廣東南粵物流股份有限公司

Guangdong Nan Yue Logistics Company Limited*

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

(Stock Code: 03399)

2010 ANNUAL REPORT

* For identification purposes only

CONTENTS

COMPANY PROFILE

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

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

The goal of the Company is to establish itself as a modern logistics enterprise of international standard, which delivers first-class services to customers and provides good returns to shareholders of the Company ("Shareholders"). To achieve its business objective, the Company will strive to continuously improve its management system and to enhance its operations in order to meet the market demand.

CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

Guangdong Nan Yue Logistics Company Limited

STOCK CODE

03399

REGISTERED OFFICE

8th Floor
No.1731-1735 Airport Road
Guangzhou
The PRC

PLACE OF BUSINESS IN HONG KONG

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

BOARD OF DIRECTORS

Executive Directors

Liu Hong
Wang Weibing
Deng Chongzheng
Lu Maohao
Zeng Gangqiang

Non-Executive Directors

Cao Xiaofeng
Lu Yaxing
Zheng Renfa
Cai Xiaoju
Chen Guozhang (resigned on 25 June 2010)
Cai Conghua (appointed on 25 June 2010)

Independent Non-Executive Directors

Gui Shouping
Liu Shaobuo
Peng Xiaolei

COMPANY SECRETARY

Fung Hon Tung

AUTHORISED REPRESENTATIVES

Wang Weibing
Deng Chongzheng

AUDITOR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China CITIC Bank
Shanghai Pudong Development Bank

LEGAL ADVISER

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

MAJOR EVENTS

JANUARY 2010

- Guangdong Xinyue Communications Investment Company Limited ("Guangdong Xinyue"), a subsidiary of the Group, won the J7 contract for procurement, installation and integration of the electrical and mechanical systems of Lianzhou-Fengbu section of the expressway improvement project of Qingyuan-Lianzhou Expressway of approximately RMB18.54 million.

- Guangdong Xinyue won the BSD1 electrical and mechanical project of Chongqing-Yichang Expressway in Chongqing of approximately RMB35.52 million.

FEBURARY 2010

- The 17th extraordinary meeting of the third session of the Board of Directors of the Company was held to approve the resignation of Mr. Lu Maohao as the chairman of the Board and to elect Mr. Liu Hong as the chairman of the Board.

- The Yum! Restaurants China opened its first restaurant in the expressway service zone in Guangdong. A Kentucky Fried Chicken Restaurant was opened in Liangjinshan Service Zone managed by Guangdong Top-E Expressway Service Zone Company Limited ("Top-E"), a subsidiary of the Group.

- Top-E was granted the right to manage the service zones along Zhanjiang-Xuwen Expressway.

- The Hengshishui Service Zone in Guangshao section of Beijing-Hong Kong-Macau Expressway (G5) managed by Top-E was opened for business.

- A supply contract of RMB1.08 billion was entered into by the Company, Guangdong Changda Highway Engineering Company Limited and 6 other enterprises participating in project Boshen（博深項目）.

MARCH 2010

- Guangdong Xinyue was awarded the "China's Top 10 Electrical and Mechanical System Provider for Expressways in 2010 "in the "Twelfth Seminar and Exhibition of Application of Information Technology in National Expressway Management" organized by China Highway Association.

- Top-E was granted the right to manage the Moyangjiang Service Zone along Yangjiang-Yangchun section of Yangjiang-Yunfu Expressway.

MAJOR EVENTS

APRIL 2010

- The 2009 Board Meeting was held to approve the publication of the annual results for the year ended 31 December 2009. Revenue of the Group for 2009 was approximately RMB6,209,831,000, representing a decrease of approximately RMB1,470,948,000 or 19% from 2008. Loss attributable to equity holders of the Company for 2009 was approximately RMB190,399,000. Loss per share attributable to equity holders of the Company for 2009 was RMB0.46 per share. The Board of the Company did not recommend the payment of any dividend for the year ended 31 December 2009. The Board of the Company recommended the payment of a first interim dividend for 2010 of RMB0.098 per share (before tax).

- The 2009 annual meeting of Supervisors was held in Hong Kong.

- Guangdong Xinyue and Guangdong Zhaoyang Expressway Limited（肇陽高速公路有限公司）entered into the contract for E1 section of Yangjiang-Yangchun section of Yangjiang-Yunfu Expressway with a contract value of RMB38.30 million.

- Guangdong Xinyue won a tender of approximately RMB66.72 million for the electrical and mechanical project of the BDS4 section of the highway from Shuikou of Guizhou (at the junction of Guangxi and Guizhou) to Gelong of Rongjiang, and from Gelong of Rongjiang to Duyun.

- A supply contract of RMB420 million was entered into by the Company for Project Zhanxu.

- A supply contract of RMB170 million was entered into by the Company with Guangdong Guanyue Highway & Bridge Company Limited and two other participants of Yangyang Project（陽陽項目）.

MAY 2010

- Guangdong Feida Traffic Engineering Company Limited ("Guangdong Feida") won a tender of approximately RMB67.78 million for the electrical and mechanical systems for the southern section of Guangzhou Outer Circular Road connecting to national highway.

- Phase one of Guangdong Nanyue Logistics Storage Centre Wharf was completed.

- A steel bar supply contract of RMB210 million was entered into by the Company and Guangming Expressway Co., Ltd.（廣明高速公路有限公司）for Guangming Expressway (Guangzhou section).

MAJOR EVENTS

JUNE 2010

- The Annual General Meeting was held and 10 resolutions were passed to approve the amendments to the Articles of Association of the Company, the payment of the first interim dividend for 2010,the re-election of the Board of Directors and Supervisors and the revision of the annual cap of the continuing connected transactions under a logistics services agreement for the year 2010.

- Shunde Service Zone and Kuidong Service Zone managed by Top-E were opened for business.

- A contract of RMB34.83 million for the construction of traffic safety facilities for the section (AJA1 section) of Xiamen-Chengdu Expressway between Shuikou of Guizhou (at the junction of Guangxi and Guizhou) and Rongjiang Gelong was entered into between Guangdong Xinyue and Guizhou Expressway Development Corporation（貴州高速公路開發總公司）.

- A contract of RMB69.82 million for the construction of traffic safety facilities for Jiangmen-Zhaoqing Highway (JA2 section) in Guangdong was entered into between Guangdong Xinyue and Guangdong Provincial Freeway Co., Ltd.

- Guangdong Xinyue won a tender of approximately RMB19.43 million for the procurement of traffic signal control system of Asian Games for the Police Department of Guangzhou.

- A supply contract of RMB190 million for South Circular Road（南環項目） was entered into among the Company, Zhongtai Construction Group Co., Ltd. and seven other parties.

JULY 2010

- A management contract of RMB22.94 million for the management of the Danzao Service Zone in the southern section of West 2nd Outer Circular Road of Guangzhou was entered into between Top-E and Branch of Southern Section of West 2nd Outer Circular Road（西二環南段分公司） of Guangdong Provincial Highway Construction Company Limited.

- A contract of RMB28.89 million for the construction of the traffic safety facilities of the southern section of the Outer Circular Road of Guangzhou connecting to national highway (Contract 2 Section) was entered into between Guangdong Xinyue and Branch of Southern Section of the Outer Circular Road（南環段分公司）of Guangdong Provincial Highway Construction Company Limited .

MAJOR EVENTS

AUGUST 2010

- A Board meeting was held to approve the 2010 interim results. The revenue of the Group for the six months ended 30 June 2010 was approximately RMB2,777,432,000, representing an increase of approximately RMB226,964,000 or 9% as compared to the same period in 2009. Profit attributable to equity holders of the Company for the six months ended 30 June 2010 was approximately RMB38,569,000, representing an increase of approximately RMB16,361,000 or 74% as compared to the same period in 2009. As at 30 June 2010, basic earnings per share was RMB0.09. The Board did not recommend the payment of interim dividend for the six months ended 30 June 2010.

- Xiaoyaokou parking zone（逍遙口停車區）managed by Top-E was opened for business.

- A contract of the operation of a fast food restaurant in Wayaogang Service Zone was entered into by Top-E and Guangdong Sanyuan McDonald's Food Co., Ltd.

- A contract for the operation of a fast food restaurant in Yangjiang Service Zone was entered into by Top-E and Guangdong Sanyuan McDonald's Food Co., Ltd.

SEPTEMBER 2010

- A contract for the management of 24 highway petrol stations was entered into between Top-E and the Guangdong branch of China Petrochemical Corporation.

- A contract of the operation of petrol station in Leliu Service Zone in South 2nd Circular Road (G1501) of Guangzhou was entered into between Top-E and the Guangdong branch of China Petrochemical Corporation.

- A contract of the operation of petrol station in Shunde Service Zone in Taiyuan-Macau Highway (S43) was entered into between Top-E and the Guangdong branch of China Petrochemical Corporation.

- A contract of the operation of petrol station in Moyangjiang Service Zone of the Yangjiang-Yangchun section of Luoding-Yangcun Highway (S51) was entered into between Top-E and the Guangdong branch of China Petrochemical Corporation.

- A contract of the operation of petrol station in Chengyue Service Zone of the Zhanjiang-Xuwen section of Shenyang-Haikou Highway (G15) was entered into between Top-E and the Guangdong branch of China Petrochemical Corporation.

- A contract of the operation of petrol station in Longmen Service Zone of the Zhanjiang-Xuwen section of Shenyang-Haikou Highway (G15) was entered into between Top-E and the Guangdong branch of China Petrochemical Corporation.

- Top-E was granted the right to manage the service zones along Jiangmen-Zhaoqing Expressway.

- Guangdong Xinyue won the tender for the development and implementation of comprehensive highway network management system under the information technology improvement program of Guangdong in 2010 and received RMB2 million subsidy from the provincial government of Guangdong.

