1. GENERAL INFORMATION

Guangdong Nan Yue Logistics Company Limited (the "Company") is a limited liability company incorporated in the People's Republic of China ("Mainland China") on 28 December 1999. The address of its registered office is 8 Floor, No. 1731-1735 Airport Road, Guangzhou, Mainland China. The Company's ultimate holding company is 廣東省交通集團有限公司 (Guangdong Provincial Communication Group Company Limited, the "Parent Company").

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

The Company and its subsidiaries (together the "Group") are principally engaged in the following businesses: (1) Material logistics services: purchase and sale of materials mainly for construction work and provision of related logistics arrangement services; (2) Expressway service zones: development and operation of expressway service zones, provision of support and related services in expressway service zones and sub-contract of certain services in expressway service zones to third parties; (3) Transportation intelligence services: construction of ancillary systems for toll roads and provision of related engineering work; (4) Cross-border transportation services: cross-border coach and freight transportation services between Hong Kong and Guangdong Province of Mainland China; (5) Tai Ping Interchange: share of toll income from toll stations connecting to Tai Ping Interchange of the Group. Other operations of the Group mainly comprise provision of advertising, freight and other transportation 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 16 April 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(continued)*

(a) *Amendments to published standards effective in 2006*

HKAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the consolidated financial statements.

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

The following standards/interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted. The Group will apply these standards/interpretations from 1 January 2007:

- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The application of HKFRS 7 is not expected to have any impact on the classification and valuation of the Group's financial instruments.

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The application of HK(IFRIC)-Int 8 is not expected to have any impact on the Group's consolidated financial statements; and

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The application of HK(IFRIC)-Int 10 is not expected to have any impact on the Group's consolidated financial statements.

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

2.1 Basis of preparation *(continued)*

(c) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- HK(IRFIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations; and

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

(d) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 21 Amendment – New Investment in a Foreign Operation;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKAS 39 Amendment and IFRS 4 Amendment – Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;

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

2.1 Basis of preparation *(continued)*

(d) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations (continued)

- HKFRS 1 Amendment – First-time Adoption of International Financial Reporting Standards;
- HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

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.

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

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

2.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

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

Subsidiaries are de-consolidated from the date that control ceases.

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

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(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.

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

2.2 Consolidation *(continued)*

(c) Associates (continued)

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

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

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.

2.3 Segment reporting

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities 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.

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

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

2.5 Fixed assets

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

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

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

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

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

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

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

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

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 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.

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.

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

2.6 Investment properties *(continued)*

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 HKAS 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/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognised 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.

2.8 Impairment of investment in subsidiaries, joint ventures , associates and non-financial 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

2.11 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.

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

2.11 Construction contracts *(continued)*

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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

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

2.15 Trade payables

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

2.16 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.

2.17 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 joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.18 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)*

2.19 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.

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

2.20 Revenue recognition

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

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

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

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

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

2.20 Revenue recognition *(continued)*

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.

2.21 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.

2.22 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.

2.23 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 2006, approximately 23.7% (31 December 2005: 23.8%) of the trade and other receivables and due from customers on construction contracts was concentrated on the top five customers. The Group performs ongoing credit evaluations of their customers' financial condition and generally do not require 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.

(c) Concentration of customers and suppliers risk

During the year, the Group's sales to top five customers accounted for approximately 24.5% of the total revenue (2005: 27.7%); the Group's purchase from top five suppliers accounted for 41.4% (2005: 37.0%) of the total purchase. The Group aims to maintain long-term relationship with reputable customers and suppliers in the expansion of its business.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(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 carrying value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Percentage of completion of construction contracts

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

(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 realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market condition. Management 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.

5. SEGMENT INFORMATION

Primary reporting format – business segments

Turnover recognised during the year are as follows:

	2006	2005
Turnover		
- Material logistics services	**4,255,555**	3,243,842
- Expressway service zones	**369,969**	278,535
- Transportation intelligence services	**623,130**	474,303
- Cross-border transportation services	**261,891**	256,806
- Tai Ping Interchange	**104,359**	84,826
- Others	**20,491**	13,710
	5,635,395	4,352,022

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

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

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Others	Unallocated	Group
Revenue								
Total gross segment revenue	4,261,909	369,969	644,051	261,891	104,359	30,110	—	5,672,289
Inter-segment revenue	(6,354)	—	(20,921)	—	—	(9,619)	—	(36,894)
	4,255,555	369,969	623,130	261,891	104,359	20,491	—	5,635,395
Operating profit	89,896	71,574	18,208	37,340	84,325	5,922	(34,929)	272,336
Finance costs								(16,012)
Share of results of associates and a joint venture								2,657
Profit before income tax								258,981
Income tax expense								(77,709)
Profit for the year								181,272
Depreciation	5,750	21,620	6,005	30,684	10,135	538	4,542	79,274
Amortisation	735	520	497	813	642	142	—	3,349
Reversal of impairment of fixed assets	—	—	—	(2,339)	—	—	—	(2,339)
(Reversal of)/Provision for impairment of receivables	(31)	(1,738)	(2,300)	117	—	—	—	(3,952)
Total gross segment assets	2,117,924	413,567	473,429	288,924	378,930	25,843	67,656	3,766,273
Inter-segment	(16,600)	(70,022)	(8,845)	—	(4,879)	(7,934)	—	(108,280)
	2,101,324	343,545	464,584	288,924	374,051	17,909	67,656	3,657,993
Interest in associates								65,933
Interest in a joint venture								14,709
Available-for-sale investment								200
Deferred income tax assets								12,061
Total assets								3,750,896
Total gross segment liabilities	1,675,994	246,958	301,240	61,429	215,969	13,095	—	2,514,685
Inter-segment	(2,734)	(5,818)	(16,020)	—	(77,518)	(6,190)	—	(108,280)
	1,673,260	241,140	285,220	61,429	138,451	6,905	—	2,406,405
Current income tax payable								37,062
Deferred income tax liabilities								1,895
Total liabilities								2,445,362
Capital expenditure	107,752	60,907	3,156	38,082	19,332	1,538	2,799	233,566

