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

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

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 21 April 2006.

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.

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 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.

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"). Since the incorporation of the Company, the Group has acquired certain equity interests of its current subsidiaries from the Parent Company and certain fellow subsidiaries.

As permitted by the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA, merger accounting is used to account for these transactions 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 31 December 2005 as if the group structure resulted from the above transactions had been in existence since 1 January 2004.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

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

2.1 Basis of preparation *(continued)*

Acquisitions of subsidiaries from the Parent Company and fellow subsidiaries during the year ended 31 December 2005, which are accounted for using merger accounting, are as follows:

Company name	Month of acquisition	Equity interests acquired	Consideration
The Motor Transport Company of Guangdong and Hong Kong Limited ("GD-HK Motor")	December 2005	62%	Hong Kong dollar 122,246,000 (approximately RMB127,241,000)
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited ("GD-HK Motor (Guangzhou)")	December 2005	62%	RMB16,675,000

The consolidated financial statements for the year ended 31 December 2004 have been restated to reflect the impact of applying merger accounting for the above transactions. The total assets, total liabilities and total equity as at 31 December 2004 and the profit for the year ended 31 December 2004 have been increased by approximately RMB283,374,000, RMB72,174,000, RMB211,200,000 and RMB31,954,000, respectively.

No significant accounting adjustments were made to the net assets and net profit of GD-HK Motor and GD-HK Motor (Guangzhou) to achieve consistency of accounting policies as they have adopted HKFRS prior to these transactions. The effect of applying merger accounting on the consolidated reserves is stated in Note 18(b).

For the other acquisitions of equity interests in subsidiaries, which do not meet the criteria for merger accounting, the acquisition method of accounting is used. The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or to the effective date of disposal, as appropriate. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary or associate is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the acquired subsidiary or associate, the difference is recognised directly in the consolidated income statement.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

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

2.1 Basis of preparation *(continued)*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 December 2005 or later periods. The Group has not early adopted such standards, amendments and interpretations in the financial statements for the year ended 31 December 2005. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations to existing standards but is not yet in a position to state whether they would have a significant impact on the results of operations and financial position of the Group.

HKAS 19 (Amendment)	Employee Benefits (effective from 1 January 2006)
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)
HKAS 39 (Amendment)	The Fair Value Option (effective from 1 January 2006)
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts (effective from 1 January 2006)
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards (effective from 1 January 2006)
HKFRS 6	Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
HKFRS 7	Financial Instruments: Disclosures (effective from 1 January 2007)
A complementary amendment to HKAS 1	Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007)
HKFRS-Int 4	Determining whether an Arrangement contains a Lease (effective from 1 January 2006)
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005)

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all 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.

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

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

(b) Transactions with minority interests

Changes in the parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control is accounted for as transactions between equity holders in their capacity as equity holders. No gain or loss is recognised in profit or loss on such changes. The carrying amount of the non-controlling interest is adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to equity holders of the parent.

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

2.2 Consolidation *(continued)*

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by 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.

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

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

(d) Joint ventures

The Group's interests in jointly controlled entities are accounted for by equity method of accounting and are initially recognised at cost. The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

(iii) 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 are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

2.5 Fixed assets

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

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

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

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

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

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

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

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

2.6 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.

Investment property comprises land held under operating leases.

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 prices, 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 prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being 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 from 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. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

2.6 Investment properties *(continued)*

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 fixed assets and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as fixed assets and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of fixed assets becomes an investment property because its use has 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 a revaluation of fixed assets under Hong Kong Accounting Standard 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2.7 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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.

(b) Computer software

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

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

2.8 Impairment of assets

Assets that are subject to amortisation 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).

2.9 Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for sale investments. They are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. All purchases and sales of available-for-sale investments are recognised on trade date on which the Group commits to purchase or sell the assets. Cost of purchase includes transaction costs.

Available-for-sale investments are not subsequently fair-valued because they do not have quoted market prices in active markets and whose fair values cannot be reliably measured. These investments are carried at cost, and are subject to review for impairments. The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale investment is impaired. If any such evidence exists, the accumulative loss is recognised in the income statement.

2.10 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 realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

2.11 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).

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

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

2.13 Cash and cash equivalents

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

2.14 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.

2.15 Borrowings

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

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

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

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

2.17 Employee benefits

(a) Pension obligations

Pursuant to Mainland China laws and regulations, contributions to the basic old age insurance for the Group's Mainland China staff are made monthly to a government agency based on 26% of the standard salary set by the provincial government, of which 18% is borne by the Group and the remainder is borne by the staff. Except for the monthly contribution of 18% on standard salary to the government agency, the Group has no further obligation in connection with staff's retirement benefits. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Group accounts for these contributions on an accrual basis.

The subsidiaries located in Hong Kong operate a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. A defined contribution plan is a pension plan under which the subsidiaries pay fixed contributions into a separate entity. The subsidiaries have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Housing benefits

Full-time employees of the Group in Mainland China participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liabilities in respect of these funds are limited to the contributions payable in each period. Contributions to these housing funds are expensed as incurred.

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

2.18 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not 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.

2.19 Revenue recognition

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

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

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

Sales from construction contracts are recognised on the basis as set out in Note 2.11.

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

Interest income is recognised on a time-proportion basis using the effective interest method.

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

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

2.20 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.

2.21 Leases

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

2.22 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group operates cross-border transportation services between Hong Kong and Mainland China and is exposed to foreign exchange risk arising from Hong Kong dollar exposures, primarily with respect to RMB. 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.

(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.

As at 31 December 2005, approximately 23.8% (31 December 2004: 36%) of the trade and other receivables and due from customers on construction contracts was concentrated on the top five customers. The majority of the Group's trade and other receivables and due from customers on construction contracts relate to the rendering of services or sales of materials to related parties. The Group performs ongoing credit evaluations of their customers' financial condition and generally do not require collateral on trade and other receivables and due from customers on construction contracts. The Group maintains a provision for impairment of accounts and actual losses have been within management's expectation.

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

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 5 customers accounted for approximately 27.7% of the total revenue (2004: 26.6%); the Group's purchase from top 5 suppliers accounted for 37.0% (2004: 28.4%) 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. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's bank borrowings are set out in Note 20.

(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.

3.2 Fair value estimation

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Percentage of completion of construction contracts

The Group's management estimates the percentage of completion of construction contracts. These estimates are based on the engineers' knowledge and historical experience, and by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Management assesses the completion progress at each balance sheet date.

(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.

(c) Net realizable value of inventories

Net realizable 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 will reassess the estimations at the balance sheet date.