- The automatic card issuing machine developed by Guangdong Xinyue has passed the inspection of National Traffic Safety Facilities Supervision & Inspection Centre and has obtained its product inspection report.

- The Guangdong Nanyue Logistics Storage Centre Wharf has passed the inspections for completion.

- A supply contract of RMB350 million was entered into among the Company, Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. and 3 other parties of the Shanjie Project（汕揭項目）.

- A preliminary supply contract of RMB210 million was entered into among the Company, No. 5 Engineering Group Co., Ltd. of China Railway 16th Bureau Group Co., Ltd.（中鐵十六局集團第五工程有限公司）and 12 other parties of Guangle Project（廣樂項目）.

OCTOBER 2010

- The Board of Directors have passed a resolution to approve the renewal of annual caps for continuing connected transactions.

- Jiangcheng Service Zone managed by Top-E was opened for business.

- The northern part of Fogang Service Zone in Guangshao Section Beijing-Hong Kong-Macau Expressway (G5) managed by Top-E was opened for business.

- A contract of RMB24.21 million for the improvement of traffic safety facilities of Contract AQ2 section of Wenchuan-Barkam section of National Highway 317 was entered into between Guangdong Xinyue and Sichuan Xingshu Road Construction and Development Company Limited（四川興蜀公路建設發展有限公司）.

- Guangdong New Way Advertising Company Limited (“New Way Advertising”), a subsidiary of the Group, was recognized as a “1st Class Advertising Company of Guangdong” by Advertising Association of Guangdong Province（廣東省廣告協會）.

- The XY-VR-301 vehicle licence plate recognition device developed by Guangdong Xinyue has passed the inspection of National Traffic Safety Facilities Supervision & Inspection Centre with high successful rate of 98.2% and has obtained its product inspection report.

- The Guangdong Nanyue Logistics Storage Centre Wharf has passed the environmental impact assessment and was approved for trial operation.

MAJOR EVENTS

NOVEMBER 2010

- An extraordinary general meeting of the Company was held to pass the resolutions for the acquisition of the entire equity interests in Guangdong Province Transportation Engineering Company Limited.
- A contract of RMB25.34 million for the management of the service zones of Guangzhou-Yunfu Highway was entered into between Top-E and Yunfu Guangyun Expressway Company Limited（雲浮市廣雲高速公路有限公司）.

DECEMBER 2010

- A contract of the operation of Kungfu Restaurants in the Wayaogang Service Zone of Beijing-Zhuhai Expressway was entered into between Top-E and Kungfu Catering Management Co., Ltd.（廣州真功夫快餐連鎖管理有限公司）.
- The Leliu, Moyangjiang, Longmen, Chengyue and Baisha Service Zones managed by Top-E opened for business.
- The Motor Transport Company of Guangdong and Hong Kong Limited, a subsidiary of the Group, won the tender for the management of Austin Road Cross-Boundary Coach Terminus in Hong Kong and strengthened its market position in cross-border passenger transportation.
- A preliminary supply contract of RMB270 million was entered among the Company, Guangxi Road & Bridge Construction Co. Ltd and 16 other parties of Guangle Project（廣樂項目）.
- The Guangdong Nanyue Logistics Storage Centre Wharf has passed the special inspection by the Marine Department of Dongguan（東莞海事局）and has submitted application for approval of trial operation to the Port Authority of Dongguan（東莞市港航管理局）.

FINANCIAL HIGHLIGHTS

	2010 RMB'000	2009 RMB'000	Change
Results highlights			
Turnover			
Material logistics	**4,499,893**	4,697,526	-4.21%
Expressway service zones	**447,195**	414,307	7.94%
Transportation intelligence	**774,188**	739,242	4.73%
Cross-border transportation	**261,578**	248,018	5.47%
Tai Ping Interchange	**129,360**	110,738	16.81%
Total turnover	**6,112,214**	6,209,831	-1.57%
Gross profit			
Material logistics	**199,316**	283,264	-29.64%
Expressway service zones	**107,830**	129,214	-16.55%
Transportation intelligence	**107,550**	106,522	0.97%
Cross-border transportation	**41,177**	50,110	-17.83%
Tai Ping Interchange	**106,389**	89,066	19.45%
Total gross profit	**562,264**	658,176	-14.57%
Other income	**28,542**	42,455	-32.77%
Selling expenses	**(114,301)**	(162,356)	-29.60%
Administrative expenses	**(282,350)**	(733,861)	-61.53%
Other operating expenses	**(6,918)**	(6,572)	5.26%
Operating profit/(loss)	**187,237**	(202,158)	N/A
Finance costs	**(28,952)**	(34,468)	-16.00%
Share of results of associates and joint ventures	**2,342**	1,735	34.99%
Profit/(loss) before income tax	**160,627**	(234,891)	N/A
Income tax (expense)/benefit	**(42,091)**	57,951	N/A
Profit/(loss) for the year	**118,536**	(176,940)	N/A
Minority interests	**(6,534)**	(13,459)	-51.45%
Profit/(loss) attributable to equity holders of the Company	**112,002**	(190,399)	N/A
Basic earnings per share (RMB)	**0.27**	(0.46)	N/A

FINANCIAL HIGHLIGHTS

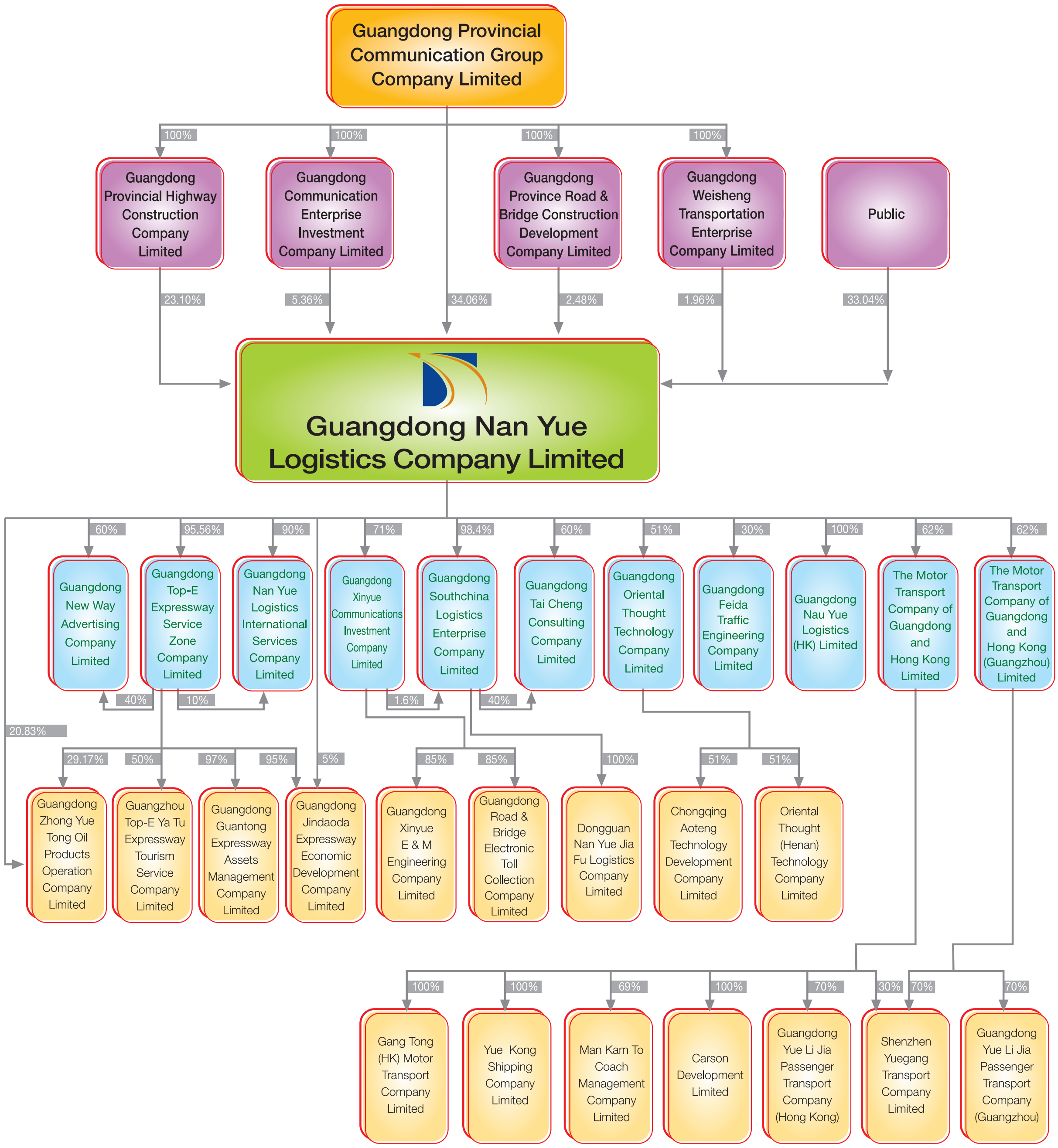
	2010 RMB'000	2009 RMB'000	Change
Results highlights			
Total assets	**4,303,739**	4,500,689	-4.38%
Total net assets	**1,379,515**	1,312,408	5.11%
Shareholders' equity of the Company	**1,184,695**	1,116,127	6.14%
Net assets per share attributable to equity holders of the Company (RMB)	**2.84**	2.67	6.37%
Ratios			
Gross profit margin (%)	**9.2%**	10.6%	
Debt to equity ratio (%)	**0.0%**	0.0%	
Current ratio (times)	**1.2**	1.2	

Gross profit margin = Gross profit/Turnover

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

Current ratio = Total current assets/Total current liabilities

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

I take this opportunity to present a review of the business activities of the Group in 2010 and an outlook of our future development.