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

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

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Others	Unallocated	Group
Revenue								
Total gross segment revenue	3,305,724	278,715	476,118	256,806	84,826	24,764	—	4,426,953
Inter-segment revenue	(61,882)	(180)	(1,815)	—	—	(11,054)	—	(74,931)
	3,243,842	278,535	474,303	256,806	84,826	13,710	—	4,352,022
Operating profit	67,195	72,559	17,075	40,881	68,115	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	27,359	8,248	764	4,786	67,212
Amortisation	353	508	584	339	271	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	277,188	271,645	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	277,188	270,432	13,349	231,387	3,324,683
Interest in associates								33,280
Interest 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	77,941	205,792	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	77,941	203,280	4,025	—	2,178,635
Current income tax payable								29,990
Deferred income tax liabilities								2,386
Total liabilities								2,211,011
Capital expenditure	15,890	7,374	10,377	37,849	7,180	839	5,304	84,813

5. SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

Unallocated costs represent corporate expenses.

Segment assets consist primarily of fixed assets, leasehold land and land use rights, intangible assets, inventories, due from customers on construction contracts, receivables and cash and cash equivalents. They exclude income tax assets, 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 current income tax payable and income tax liabilities.

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

Secondary reporting format – geographical segments

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

Revenue

	2006	2005
Mainland China	**5,426,132**	4,149,628
Hong Kong	**209,263**	202,394
	5,635,395	4,352,022

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments *(continued)*

Total assets

	2006	2005
Mainland China	**3,334,246**	2,868,492
Hong Kong	**256,091**	224,804
	3,590,337	3,093,296
Interest in associates	**65,933**	33,280
Interest in a joint venture	**14,709**	15,000
Available-for-sale investment	**200**	200
Unallocated assets	**79,717**	241,282
	3,750,896	3,383,058

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

Capital expenditure

	2006	2005
Mainland China	**199,492**	50,005
Hong Kong	**34,074**	34,808
	233,566	84,813

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS

Group

	Tai Ping Interchange	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2005							
Cost	246,070	140,874	15,285	30,429	321,284	3,154	757,096
Accumulated depreciation and impairment	(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 and impairment	(68,740)	(68,060)	(5,740)	(19,933)	(214,718)	—	(377,191)
Net book amount	177,330	88,548	13,289	22,965	113,143	10,833	426,108
Year ended 31 December 2006							
Opening net book amount	177,330	88,548	13,289	22,965	113,143	10,833	426,108
Exchange differences	—	(1,304)	(41)	(23)	(2,146)	—	(3,514)
Additions	—	2,816	26,247	12,044	39,625	50,762	131,494
Transfers	28,665	—	21,910	—	—	(50,575)	—
Reclassification	—	(8,883)	8,883	—	—	—	—
Disposals	—	(1,723)	(279)	(395)	(588)	—	(2,985)
Depreciation	(10,135)	(9,228)	(18,698)	(7,293)	(33,920)	—	(79,274)
Reversal of impairment	—	2,339	—	—	—	—	2,339
Closing net book amount	195,860	72,565	51,311	27,298	116,114	11,020	474,168
At 31 December 2006							
Cost	274,201	127,139	94,103	54,287	340,123	11,020	900,873
Accumulated depreciation	(78,341)	(54,574)	(42,792)	(26,989)	(224,009)	—	(426,705)
Net book amount	195,860	72,565	51,311	27,298	116,114	11,020	474,168

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Company

	Tai Ping Interchange	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2005							
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
Year ended 31 December 2006							
Opening net book amount	177,330	1,402	8,861	2,212	10,522	10,333	210,660
Additions	—	—	182	915	2,032	23,538	26,667
Transfers	31,335	—	1,537	—	—	(32,872)	—
Disposals	—	(1,333)	(279)	(9)	—	—	(1,621)
Depreciation	(10,259)	(69)	(2,851)	(691)	(2,447)	—	(16,317)
Closing net book amount	198,406	—	7,450	2,427	10,107	999	219,389
At 31 December 2006							
Cost	276,871	—	13,727	4,557	18,539	999	314,693
Accumulated depreciation	(78,465)	—	(6,277)	(2,130)	(8,432)	—	(95,304)
Net book amount	198,406	—	7,450	2,427	10,107	999	219,389

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

The Group does not have the title deeds of certain buildings in expressway service zones as they were built on land owned by other entities. The Group has entered into agreements with the relevant entities to use such land in the form of lease or sub-contract, with a period in line with the useful lives of the relevant buildings. The total net book amount of such buildings amounted to approximately RMB24,060,000 at 31 December 2006 (31 December 2005: RMB36,928,000).

Depreciation charge of approximately RMB60,971,000 (2005: RMB52,994,000), RMB2,983,000 (2005: RMB1,767,000) and RMB15,320,000 (2005: RMB12,451,000) were included in cost of sales, selling expenses and administrative expenses, respectively.