(d) Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables. 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 will reassess the provision at the balance sheet date.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION

Primary reporting format – business segments

Revenues recognised during the year are as follows:

	2005	2004 Restated
Turnover		
- Material logistics services	**3,243,842**	2,720,499
- Expressway service zones	**278,535**	172,091
- Transportation intelligence services	**474,303**	346,762
- Tai Ping Interchange	**84,826**	77,243
- Cross-border transportation services	**256,806**	249,210
- Others	**13,710**	30,828
	4,352,022	3,596,633
Other revenues		
- Rental income	**1,067**	731
- Interest income	**6,582**	3,428
- Government grant	**2,960**	3,000
- Refund of value added tax	**2,531**	—
- Others	**4,726**	5,024
	17,866	12,183
Total revenues	**4,369,888**	3,608,816

(Amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

The segment results and capital expenditure for the year ended 31 December 2005 and the segment assets and liabilities at 31 December 2005 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Tai Ping interchange	Cross-border transportation services	Others	Unallocated	Group
Turnover								
Total gross segment sales	3,305,724	278,715	476,118	84,826	256,806	24,764	—	4,426,953
Inter-segment sales	(61,882)	(180)	(1,815)	—	—	(11,054)	—	(74,931)
	3,243,842	278,535	474,303	84,826	256,806	13,710	—	4,352,022
Operating profit	67,195	72,559	17,075	68,115	40,881	4,237	(29,122)	240,940
Finance costs								(16,263)
Share of results of associates								1,761
Profit before income tax								226,438
Income tax expense								(65,684)
Profit for the year								160,754
Depreciation	3,366	16,287	6,402	8,248	27,359	764	4,786	67,212
Amortisation	353	508	584	271	339	144	—	2,199
Reversal of impairment of fixed assets	—	—	—	—	(1,700)	—	—	(1,700)
Provision for / (Reversal of) impairment of receivables	7,457	13	79	—	(16)	(3,819)	—	3,714
Total gross segment assets	1,642,798	342,532	577,892	271,645	277,188	19,041	231,387	3,362,483
Inter-segment	(22,453)	(584)	(7,858)	(1,213)	—	(5,692)	—	(37,800)
	1,620,345	341,948	570,034	270,432	277,188	13,349	231,387	3,324,683
Interests in associates								33,280
Interests in a joint venture								15,000
Available-for-sale investment								200
Deferred income tax assets								9,895
Total assets								3,383,058
Total gross segment liabilities	1,357,103	145,252	418,569	205,792	77,941	11,778	—	2,216,435
Inter-segment	(1,908)	(4,125)	(21,502)	(2,512)	—	(7,753)	—	(37,800)
	1,355,195	141,127	397,067	203,280	77,941	4,025	—	2,178,635
Taxation payable								29,990
Deferred income tax liabilities								2,386
Total liabilities								2,211,011
Capital expenditure	15,890	7,374	10,377	7,180	37,849	839	5,304	84,813

(Amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

The segment results and capital expenditure for the year ended 31 December 2004 and the segment assets and liabilities at 31 December 2004 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Tai Ping interchange	Cross-border transportation services	Others	Unallocated	Group Restated
Turnover								
Total gross segment sales	2,720,499	172,091	346,762	77,243	249,210	37,497	—	3,603,302
Inter-segment sales	—	—	—	—	—	(6,669)	—	(6,669)
	2,720,499	172,091	346,762	77,243	249,210	30,828	—	3,596,633
Operating profit	51,210	50,739	33,993	60,116	33,386	(2,579)	(22,276)	204,589
Finance costs								(18,907)
Share of results of associates								709
Profit before income tax								186,391
Income tax expense								(60,245)
Profit for the year								126,146
Depreciation	1,526	13,786	4,727	8,248	26,592	4,226	3,481	62,586
Amortisation	88	312	399	96	272	271	—	1,438
Impairment of fixed assets	—	—	—	—	4,157	—	—	4,157
(Reversal of)/Provision for impairment of receivables	(952)	2,672	4,403	(454)	—	3,270	—	8,939
Total gross segment assets	1,272,715	176,496	563,265	258,399	282,657	29,365	15,126	2,598,023
Inter-segment	(9,605)	(951)	(6,110)	—	—	(4,290)	—	(20,956)
	1,263,110	175,545	557,155	258,399	282,657	25,075	15,126	2,577,067
Interest in associates								4,047
Deferred income tax assets								9,466
Total assets								2,590,580
Total gross segment liabilities	1,082,259	73,112	388,218	165,946	63,365	20,478	—	1,793,378
Inter-segment	(6,451)	(1,487)	(2,432)	—	—	(10,586)	—	(20,956)
	1,075,808	71,625	385,786	165,946	63,365	9,892	—	1,772,422
Deferred income tax liabilities								2,404
Taxation payable								22,942
Total liabilities								1,797,768
Capital expenditure	12,411	25,937	3,234	3,154	32,249	1,849	16,442	95,276

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

Unallocated costs represent corporate expenses.

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

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

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

Secondary reporting format – geographical segments

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

Sales

	2005	2004 Restated
Mainland China	**4,149,628**	3,395,753
Hong Kong	**202,394**	200,880
	4,352,022	3,596,633

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments *(continued)*

Total assets

	2005	2004 Restated
Mainland China	**2,868,492**	2,333,186
Hong Kong	**224,804**	228,755
	3,093,296	2,561,941
Interests in associates	**33,280**	4,047
Interest in a joint venture	**15,000**	—
Available-for-sale investment	**200**	—
Unallocated assets	**241,282**	24,592
	3,383,058	2,590,580

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

Capital expenditures

	2005	2004 Restated
Mainland China	**50,005**	68,664
Hong Kong	**34,808**	26,612
	84,813	95,276

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS

Group

	Tai Ping Interchange	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2004 (Restated)							
Cost	246,070	123,157	1,872	23,822	290,904	53	685,878
Accumulated depreciation and impairment	(52,244)	(36,122)	(1,706)	(10,456)	(195,138)	—	(295,666)
Net book amount	193,826	87,035	166	13,366	95,766	53	390,212
Year ended 31 December 2004 (Restated)							
Opening net book amount	193,826	87,035	166	13,366	95,766	53	390,212
Exchange differences	—	(28)	—	(1)	(103)	—	(132)
Acquisition of a subsidiary	—	—	—	1,352	1,042	—	2,394
Additions	—	17,789	16,201	7,943	47,680	3,154	92,767
Disposals	—	—	—	(678)	(1,480)	(53)	(2,211)
Depreciation	(8,248)	(15,185)	(2,555)	(4,523)	(32,075)	—	(62,586)
Impairment charge	—	(4,157)	—	—	—	—	(4,157)
Closing net book amount	185,578	85,454	13,812	17,459	110,830	3,154	416,287
At 31 December 2004							
Cost	246,070	140,874	15,285	30,429	321,284	3,154	757,096
Accumulated depreciation	(60,492)	(55,420)	(1,473)	(12,970)	(210,454)	—	(340,809)
Net book amount	185,578	85,454	13,812	17,459	110,830	3,154	416,287
Year ended 31 December 2005							
Opening net book amount	185,578	85,454	13,812	17,459	110,830	3,154	416,287
Exchange differences	—	(398)	—	(8)	(1,329)	—	(1,735)
Additions	—	17,438	7,880	12,894	36,088	7,679	81,979
Disposals	—	(445)	(3,859)	(292)	(315)	—	(4,911)
Depreciation	(8,248)	(15,201)	(4,544)	(7,088)	(32,131)	—	(67,212)
Reversal of impairment	—	1,700	—	—	—	—	1,700
Closing net book amount	177,330	88,548	13,289	22,965	113,143	10,833	426,108
At 31 December 2005							
Cost	246,070	156,608	19,029	42,898	327,861	10,833	803,299
Accumulated depreciation	(68,740)	(68,060)	(5,740)	(19,933)	(214,718)	—	(377,191)
Net book amount	177,330	88,548	13,289	22,965	113,143	10,833	426,108

(Amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Company

	Tai Ping Interchange	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2004							
Cost	246,070	1,749	—	1,914	7,705	—	257,438
Accumulated depreciation	(52,244)	(181)	—	(458)	(2,010)	—	(54,893)
Net book amount	193,826	1,568	—	1,456	5,695	—	202,545
Year ended 31 December 2004							
Opening net book amount	193,826	1,568	—	1,456	5,695	—	202,545
Additions	—	—	13,062	1,107	5,683	3,154	23,006
Disposals	—	—	—	(42)	(294)	—	(336)
Depreciation	(8,248)	(83)	(1,742)	(505)	(1,729)	—	(12,307)
Closing net book amount	185,578	1,485	11,320	2,016	9,355	3,154	212,908
At 31 December 2004							
Cost	246,070	1,749	13,062	2,871	12,995	3,154	279,901
Accumulated depreciation	(60,492)	(264)	(1,742)	(855)	(3,640)	—	(66,993)
Net book amount	185,578	1,485	11,320	2,016	9,355	3,154	212,908
Year ended 31 December 2005							
Opening net book amount	185,578	1,485	11,320	2,016	9,355	3,154	212,908
Additions	—	—	187	794	3,512	7,179	11,672
Depreciation	(8,248)	(83)	(2,646)	(598)	(2,345)	—	(13,920)
Closing net book amount	177,330	1,402	8,861	2,212	10,522	10,333	210,660
At 31 December 2005							
Cost	246,070	1,749	13,249	3,665	16,507	10,333	291,573
Accumulated depreciation	(68,740)	(347)	(4,388)	(1,453)	(5,985)	—	(80,913)
Net book amount	177,330	1,402	8,861	2,212	10,522	10,333	210,660

(Amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

The Group does not have the title deeds of certain buildings in expressway service zones as they were built on land owned by other entities. The Group has entered into agreements with the relevant entities to use such land in the form of lease or sub-contract, with a period in line with the useful lives of the relevant buildings. The total net book amount of such buildings amounted to approximately RMB36,928,000 at 31 December 2005 (31 December 2004: RMB47,173,000).

Depreciation expense of approximately RMB52,994,000 (2004: RMB50,259,000), RMB1,767,000 (2004: RMB1,128,000) and RMB12,451,000 (2004: RMB11,199,000) were included in cost of sales, selling expenses and administrative expenses, respectively.

7. INVESTMENT PROPERTIES – GROUP

	2005	2004 Restated
Beginning of the year	**7,493**	7,847
Fair value loss (included in other operating expenses)	**(164)**	(354)
End of the year	**7,329**	7,493

The investment properties were revalued at 31 December 2005 by independent and professionally qualified valuers. Valuations were based on current prices in an active market.

The Group's investment properties are located in Hong Kong and are held on leases of between 10 to 50 years.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

8. 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:

	2005	2004 Restated
Leases of between 10 to 50 years:		
- In Hong Kong	**7,610**	8,125
- In Mainland China	**3,541**	3,758
	11,151	11,883

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

	2005	2004 Restated
Opening	**11,883**	12,388
Exchange difference	**(176)**	(16)
Amortisation	**(556)**	(489)
	11,151	11,883

(Amounts in Renminbi Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

Group

	Goodwill	Computer software	Total
At 1 January 2004			
Cost	1,450	3,040	4,490
Accumulated amortisation	—	(1,020)	(1,020)
Net book amount	1,450	2,020	3,470
Year ended 31 December 2004			
Opening net book amount	1,450	2,020	3,470
Additions	—	2,509	2,509
Acquisition of subsidiaries	—	299	299
Amortisation expense	—	(949)	(949)
Closing net book amount	1,450	3,879	5,329
At 31 December 2004			
Cost	1,450	5,969	7,419
Accumulated amortisation	—	(2,090)	(2,090)
Net book amount	1,450	3,879	5,329
Year ended 31 December 2005			
Opening net book amount	1,450	3,879	5,329
Additions	—	2,834	2,834
Amortisation expense	—	(1,643)	(1,643)
Closing net book amount	1,450	5,070	6,520
At 31 December 2005			
Cost	1,450	8,803	10,253
Accumulated amortisation	—	(3,733)	(3,733)
Net book amount	1,450	5,070	6,520

Amortisation expenses of approximately RMB754,000 (2004: nil) and RMB889,000 (2004: RMB949,000) were included in cost of sales and administrative expenses, respectively.

Goodwill is allocated to the Group's cash-generating units identified according to the business segment for test of impairment. There is no material impairment of goodwill as at year end.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS *(continued)*

Company

	Goodwill	Computer software	Total
At 1 January 2004			
Cost	—	367	367
Accumulated amortisation	—	(30)	(30)
Net book amount	—	337	337
Year ended 31 December 2004			
Opening net book amount	—	337	337
Additions	—	2,269	2,269
Amortisation expense	—	(185)	(185)
Closing net book amount	—	2,421	2,421
At 31 December 2004			
Cost	—	2,636	2,636
Accumulated amortisation	—	(215)	(215)
Net book amount	—	2,421	2,421
Year ended 31 December 2005			
Opening net book amount	—	2,421	2,421
Additions	—	1,999	1,999
Amortisation expense	—	(624)	(624)
Closing net book amount	—	3,796	3,796
At 31 December 2005			
Cost	—	4,635	4,635
Accumulated amortisation	—	(839)	(839)
Net book amount	—	3,796	3,796

(Amounts in Renminbi Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2005	2004
Investments, at cost:		
- Unlisted shares	325,463	127,967
Amount due from subsidiaries	3,769	6,550
	329,232	134,517

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

The following is a list of the principal subsidiaries at 31 December 2005, all of which are limited liability companies:

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital/issued share capital	Interest held Direct	Interest held Indirect
Guangdong Top-E Expressway Service Zone Company Limited ("Guangdong Top-E")	Mainland China	Toll road services in Mainland China	RMB100,000,000	95.6%	—
Guangdong Weisheng International Freight Forwarding Agent Company Limited	Mainland China	Freight and transportation in Mainland China	RMB10,000,000	90.0%	9.6%
Guangdong Southchina Logistic Enterprise Company Limited ("Guangdong Logistics")	Mainland China	Construction and logistics in Mainland China	RMB16,000,000	90.0%	7.1%
Guangdong Xinyue Communications Investment Company Limited ("Guangdong Xinyue")	Mainland China	Construction and logistics, including purchase and sale of construction materials in Mainland China	RMB60,000,000	71.0%	—

(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 New Way Advertising Company Limited	Mainland China	Advertising services in Mainland China	RMB3,000,000	60.0%	38.2%
Guangdong Tai Cheng Consulting Company Limited	Mainland China	Consulting services in Mainland China	RMB1,000,000	60.0%	36.0%
GD-HK Motor	Hong Kong	Coach and freight services in Mainland China and Hong Kong	Hong Kong Dollar ("HK$") 9,000,000	62.0%	—
GD-HK Motor (Guangzhou)	Mainland China	Coach and freight services in Mainland China and Hong Kong	HK$9,000,000	62.0%	—
Guangdong Oriental Thought Management Technology Development Company Limited ("Guangdong Oriental Thought")	Mainland China	Software development and management in Mainland China	RMB5,000,000	51.0%	—
Guandong Jindaoda Expressway Economic Development Company Limited	Mainland China	Toll road services in Mainland China	RMB10,000,000	5.0%	90.8%
Guangdong Guantong Expressway Assets Management Company Limited ("Guangdong Guantong")	Mainland China	Toll road services in Mainland China	RMB10,000,000	—	92.7%

(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 Xinyue E&M Engineering Company, Ltd. ("Guangdong Xinyue E&M")	Mainland China	Construction and engineering services in Mainland China	RMB10,000,000	—	60.4%
Guangdong Road & Bridge Electronic Toll Collection Co., Ltd.	Mainland China	Development of electronic toll collection system in Mainland China	RMB30,000,000	—	60.4%
Shenzhen Yuegang Transport Company Limited	Mainland China	Provision of coach services in Mainland China	HK$10,500,000	—	62.0%
Gang Tong (H.K.) Motor Transportation Company Limited	Hong Kong	Provision of coach services in Mainland China and Hong Kong	HK$500,000	—	62.0%
Yue Kong Shipping Company Limited	Hong Kong	Provision of transport agency services in Hong Kong	HK$20,000	—	62.0%
Carson Development Limited	Hong Kong	Property holding in Hong Kong	HK$10,000	—	62.0%
Man Kam To Coach Management Company Limited	Hong Kong	Provision of coach services in Hong Kong	HK$100,000	—	42.8%
Chongqing Ao Teng Technology Development Company Limited ("Chongqing Ao Teng")	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	26.0%
Oriental Thought (Henan) Technology Company Limited	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	26.0%

(Amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTEREST IN ASSOCIATES – GROUP

	2005	2004 Restated
Share of associates' results	**1,538**	1,669
Prepayment for incorporation of an associate	**30,000**	—
Amount due from an associate	**6,042**	6,678
Less: provision for impairment of receivables	**(4,300)**	(4,300)
	33,280	4,047

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**	
			2005	2004
Guangdong Foda Expressway Economy Development Co., Ltd.	RMB1,000,000	Mainland China	**49.0%**	49.0%
Lufeng Shenshan Expressway Service Co. Ltd	RMB1,000,000	Mainland China	**45.0%**	45.0%
Guangdong Road Technology development Co., Ltd.	RMB2,000,000	Mainland China	**40.0%**	—
Sha Tau Kok Bus Management Company Limited	HK$60,000	Hong Kong	**30.8%**	30.8%
Express Cross-Border Coach Management Company Limited	HK$199,000	Hong Kong	**23.6%**	23.6%

The prepayment for incorporation of an associate represented the Group's payment for 20% equity interests in Shenzhen Man Kam To Coach Company Limited. This company was in the progress of incorporation as at 31 December 2005.

The amount due from an associate is unsecured, bearing interest at a rate of 7.5% per annum, and is due on 31 March 2007.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

12. INTEREST IN A JOINT VENTURE – GROUP AND COMPANY

The Group holds, directly and indirectly, 48.7% interest in a joint venture, Guangdong Zhong Yue Tong Oil Products Operation Co., Ltd, which was incorporated in Mainland China on 24 October 2005. As at 31 December 2005, this company has not yet commenced business operation.

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

13. DEFERRED INCOME TAX

	Group		Company	
	2005	2004 Restated	**2005**	2004
Deferred tax assets:				
- Deferred tax assets to be recovered within 12 months	**269**	1,026	**577**	146
- Deferred tax assets to be recovered after more than 12 months	**9,626**	8,440	**1,202**	18
	9,895	9,466	**1,779**	164
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	**(2,386)**	(2,404)	**—**	—
	7,509	7,062	**1,779**	164

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

	Group		Company	
	2005	2004 Restated	**2005**	2004
Beginning of the year	**7,062**	3,531	**164**	240
Recognised in the income statement	**394**	3,527	**1,615**	(76)
Exchange differences	**53**	4	**—**	—
End of the year	**7,509**	7,062	**1,779**	164

(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 of receivables	Impairment losses of inventories	Accrued expenses	Total	Provision of receivables	Accrued expenses	Total
At 1 January 2004 (Restated)	5,585	209	90	5,884	150	90	240
Recognised in the income statement	2,984	—	936	3,920	(132)	56	(76)
Exchange differences	—	(1)	—	(1)	—	—	—
At 31 December 2004	8,569	208	1,026	9,803	18	146	164
Recognised in the income statement	1,186	—	(757)	429	1,184	431	1,615
Exchange differences	(3)	(4)	—	(7)	—	—	—
At 31 December 2005	9,752	204	269	10,225	1,202	577	1,779

Deferred tax liabilities - Group:

	Accelerated tax depreciation
At 1 January 2004 (Restated)	(2,353)
Recognised in the income statement	(393)
Exchange differences	5
At 31 December 2004	(2,741)
Recognised in the income statement	(35)
Exchange differences	60
At 31 December 2005	(2,716)

(Amounts in Renminbi Yuan thousands unless otherwise stated)

13. DEFERRED INCOME TAX *(continued)*

The Group had carry-forward tax losses of approximately RMB68,736,000 at 31 December 2005 (31 December 2004: RMB64,665,000). Deferred income tax assets arising from such tax losses of approximately RMB16,889,000 (31 December 2004: RMB16,284,000) have not been recognised as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. These tax losses have no expiry date.

At 31 December 2005, there were no material unprovided deferred income tax liabilities.

14. INVENTORIES

	Group		**Company**	
	2005	2004 Restated	**2005**	2004
Materials for construction work	**288,523**	185,525	**262,958**	181,428
Spare parts, merchandise and others	**9,616**	9,078	**—**	—
	298,139	194,603	**262,958**	181,428

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB3,124,939,000 (2004: RMB2,639,558,000).

(Amounts in Renminbi Yuan thousands unless otherwise stated)

15. CONSTRUCTION CONTRACTS – GROUP

	2005	2004
Contract costs incurred plus recognised profits (less foreseeable losses to date)	**2,914,870**	2,377,200
Less: progress billings to date	**(2,728,751)**	(2,232,883)
	186,119	144,317
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers on construction contracts	**233,341**	182,564
Amounts due to customers on construction contracts	**(47,222)**	(38,247)
	186,119	144,317

At 31 December 2005, retentions held by customers for contract work included in trade and other receivables of the Group under Note 16 amounted to approximately RMB33,320,000 (31 December 2004: RMB54,541,000).

At 31 December 2005, advances received from customers for contract work included in trade and other payables of the Group under Note 19 amounted to approximately RMB16,174,000 (31 December 2004: RMB74,720,000).

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

	2005	2004
Amounts due from customers on construction contracts		
- Fellow subsidiaries	**143,886**	78,086
- Fellow associates	**39,632**	19,991
	183,518	98,077
Amounts due to customers on construction contracts		
- Fellow subsidiaries	**36,182**	34,917
- Fellow associates	**2,936**	1,219
	39,118	36,136

(Amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004 Restated	**2005**	2004
Trade receivables (note a)	**226,578**	294,616	**140,485**	187,043
Bills receivable (note b)	**4,200**	10,391	**4,200**	10,391
Other receivables (note c)	**34,660**	28,964	**7,114**	6,066
Prepayments (note d)	**567,232**	258,474	**487,890**	209,005
Due from related parties (note e)	**669,245**	782,232	**561,973**	544,877
	1,501,915	1,374,677	**1,201,662**	957,382

(a) Trade receivables

	Group		Company	
	2005	2004 Restated	**2005**	2004
Trade receivables	**233,277**	302,998	**140,485**	187,089
Less: provision for impairment of receivables	**(6,699)**	(8,382)	**—**	(46)
	226,578	294,616	**140,485**	187,043

(Amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

The credit terms of trade receivables are normally within three months. For material logistics services business and transportation intelligence services business, certain percentage of the trade receivables is retained by customers as quality assurance and is repaid upon finalisation of the relevant construction projects. The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2005	2004 Restated	**2005**	2004
Within 3 months	**138,090**	241,230	**98,643**	185,938
Over 3 months but within 6 months	**2,388**	16,373	**—**	—
Over 6 months but within 1 year	**27,212**	29,949	**24,540**	1,079
Over 1 year but within 2 years	**50,141**	11,465	**17,302**	72
Over 2 years but within 3 years	**11,465**	1,766	**—**	—
Over 3 years	**3,981**	2,215	**—**	—
	233,277	302,998	**140,485**	187,089

(b) Bills receivable

At 31 December 2004 and 2005, bills receivable of the Group and the Company had maturity dates within 6 months.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Other receivables