RESULTS AND DIVIDENDS

For the year ended 31 December 2010 (the "Year"), turnover of the Group amounted to RMB6,112 million (2009: RMB6,210 million), representing a decrease of 2% over the corresponding period for the year 2009. Profit attributable to Shareholders was RMB112 million (2009: Loss attributable to Shareholders was RMB190 million). Basic earnings per share was RMB0.27 (2009: Basic loss per share was RMB0.46).

As at 31 December 2010, total assets and net current asset value of the Group were RMB4,304 million (2009: RMB4,501 million) and RMB516 million (2009: RMB475 million) respectively, representing a decrease of 4.38% and an increase of 8.63% respectively as compare to 31 December 2009.

DIVIDENDS

On 25 June 2010, the Board recommended the payment of the first interim dividend of 2010 of RMB0.098 per share (pre-tax), aggregating to RMB40,929,000. On 23 March 2011, the Board recommended the payment of the final dividend of 2010 of RMB0.066 per share (pre-tax), aggregating to RMB27,560,000. Such dividend is subject to approval by the shareholders at the annual general meeting ("AGM") to be held on 8 June 2011.

Upon approval, the final dividend will be paid to the holders of H shares whose names appear in the H share register of members of the Company on Friday, 6 May 2011 at 4:30 p.m.. According to the Law on Enterprise Income Tax of the People's Republic of China and its implementing rules which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company. Any H shares registered in the name of the non individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations shall be deemed as shares held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax.

BUSINESS REVIEW

In 2010, the final year of the Eleventh Five-Year Plan, China's economy maintained its growth momentum. With the positive structural change of the driving forces, its economic growth was jointly led by market-driven investment, consumption and export. China's excess liquidity had surfaced in 2010 after the implementation of the moderate quantitative easing policy and proactive financial policy for nearly two years for coping with the financial crisis. Inflation control became the focus of the austerity policy in the second half of 2010. Construction projects of the expressway industry in Guangdong, which are connected with every aspect of the Group's business, were accelerated in 2010. Of which, 9 projects were completed by GCGC during 2010, with the traffic mileage totaling 473 km. As such, the Group's expressway-related businesses also recorded growth.

In respect of material logistics in 2010, the Group (1) capitalized on its advantages in the asphalt warehouse and storage sites to establish a transit base in Guangdong, and promoted the development of further processing of asphalt; (2) provided materials for expressways including Jiangzhao Expressway, Yangyang Expressway, Zhanxu Expressway, Shanjie Expressway and Nanhuan Expressway. A total of approximately 2,340,000 tonnes of cement, 560,000 tonnes of steel and 310,000 tonnes of asphalt were supplied during the year; (3) substantially completed the construction of the Guangdong Nanyue Logistics Storage Centre Wharf and commenced the trial operation of the terminal.

In respect of its expressway service zones in 2010, the Group captured the opportunity arising from a number of major expressway construction projects. Efforts were mainly devoted to (1) expanding its market shares to enable further increase in operating results of its petrol stations; (2) implementing innovative business strategies and adopting professional and specialized retail network operations. Various measures were taken, such as reducing procurement cost, implementing new pricing strategy, diversifying sales channels, enhancing the quality of delivery services and regulating the management of stores. In addition, it strived to establish the brand image of "Le Relay" and rebuild the brand image of the stores; (3) strengthening the efficiency of resources network within its service zones. Its business service platform was established for further business expansion. Renowned brand names, such as KFC, were successfully introduced to the service zones with 40 investment projects completed; (4) making full use of the operation potential of car maintenance business. It also carried out the operational mode which combined internal contract with franchised dealership for car maintenance projects; (5) taking the initiative in participating in provincial market competition for landscaping as well as exploring markets outside the province where it operated. Revenue from landscaping business realized stable growth in 2010; (6) achieving economies of scales in advertising operation through overall planning and efficient integration of advertising resources; and (7) increasing investment in software and hardware of the CSE (Cleanliness, Safety and Environment) platform. With regulated management mode and working process, business skills and overall management standards of the service zones were improved.

As for transportation intelligence services, the Group exerted efforts to: (1) complete projects under construction including electrical and mechanical projects and safety facilities projects in 2010 to ensure the construction projects are duly completed with satisfactory quality; (2) actively develop its market shares. It won 28 tenders for electrical and mechanical projects with an aggregate value of approximately RMB203 million. As for safety facilities, it won 11 tenders with an aggregate value of RMB235 million; (3) strengthen scientific research management to maintain the technology advantage in the area of expressway transportation intelligence in order to provide technological support and create new sources of profit growth for the Company.

For cross-border transportation services, the Group (1) won the tender for cross-border bus terminuses, which strengthened its competitive edge in cross-border passenger transport; (2) developed new medium-to-long distance passenger transportation routes and increased the frequency of the existing routes; (3) revitalized the existing vehicle resources. While satisfying the operation needs of the routes, the Group exerted great efforts in developing charted vehicle business to enrich the Company's service portfolio; (4) adjusted its structures closely in line with the changes of the markets to maintain a steady increase in cross-border freight business; (5) endeavoured to establish its sales network and achieved steady development in business travel operations.

OUTLOOK AND STRATEGIES

In 2011, with lingering inflation pressure, China will manage to maintain its economic growth at a healthy pace. Emphasis of the fiscal policies will be on the restructuring of the economy while monetary policies will remain at a balanced position to ease the expectation of inflation. According to the Twelfth Five-Year Plan, national expressways and provincial expressways are designated as the core of the expressway construction in Guangdong to facilitate the establishment of a convenient expressway network in the Pearl River Delta Region accessible to every county with reasonable layout and satisfactory services. The Guangdong government targets to have the Guangdong expressways with the length of approximately 5,500 kilometres opened to traffic in 2012. As 2011 is the beginning year of the Twelfth Five-Year Plan, the investment and construction of expressways in Guangdong are expected to continue their rapid development momentum. Nevertheless, the growth will slow down. In 2011, the Group's development targets include: to integrate the existing business segments for capitalizing on their synergy effects and achieving mutual development; and to strive for better asset and operation management.

1. Material logistics services

— Strengthen the professional management of material logistics services business, and enhance the efforts in expanding its market and the collection of market information. It will also actively participate in the material supply for major construction projects in the province to increase its market share.

— Further facilitate the progress of the construction of Guangdong Nanyue Logistics Storage Centre. It will continue to optimize the management of asphalt storage and launch the research and development of asphalt processing. It will also strive to commence operation of terminals for the launch of its warehouse, transit and sales businesses.

— Expand its coverage to the industrial steel and wood markets by capitalizing on Guangdong Nanyue Logistics Storage Centre. It will establish an integrated logistics network covering railway, waterway and highway in order to take the logistics business to a new level.

2. Expressway service zones

— Carry out the business of petrol stations through efficient planning, construction and licence registration for new petrol stations. It will also excavate petrol station resources to achieve better results.

— Establish a business service platform and an organized market research and analysis system of customer needs in order to facilitate the business planning and reasonable layout of service zones.

— Establish the brand of convenient store, continue to enhance the internal operation capability and promote the brand of "Le Relay". It will also enhance internal professional management of products variety, pricing, promotion, services, procurement and distribution. It will unify brand image for more effective brand promotion. A special team for store expansion will be set up to actively explore the expansion strategy for passenger terminals and business in tier 2 and 3 cities/towns where existing stores will be expanded.

— Develop integrated media resources to promote the establishment of a large-scale expressway advertising network. It will also enhance the system of media agencies and promote the use of sales management system of resources.

— Enhance CSE (Cleanliness, Safety and Environment) management to establish a unified inspection standard and operation guideline of CSE. A circulation mechanism of implementation, supervision, feedback and revision will be set up for the CSE standard system.

— Launch the expansion of new business and identify new profit growing point.

3. Transportation intelligence services

— Exert efforts in scientific research and maintain the leading position of information transmission of expressways of the Group in Guangdong and southern China.

— Upgrade the inter-road network toll collection and inter-road network supervision software system based on new inter-road network toll collection and supervision standards.

— Further develop the repair and maintenance service platform for electrical and mechanical systems of expressways. It will also enhance electrical and mechanical maintenance service and traffic information service of expressways to better facilitate expressway construction, operation and maintenance management.

— Carry out business transformation and shift its operation focus from tender projects to electrical and mechanical maintenance projects. By exerting greater efforts in the maintenance projects in the province, its maintenance scale will be expanded.

— Strive to obtain special projects such as electrical and mechanical transformation in the province.

— Enhance the research and development and promotion of its products and software to expand product markets. Aside from establishing an all-round information platform for the businesses of material logistics services and expressway service zones, it will also explore the business of the "Internet of Things" to consolidate and increase its market shares.

4. Cross-border transportation services

— Introduce innovative operation model to increase the transportation capacity. It will adjust the operation strategy of short-haul passenger transport to provide transit services for high speed rail and light rail for the avoidance of direct competition. It will also launch routes connecting Hong Kong directly for citizens of Shenzhen or commercial districts to increase short-haul transport business. The feasibility of individual transport and provision of point-to-point service will be examined.

— Carry out market expansion through the development and expansion of business travel operations and the launch of more new routes. The Austin Road Coach Terminus will be well utilised. The "Fly via Shenzhen" project is a major service project launched by the Shenzhen government. Through designating the terminus as an off-site departure lounge of Shenzhen Airport, this project can effectively expand the business coverage of Shenzhen Airport and will facilitate the development of the service industry of Shenzhen. It will also promote the business of car rental and travel operation of the Group and will be favourable for the coach services provided for the third terminal of Shenzhen Airport.

— Enhance brand promotion and marketing of the service brand, "Best in Guangdong and Hong Kong (粵港第一家)", by launching corporate image design and completing the design of vision identification ("VI") system.