7. INVESTMENT PROPERTIES – GROUP

	2006	2005
Beginning of the year	**7,329**	7,493
Fair value gain/(loss) (included in other income)	**386**	(164)
Transfer to leasehold land (Note 8)	**(7,715)**	—
End of the year	**—**	7,329

(All 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:

	2006	2005
Leases of between 10 to 50 years:		
- In Hong Kong	**14,131**	7,610
- In Mainland China	**100,881**	3,541
	115,012	11,151

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

	2006	2005
Beginning of the year	**11,151**	11,883
Additions	**97,626**	—
Transfer from investment properties (Note 7)	**7,715**	—
Exchange differences	**(380)**	(176)
Amortisation	**(1,100)**	(556)
End of the year	**115,012**	11,151

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

Group

	Goodwill	Computer software	Total
At 1 January 2005			
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 charge	—	(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
Year ended 31 December 2006			
Opening net book amount	1,450	5,070	6,520
Additions	—	4,446	4,446
Amortisation charge	—	(2,249)	(2,249)
Closing net book amount	1,450	7,267	8,717
At 31 December 2006			
Cost	1,450	13,249	14,699
Accumulated amortisation	—	(5,982)	(5,982)
Net book amount	1,450	7,267	8,717

Amortisation charges of approximately RMB907,000 (2005: RMB754,000) and RMB1,342,000 (2005: RMB889,000) were included in cost of sales and administrative expenses, respectively.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS *(continued)*

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.

Company	**Computer Software**
At 1 January 2005	
Cost	2,636
Accumulated amortisation	(215)
Net book amount	2,421
Year ended 31 December 2005	
Opening net book amount	2,421
Additions	1,999
Amortisation charge	(624)
Closing net book amount	3,796
At 31 December 2005	
Cost	4,635
Accumulated amortisation	(839)
Net book amount	3,796
Year ended 31 December 2006	
Opening net book amount	3,796
Additions	2,240
Amortisation charge	(1,331)
Closing net book amount	4,705
At 31 December 2006	
Cost	6,875
Accumulated amortisation	(2,170)
Net book amount	4,705

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2006	2005
Investments, at cost:		
- Unlisted shares	**324,742**	325,463
Amounts due from subsidiaries	**97,598**	3,769
	422,340	329,232

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

The following is a list of the principal subsidiaries at 31 December 2006, all of which are limited liability companies:

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital / issued share capital	Interest held	
				Direct	Indirect
Guangdong Top-E Expressway Service Zone Company Limited	Mainland China	Toll road services in Mainland China	RMB100,000,000	95.6%	—
Guangdong 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	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%	—
Guangdong New Way Advertising Company Limited	Mainland China	Advertising services in Mainland China	RMB3,000,000	60.0%	38.2%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital / issued share capital	Interest held Direct	Interest held Indirect
Guangdong Tai Cheng Consulting Company Limited	Mainland China	Consulting services in Mainland China	RMB1,000,000	60.0%	36.0%
The Motor Transport Company of Guangdong and Hong Kong Limited	Hong Kong	Coach and freight services in Mainland China and Hong Kong	Hong Kong Dollar ("HK$") 9,000,000	62.0%	—
The Motor Transport Company of Guangdong and Hong Kong (Guangdong) Limited	Mainland China	Coach and freight services in Mainland China and Hong Kong	HK$9,000,000	62.0%	—
Guangdong Oriental Thought Technology Company Limited ("Guangdong Oriental Thought")	Mainland China	Software development and management in Mainland China	RMB8,000,000	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	Mainland China	Toll road services in Mainland China	RMB10,000,000	—	92.7%
Guangdong Xinyue E&M Engineering Company Limited ("Guangdong Xinyue E&M")	Mainland China	Construction and engineering services in Mainland China	RMB10,000,000	—	60.4%
Guangdong Road & Bridge Electronic Toll Collection Company Limited	Mainland China	Development of electronic toll collection system in Mainland China	RMB30,000,000	—	60.4%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital / issued share capital	Interest held Direct	Interest held Indirect
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%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTEREST IN ASSOCIATES - GROUP

	Group		Company	
	2006	2005	**2006**	2005
Beginning of the year	**1,538**	1,669	**—**	—
Incorporation of associates	**38,000**	—	**20,000**	—
Share of associates' results	**2,948**	1,761	**—**	—
Dividends from associates	**—**	(1,892)	**—**	—
End of the year	**42,486**	1,538	**20,000**	—
Prepayment for incorporation/ acquisition of associates	**11,200**	30,000	**11,200**	—
Amounts due from associates	**16,547**	6,042	**640**	—
Less: provision for impairment of receivables	**(4,300)**	(4,300)	**—**	—
	65,933	33,280	**31,840**	—

Interest in associates as at 31 December 2006 include goodwill of RMB8,075,000 (2005: Nil).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTEREST IN ASSOCIATES - GROUP *(continued)*

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

Name	Particulars of issued/registered capital	Country/place of incorporation	% Interest held on 31 December 2006	2005
Guangdong Foda Expressway Economy Development Company Limited	RMB1,000,000	Mainland China	**49.0%**	49.0%
Lufeng Shenshan Expressway Service Company Limited	RMB1,000,000	Mainland China	**45.0%**	45.0%
Guangdong Road Technology development Company Limited	RMB2,000,000	Mainland China	**40.0%**	40.0%
Sha Tau Kok Bus Management Company Limited	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%
Southern United Assets and Equity Exchange Company Limited	RMB80,000,000	Mainland China	**25.0%**	—
Shenzhen Man Kam To Coach Management Company Limited	RMB30,000,000	Mainland China	**20.0%**	—

	Assets	Liabilities	Revenues	Profit
2006	**98,276**	**74,833**	**97,674**	**2,948**
2005	7,174	6,540	49,332	1,761

The prepayment for acquisition of associates as at 31 December 2006 represented the Group's payment for 30% equity interest in Guangdong Feida Traffic Engineering Company Limited (31 December 2005: prepayment for 20% equity interest in Shenzhen Man Kam To Coach Company Limited). The business registration for this acquisition was in progess as at 31 December 2006.