	Group		Company	
	2005	2004 Restated	**2005**	2004
Other receivables	**44,994**	39,227	**7,138**	6,066
Less: provision for impairment of receivables	**(10,334)**	(10,263)	**(24)**	—
	34,660	28,964	**7,114**	6,066

(d) Prepayments

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Due from related parties

	Group		Company	
	2005	2004 Restated	**2005**	2004
Trade receivables				
- Fellow subsidiaries	**419,018**	577,591	**294,737**	427,372
- Fellow associates	**113,072**	105,288	**106,241**	81,073
Less: provision for impairment of receivables	**(7,754)**	(2,372)	**(3,573)**	—
	524,336	680,507	**397,405**	508,445
Other receivables				
- Parent company	**—**	6,721	**—**	—
- Fellow subsidiaries	**25,961**	75,369	**6,897**	25,149
- Fellow associates	**1,591**	420	**—**	—
- Subsidiaries	**—**	—	**39,890**	—
Less: provision for impairment of receivables	**(1,064)**	(1,120)	**—**	(8)
	26,488	81,390	**46,787**	25,141
Prepayments				
- Fellow subsidiaries	**110,496**	20,335	**109,855**	11,291
- Fellow associates	**7,925**	—	**7,926**	—
	118,421	20,335	**117,781**	11,291
Total				
- Parent company	**—**	6,721	**—**	—
- Fellow subsidiaries	**555,475**	673,295	**411,489**	463,812
- Fellow associates	**122,588**	105,708	**114,167**	81,073
- Subsidiaries	**—**	—	**39,890**	—
Less: provision for impairment of receivables	**(8,818)**	(3,492)	**(3,573)**	(8)
	669,245	782,232	**561,973**	544,877

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

Except for the balance due from subsidiaries amounting to RMB 20,000,000 as at 31 December 2005, which was interest-bearing at rate of 5.022% per annum, other balances with related parties as at 31 December 2004 and 2005 were unsecured and non-interest bearing.

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

	Group		Company	
	2005	2004 Restated	**2005**	2004
Within 3 months	**411,055**	540,642	**375,350**	497,653
Over 3 months but within 6 months	**19,523**	19,151	**9,173**	—
Over 6 months but within 1 year	**15,990**	37,598	**7,673**	2,677
Over 1 year but within 2 years	**35,748**	79,133	**1,801**	8,115
Over 2 years but within 3 years	**43,419**	6,355	**6,981**	—
Over 3 years	**6,355**	—	**—**	—
	532,090	682,879	**400,978**	508,445

17. SHARE CAPITAL

	Number of shares (thousands)	Amount
At 1 January 2004 and 31 December 2004	292,187	292,187
Issue of shares	125,455	125,455
At 31 December 2005	417,642	417,642

On 26 October 2005, the Company issued 125,454,545 ordinary shares with a par value of RMB1 each at HK$3.45 per share through a placing and public offer, resulting in net proceeds of approximately RMB408,194,000.

As at 31 December 2005, the total authorised number of ordinary shares is 417,641,867 shares (31 December 2004: 292,187,322 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

(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)	Statutory public welfare fund (note c)	Enterprise expansion fund (note d)	Investment property revaluation	Translation	Total
Balance at 1 January 2004, as previously reported	(4,200)	2,510	(1,290)	26,563	25,779	—	—	—	49,362
Effect on merger of equity interests in subsidiaries acquired during the year ended 31 December 2005 (Note 2.1)	—	1,390	—	1,050	484	53,753	1,535	166	58,378
Balance at 1 January 2004, as restated	(4,200)	3,900	(1,290)	27,613	26,263	53,753	1,535	166	107,740
Appropriation from retained earnings	—	—	—	13,231	11,681	—	—	—	24,912
Effect on merger of equity interests in subsidiaries	—	(7,430)	—	—	—	—	—	—	(7,430)
Disposal of 1.5% equity interests in the Company	6,141	—	—	—	—	—	—	—	6,141
Share issuance costs	—	—	(4,109)	—	—	—	—	—	(4,109)
Currency translation differences	—	—	—	—	—	—	—	(200)	(200)
Balance at 31 December 2004	1,941	(3,530)	(5,399)	40,844	37,944	53,753	1,535	(34)	127,054
Appropriation from retained earnings	—	—	—	18,011	15,106	—	—	—	33,117
Effect on merger of equity interests in subsidiaries	—	(163,837)	—	—	—	—	—	—	(163,837)
Waiver of amounts due to the Parent Company and a fellow subsidiary	8,174	—	—	—	—	—	—	—	8,174
Acquisition of minority interest	2,683	—	—	—	—	—	—	—	2,683
Issue of share capital	—	—	329,867	—	—	—	—	—	329,867
Share issuance costs	—	—	(41,729)	—	—	—	—	—	(41,729)
Currency translation differences	—	—	—	—	—	—	—	(2,572)	(2,572)
Balance at 31 December 2005	12,798	(167,367)	282,739	58,855	53,050	53,753	1,535	(2,606)	292,757

18. OTHER RESERVES *(continued)*

(a) Capital reserve

Upon incorporation of the Company in December 1999, Guangdong Guantong held 4,382,810 shares of the Company with a carrying amount of RMB4,200,000, representing 1.5% equity interests in the Company.

Pursuant to an acquisition agreement dated 25 September 2001, Guangdong Top-E, which later became a subsidiary of the Company, acquired 97% equity interests in Guangdong Guantong for a cash consideration of RMB9,700,000. Accordingly, Guangdong Guantong became an indirectly held subsidiary of the Company whose assets and liabilities have been included in the consolidated balance sheet of the Group. As at 1 January 2004, the amount of RMB4,200,000, representing the investment in shares of the Company by Guangdong Guantong was recorded as capital reserve upon consolidation.

During the year ended 31 December 2004, the 1.5% equity interests in the Company held by Guangdong Guantong were sold to Guangdong Communication Enterprise Investment Company (廣東交通實業投資公司), a fellow subsidiary of the Company, for a cash consideration of approximately RMB7,326,000. The gain arising from such disposal of approximately RMB1,941,000 attributable to the Group was recorded as capital reserve of the Group.

During the year ended 31 December 2005, amounts due to the Parent Company and Guangdong Weisheng Communication Enterprise Company (廣東威盛交通實業投資公司), a fellow subsidiary of the Company, of RMB7,100,000 and RMB1,074,000, respectively, were waived and the gain on such waivers were recorded as capital reserve of the Group.

During the year ended 31 December 2005, Guangdong Xinyue acquired 10% equity interest in Guangdong Logistics from Guangdong Xinyue Labor Union (廣東新粵工會) for a cash consideration of RMB1,812,000. The difference between the consideration paid and the corresponding share of net assets of Guangdong Logistics of approximately RMB2,683,000 was recorded as capital reserve of the Group.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

18. OTHER RESERVES *(continued)*

(b) Merger reserve

Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control, as stated in Note 2.1. Movement in merger reserve of the Group is as follows:

	Share of registered capital of subsidiaries (i)	Consideration to obtain such equity interests (ii)	Dividends to the original owners (iii)	Others	Total
Balance at 1 January 2004, as previously reported	19,100	(14,969)	(511)	(1,110)	2,510
Effect on merger of equity interests subsidiaries acquired during the year ended 31 December 2005 (Note 2.1)	11,962	—	(10,572)	—	1,390
Balance at 1 January 2004, as restated	31,062	(14,969)	(11,083)	(1,110)	3,900
Consideration paid	—	(3,467)	—	—	(3,467)
Dividends paid/payable	—	—	(3,963)	—	(3,963)
Balance at 31 December 2004	31,062	(18,436)	(15,046)	(1,110)	(3,530)
Consideration paid (Note 2.1)	—	(143,916)	—	—	(143,916)
Dividends paid/payable	—	—	(19,921)	—	(19,921)
Balance at 31 December 2005	31,062	(162,352)	(34,967)	(1,110)	(167,367)

18. OTHER RESERVES *(continued)*

(b) Merger reserve *(continued)*

(i) Share of registered capital of subsidiaries

Such amounts represent the share of registered capital of the relevant subsidiaries accounted for under merger accounting.

