to the approval of the shareholders of the Company at the 2009 annual general meeting to be held on 25 June 2010. These financial statements do not reflect this dividend payable.

Financial Summary

RESULTS

(All amounts in Renminbi Yuan thousands)

Year ended 31 December	**2009**	2008	2007	2006	2005
Turnover	**6,209,831**	7,680,779	6,889,728	5,635,395	4,352,022
(Loss)/profit before income tax expense	**(234,891)**	217,638	253,990	258,981	226,438
Income tax benefit/(expense)	**57,951**	(49,365)	(72,287)	(77,709)	(65,684)
(Loss)/profit for the year	**(176,940)**	168,273	181,703	181,272	160,754
(Loss)/profit for the year attributable to:					
Equity holders of the Company	**(190,399)**	150,099	159,023	155,750	136,588
Minority interests	**13,459**	18,174	22,680	25,522	24,166

ASSETS AND LIABILITIES

As at 31 December	**2009**	2008	2007	2006	2005
Total assets	**4,500,689**	4,776,603	4,567,554	3,750,896	3,383,058
Total liabilities	**(3,188,281)**	(3,232,834)	(3,130,397)	(2,445,362)	(2,211,011)
	1,312,408	1,543,769	1,437,157	1,305,534	1,172,047