— Speed up the application of inter-network ticketing system by capitalizing on the development of handheld ticketing machines in order to facilitate travellers' ticket purchase and reduce counterfeit tickets.

Yours faithfully,

Liu Hong
Chairman

Guangzhou, the PRC
23 March 2011

BUSINESS REVIEW

As at 31 December 2010, the four main businesses of the Group are categorized as below:

(i) Material logistics services;

(ii) Expressway service zones;

(iii) Transportation intelligence services; and

(iv) Cross-border transportation services.

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

Material logistics services

In 2010, the Group has maintained distinct terms of reference, clear workflow and accurate information for its material logistics services by optimizing the management process and structure as well as enhancing the risk control mechanism. During the year, the cement, steel and asphalt supplied by us were approximately 2,340,000 tonnes, 560,000 tonnes and 310,000 tonnes respectively. As at the end of December 2010, projects for material supply of the Group, including Jiangzhao Expressway, Yangyang Expressway, Zhanxu Expressway, Shanjie Expressway and Nanhuan Expressway, have been delivered on time.

The Group has established a new business model for asphalt products with Guangdong Nanyue Logistics Storage Centre and enhanced the maintenance and management of its equipment to ensure all equipment can satisfy the demand of its asphalt logistics business. The Guangdong Nanyue Logistics Storage Centre Wharf has been substantially completed and trial run is being commenced. The Group's application for environmental protection project of modified asphalt production lines has been approved by the Environmental Protection Bureau of Dongguan, Shatian Branch and was submitted to the Environmental Protection Bureau of Dongguan for further review and approval. The Group is dedicated to establishing a transit base for steel products and asphalt in Guangdong by capitalizing on the advantages of asphalt warehouses and terminals.

The Group has also enhanced the communication and relationship with its suppliers. The Group strived to improve the timely material supply from suppliers by organizing special seminars and conducting events, such as campaign of "Outstanding Manufacturer and Supplier (優秀生產廠家和供應商)".

To further secure a stable material supply, the Group has also established a contingency mechanism, which has played an important role when emergencies occur during the process of material supply. For example, the contingency plan was activated to avoid a delay of material supply when water transportation for concrete was affected by the drought in southwestern China and the production capacity downturn of manufacturers due to the power limits of certain regions.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's material purchase has adopted a standardized management, which can guarantee timely purchase and overall control of risks. The prepayment of purchase has been limited within the cap determined in accordance with the business scale to ensure that capital risks have always been maintained under the control of the Group. As for significant and long term material manufacturers, the Group has conducted on-site inspection 24 hours a day during the term of purchase agreement to monitor the entire purchase process and to make prompt response accordingly.

To better control operating costs, the Group also adjusted its internal audit of material logistics business and the auditing staff conducted audit works in respect of each process.

Expressway service zones

In 2010, as for expressway service zones business, the Group has realized substantial economic effectiveness by enhancing its overall internal management and operation and grasping the opportunity of the rapid growing market of expressway construction.

The petrol station business of the Group has been on an upward track. In particular, the Group and Sinopec Guangdong Company have entered into a cooperation agreement for 24 pairs of petrol stations in expressway service zones in the next five years and a subcontracting agreement for operating petrol stations on new expressways in 2010, securing the economic benefits of petrol stations in the next few years. Moreover, the Group has actively expanded its petrol station business which are not owned by GCGC, and has successfully completed a tender and entered into a contract in respect of Shunde petrol station.

The Group has also focused on establishing a brand new image of convenient stores under the brand "Le Relay", laying a solid foundation for expanding its market.

The Group has established a business service platform to attract investments. It has subsequently introduced 40 investment projects throughout the year, including catering chain brands such as "KFC", "Shenzhen Haokoufu (深圳好口福)", "Xiaoyuanman (小圓滿)" and "Zhengongfu (真功夫)".

The Group has duly adjusted the business model of its car maintenance business and broadened its potential by outsourcing certain car maintenance businesses. As such, the Group has recorded a steady growth in its car maintenance business in 2010.

In order to enhance its competitiveness in landscaping business, the Group has taken the initiative in participating in provincial market competition for landscaping as well as exploring markets outside the province where it operated. The Group has completed the landscaping and maintenance projects of four parts of Shaogan Expressway (韶贛高速四標段), Guiyang Monte Carlo phase 1, Jiangzhao Expressway, Hengshishui (the southern part of Beijing-Zhuhai Expressway) (京珠高速南横石水) and Fogang service zone (佛岡服務區). The Group also proactively participated in the tender of landscaping projects.

The Group has made substantial improvements in respect of commercial land transformation construction business by completing the transformation projects in Liangjinshan (梁金山) and Dongsheng (東升) service zones and commencing the design of Yangjiang (陽江) service zone. The maintenance work of infrastructures has been carried out on schedule and improved the environment for overall operation environment and conditions.

The Group has actively acquired the operating rights of service zones, and has obtained the operating rights of Nan Erhuan Expressway (南二環高速), Yangyang Expressway (陽陽高速), Zhanxu Expressway (湛徐高速) service zone, Phase II of the Guangzhou — Zhuhai West (廣珠西線二期) and Jiangzhao Express (江肇高速) service zone. The Group has also entered into subcontracting agreements in respect of Danzao (丹灶) and Antang (安塘) service zones.

Transportation intelligence services

During 2010, the Group has ensured sustainable development of its transportation intelligence services by integrating its resource and maintaining its existing technical competitiveness.

The Group completed construction projects in a timely manner with satisfactory quality and quantity. In 2010, there were 23 electrical and mechanical projects and nine safety construction projects in progress, among which two electrical and mechanical projects were outside Guangdong and located in Guizhou and Chongqing, three safety construction projects were outside Guangdong and located in Chongqing, Anhui and Guizhou; and four Asian Games Transportation projects have been completed as scheduled. As for the management system projects, the Capability Maturity Model Integration ("CMMI") ML3 system was fully implemented in the Hong Kong-Zhuhai-Macau Bridge Project. The system strictly monitored each process of the project and reduced risks and cost of research and development. As the system facilitated the establishment of management model of the project and ensured satisfactory management efficiency, the project was carried out smoothly.

The Group participated in the market tenders actively and won 28 electrical and mechanical projects with a total value of approximately RMB203 million and 11 safety construction projects with a value of approximately RMB235 million, among which nine are located in Guangdong whereas two are outside the province.

The Group strengthened its scientific research management, and has always maintained a technical advantage in the field of transportation intelligence. In order to enhance the management of expressway and to provide technological support for a smooth traffic flow of expressways, the Group has continued the research and development of provincial monitoring network, and completed a comprehensive upgrade and the networking of 291 information panels in 23 sections of expressways. The Group has also completed the upgrade of anti-toll evasion system in northern Guangdong, the networking of the eastern section of Shenzhen-Shantou Expressway and expressways in eastern Guangdong (深汕東粵東), the upgrade and improvement of Green Toll (綠通) in Guangdong and collection of local toll in Zhongshan. The Group has also formulated a software upgrade proposal for the toll of GCGC expressway network, and completed the research and development of IC card management system of western Guangdong to optimize and enhance the management of IC card in various sections and regions.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has accelerated the upgrade of hardware products and improved the existing products, such as automatic card machines, license identification system, portable payment machines and vehicle controllers. Automatic card machines and licence identification system have passed the authorized inspection of quality inspection and testing centre under Ministry of Communications. Character adder (字元疊加器) and canopy lightings have passed the inspection of Guangdong Quality Inspection Institute (廣東省質檢站). Automatic card machines and ID station equipment (標識站設備) have passed the on-site testing of the owner of Guangzhou-Shenzhen Expressway. Products such as chassis of card machines have successfully passed patent certification.

The Group has also strived for the innovation of technology. In respect of project implementation, technical support, upgrade, research and development of products, reporting and conclusion of technology projects and application of intellectual property rights and patents, the Group acquired government-subsidized development projects, such as the project of "the development and implementation of highway network management system for sophisticated road networks (面向複雜路網的高速公路營運管理系統研發與推廣應用)" of the Economic and Information Commission of Guangdong Province, the project of "the technology research and development centre of collection of transport information and major construction in Guangzhou (廣州市交通信息採集與應用重點工程技術研究開發中心)" of the Guangzhou Scientific Information Bureau (廣州市科信局), the project of "the integrated information service platform for toll collection of regional expressway network (區域高速公路聯網收費綜合信息服務平臺)" of the Department of Communications of Guangdong Province and the project of "the supporting platform of standardized operation and maintenance management of transportation intelligence electrical and mechanical system (智能交通機電系統運維標準化管理服務支撐平臺)" of the Science and Technology Department of Guangdong Province. During 2010, the Group successfully applied for nine new intellectual property rights, including four software copyrights and five patents, to consolidate its leading position in monitoring and regulating technologies within the industry

Cross-border transportation services

For cross-border passenger transportation services, the increasing oil price, deflation of Hong Kong dollar, higher cost and lower freight offered by other companies in 2010 have adversely affected the cross-border passenger transportation services and mainland passenger transportation services. The situation was further aggravated by the temporarily closure and renovation of the Man Kam To Control Point. In the face of the challenging situation, the Group strengthened its management, optimized its business structure and explored new markets.

The Group has won the tender of Austin Road Coach Terminus for three times in a row and has been in charge of the operation of the terminus for 12 years since its opening. Against such a favourable backdrop of sustainable development of cross-border passenger transportation services, the Group secured its favourable position among cross-border passenger transportation corporations.