As at 31 December 2006, an amount due from an associate of RMB4,547,000 (31 December 2005: RMB6,042,000) was unsecured, bearing interest at a rate of 7.5% per annum. The other amounts due from associates were unsecured, interest free and had no fixed repayment terms.

(All 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 Company Limited, which was incorporated in Mainland China on 24 October 2005. This company is mainly engaged in operation of petrol station (including purchase and sale of gasoline).

	Group		Company	
	2006	2005	**2006**	2005
Beginning of the year	**15,000**	—	**6,250**	—
Incorporation of a joint venture	**—**	15,000	**—**	6,250
Share of a joint venture's result	**(291)**	—	**—**	—
End of the year	**14,709**	15,000	**6,250**	6,250

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

13. DEFERRED INCOME TAX

	Group		Company	
	2006	2005	**2006**	2005
Deferred tax assets:				
- Deferred tax assets to be recovered within 12 months	**5,528**	269	**1,235**	577
- Deferred tax assets to be recovered after more than 12 months	**6,533**	9,626	**1,077**	1,202
	12,061	9,895	**2,312**	1,779
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	**(1,895)**	(2,386)	**—**	—
	10,166	7,509	**2,312**	1,779

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. DEFERRED INCOME TAX *(continued)*

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

	Group		Company	
	2006	2005	**2006**	2005
Beginning of the year	**7,509**	7,062	**1,779**	164
Recognised in the income statement	**2,572**	394	**533**	1,615
Exchange differences	**85**	53	**—**	—
End of the year	**10,166**	7,509	**2,312**	1,779

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 2005	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
Recognised in the income statement	(3,134)	—	5,259	2,125	(125)	658	533
Exchange differences	(25)	(7)	—	(32)	—	—	—
At 31 December 2006	6,593	197	5,528	12,318	1,077	1,235	2,312

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. DEFERRED INCOME TAX *(continued)*

Deferred tax liabilities – Group:

	Accelerated tax depreciation
At 1 January 2005	(2,741)
Recognised in the income statement	(35)
Exchange differences	60
At 31 December 2005	(2,716)
Recognised in the income statement	447
Exchange differences	117
At 31 December 2006	(2,152)

The Group had carry-forward tax losses of approximately RMB61,388,000 at 31 December 2006 (31 December 2005: RMB68,736,000). Deferred income tax assets arising from such tax losses of approximately RMB13,195,000 (31 December 2005: RMB16,889,000) have not been recognised as it is uncertain that future taxable profit will be available against which the tax losses can be utilised. As at 31 December 2006, tax losses of approximately RMB15,817,000 (31 December 2005: RMB30,744,000) will expire within a period of 5 years.

At 31 December 2006, there were no other material unprovided deferred income tax assets and liabilities.

14. INVENTORIES

	Group		Company	
	2006	2005	**2006**	2005
Materials for construction works	**395,711**	288,523	**373,764**	262,958
Spare parts, merchandise and others	**18,029**	9,616	**—**	—
	413,740	298,139	**373,764**	262,958

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB4,100,356,000 (2005: RMB3,124,939,000).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. CONSTRUCTION CONTRACTS – GROUP

	2006	2005
Contract costs incurred plus recognised profits less foreseeable losses to date	**3,223,689**	2,914,870
Less: progress billings to date	**(3,139,945)**	(2,728,751)
	83,744	186,119
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers on construction contracts	**139,805**	233,341
Amounts due to customers on construction contracts	**(56,061)**	(47,222)
	83,744	186,119

At 31 December 2006, retentions held by customers for contract work included in trade and other receivables of the Group under Note 16 amounted to approximately RMB22,932,000 (31 December 2005: RMB33,320,000).

At 31 December 2006, advances received from customers for contract work included in trade and other payables of the Group under Note 19 amounted to approximately RMB51,302,000 (31 December 2005: RMB16,174,000).

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

	2006	2005
Amounts due from customers on construction contracts		
- Fellow subsidiaries	**41,823**	143,886
- Fellow associates	**13,610**	39,632
	55,433	183,518
Amounts due to customers on construction contracts		
- Fellow subsidiaries	**49,693**	36,182
- Fellow associates	**1,367**	2,936
	51,060	39,118

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
Trade receivables (note a)	**735,745**	226,578	**666,067**	140,485
Bills receivable (note b)	**6,691**	4,200	**6,691**	4,200
Other receivables (note c)	**87,937**	34,660	**39,665**	7,114
Prepayments (note d)	**548,853**	567,232	**506,012**	487,890
Due from related parties (note e)	**456,688**	669,245	**358,926**	561,973
	1,835,914	1,501,915	**1,577,361**	1,201,662

(a) Trade receivables

	Group		Company	
	2006	2005	**2006**	2005
Trade receivables	**743,502**	233,277	**666,067**	140,485
Less: provision for impairment of receivables	**(7,757)**	(6,699)	**—**	—
	735,745	226,578	**666,067**	140,485

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	
	2006	2005	**2006**	2005
Within 3 months	**654,346**	138,090	**602,502**	98,643
Over 3 months but within 6 months	**33,956**	2,388	**31,478**	—
Over 6 months but within 1 year	**37,219**	27,212	**32,087**	24,540
Over 1 year but within 2 years	**4,268**	50,141	**—**	17,302
Over 2 years but within 3 years	**7,348**	11,465	**—**	—
Over 3 years	**6,365**	3,981	**—**	—
	743,502	233,277	**666,067**	140,485

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Bills receivable

At 31 December 2005 and 2006, bills receivable of the Group and the Company had maturity dates within 6 months.