(ii) Consideration to obtain such equity interests

The consideration paid by the Group to obtain such equity interests in subsidiaries were debited to merger reserve.

(iii) Dividends to the original owners

The dividends paid/payables to the original owners of such equity interests before the Group obtained such equity interests were debited to merger reserve.

(c) Statutory reserves

According to Mainland China Law 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 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 reserve has reached 50% of the Company's and these subsidiaries' registered share capital) and 5% to 10% for the statutory public welfare fund at a percentage determined by the directors. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends 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 or the statutory public welfare fund.

The statutory public welfare fund is used to build or acquire capital items, such as dormitories and other facilities for the Company's and these subsidiaries' employees and cannot be used to pay for welfare expenses. Title of these capital items are remained with the Company and these subsidiaries.

(d) Enterprise expansion fund

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

18. OTHER RESERVES *(continued)*

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

	Capital reserve	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained earnings	Total
Balance at 1 January 2004	—	(1,290)	17,862	17,862	53,280	87,714
Profit for the year	—	—	—	—	58,785	58,785
Appropriation from retained earnings	—	—	7,141	7,141	(14,282)	—
Dividends	—	—	—	—	(20,000)	(20,000)
Share issuance costs	—	(4,109)	—	—	—	(4,109)
Balance at 31 December 2004	—	(5,399)	25,003	25,003	77,783	122,390
Profit for the year	—	—	—	—	42,992	42,992
Appropriation from retained earnings	—	—	10,920	10,920	(21,840)	—
Waiver of amounts due to the Parent Company and a fellow subsidiary	8,174	—	—	—	—	8,174
Dividends	—	—	—	—	(30,000)	(30,000)
Issue of share capital	—	329,867	—	—	—	329,867
Share issuance costs		(41,729)	—	—	—	(41,729)
Balance at 31 December 2005	8,174	282,739	35,923	35,923	68,935	431,694

(Amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004 Restated	**2005**	2004
Trade payables (note a)	**702,089**	680,501	**448,613**	472,904
Bills payable (note b)	**707,896**	414,200	**707,896**	414,200
Advance from customers	**194,386**	54,828	**90,261**	4,094
Accrued expenses and other payables (note c)	**304,997**	242,581	**138,731**	94,104
Due to related parties (Note d)	**82,116**	185,065	**61,495**	117,363
	1,991,484	1,577,175	**1,446,996**	1,102,665

(a) Trade payables

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2005	2004 Restated	**2005**	2004
Within 3 months	**626,096**	555,372	**433,362**	421,572
Over 3 months but within 6 months	**8,786**	79,679	**3,025**	51,327
Over 6 months but within 1 year	**16,025**	21,032	**8,980**	5
Over 1 year but within 2 years	**29,189**	17,369	**3,246**	—
Over 2 years but within 3 years	**14,944**	6,546	**—**	—
Over 3 years	**7,049**	503	**—**	—
	702,089	680,501	**448,613**	472,904

(Amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

(b) Bills payable

Bills payable of the Group, including bills payable presented under due to related parties in note (d) below, had maturity dates within six months. During the year, certain bills payable were guaranteed by the Parent Company and bearing interest at rates from 3.36% to 4.08% per annum. Such guarantees have been released prior to 31 December 2005.

During the year, the Group paid management fee of approximately RMB1,601,000 (2004: RMB1,907,000) to the Parent Company in relation to such guarantee (Note 30(a)(vi)). Certain other bills payable were bank accepted under guarantees provided by fellow subsidiaries (Note 30(a)(v)).

(c) Accrued expenses and other payables

	Group		Company	
	2005	2004 Restated	**2005**	2004
Accrued expenses	**11,338**	7,590	**1,746**	443
Value added tax and other taxes payable	**41,928**	58,526	**30,305**	55,804
Dividends payable	**4,747**	15,737	**—**	—
Other payables	**246,984**	160,728	**106,680**	37,857
	304,997	242,581	**138,731**	94,104

(Amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

(d) Due to related parties

	Group		Company	
	2005	2004 Restated	**2005**	2004
Trade payables				
- Parent company	**425**	804	**—**	—
- Fellow subsidiaries	**25,261**	25,658	**140**	26,874
- Fellow associates	**7,120**	2,562	**—**	—
- Subsidiaries	**—**	—	**39,865**	—
	32,806	29,024	**40,005**	26,874
Bills payable				
- Fellow subsidiaries	**—**	82,471	**—**	82,471
Advance from customers				
- Fellow subsidiaries	**30,880**	54,595	**18,490**	231
- Fellow associates	**2,392**	2,875	**—**	—
	33,272	57,470	**18,490**	231
Other payables				
- Parent company	**6,896**	7,100	**—**	7,100
- Fellow subsidiaries	**5,094**	8,778	**—**	687
- Fellow associates	**4,048**	222	**3,000**	—
	16,038	16,100	**3,000**	7,787
Total				
- Parent company	**7,321**	7,904	**—**	7,100
- Fellow subsidiaries	**61,235**	171,502	**18,630**	110,263
- Fellow associates	**13,560**	5,659	**3,000**	—
- Subsidiaries	**—**	—	**39,865**	—
	82,116	185,065	**61,495**	117,363

(Amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

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

The balances with related parties were unsecured and non-interest bearing.

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	
	2005	2004 Restated	**2005**	2004
Within 3 months	**10,553**	6,034	**40,005**	2,849
Over 3 months but within 6 months	**71**	8,453	**—**	23,579
Over 6 months but within 1 year	**32**	10,920	**—**	446
Over 1 year but within 2 years	**18,533**	1,365	**—**	—
Over 2 years but within 3 years	**1,365**	884	**—**	—
Over 3 years	**2,252**	1,368	**—**	—
	32,806	29,024	**40,005**	26,874

(Amounts in Renminbi Yuan thousands unless otherwise stated)

20. BANK BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
Current bank borrowings:				
- Unsecured	**139,929**	32,000	**139,929**	20,000
- Guaranteed	**—**	125,000	**—**	125,000
	139,929	157,000	**139,929**	145,000

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

The weighted average effective interest rates at 31 December 2005 was 4.849% (31 December 2004: 4.814%) per annum.

At 31 December 2004 and 2005, the Group has the following undrawn banking facilities:

	2005	2004
Floating rate		
– expiring within one year	**445,660**	31,876

The secured bank borrowings of the Group as at 31 December 2004 were guaranteed by fellow subsidiaries of the Group (Note 30 (a)(v)).