In respect of passenger transportation services, the Group increased the sales revenue of cross-border passenger transportation services with its innovative management. The Group has further expanded its business by creating new medium-to-long distance passenger routes including Shaoguan, Shunde, Zhuhai, Wuhua and Longchuan, to 32 routes covering 17 cities in the province. The Group has increased the frequency of the existing medium-to-long distance passenger routes and enhanced the management of each route by implementing a new measure of sub-section management to improve the unsatisfactory management as a result of increasing routes. Besides, the Group introduced handheld ticketing machines on a trial basis for travellers' convenience and to prevent counterfeit tickets. The Group also capitalizes on its existing transport resources for strengthening its route operation and developing charter business to diversify it service portfolio.

For freight business, the Group optimized its business structure closely in line with the market trend. It secured a steady development in freight business by active participation in tenders and attracted more long-term and large customers. Among which, customers with turnover of exceeding HK$1 million increased from 6-7 to 11-12 at present. In addition, the Group endeavored to raise the actual transportation rate and focused on the import from Hong Kong, resulting in a more efficient operation for its freight business.

For business travel operation, the Group expanded the sales network to open the market in Shenzhen and successfully obtained the "Fly via Shenzhen" project which contributed to a steady growth in business travel operation. "Fly via Shenzhen" is a major service project launched by the Shenzhen government. Through designating the terminus as an off-site departure lounge of Shenzhen Airport, "Fly via Shenzhen" facilitated the development of the service industry in Shenzhen.

The Motor Transport Company of Guangdong and Hong Kong Limited ("MTC"), a company under the Group and the director unit of the Hong Kong Guangdong Boundary Crossing Bus Association, has strived to maintain the healthy development of the industry. MTC has completed the Report on the Development of Cross-border Transportation Industry (跨境巴士行業發展報告書) and submitted the report to the governments of Hong Kong and Guangdong under the name of Hong Kong Guangdong Boundary Crossing Bus Association. MTC maintained effective communication among the corporations in the association and made significant contributions to the development of the industry.

Tai Ping Interchange

The Group has the right of toll collection at Tai Ping Interchange. In the first half of 2010, the Group has completed the upgrade of the Tai Ping Interchange. Due to the completion of overhaul works and the economic recovery in the Pearl River Delta Region, the revenue from toll collection at Tai Ping Interchange increased by 17% in 2010 as compared with the same period of 2009.

FINANCIAL REVIEW

Turnover

The Group's turnover mainly derived from four business segments, including the provision of material logistic services, transportation intelligence services, operation of expressway service zones and revenue from cross-border transportation services between Hong Kong and Guangdong province. Revenue from Tai Ping Interchange business was also included in the Group's turnover. Turnover for the year amounted to RMB6,112 million (2009: RMB6,210 million), representing a decrease of 2% over the same period last year, which was mainly because the Group's material logistics services focused on the material supply for construction projects, and continued to suspend the non-construction projects.

Turnover by business segment:

	As at the end of 31 December			
	2010		2009	
	RMB'000	**Percentage**	RMB'000	Percentage
Material logistics	**4,499,893**	**74%**	4,697,526	76%
Expressway service zones	**447,195**	**7%**	414,307	6%
Transportation intelligence	**774,188**	**13%**	739,242	12%
Cross-border transportation	**261,578**	**4%**	248,018	4%
Tai Ping Interchange	**129,360**	**2%**	110,738	2%
Total	**6,112,214**	**100%**	6,209,831	100%

Material Logistics Services

Material logistics service is the Group's largest source of income. Turnover attained for the year was RMB4,500 million (2009: RMB4,698 million), decreased by 4.2% and accounted for approximately 74% in the total turnover of the Group (2009: 75.6%). Such decrease was mainly attributable to the restructuring of the material logistics services in this year, by gradually reducing non-project related material logistics services and focusing on the material supply for construction projects in Guangdong province in order to reduce operational risk.

Expressway Service Zones

As at 31 December 2010, the number of the Group's expressway service zones was 58 pairs (2009: 46 pairs). The turnover of expressway service zones amounted to RMB447 million (2009: RMB414 million) and accounted for approximately 7% (2009: 6.6%) in the Group's total turnover, representing an increase of RMB33 million or approximately 7.9% as compared to the previous year. The increase in turnover was principally due to the increase in revenue from one-off admission fees and subcontract fees, and revenue from investment solicitation and landscaping during the year, which had offset the decrease of revenue from catering services as a result of outsourcing catering services.

Transportation Intelligence Services

Turnover of transportation intelligence services for the year amounted to RMB774 million (2009: RMB739 million), an increase of 4.7% from last year, representing approximately 13% (2009: 12%) of the Group's total turnover for the year. The increase in revenue was mainly attributable to expressway construction according to the government policies.

Cross-border Transportation Services

The revenue of the cross-border transportation services for the year was RMB262 million (2009: RMB248 million), representing an increase of 5.5% compared to last year, which attributed to approximately 4% (2009: 4%) of the Group's total turnover. Such increase was mainly attributable to the increased revenue of both freight and passenger transport resulting from the enhanced management and adjustment of the freight transport customer structure in line with the market trend, as well as the modification of existing routes and commencement of new passenger transport route.

Tai Ping Interchange business

Approximately 2% (2009: 1.8%) of the Group's turnover was derived from Tai Ping Interchange for the year. Its turnover amounted to RMB129 million (2009: RMB111 million), representing an increase of 17% from last year. Last year it was adversely affected by the enhancement works of the Tai Ping Interchange and the impact of the financial crisis on the Pearl River Delta region, while the recovery in this year brought an increase in turnover to the level prior to the financial crisis.

Gross profit

As the gross profit from material logistics services decreased and salary expenses of the service zones increased during the year as compared to last year, the gross profit of the Group for the year decreased by RMB96 million to RMB562 million (2009: RMB658 million) as compared to the previous year. Gross profit margin was 9.2%, which was lower than gross profit margin of 10.60% for the previous year.

Gross profit by business segment:

	For the year ended 31 December			
	2010		2009	
	RMB'000	**Percentage**	RMB'000	Percentage
Material logistics	**199,316**	**36%**	283,264	43%
Expressway service zones	**107,830**	**19%**	129,214	20%
Transportation intelligence	**107,550**	**19%**	106,522	16%
Cross-border transportation	**41,177**	**7%**	50,110	8%
Tai Ping Interchange	**106,391**	**19%**	89,066	13%
Total	**562,264**	**100%**	658,176	100%

Material Logistics Services

Gross profit of transportation intelligence services accounted for 36% (2009: 43%) in the Group's total gross profit for the year, and amounted to RMB199 million (2009: RMB283 million), representing a decrease of 30%. The gross profit margin decreased to 4.43% (2009: 6%), primarily because the average price of materials increased as compared with last year, and prices of certain materials exceeded the ceiling of logistics management fees of most of the projects in Guangdong province.

Expressway Service Zones

Gross profit of expressway service zones amounted to RMB108 million (2009: RMB129 million) and accounted for 19% (2009: 20%) in the Group's total gross profit, and the gross profit margin was 24.1% (2009: 31.2%). The decrease in gross profit rate of the year was principally due to the increase in the costs of operation for the additional salary expenses.

Transportation Intelligence Services

Gross profit of transportation intelligence services accounted for 19% (2009: 16%) in the Group's total gross profit for the year, and amounted to RMB108 million (2009: RMB107 million), representing an increase of RMB1 million. The gross profit margin slightly decreased to13.89% (2009: 14%) as compared with last year, which was primarily due to the fierce competition, resulting in a decrease in the gross profit margin of projects.

Cross-border Transportation Services

Gross profit of cross-border transportation services accounted for 7% (2009: 8%) in the Group's total gross profit for the year, amounted to RMB41 million (2009: RMB50 million) and represented a decrease of 18% compared with last year. The gross profit margin was 15.7% (2009: 20.2%). The decreases in gross profit margin were mainly attributable to (i) the intensifying competition in transportation industry; (ii) the rising cost followed by a substantial increase in oil price; (iii) the increase in the vehicle fuel costs, wages and salaries due to additional new operational routes and more frequent runs of vehicles.

Tai Ping Interchange business

Gross profit of Tai Ping Interchange business increased 19% from RMB89 million to RMB106 million year on year and accounted for 19% (2009: 13%) of the Group´s total gross profit. The gross profit margin was 82.24% (2009: 80.4%), representing an increase from the previous year which was mainly caused by (i) an increase in turnover due to the economic recovery of the Pearl River Delta; (ii) a relatively stable cost of operations after the completion of the enhancement works at Tai Ping Interchange.

Operating expenses

The Group's operating expenses decreased by 55% to RMB404 million (2009: RMB903 million). An impairment provision of RMB435 million in respect of three steel suppliers in Tangshan was included in the operating expenses last year, without taking account into this effect, the operating expenses for last year would be RMB468 million. Accordingly, the amount for this year represented a decrease of RMB64 million, or 14% as compared to last year. Such decrease was mainly due to the decreases in sales, transportation and storage expenses as a result of the change in the income mix of material logistics services business with a focus on the supply of materials for construction projects within Guangdong Province.

Finance costs

Finance costs decreased by 16% from RMB34 million last year to RMB29 million this year, mainly due to the increasing use of discounted notes with lower finance costs and decrease in bank loans.

Liquidity and capital structure

As at 31 December 2010, cash and cash equivalents amounted to RMB1,682 million (2009: RMB1,495 million). As at 31 December 2010, the balance of bills payable was RMB706 million (2009: RMB1,584 million). Net current assets was RMB517 million (2009: RMB475 million) and the current ratio was 1.2 times (2009: 1.2 times).

Cash flows

The Group satisfied its cash requirement for payment of its obligations under contracts, expansion and development of core business, general working capital and capital expenditure mainly through cash generated from operating activities and bank borrowings.