(c) Other receivables

	Group		Company	
	2006	2005	**2006**	2005
Other receivables	**93,245**	44,994	**39,897**	7,138
Less: provision for impairment of receivables	**(5,308)**	(10,334)	**(232)**	(24)
	87,937	34,660	**39,665**	7,114

(d) Prepayments

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Due from related parties

	Group		Company	
	2006	2005	**2006**	2005
Trade receivables				
- Fellow subsidiaries	**371,580**	419,018	**243,807**	294,737
- Fellow associates	**41,385**	113,072	**17,355**	106,241
- Subsidiaries	**—**	—	**29,796**	—
Less: provision for impairment of receivables	**(6,935)**	(7,754)	**(3,031)**	(3,573)
	406,030	524,336	**287,927**	397,405
Other receivables				
- Fellow subsidiaries	**29,294**	25,961	**7,157**	6,897
- Fellow associates	**808**	1,591	**8**	—
- Subsidiaries	**—**	—	**47,363**	39,890
Less: provision for impairment of receivables	**(1,899)**	(1,064)	**—**	—
	28,203	26,488	**54,528**	46,787
Prepayments				
- Fellow subsidiaries	**22,455**	110,496	**16,471**	109,855
- Fellow associates	**—**	7,925	**—**	7,926
	22,455	118,421	**16,471**	117,781
Total				
- Fellow subsidiaries	**423,329**	555,475	**267,435**	411,489
- Fellow associates	**42,193**	122,588	**17,363**	114,167
- Subsidiaries	**—**	—	**77,159**	39,890
Less: provision for impairment of receivables	**(8,834)**	(8,818)	**(3,031)**	(3,573)
	456,688	669,245	**358,926**	561,973

Except for the balance due from subsidiaries amounting to RMB30,000,000 at 31 December 2006, which was interest-bearing at rate of 5.508% per annum (31 December 2005: RMB20,000,000 at 5.022%), other balances with related parties at 31 December 2005 and 2006 were unsecured and interest-free.

16. TRADE AND OTHER RECEIVABLES *(continued)*

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

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

	Group		Company	
	2006	2005	**2006**	2005
Within 3 months	**340,197**	411,055	**251,097**	375,350
Over 3 months but within 6 months	**7,878**	19,523	**3,933**	9,173
Over 6 months but within 1 year	**18,929**	15,990	**28,837**	7,673
Over 1 year but within 2 years	**18,543**	35,748	**2,893**	1,801
Over 2 years but within 3 years	**2,554**	43,419	**1,030**	6,981
Over 3 years	**24,864**	6,355	**3,168**	—
	412,965	532,090	**290,958**	400,978

17. SHARE CAPITAL

	Number of shares (thousands)	Amount
At 31 December 2005 and 2006	417,642	417,642

The total authorised number of ordinary shares is 417,641,877 shares (31 December 2005: 417,641,877 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. OTHER RESERVES

Group	Capital reserve	Merger reserve (note a)	Share premium	Statutory surplus reserve (note b)	Statutory public welfare fund (note b)	Enterprise expansion fund (note c)	Investment property revaluation	Translation	Total
Balance at 1 January 2005	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
Appropriation from retained earnings	—	—	—	22,797	—	—	—	—	22,797
Currency translation differences	—	—	—	—	—	—	—	(4,261)	(4,261)
Transfer	—	—	—	53,050	(53,050)	—	—	—	—
Others	930	(227)	900	—	—	—	—	—	1,603
Balance at 31 December 2006	13,728	(167,594)	283,639	134,702	—	53,753	1,535	(6,867)	312,896

(a) Merger reserve

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

18. OTHER RESERVES (continued)

(b) 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 at least 10% of its profit attributable to shareholders based on the Company's and its subsidiaries' local statutory accounts for the statutory reserve fund (except where the statutory surplus reserve has reached 50% of the Company's and these subsidiaries' registered share capital). These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash 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.

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

(c) Enterprise expansion fund

According to 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 relevant authorities, and appropriation to this fund is at the discretion of the directors of these group companies.

(d) Distributable reserve

As at 31 December 2006, the reserve of the Company available for distribution was approximately RMB159,926,000 (31 December 2005: RMB68,935,000).

(All 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:

	Other reserves					
	Capital reserve	Share premium	Statutory surplus reserve	Statutory public welfare fund	Total	Retained earnings
Balance at 1 January 2005	—	(5,399)	25,003	25,003	44,607	77,783
Profit for the year	—	—	—	—	—	42,992
Appropriation from retained earnings	—	—	10,920	10,920	21,840	(21,840)
Waiver of amounts due to the Parent Company and a fellow subsidiary	8,174	—	—	—	8,174	—
Dividends	—	—	—	—	—	(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	362,759	68,935
Profit for the year	—	—	—	—	—	139,861
Appropriation from retained earnings	—	—	15,459	—	15,459	(15,459)
Dividends	—	—	—	—	—	(33,411)
Transfer	—	—	35,923	(35,923)	—	—
Others	—	900	—	—	900	—
Balance at 31 December 2006	8,174	283,639	87,305	—	379,118	159,926

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
Trade payables (note a)	**442,726**	702,089	**324,250**	448,613
Bills payable (note b)	**1,155,623**	707,896	**1,155,623**	707,896
Advance from customers	**267,697**	194,386	**55,259**	90,261
Accrued expenses and other payables (note c)	**210,713**	304,997	**64,512**	138,731
Amounts due to related parties (note d)	**133,585**	82,116	**171,534**	61,495
	2,210,344	1,991,484	**1,771,178**	1,446,996
Less: Non-current portion (note e)	**(125,050)**	—	**—**	—
Current portion	**2,085,294**	1,991,484	**1,771,178**	1,446,996