(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:

	2005	2004 Restated
Charging		
Depreciation of fixed assets	**67,212**	62,586
Amortisation of leasehold land and land use rights	**556**	489
Amortisation of intangible assets	**1,643**	949
Loss on disposal of fixed assets	**1,512**	—
Employee benefit expenses	**193,236**	138,829
Cost of inventories sold	**3,124,939**	2,639,558
Operating lease expenses	**28,023**	30,604
Research and development costs	**2,525**	6,218
Provision for impairment of receivables	**3,714**	8,939
Fair value loss on investment properties	**164**	354
Impairment of fixed assets	**—**	4,157
Auditors' remuneration	**2,682**	802
Crediting		
Reversal of impairment of fixed assets	**1,700**	—
Gain on disposal of fixed assets	**—**	567

22. EMPLOYEE BENEFIT EXPENSE

	2005	2004 Restated
Wages and salaries	**160,408**	117,067
Retirement scheme contributions	**5,696**	3,571
Pension costs – defined contribution plans	**596**	555
Welfare and other expenses	**26,536**	17,636
	193,236	138,829

(Amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFIT EXPENSE *(continued)*

(a) Directors' and senior management's emoluments

The remuneration of every Director and Supervisor for the year ended 31 December 2005 is set out below:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
Director					
Mr. Lu Maohao	—	336	200	16	552
Mr. Wang Weibing	—	336	200	16	552
Mr. Zeng Hongan	—	540	313	13	866
Mr. Jiang Li	—	143	85	8	236
Mr. Liu Wei	—	—	—	—	—
Mr. Deng Xiaohua	—	—	—	—	—
Mr. Huang Guoxuan	—	—	—	—	—
Mr. Ren Meilong	—	—	—	—	—
Mr. Chen Guozhang	—	—	—	—	—
Mr. Chen Bingheng	—	144	82	8	234
Mr. Liu Shaobo	—	36	—	—	36
Mr. Gui Shouping	—	36	—	—	36
Mr. Peng Xiaolei	—	36	—	—	36
Supervisor					
Mr. Wu Weijia	—	—	—	—	—
Ms. Ling Ping	—	—	—	—	—
Mr. Tian kegeng	—	286	170	16	472
Ms. Li Hui	—	138	12	8	158
Mr. Long Xinhuang	—	138	12	8	158
Ms. Cheng Zhuo	—	24	—	—	24
Ms. Zhou Jiede	—	24	—	—	24

(Amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFIT EXPENSE *(continued)*

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

The remuneration of every Director and Supervisor for the year ended 31 December 2004 is set out below:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
					Restated
Director					
Mr. Lu Maohao	—	306	200	14	520
Mr. Wang Weibing	—	306	200	14	520
Mr. Zeng Hongan	—	536	254	13	803
Mr. Jiang Li	—	260	170	14	444
Mr. Liu Wei	—	—	—	—	—
Mr. Deng Xiaohua	—	—	—	—	—
Mr. Huang Guoxuan	—	—	—	—	—
Mr. Ren Meilong	—	—	—	—	—
Mr. Xuan Zongmin	—	—	—	—	—
Mr. Yang Miaojiang	—	—	—	—	—
Mr. Liu Shaobo	—	33	—	—	33
Mr. Gui Shouping	—	33	—	—	33
Mr. Peng Xiaolei	—	33	—	—	33
Supervisor					
Mr. Wu Weijia	—	—	—	—	—
Ms. Ling Ping	—	—	—	—	—
Mr. Tian kegeng	—	260	170	14	444
Ms. Guo Lilei	—	154	48	9	211
Ms. Li Hui	—	125	11	8	144
Mr. Long Xinhuang	—	126	12	8	146
Ms. Cheng Zhuo	—	22	—	—	22
Ms. Zhou Jiede	—	22	—	—	22

(Amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFIT EXPENSE *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: four) individuals during the year are as follows:

	2005	2004 Restated
Basic salaries and other allowances	**685**	1,562
Bonuses	**421**	986
Employer's contribution to pension scheme	**29**	48
	1,135	2,596

The emoluments payable to these individuals fell within the band of RMB Nil to RMB1,040,000 (equivalent to HK$1,000,000).

23. FINANCE COSTS

	2005	2004
Interest expense:		
- bank borrowings	**9,414**	10,789
- bills payable (Note 19 (b))	**6,849**	8,118
	16,263	18,907

(Amounts in Renminbi Yuan thousands unless otherwise stated)

24. INCOME TAX EXPENSE

Except for Guangdong Oriental Thought, Guangdong Xinyue, Guangdong Xinyue E&M and Chongqi Aoteng, all the other group companies incorporated in Mainland China are subject to Mainland China Enterprise Income Tax ("EIT"), which has been calculated on the estimated assessable profit for the year at a rate of 33%. Guangdong Oriental Thought is regarded as a software company, by the relevant tax authorities, and is subject to EIT at a rate of 15%. Guangdong Xinyue and Guangdong Xinyue E&M are regarded as high technology companies by the relevant tax authorities, and are subject to EIT at a rate of 15%. Chongqing Aoteng is regarded as a high technology company by the relevant tax authorities and exempted from EIT for the two years ended 31 December 2005.

As approved by the relevant tax authorities, Guangdong Oriental Thought was entitled to 50% EIT reduction for the years ended 31 December 2004 and 2005. Such beneficial treatments were granted to newly incorporated companies under the relevant tax regulations.

The group companies incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the year at a rate of 17.5% (2004: 17.5%).

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

	2005	2004 Restated
Current income tax		
- Hong Kong profits tax	**187**	160
- Mainland China current EIT	**65,891**	63,612
Deferred income tax (Note 13)	**(394)**	(3,527)
Income tax expense	**65,684**	60,245

24. INCOME TAX EXPENSE *(continued)*

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

	2005	2004 Restated
Profit before income tax	**226,438**	186,391
Calculated at tax rates applicable to profits in the respective jurisdictions	**64,508**	56,183
Utilization of previous unrecognised tax loss	**(948)**	—
Income not subject to tax	**(18,877)**	(20,011)
Expenses not deductible for tax purposes	**19,448**	22,136
Tax losses for which no deferred income tax assets were recognised	**1,553**	1,937
Income tax expense	**65,684**	60,245

25. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB42,992,000 (2004: RMB58,785,000).

26. EARNINGS PER SHARE

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

	2005	2004 Restated
Profit attributable to equity holders of the Company	**136,588**	108,790
Weighted average number of ordinary shares in issue (thousands)	**315,216**	292,187
Basic earnings per share (RMB per share)	**0.43**	0.37

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

27. DIVIDENDS

The final dividend paid during the year were RMB30,000,000 (RMB0.1027 per share) (2004:RMB 20,000,000 (RMB0.068 per share)), respectively. The dividend payable to Guangdong Guantong of RMB300,000 for the year ended 31 December 2004 was eliminated on consolidation (Note 18(a)).

A dividend in respect of the year ended 31 December 2005 of RMB0.08 per share, amounting to a total dividend of approximately RMB33,411,000, is to be proposed at the annual general meeting on 22 June 2006. These financial statements do not reflect this dividend payable.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2005	2004 Restated
Profit for the year	**160,754**	126,146
Income tax expenses	**65,684**	60,245
Provision for impairment of receivables	**3,714**	8,939
Impairment of available-for-sale investment	**—**	80
Depreciation	**67,212**	62,586
Amortisation of land use rights	**556**	489
Amortisation of intangible assets	**1,643**	949
(Reversal of)/ provision of impairment		
of fixed assets and investment properties	**(1,536)**	4,511
Loss/(gain) on disposal of fixed assets	**1,512**	(567)
Share of results of associates	**(1,761)**	(709)
Interest income	**(6,582)**	(3,428)
Interest expense	**16,263**	18,907
	307,459	278,148
Change in working capital:		
Inventories	**(103,536)**	17,622
Balances on construction contracts, net	**(41,802)**	(57,125)
Trade and other receivables	**(129,878)**	(733,082)
Trade and other payables	**417,283**	790,192
Cash generated from operations	**449,526**	295,755

(Amounts in Renminbi Yuan thousands unless otherwise stated)

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

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

	2005	2004 Restated
Net book amount	**4,911**	2,211
(Loss)/gain on sale of fixed assets	**(1,512)**	567
Proceeds from sale of fixed assets	**3,399**	2,778

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

	2005	2004 Restated
Cash at bank and in hand	**648,924**	384,231
Bank deposits with original term of less than three months	**191,256**	—
	840,180	384,231

The effective interest rate per annum on cash at bank as at 31 December 2005 was from 0.72% to 1.44% (31 December 2004: 0.72% to 0.91%).

