



Chairman's Statement

I am pleased to take this opportunity to present a review of the business activities of the Group in 2006 and a preview of our future development.

RESULTS AND DIVIDENDS

For the year ended 31 December 2006 (the "Year"), turnover of the Group amounted to RMB5.635 billion (2005: RMB4.352 billion), representing an increase of 29.48% over the corresponding period of 2005. Profit attributable to shareholders was RMB156 million (2005: RMB137 million), representing an increase of 13.87% over the corresponding period of 2005. Basic earnings per share was RMB0.37.

As at 31 December 2006, total assets and net current asset value of the Group were RMB3.75 billion (2005: RMB3.383 billion) and RMB741 million (2005: RMB665 million) respectively, representing increase of 10.87% and 11.54% over those of 31 December 2005.

The board of directors recommended the payment of a final dividend of RMB0.11 per share for the year ended 31 December 2006, totalling approximately RMB45.94 million to the shareholders, representing an increase of 37.5% over that of 2005.

BUSINESS REVIEW

The Group is making active effort to explore business in other provinces. Under the sound leadership of the board of directors and under the auspices and thorough coordination of the provincial government of Guangdong and our controlling shareholder, GCGC, as well as the efforts of all other staff of the Group, the production operation of the Company has continued to enjoy rapid growth, and our corporate management level has gained a significant improvement, thereby bringing further attractive returns for our shareholders & investors.

As at 31 December 2006, our revenues from principal operations amounted to RMB5.635 billion, representing an increase of 29.48% in revenues from principal operations.

By strengthening the management of our operations, we had enhanced our profitability with profit attributable to shareholders for the year of RMB156 million, representing an increase of RMB19.16 million when comparing to the corresponding period in 2005 and amounted to an increase of 13.87%.

As for our material logistics services segment, in 2006, the Group has participated part in 24 large scale infrastructure projects, including the material supply and management for Zhanjiang Gulf Bridge, the Zhuhai Section of the Western Coastal Expressway of Guangdong Province, the South Section of Zhujiang Delta Western Ring Expressway, expansion of the Southern Section of Jingzhu Expressway, the Western Ring of Meizhou Expressway, Meilong Expressway, Shanjie Expressway, Guanghe Expressway, Taiao Expressway, Fokai Expressway expansion, Route Subway No.6 of Guangzhou, Inter-city Railway between Guangzhou and Zhuhai and the First Ring Expressway of Foshan. The projected annual supply included 1,227,000 tonnes of cement, 1,147,800 tonnes of steel bars and 110,600 tonnes of asphalt. We strengthened the functionality of our logistics services in respect of production,



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warehousing & distribution, product quality control and settlement on completion, thereby managing the material supply chain of our project to ensure the smoothness and continuity of our project logistics supply chain. We also worked in line with the Energy Scheme of Guangdong Province to actively develop types of logistics business. In 2006, we completed the logistics business of 401,300 tonnes of coal and 301,200 tonnes of iron powder.

As for our expressway service zone segment, as the leading operator in Guangdong's expressway service zones, the Group has been committed to improve the construction and improvement to the network of expressway service zones in order to enhance the service level and create advantage in brand name of the service zone. The Company leverages on its strengths of the network of expressway service zones, and we proceed with the study on the transit operation of passenger transport and distribution of the vehicle maintenance network when the time is right. We also planned to develop logistics service for public information based on the existing information of service zones together with the network.

In respect of the Group's transportation intelligence services business, during the year, the Group undertook and completed the construction of 17 major electro-mechanical system projects and 7 safety facility projects. The Group has also taken effective manners to enhance its product after-sale service standard, to develop a platform for maintenance and management of information as well as to build a technical maintenance and equipment repair room, which steps up the equipment repairs for 28 types of equipment, including on the non-standard products and toll collection system, monitoring system and communication system. We insist on the principle of preventive maintenance to ensure that the defective equipment can be dealt with in the shortest possible time.

In respect of the transportation intelligence products, different degrees of improvements have been made to the large screen of the information announcement terminal, the unmanned fully automatic card issuing machine, the anti-virus technology, wireless visual frequencies terminal and the anti-toll evasion systems. Integration of the 5 major software products for the construction and management system of highway projects have been upgraded and launched onto the market with good results. In 2006, the anti-toll evasion technique has undergone pilot test and passed in the inspection for acceptance in north Guangdong.

In respect of the cross-border coaching services business segment, during 2006, the Group continued to have acquired the right to operate the bus terminal in Austin Road for four years by tender. On the basic to further enhance our market share along the "golden route", we also put more effort in our market sales and Management and strengthen our working relation with other cross-boarder transport sector and open up new cross-provincial transport routes. bus fleet carried a total of 3.89 million times of passengers on its cross-border and domestic routes throughout the year.

OUTLOOK AND STRATEGIES

The Group achieved good results in production operations in 2006. At present, the Group faced both opportunities and challenges. The various segments of our business have made to the leading position in Guangdong Province. Our supply of cement, steel bar and asphalt of our material logistics has been ranked the first in Guangdong Province, the transportation intelligence services has been ranked among the top three in the PRC, our service zone chain comprises over 80% of expressway services zones of the province, and the successful listing in Hong Kong has taken us further to the creation of a sound platform for future development.

The key objectives of our future development are:

(1) Material logistics services

1. We aim at maintaining the standard of our traditional material logistics business and to further enhance the logistics infrastructure construction of our traditional material logistics services.
2. The main asphalt warehouse in Donguan is scheduled to be in operation in the second half of 2007 and our Group will continue to make further improvements to the asphalt warehouses network in Guangdong Province.
3. We aim to develop new logistic services, in particular focusing on new service varieties such as coal, heavy oils and mineral ores.

(2) Expressway service zones

We will continue to innovate in our service brand name and to enhance the service quality and we will put more efforts to cooperate with major multi-national corporations (such as McDonald's restaurants) and also continue to further identify derivative benefits from our service zones network.

(3) Transportation intelligence services

1. We aim at maintaining our strength in the industry of traditional transportation intelligence operation and to capture a larger market share.
2. We aim to make our transportation safety facilities to becoming the leader within the industry by strengthening our operating strategy and sales and marketing.
3. We will continue to emphasize on the research and development of transportation intelligence products and their technology, and launch them onto the wider market including the city light rail and municipal transportation.

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(4) Cross-border transportation services

In 2007, we will take the initiative to explore both provincial and cross-border transportation and try to integrate the internal resources of our transportation group and to take steps to effect merger and acquisition with depot resources both within and beyond the province.

In view of the above, I look forward to sharing the fruitful success of the Group with all shareholders and staff in the coming future.

I would like to express my heartfelt gratitude to the shareholders and the public for their interest of and continuous support to the Group and all staff of the Group for their efforts in the past year.

Yours faithfully,

Lu Mao Hao

Chairman

Guangzhou, the PRC

16 April 2007