(a) Trade payables

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2006	2005	**2006**	2005
Within 3 months	**374,774**	626,096	**308,514**	433,362
Over 3 months but within 6 months	**4,827**	8,786	**468**	3,025
Over 6 months but within 1 year	**12,242**	16,025	**1,438**	8,980
Over 1 year but within 2 years	**34,508**	29,189	**13,648**	3,246
Over 2 years but within 3 years	**5,794**	14,944	**182**	—
Over 3 years	**10,581**	7,049	**—**	—
	442,726	702,089	**324,250**	448,613

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

(b) Bills payable

Bills payable of the Group have maturity dates within six months and were bearing interest at rates from 2.70% to 3.20% per annum (2005: 3.36% to 4.08% per annum).

(c) Accrued expenses and other payables

	Group		Company	
	2006	2005	**2006**	2005
Accrued expenses	**12,546**	11,338	**2,825**	1,746
Value added tax and other taxes payable	**14,137**	41,928	**17,205**	30,305
Dividends payable	**—**	4,747	**—**	—
Other payables	**184,030**	246,984	**44,482**	106,680
	210,713	304,997	**64,512**	138,731

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

(d) Due to related parties

	Group		Company	
	2006	2005	**2006**	2005
Trade payables				
- Parent company	**—**	425	**—**	—
- Fellow subsidiaries	**65,179**	25,261	**36,573**	140
- Fellow associates	**25,668**	7,120	**13,537**	—
- Subsidiaries	**—**	—	**34,388**	39,865
	90,847	32,806	**84,498**	40,005
Advance from customers				
- Fellow subsidiaries	**36,852**	30,880	**14,426**	18,490
- Fellow associates	**1,475**	2,392	**—**	—
	38,327	33,272	**14,426**	18,490
Other payables				
- Parent company	**891**	6,896	**874**	—
- Fellow subsidiaries	**3,513**	5,094	**1,536**	—
- Fellow associates	**7**	4,048	**200**	3,000
- Subsidiaries	**—**	—	**70,000**	—
	4,411	16,038	**72,610**	3,000
Total				
- Parent company	**891**	7,321	**874**	—
- Fellow subsidiaries	**105,544**	61,235	**52,535**	18,630
- Fellow associates	**27,150**	13,560	**13,737**	3,000
- Subsidiaries	**—**	—	**104,388**	39,865
	133,585	82,116	**171,534**	61,495

Except for the balance due to subsidiaries amounting to RMB70,000,000 as at 31 December 2006, which was interest-bearing at rate of 0.72% per annum, other balances with related parties as at 31 December 2005 and 2006 were unsecured and interest-free.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLES *(continued)*

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

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

	Group		Company	
	2006	2005	**2006**	2005
Within 3 months	**68,097**	10,553	**61,767**	40,005
Over 3 months but within 6 months	**90**	71	**3,838**	—
Over 6 months but within 1 year	**461**	32	**14,742**	—
Over 1 year but within 2 years	**9,699**	18,533	**4,151**	—
Over 2 years but within 3 years	**8,741**	1,365	**—**	—
Over 3 years	**3,759**	2,252	**—**	—
	90,847	32,806	**84,498**	40,005

(e) Non-current portion

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

20. BANK BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
Current bank borrowings:				
- Unsecured	**140,000**	139,929	**120,000**	139,929

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 2006 was 5.035% (31 December 2005: 4.849%) per annum.

The Group has the following undrawn banking facilities:

	2006	2005
Floating rate		
– expiring within one year	**1,504,776**	445,660

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. EXPENSES BY NATURE

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

	2006	2005
Charging/(Crediting)		
Cost of inventories sold	4,100,356	3,124,939
Cost of sales for construction contracts	524,791	377,512
Transportation expense	235,984	198,035
Business tax and other surcharges	47,277	38,953
Depreciation of fixed assets	79,274	67,212
Amortisation of leasehold land and land use rights	1,100	556
Amortisation of intangible assets	2,249	1,643
Loss on disposal of fixed assets	2,835	1,512
Employee benefit expense	208,287	193,236
Operating lease expense	52,514	28,023
Reversal of impairment of fixed assets	(2,339)	(1,700)
Fair value(gain)/loss on investment properties	(386)	164
(Reversal)/Provision for impairment of receivables	(3,952)	3,714
Auditor's remuneration	3,636	2,682
Research and development costs	6,385	2,525

22. EMPLOYEE BENEFIT EXPENSE

	2006	2005
Wages and salaries	167,881	160,408
Retirement scheme contributions and defined contribution plans	7,474	6,292
Welfare and other expenses	32,932	26,536
	208,287	193,236
Number of employee	3,628	3,548

(All 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 2006 is set out below:

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

(a) Resigned on 22 June 2006.

(b) Appointed on 22 June 2006.