Cash and cash equivalents, net of the effect of foreign exchange, during 2010 are as follows:

	For the year ended 31 December		
	2010	2009	Change
Cash generated from/(used in)	**RMB'000**	RMB'000	
Operating activities	**357,652**	780,015	-54%
Investing activities	**(298,221)**	(127,626)	-134%
Financing activities	**(47,126)**	(273,746)	83%
Net increase in cash and cash equivalents	**12,305**	378,643	-97%

Operating activities

The net cash flows from operating activities in 2010 amounted to RMB358 million (2009: RMB780 million), representing an decrease of RMB422 million. The decrease was mainly because in 2009, the Company prolonged payment terms by utilizing bills payment in view of its low interest rate, which has resulted in a significant decrease of cash outflow; while in this year, as the interest rate of discounted bills gradually increased, the proportion of bill payment for material logistics business decreased from 87% of last year to 78%.

Investing activities

Cash used in investing activities in 2010 was RMB298 million, which mainly comprised (i) RMB183 million of time deposits charged for an application for a charging order; (ii) RMB15 million for the enhancement works at the Tai Ping Interchange and RMB47 million for construction of service zones; (iii) RMB23 million for acquiring operating vehicles; (iv) RMB19 million for investment on material logistics asphalt warehouse.

Financing activities

Cash used in financing activities in 2010 was RMB47 million including (i) first interim dividend of RMB41 million paid to the shareholders for 2010; and (ii) dividends of RMB6 million paid to the minority shareholders.

Borrowings

As at 31 December 2010, the Group has no bank borrowings and the Group had unused banking facilities of RMB2,136 million.

Charges on assets

As at 31 December 2010, land use rights with net book amount of RMB89,285,000 (2009: Nil) and a fixed deposit of RMB183 million (2009: Nil) are used for an application for a charging order against the defendants´ assets under a litigation in Mainland China.

Acquisitions

As at 30 November 2010, the shareholders of the Company has passed the resolution for the acquisition of equity interest in Guangdong Province Transportation Engineering Company Limited at the extraordinary general meeting, and the acquisition was not yet completed as at 31 December 2010.

Subsequent events

On 23 March 2011, the Board of the Company recommended the payment of final dividend of 2010 of RMB0.066 per share (pre-tax), aggregating to RMB27,560,000. Such dividends are subject to approval by the shareholders at the annual general meeting to be held on 8 June 2011. These financial statements have not reflected such dividends payables.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled by or denominated in RMB, except for the revenue from and expenditure of cross-border transportation services. In 2010, the fluctuation of foreign exchanges did not have material effect on the working capital and liquidity of the Group. The Directors believe that the Group has sufficient foreign currency to meet its requirement. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the Group's currency risk exposures based on operating needs.

Contingent liabilities

As at 31 December 2010, the Group did not have any material contingent liabilities.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the Company has 13 Directors and 7 Supervisors as well as a group of senior management personnel. There is no family relationship between any of the Directors, the Supervisors or senior management of the Group.

DIRECTORS

The Company has 5 executive Directors, 5 non-executive Directors and 3 independent non-executive Directors.

Executive Directors

Liu Hong（劉洪）, aged 48, is an executive Director and the Chairman of the Board of the Company and has served as deputy Chairman of the Board from January to February 2010, he was appointed as a Director of the Company and the Chairman of the Board in December 2009 and February 2010 respectively. Mr. Liu was graduated from Beijing Jiaotong School of Management（北京交通管理學院）. He obtained a Master of Business Administration from the Murdoch University of Australia in 2000. He is an economist and a qualified corporate legal advisor. He has almost 30 years of experience in logistic services. Mr. Liu was the office supervisor and the assistant to manager of Guangdong Kwong Fat Transport Limited from May 1990 to May 1993. He then worked as the assistant to the general manager of Kwong Fat Transport Limited in Hong Kong from May 1993 to May 1997. Mr. Liu was the general manager of Weisheng Bus Limited in Hong Kong from May 1997 to January 2000 and the chief economist of Weisheng Transportation & Enterprises Company Limited ("Weisheng Transportation") in Hong Kong from January to June 2000. Mr. Liu worked for GCGC from June 2000 to June 2005 and was the deputy head of the investment operation department of GCGC from August 2000 to June 2005. Mr. Liu has been the chairman of Guangdong Gongbei Motorcar Transportation Co., Ltd.（廣東省拱北汽車運輸有限責任公司）since June 2005, and he has also been serving as the secretary to the communist party of Guangdong Gongbei Motorcar Transportation Co., Ltd.（廣東省拱北汽車運輸有限責任公司）since March 2006. Mr. Liu is currently the secretary to the communist party of the Company, an executive Director and the Chairman of the Board. Mr. Liu served as a non-executive Director of the Company from May 2003 to February 2004 and from December 2004 to June 2005.

Wang Weibing（王衛兵）, aged 44, is an executive Director and the general manager of the Company and has served as Director of the Company since January 2001. Mr. Wang has been a director of Guangdong Nan Yue Logistics (HK) Limited（廣東南粵物流股份（香港）有限公司）since December 2008. Prior to joining the Group, he was appointed the deputy head of Operation and Development Department of Ling Ding Yang Bridge Construction and Command Unit（伶仃洋大橋建設指揮部辦公室經營開發部）from 1997 to 1999. From 1992 to 1997, he served as a manager of Planning and Contract Department of Guangshenzhu Expressway Humen Bridge Co., Ltd.（廣深珠高速公路虎門大橋有限公司）(which had changed its name to Guangdong Humen Bridge Company Limited (Humen Bridge Company)) and assistant engineer of Zhu Jiang Navigation Authority of Ministry of Communications（交通部珠江航務管理局）. Mr. Wang has obtained professional qualification of engineer in road and bridge construction and senior economist and has extensive experience in expressway projects management and development. He obtained a master's degree in construction and civil engineering from the South China University of Technology（華南理工大學）in 2003.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Deng Chongzheng（鄧崇正）, aged 57, is an executive Director and has served as a Director of the Company since December 2007. Mr. Deng has joined the Group and served as the chairman of the Motor Transport Company of Guangdong and Hong Kong Limited since November 2007. Mr. Deng is also the chairman of Shenzhen Yuegung Transport Company Limited（深圳粵港汽車運輸有限公司）since January 2008. From 1981 to 2000, Mr. Deng served at various positions in the Guangdong Transportation Bureau and Guangdong Highway Construction Limited, respectively. Prior to his appointment as a Director, from June 2000 to August 2001, Mr. Deng had served as the department head of GCGC. From August 2001 to November 2007, he was the chairman and party secretary of Guangdong Highway Construction Limited. Mr. Deng is a senior politic-worker. He graduated from South China Normal University（華南師範大學） in 1998 majoring in politics and has extensive experience in the management, operation and administration of expressway-related enterprises.

Lu Maohao（魯茂好）, aged 47, is an executive Director and has served as a Director of the Company since October 2002. Mr. Lu currently serves as a deputy secretary to the communist party of Guangdong Provincial Highway Construction Company Limited and a director of Guangdong Nan Yue Logistics (HK) Limited（廣東南粵物流股份（香港）有限公司）. He served as the Chairman of the Board of the Company from May 2003 to February 2010. Mr. Lu had served in various management posts of Guangdong Xinyue from 1996 to 1999 and was promoted to be a deputy general manager in 2000. He has obtained professional qualification of engineer in road construction and economist in logistics and has extensive experience in road and expressway related corporate management, operation and administration. Mr. Lu graduated with a bachelor's degree in expressway and city road engineering from the Changsha Communication Institute（長沙交通學院）in 1988 and obtained a master's degree in business administration from the Murdoch University in 2000. He also finished a 12 months specialized training on Business Administration at San Francisco State University in 2002.

Zeng Gangqiang（曾剛強）, aged 54, is an executive Director and has served as a Director of the Company since June 2008. Mr. Zeng has been the chairman of Guangdong South China Logistics Enterprise Company Limited, chairman of Guangdong Feida Transportation Engineering Company Limited, chairman of Guangdong Nan Yue Logistics International Services Company Limited and chairman of Guangdong Tai Cheng Consulting Company Limited since 2008. The past working experience of Mr. Zeng includes the general secretary of Communist Youth League and deputy director of party office of Guangdong Zhujiang Navigation Company Hongkong & Macau Passenger Branch from December 1982 to December 1991; officer of organization division of Guangdong Navigation Administration Bureau from December 1991 to June 1993; department deputy manager of Guangdong Communication Enterprise Investment Company from July 1993 to October 1996; worked with Guangdong Highway Construction Limited as the manager of the operation department of Humen Bridge Company Limited from November 1996 to August 1998; general manager of Guangdong Guantong Expressway Assets Management Company Limited from September 1998 to July 2000; general manager of Guangdong Top-E from August 2000 to March 2004; director and general manager of Guangdong Top-E from March 2004 to December 2007. Mr. Zeng graduated from South China Normal University in July 1992, majoring in economic management, and has obtained professional qualification as an economist in business administration.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Cao Xiaofeng（曹曉峰）, aged 46, is a non-executive Director and has served as a Director of the Company since June 2009. Mr. Cao possesses the professional technical qualifications as a senior engineer and as a senior economist. He graduated from the Department of Business Administration of Jinan University（暨南大學）with a master's degree. He served as a director and general manager of Guangdong Communication Enterprise Investment Company Limited（廣東交通實業投資有限公司）from 2007 to 2009, and has served as the Chairman of the Board of Guangdong Communication Enterprise Investment Company Limited since 2009. The other key work experiences of Mr. Cao include: from 1988 to 1993, he worked for Guangdong Provincial Freeway Co., Ltd.（廣東省高速公路有限公司）; from 1993 to 1997, he served as deputy general manager of Guangdong Provincial Fokai Expressway Co., Ltd.（廣東省佛開高速公路有限公司）; from 1998 to 1999, he served as executive deputy general manager of Guangdong Provincial Expressway Development Co. Ltd.（廣東省高速公路發展股份有限公司）; and from 1999 to 2007, he successively served as vice-chairman, general manager and chairman of Guangdong Provincial Expressway Development Co. Ltd.（廣東省高速公路發展股份有限公司）.