The effective interest rate per annum on bank deposits with original terms of less than three months as at 31 December 2005 was from 0.72% to 4.37%.

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

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

29. COMMITMENTS – GROUP

(a) Capital commitments

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

	2005	2004 Restated
Fixed assets		
Contracted but not provided for	**4,380**	2,695

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

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

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

	2005	2004
Not later than 1 year	**34,928**	19,613
Later than 1 year and not later than 5 years	**174,642**	78,451
Later than 5 years	**586,613**	330,873
	796,183	428,937

(Amounts in Renminbi Yuan thousands unless otherwise stated)

29. COMMITMENTS – GROUP *(continued)*

(c) Operating lease for a piece of land

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

(d) Operating lease in respect of land and buildings

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

	2005	2004 Restated
Not later than 1 year	**2,886**	2,121
Later than 1 year and not later than 5 years	**5,304**	1,891
Later than 5 years	**872**	—
	9,062	4,012

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS

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

a) Related-party transactions

Continuing:

i) Revenue

	2005	2004 Restated
Material logistics services:		
- fellow subsidiaries	**967,885**	1,072,409
- fellow associates	**54,321**	200,942
	1,022,206	1,273,351
Expressway service zones:		
- fellow subsidiaries	**508**	1,071
- fellow associates	**342**	374
	850	1,445
Transportation intelligence services:		
- fellow subsidiaries	**397,812**	219,102
- fellow associates	**29,098**	17,166
	426,910	236,268
Others:		
- fellow subsidiaries	**1,645**	4,509
- fellow associates	**—**	907
	1,645	5,416
	1,451,611	1,516,480

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

Continuing: (continued)

ii) Purchases of materials and services

	2005	2004 Restated
Purchases of materials:		
- fellow subsidiaries	**228,179**	104,008
- fellow associates	**25,211**	—
	253,390	104,008
Purchases of services:		
- Management fee for collection of toll income to fellow associates	**4,231**	3,862
- License fee paid to a fellow subsidiary	**998**	855
- Construction services		
- fellow subsidiaries	**17,958**	29,352
- fellow associates	**—**	12,493
	17,958	41,845
	23,187	46,562
	276,577	150,570

iii) Lease of office buildings and warehouse from a fellow subsidiary

	2005	2004 Restated
Lease of office buildings and warehouse from a fellow subsidiary	**2,118**	576

iv) Sub-contracting payment recognised in consolidated income statement for management of expressway service zones

	2005	2004 Restated
- fellow subsidiaries	**22,591**	16,438
- fellow associates	**720**	1,000
	23,311	17,438

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

Discontinuing:

v) Guarantees provided by fellow subsidiaries

Pursuant to an agreement dated 20 September 2002, Guangdong Provincial Freeway Company Limited (廣東省高速公路有限公司), a fellow subsidiary of the Company, provided a guarantee with respect to banking facilities granted to Guangdong Xinyue of no more than RMB86,000,000 for a period of three years from 6 August 2002.

Pursuant to an agreement dated 29 October 2002, Guangdong Province Road & Bridge Construction Development Company Limited（廣東省路橋建設發展有限公司）(“Guangdong Road & Bridge”), a fellow subsidiary of the Company, provided a guarantee with respect to banking facilities granted to Guangdong Xinyue of no more than RMB50,000,000 for a period of eighteen months from 29 October 2002.

Pursuant to an agreement dated 2 June 2003, Guangdong Road & Bridge provided a guarantee to banks with respect to banking facilities granted to the Company and the Company’s fulfillment of various obligations of no more than RMB280,000,000 for a period of two years from 2 June 2003.

Details of the status of the above guarantees during the year are as follows:

	2005	2004
Total guarantee granted during the year	**366,000**	416,000
Guarantee utilised at year end	**—**	284,352
Guarantee unutilised at year end	**—**	81,648

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

Discontinuing: (continued)

v) Guarantees provided by fellow subsidiaries *(continued)*

Bank borrowings and bank-accepted bills payable under the above guarantees as at year end are as follows:

	2005	2004
Bank borrowings	**—**	125,000
Bills payable	**—**	51,399

(vi) Bills payable guaranteed by the Parent Company (Note 19(b))

	2005	2004
- Face value guaranteed during the year	**536,683**	626,528
- Management fee for guarantee	**1,601**	1,907

Such guarantees provided by the Parent Company have been released prior to 31 December 2005.

(vii) Other guarantees from the Parent Company

During the year, the Parent Company has given guarantees to the Group in respect of the Group's fulfillment in various obligations mainly in the material logistics services business. Details of such guarantees are as follows:

	2005	2004
Total guarantee utilised during the year	**131,885**	322,555
Guarantee utilised at year end	**—**	131,885
Fee paid/payable by the Group for such guarantee	**91**	155

Such guarantees provided by the Parent Company have been released prior to 31 December 2005.

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

b) Balances with related parties

	2005	2004 Restated
Due from customers on construction contracts (Note 15)	**183,518**	98,077
Due to customers on construction contracts (Note 15)	**39,118**	36,136
Due from related parties (Note 16)		
- Trading nature	**642,757**	700,842
- Non-trading nature	**26,488**	81,390
	669,245	782,232
Due to related parties (Note 19)		
- Trading nature	**66,078**	168,965
- Non-trading nature	**16,038**	16,100
	82,116	185,065

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

Other receivables and payables from/to related parties as at 31 December 2005 mainly represented certain taxes and insurance premium withheld by/from related parties, which are trade related.

c) Additional information on other state-owned enterprises

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

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

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

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

	2005	2004 Restated
Revenue:		
- Material logistics services	**1,267,870**	1,218,344
- Expressway service zones	**149,254**	94,667
- Transportation intelligence services	**25,639**	110,494
- Cross-border transportation services	**5,432**	1,434
- Others:	**7,302**	14,167
	1,455,497	1,439,106
Purchase of materials	**2,372,396**	976,748
Purchase of fixed assets	**8,267**	12,216
Purchase of services	**31,804**	151,551
Interest income from state-owned banks	**4,318**	3,312
Interest expenses to state-owned banks	**16,263**	18,907

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

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

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

	2005	2004 Restated
Due from Other State-owned Enterprises included in:		
- Due from customers on construction contracts	**49,823**	84,487
- Trade receivables	**153,336**	260,080
- Other receivables	**16,611**	10,849
- Prepayments	**401,131**	224,607
	620,901	580,023

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

	2005	2004 Restated
Due to Other State-owned Enterprises included in:		
- Due to customers on construction contracts	**8,104**	2,111
- Trade payables	**140,057**	52,154
- Bills payables	**480,096**	414,200
- Other payables	**99,213**	44,050
- Advance from customers	**113,560**	43,585
	841,030	556,100

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

(Amounts in Renminbi Yuan thousands unless otherwise stated)

30. RELATED-PARTY TRANSACTIONS *(continued)*

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

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

Bills payable with Other State-owned Enterprises have maturity dates within six months and were bearing interest at rates from 3.36% to 4.08% per annum.

	2005	2004 Restated
Bank deposits in state-owned banks	**782,237**	380,717
Bank borrowings from state-owned banks (Note 20)	**139,929**	157,000

31. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2005 (2004: Nil).