(All 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 2005 is set out below:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
Director					
Mr. Lu Mao Hao	—	336	200	16	552
Mr. Wang Wei Bing	—	336	200	16	552
Mr. Zeng Hong An	—	540	313	13	866
Mr. Jiang Li	—	143	85	8	236
Mr. Liu Wei	—	—	—	—	—
Mr. Deng Xiao Hua	—	—	—	—	—
Mr. Huang Guo Xuan	—	—	—	—	—
Mr. Ren Mei Long	—	—	—	—	—
Mr. Chen Guo Zhang	—	—	—	—	—
Mr. Chen Bing Heng	—	144	82	8	234
Mr. Liu Shao Buo	—	36	—	—	36
Mr. Gui Shou Ping	—	36	—	—	36
Mr. Peng Xiao Lei	—	36	—	—	36
Supervisor					
Mr. Wu Wei Jia	—	—	—	—	—
Ms. Ling Ping	—	—	—	—	—
Mr. Tian Ke Geng	—	286	170	16	472
Ms. Li Hui	—	138	12	8	158
Mr. Long Xin Huang	—	138	12	8	158
Ms. Cheng Zhou	—	24	—	—	24
Ms. Zhou Jie De	—	24	—	—	24

(All 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 one (2005: three) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2005: two) individuals during the year are as follows:

	2006	2005
Basic salaries and other allowances	**1,299**	685
Bonuses	**1,808**	421
Employer's contribution to pension scheme	**97**	29
	3,204	1,135

The emoluments payable to these individuals fell within the band of RMB Nil to RMB1,004,000 (equivalent to HK$1,000,000).

23. OTHER INCOME

	2006	2005
Rental income	**1,181**	1,067
Interest income	**14,643**	6,582
Government grants	**2,960**	2,960
Refund of value added tax	**3,133**	2,531
Others	**6,648**	4,726
	28,565	17,866

24. FINANCE COSTS

	2006	2005
Interest expense:		
- bank borrowings	**10,773**	9,414
- bills payable	**5,239**	6,849
	16,012	16,263

(All amounts in Renminbi Yuan thousands unless otherwise stated)

25. 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 government authorities, and is subject to EIT at a rate of 15%. Guangdong Xinyue, Guangdong Xinyue E&M and Chongqing Aoteng are regarded as high technology companies by the relevant government authorities, and are subject to EIT at a rate of 15%.

As approved by the relevant tax authorities, Chongqing Aoteng was entitled to 50% EIT reduction for the year ended 31 December 2006 (2005: 100% EIT reduction). 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% (2005: 17.5%).

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

	2006	2005
Current income tax		
- Hong Kong profits tax	**895**	187
- Mainland China current EIT	**79,386**	65,891
Deferred income tax (Note 13)	**(2,572)**	(394)
Income tax expense	**77,709**	65,684

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:

	2006	2005
Profit before income tax	**258,981**	226,438
Calculated at tax rates applicable to profits in the respective jurisdictions	**75,271**	64,508
Utilisation of previous unrecognised tax loss	**(251)**	(948)
Income not subject to tax	**(23,633)**	(18,877)
Expenses not deductible for tax purposes	**23,427**	19,448
Tax losses for which no deferred income tax assets were recognised	**2,895**	1,553
Income tax expense	**77,709**	65,684

26. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB139,861,000 (2005: RMB42,992,000).

27. EARNINGS PER SHARE

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

	2006	2005
Profit attributable to equity holders of the Company	**155,750**	136,588
Weighted average number of ordinary shares in issue (thousands)	**417,642**	315,216
Basic earnings per share (RMB per share)	**0.37**	0.43

There were no dilutive potential shares during the year.

28. DIVIDENDS

The dividends paid in 2006 and 2005 were RMB33,411,000 (RMB0.08 per share) and RMB30,000,000 (RMB1.027 per share), respectively.

A dividend in respect of the year ended 31 December 2006 of RMB0.11 per share, amounting to a total dividend of approximately RMB45,941,000, is to be proposed at the annual general meeting on 12 June 2007. These financial statements do not reflect this dividend payable.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2006	2005
Profit for the year	**181,272**	160,754
Income tax expense	**77,709**	65,684
(Reversal)/Provision for impairment of receivables	**(3,952)**	3,714
Depreciation	**79,274**	67,212
Amortisation of leasehold land and land use rights	**1,100**	556
Amortisation of intangible assets	**2,249**	1,643
Reversal of impairment of fixed assets	**(2,339)**	(1,700)
Fair value (gain)/loss on investment properties	**(386)**	164
Loss on disposal of fixed assets	**2,835**	1,512
Share of results of associates and a joint venture	**(2,657)**	(1,761)
Interest income	**(14,643)**	(6,582)
Interest expense	**16,012**	16,263
	336,474	307,459
Change in working capital:		
Inventories	**(115,601)**	(103,536)
Balances on construction contracts, net	**102,375**	(41,802)
Trade and other receivables	**(330,047)**	(129,878)
Trade and other payables	**168,461**	417,283
Cash generated from operations	**161,662**	449,526

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

	2006	2005
Net book amount	**2,985**	4,911
Loss on sale of fixed assets	**(2,835)**	(1,512)
Proceeds from sale of fixed assets	**150**	3,399

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

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

	2006	2005
Cash at bank and in hand	**548,523**	648,924
Bank deposits with original term of less than three months	**122,114**	191,256
	670,637	840,180

The effective interest rate per annum on cash at bank as at 31 December 2006 was 0.72% to 2.50% (31 December 2005: 0.72% to 1.44%).

The effective interest rate per annum on bank deposits with original terms of less than three months as at 31 December 2006 was from 1.62% to 4.06% (31 December 2005: from 0.72% to 4.37%).