Lu Yaxing（陸亞興）, aged 47, is a non-executive Director and has served as a Director of the Company since June 2006. He is a director and general manager of Guangdong Highway Construction Limited（廣東省公路建設有限公司）. Mr. Lu served in the contract department of Guangdong Province Road & Bridge Construction Development Company Limited（廣東省路橋建設發展有限公司）from October 1995 to October 1996. From October 1996 to June 2005, he served as the manager in the development department of Xin Yue Company Limited（新粵有限公司）, as well as deputy general manager, acting general manager and general manager of Xin Yue Company Limited（新粵有限公司）. From June 2005 to April 2006, he served as the deputy chief economist of GCGC. Mr. Lu obtained his bachelor's degree in civil engineering, majoring in highway and urban road engineering from Nanjing Institute of Technology（南京工學院） (which has changed its name to Southeast University（東南大學）). He also obtained a master's degree in highway transportation engineering from the management department of Xi'an Highway University（西安公路交通大學）, and served as a lecturer and an assistant professor in the management engineering department of Chongqing Jiaotong University（重慶交通學院）. Mr. Lu also obtained his Ph.D. in highway, urban road and airport engineering from the road transportation department of Tongji University（同濟大學）.

Zheng Renfa（鄭任發）, aged 41, is a non-executive Director and has served as a Director of the Company since June 2009. Mr. Zheng possesses professional technical qualification as a senior economist and has served as the deputy head of the Department of Investment Development of GCGC a director of Guangdong Highway Design Institute Co., Ltd.（廣東省公路勘察規劃設計院有限公司）since December 2005. Mr. Zheng graduated from the Department of Mineral Processing Engineering of Kunming University of Science and Technology（昆明理工大學）with a bachelor's degree in 1991 and graduated from a postgraduate course in national economics at South China University of Technology（華南理工大學）with a master's degree in 1999. The other key work experiences of Mr. Zheng include: from 1999 to 2000, he worked as an accountant in the Department of Finance of Guangdong Provincial Freeway Co., Ltd.; from 2000 to 2001, he served as the deputy manager of the Department of Investment Management of Guangdong Provincial Freeway Co., Ltd.（廣東省高速公路有限公司）; and from 2001 to 2005, he served as the head of the Department of Investment Planning of Guangdong Provincial Freeway Co., Ltd.（廣東省高速公路有限公司）.

Cai Xiaoju（蔡小駒）, aged 47, is a non-executive Director and has served as a Director of the Company since December 2007. He is a qualified professional geological engineer. Since October 2006, he has served as the chairman and party secretary of Guangdong Road & Bridge Construction. From November 2001 to October 2006, Mr. Cai had served at various positions in the Meizhou Municipal Committee and Municipal Government and was the department cadre during the period from December 2005 to October 2006. Mr. Cai graduated from the Department of Geology of Sun Yat-sen University（中山大學）, majoring in Geology and obtained a bachelor's Degree in Science. He then obtained a master's degree in Economy from the Central Party School（中共廣東省委黨校）in Guangdong province.

Cai Conghua（蔡叢華）, aged 44, is an non-executive Director of Guangdong Nan Yue Logistics Company Limited. Mr. Cai is an on-the-job graduate from Guangdong Academy of Social Sciences majoring in economic management. He is currently the managing director of Weisheng Transportation & Enterprises Company Limited and chairman of Guangdong Weisheng Transportation Enterprise Company Limited. From July 1987 to June 2004, Mr. Cai had worked in the People's Government Office of Guangdong successively as staff member, deputy chief and chief. From July 2004 to July 2009, he worked in the State Supervision and Administration Commission of Guangdong Province successively as chief, deputy director and researcher. He was accredited working as the deputy general manager in Guangdong Provincial Freeway Company Limited（廣東省高速公路有限公司）from March 2008 to July 2009. He has served for Weisheng Transportation & Enterprises Company Limited since August 2009 and has served as a managing director for Weisheng Transportation & Enterprises Company Limited since November 2009.

Independent Non-Executive Directors

Gui Shouping（桂壽平）, aged 58, is an independent non-executive Director and has served as a Director of the Company since February 2004. Currently, Mr. Gui is a vice president of Economics and Trade Faculty of South China University of Technology（華南理工大學）. Mr. Gui has engaged in the research of logistics technology and logistics load-unload machinery for a long time. Since 1997 up till now, he has committed in teaching and scientific research in the South China University of Technology. He served as the vice-president in the School of Traffic and Communications from March 1999 to July 2003, the vice-chairman of Research Institute of Intelligent Transport System and Logistics Technology of South China University of Technology in 2001 and Dean of Logistics Engineering Department of School of Traffic and Communications in September 2003. Other major concurrent positions include committee member of National Logistics and Information Standardisation Technology Committee, committee member of National Crane Mechanism Standardisation Technology Committee, executive board member of China Logistics Association, executive board member of Logistics Engineering Institution of Chinese Mechanical Engineering Society and research fellow of Logistics Planning Research Institute of China Federation of Logistics and Purchasing. Mr. Gui has obtained professional qualification as a senior engineer and professional qualification as a research fellow. He graduated from Wuhan University of Water Transportation Engineering（武漢水運工程學院）in 1975 with a degree major in logistics construction.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Liu Shaobuo（劉少波）, aged 50, is an independent non-executive Director and has served as a Director of the Company since February 2004. Mr. Liu has engaged in the teaching and research in areas such as, financing, securities and investment for a long time. He is currently the director of Economic Research Centre and director of Finance Research Institute of Jinan University（暨南大學）. Mr. Liu has served as an economic lecturer in Faculty of Economics, an associate professor and professor in Faculty of Finance of Jinan University respectively since 1987. Since 2000, he has served as a doctoral advisor in finance of Jinan University and has been the vice-chancellor and chancellor in Finance Department of School of Economics as well as dean of School of Economics and Director of Finance Research Institute of Jinan University, respectively. Mr. Liu's other concurrent positions include acting as the vice-president of Society for Guangdong Economics, vice-chairman of Guangdong Provincial Society of Tertiary Industry and contracted researcher of Centre of Development Research of Guangdong Provincial Government. Mr. Liu obtained the qualification of professor from Jinan University in 1995, a master's degree in economics from Jinan University in 1986 and subsequently a doctorate degree in management from Sun Yat-sen University（中山大學）. Mr. Liu is currently an independent director of Guangdong Guanhao High-tech Co., Ltd （廣東冠豪高新技術股份有限公司）, a company listed on the Shanghai Stock Exchange (Stock code: 600433), and Foshan Saturday Shoes Co., Ltd.（佛山星期六鞋業股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 002291).

Peng Xiaolei（彭曉雷）, aged 59, is an independent non-executive Director and has served as a Director of the Company since February 2004. Mr. Peng obtained his master's degree in economics from Zhong Nan Finance University in 1996 and was awarded the professional qualification of senior accountant by Guangdong Province Personnel Office（廣東省人事廳）. Mr. Peng has been the Deputy General Manager and Chief Accountant of Guangdong Guangye Assets Management Co., Ltd.（廣東省廣業資產經營有限公司）("Guangye Assets") since February 2002. During his service in Guangye Assets, Mr. Peng is responsible for supervising the internal controls and reviewing the financial statements. From May 2001 to February 2002, Mr. Peng was the deputy chief accountant of GCGC and was responsible for supervising the internal controls of GCGC and preparing for the financial statements. From November 1994 to May 2001, Mr. Peng was the manager of the capital and finance department of China Unicom Limited Guangdong Branch in charge of finance matters. From November 1988 to November 1994, Mr. Peng was a lecturer in finance and accounting in Guangdong University of Business Studies, while acting as the deputy dean for the department of accountancy of the college. He also had the experience in compilation of a number of financial regulatory handbooks for the Guangye Assets, including Auditing Handbook of Guangdong Guangye Assets Management Co. (2004 Edition)《廣東省廣業資產經營有限公司常規性審計工作手冊（2004年版)》and Auditing Handbook of Guangdong Guangye Assets Management Co.《廣東省廣業資產經營有限公司常規審計工作手冊（2005年版)》. Since 2008, Mr. Peng has also been an independent non-executive director of Guangzhou Shipyard International Company Limited, a company listed on the Stock Exchange (stock code: 00317).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

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

Chen Chuxuan（陳楚宣）, aged 43, has served as a Supervisor of the Company since 3 March 2009 and has served as the Chairman of the Supervisory Committee of the Company since April 2009. Mr. Chen is a senior accountant and a senior economist. Mr. Chen is the Chairman of the External Supervisory Committee of GCGC. Mr. Chen has been engaged in road construction projects and financial management over the years. He graduated from the Faculty of Engineering and Financial Accounting of the Changsha Communications University（長沙交通學院）with a bachelor's degree in July 1990, and graduated from postgraduate studies at the Faculty of Accounting of Jinan University（暨南大學）with a master's degree in Management Studies in September 2006. From July 1990 to April 1997, he held positions as the Accountant of the Second Branch Office of the Guangdong Provincial Highway Engineering Company（廣東省公路工程公司）and Head of the Operations and Finance Department of the Technology Development Company（技術開發公司）. He then served as the Chief Accountant of the Third Branch Office of Guangdong Changda Highway Engineering Company Limited（廣東省長大公路工程有限公司）("Guangdong Changda") from April 1997 to September 2001. From September 2001 to June 2008, he was appointed as the Chief Accountant of Guangdong Guanyue Highway & Bridge Company Limited. He has been the Chairman of the External Supervisory Committee of GCGC since July 2008, during which he was assigned to the Guangdong Provincial Office of the State-owned Assets Supervision and Administration Commission from March 2008 to March 2009. Mr. Chen has been acting as the Deputy Head of the Office of the Supervisory Committee. Since December 2008, he has served as the Chairman of the Supervisory Committee of Guangdong Provincial Expressway Development Company Limited（廣東省高速公路發展股份有限公司）. Mr. Chen is also the Chairman of the Supervisory Committee of GCGC Investment.