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

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. COMMITMENTS – GROUP

(a) Capital commitments

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

	2006	2005
Fixed assets		
Contracted but not provided for	6,253	4,380

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

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

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

	2006	2005
Not later than 1 year	42,172	34,928
Later than 1 year and not later than 5 years	207,446	174,642
Later than 5 years	642,046	586,613
	891,664	796,183

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. COMMITMENTS – GROUP *(continued)*

(c) Operating lease for land and buildings

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

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

	2006	2005
Not later than 1 year	**3,152**	2,886
Later than 1 year and not later than 5 years	**3,604**	5,304
Later than 5 years	**7,388**	872
	14,144	9,062

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS

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

a) Related-party transactions

i) Revenue

	2006	2005
Material logistics services:		
- fellow subsidiaries	**379,907**	967,885
- fellow associates	**44,708**	54,321
	424,615	1,022,206
Expressway service zones:		
- fellow subsidiaries	**7,783**	508
- fellow associates	**389**	342
	8,172	850
Transportation intelligence services:		
- fellow subsidiaries	**379,070**	397,812
- fellow associates	**27,284**	29,098
	406,354	426,910
Others:		
- fellow subsidiaries	**2,819**	1,645
- fellow associates	**34**	—
	2,853	1,645
Total	**841,994**	1,451,611

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

ii) Purchase of materials and services

	2006	2005
Purchases of materials:		
- fellow subsidiaries	**165,415**	228,179
- fellow associates	**43,217**	25,211
	208,632	253,390
Purchases of services:		
- Management fee for collection of toll income to fellow associates	**4,000**	4,231
- License fee paid to a fellow subsidiary	**1,166**	998
- Construction services		
- fellow subsidiaries	**9,903**	17,958
- fellow associates	**969**	—
	10,872	17,958
	16,038	23,187
	224,670	276,577

	2006	2005
iii) Lease of office buildings and warehouse from a fellow subsidiary	**1,817**	2,118
iv) Sub-contracting fee in for management of expressway service zones		
- fellow subsidiaries	**52,894**	22,591
- fellow associates	**83**	720
	52,977	23,311
v) Key management compensation		
- Salary	**5,359**	4,149
- Discretionary bonuses	**500**	1,991
- Employer's contribution to pension scheme	**242**	197
	6,101	6,337

vi) In 2006, the Group purchased 30% equity interest in Guangdong Feida Traffic Engineering Company Limited from a fellow subsidiary at a consideration of RMB11,200,000.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

b) Balances with related parties

	2006	2005
Due from customers on construction contracts (Note 15)	**55,433**	183,518
Due to customers on construction contracts (Note 15)	**51,060**	39,118
Due from related parties (Note 16)		
- Trading nature	**428,485**	642,757
- Non-trading nature	**28,203**	26,488
	456,688	669,245
Due to related parties (Note 19)		
- Trading nature	**129,174**	66,078
- Non-trading nature	**4,411**	16,038
	133,585	82,116

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

Other receivables and payables from/to related parties as at 31 December 2006 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”).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. 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-border transportation service, the Group is unable to determine the aggregate amount of such transactions for disclosure. Therefore, the revenue disclosed below does not include the retail sales to, toll income and transportation income from related parties. Management believes that meaningful information relative to related party balances and transactions has been adequately disclosed.

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

	2006	2005
Revenue:		
- Material logistics services	**1,064,717**	1,267,870
- Expressway service zones	**146,806**	149,254
- Transportation intelligence services	**71,875**	25,639
- Cross-border transportation services	**1,204**	5,432
- Others	**14,298**	7,302
	1,298,900	1,455,497
Purchase of materials	**1,438,723**	2,372,396
Purchase of fixed assets	**2,852**	8,267
Purchase of services	**21,953**	31,804
Interest income from state-owned banks	**14,207**	4,318
Interest expense to state-owned banks	**16,012**	16,263

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

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

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

	2006	2005
Due from Other State-owned Enterprises included in:		
- Due from customers on construction contracts	**65,988**	49,823
- Trade receivables	**250,831**	153,336
- Other receivables	**27,667**	16,611
- Prepayments	**196,306**	401,131
	540,792	620,901

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

	2006	2005
Due to Other State-owned Enterprises included in:		
- Due to customers on construction contracts	**2,449**	8,104
- Trade payables	**90,206**	140,057
- Bills payables	**468,967**	480,096
- Other payables	**30,899**	99,213
- Advance from customers	**211,136**	113,560
	803,657	841,030

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

	2006	2005
Bank deposits in state-owned banks	**637,136**	782,237
Bank borrowings from state-owned banks	**140,000**	139,929

32. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2006 (2005: Nil).

33. EVENTS AFTER THE BALANCE SHEET DATE

The New Corporate Income Tax Law (the "New CIT Law") was passed by the National People's Congress of Mainland China on 16 March 2007. The New CIT Law will take effect on 1 January 2008.

Basically the New CIT Law provides that all enterprises established in Mainland China shall be subject to the statutory corporate income tax rate of 25 percent. However, the New CIT Law also provides for preferential tax rates and other tax incentives for prescribed industries and activities to be promulgated by the State Council of Mainland China (the "State Council").

In addition, according to the transitional measures under the New CIT Law, where an old enterprise (which was approved to establish before the announcement of the New CIT Law) was entitled to reduced tax rates according to the current tax laws and regulations, the tax rate may be gradually increased to the tax rate as prescribed in the New CIT Law within 5 years after its enforcement, pursuant to the rules to be stipulated by the State Council. Where the old enterprise has been entitled to preferential treatments in the form of tax holiday, it may continue to enjoy the tax holiday until the tax holiday expires pursuant to the rules stipulated by the State Council; or where it has not yet triggered the tax holiday due to accumulated loss position, the periods of tax holiday shall begin from the year of the enforcement of the New CIT Law.

Up to the financial statements approval date, there are no further details announced by the State Council.

The Group will evaluate the impact of the New CIT Law on the operating results and the financial position of the Group upon enactment of the New CIT Law and more detailed regulations are announced.