Xiao Li（肖麗）, aged 39, has served as a Supervisor of the Company since 3 March 2009. Ms. Xiao is a senior accountant, a registered tax advisor and economist with professional practice qualifications respectively. She graduated from the Faculty of Finance and Accountancy of Changsha Communications University（長沙交通學院）in June 1993, and later graduated from the School of Financial Accountancy of South China University of Technology in July 2005. Ms. Xiao has over 15 years of experience in accounting and finance. From July 1993 to October 2008, she was the head of financial accounting, host accounting and finance of the companies under Guangdong Changda. Ms. Xiao is currently the External Supervisor of GCGC and the supervisor of GCGC Investment.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Rao Fengsheng（饒鋒生）, aged 47, has served as a Supervisor of the Company since June 2007 and is the vice secretary of the party committee, secretary of the disciplinary committee and the chairman of the labor union of the Company. Mr. Rao is a senior economist and qualified senior political commissar. He graduated from Guangdong Academy of Social Sciences with a degree in corporate management, and graduated from Jinan University（暨南大學）with a postgraduate degree in applied psychology and graduated from Beijing Institute of Technology with a bachelor's degree and obtained a Bachelor of Laws from Beijing Institute of Technology（北京理工大學）. Mr. Rao worked in Guangdong Province Communication Research Department and in the office of party committee as the deputy officer from June 1981 to May 1997, as the deputy manager of the administration department of Xin Yue Company Limited from May 1997 to June 1999 and had also acted as the deputy officer for the Guangzhou office since October 1997, manager of the department of human resources and deputy officer for the Guangzhou office of Xin Yue Company Limited from June 1999 to February 2003 and the manager of the human resources department of the Company from February 2003 to September 2006.

Cheng Zhuo（成卓）, aged 43, has served as a Supervisor of the Company since February 2004. Ms. Cheng is currently the chairman of board of China King International Holdings（中基國際集團）. Other major concurrent posts include vice-chairman of Venture Capital Profession Commission of Science and Technology Financial Promotion Association of China, director of the Chinese Association of Young Scientists and Technologists（中國青年科技工作者協會）, committee member of Tenth Standing Committee of the All China Youth Federation and committee member of Eleventh Beijing Committee of the Chinese People's Political Consultative Conference. She joined the "Seventh Congress for World Youth Entrepreneur（第七屆世界青年企業家高峰會）" in USA on behalf of China Young Entrepreneurs Association in September 2000 and was awarded with "World Outstanding Entrepreneur（世界優秀企業家大獎）". She was presented as "China's Top Ten Wealthy and Intelligent Figures" at Great Hall of the People in Beijing in February 2005. Ms. Cheng is also committed to charity works. She was one of the promoters of the "China Aged Care Fund," which was found in December 2005 to care for the elderly, and served as the vice-president of China Aged Care Fund. In 2008, Ms. Cheng initiated the Siyuan Torch Fund which built upon the Venture Philanthropy concept to support enterprise development and served as the Chairman of the fund. Ms. Cheng obtained a master degree in journalism from Beijing Broadcast Institute（北京廣播學院）in 1998 and obtained a doctor's degree in advertising from the Communication University of China in 2009.

Zhou Jiede（周潔德）, aged 44, has served as a Supervisor of the Company since February 2004. Ms. Zhou acts as the deputy head of Tian Wha Huayue, CPAs Guangdong Limited（廣東天華華粵會計師會計所有限公司）. Ms. Zhou has also obtained professional qualification of senior accountant, senior auditor and auditor from Guangdong Province Personnel Office（廣東省人事廳）. Ms. Zhou obtained a diploma in accounting from Sun Yat-sen University in 1987.

Li Hui（李輝）, aged 47, has served as a Supervisor of the Company since February 2004 and is currently deputy manager of the Company's audit and compliance department. Ms. Li had served as senior manager of Assets Management Department of the Company. Ms. Li is also a supervisor of Top-E and Guangdong Feida, subsidiaries of the Company. Prior to joining the Group, she had served at different accounting posts in various companies including Unified Seafood Co., Inc. in the United States. Ms. Li obtained a bachelor's degree in accounting from the University of Southern California in 1999 and professional qualification of economist and auditor.

Zhang Li（張莉）, aged 39, has served as a Supervisor of the Company since September 2009 and she is a senior economist and the manager of the Securities Department of the Company. Ms. Zhang is also a director of Guangdong South China Logistics Enterprise Co., Ltd.（廣東南粵物流實業有限公司）, Guangdong Xinyue Communications Investment Co., Ltd（廣東新粵交通投資有限公司）. and Guangdong Tai Cheng Consulting Co., Ltd.（廣東泰誠諮詢顧問有限公司）, all of which are subsidiaries of the Company. Ms. Zhang joined the Group in March 2001 and worked as the vice manager of Securities Department of the Company from March 2001 to October 2010. Prior to joining the Group, she worked in the Securities Department of Guangzhou Economic and Technological Development Zone International Trust and Investment Company（廣州經濟技術開發區國際信託投資公司）. Ms. Zhang obtained a Bachelor of Economics from Huazhong University of Science and Technology（華中理工大學）in 1993 and obtained a Master of Economics from Jinan University（暨南大學）in 2002.

SENIOR MANAGEMENT

Yao Hanxiong（姚漢雄）, aged 45, is the deputy general manager of the Company and joined the Group in October 2007. From March 2005 to September 2007, Mr. Yao was appointed as the executive director and deputy general manager of Guangdong Jing Tong Highway Engineering Construction Group Company Limited（廣東晶通公路工程建設集團有限公司）("Guangdong Jing Tong"). From 2002 to 2005, Mr. Yao was designated by the Organization Department of Guangdong Provincial Party Committee to practise at a post as the deputy chief executive (presiding over science and technology) of Deqing County, Zhaoqing City. He served as the deputy manager and the manager of the second branch office of Guangdong Changda from 1989 to 2002. Mr. Yao obtained a bachelor's degree in road and bridge engineering from Chongqing Jiaotong University（重慶交通學院）in 1989, and has obtained the Executive Master of Business Administration degree from Jinan University（暨南大學）in 2009. Mr. Yao is also a senior engineer for roads and bridges with practising qualification certificate.

Chen Bingheng（陳秉恒）, aged 39, has served as the deputy general manager of the Company since November 2007 and has served as a deputy director of the General Legal Regulations Office of the Guangdong Provincial State-owned Assets Supervision and Administration Commission（廣東省國資委綜合法規處）from August 2009 to September 2010. Mr. Chen served as an executive Director from July 2005 to June 2008. From December 2001 to December 2007, Mr. Chen served as the deputy general manager, general manager as well as the chairman of the board and general manager of Guangdong Oriental Thought Technology Company Limited（廣東東方思維科技有限公司）("Guangdong Oriental Thought"), respectively. Prior to that, Mr. Chen worked respectively in the Construction Department of Guangdong Provincial Freeway Company Limited（廣東省高速公路有限公司）for Eastern Section of Shenshan Expressway, Guangdong Jindaoda Expressway Economic Development Company Limited（廣東金道達高速公路經濟開發有限公司）and Guangdong Kai Yang Expressway Company Limited（廣東開陽高速公路有限公司）. Mr. Chen graduated from Sun Yat-sen University（中山大學）with a bachelor's degree majoring in Geology and graduated from Jinan University（暨南大學）with an executive master of Business Administration Degree in January 2009. Mr. Chen obtained his professional qualification of senior engineer in roads and bridges in 2005.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chen Honghui（陳鴻輝）, aged 39, has served as the deputy general manager of the Company since November 2007. Mr. Chen joined the Group in March 2001, and served as the general manager of Guangdong Xinyue E&M Engineering Company Limited（廣東新粵機電工程有限公司）. From February 2004 to December 2007, Mr. Chen had served as the director and the general manager of Guangdong Xinyue. Prior to joining the Group, he also served in the construction preparation department of Guangdong Shenshan Expressway in Guangdong Provincial Freeway Company Limited from June 1993 to December 1997. From December 1997 to February 2001, Mr. Chen served as the deputy department manager of Xin Yue Company Limited. He graduated from Foshan University, Guangdong province in 1993 and obtained a diploma majoring in highway and bridge engineering. Mr. Chen also obtained a bachelor's degree from Xi'an Highway University in 1997 majoring in civil engineering and graduated from Sun Yat-sen University（中山大學）with an executive master of Business Administration Degree in 2010. Mr. Chen obtained a professional qualification as a senior engineer and economist.

Chen Min（陳敏）, aged 47, has served as the deputy general manager of the Company since September 2009. Prior to that, Mr. Chen had served as a teacher at the Guangdong Province Jiaotong School（廣東省交通學校）from 1985 to 1991; he had served as a design department engineer, contracts department engineer and head of the contracts team of the principal contractor consortium for the Guangzhou-Shenzhen Expressway from 1991 to 1994; and had served as the deputy manager, deputy chief economist, chief economist and deputy general manager of the Construction Department of Guangdong Jing Tong from 1994 to 2007 and had served as the general manager of Guangdong Jing Tong from September 2007 to August 2009. Mr. Chen was graduated from the Roads and Bridges Department of the Changsha Jiaotong University（長沙交通學院）with a bachelor's degree in 1985. Mr. Chen is a qualified technical professional to practise as an economist and lecturer.

Liang Xin（梁鑫）, aged 44, has served as the chief accountant of the Company since June 2008. Prior to that, from July 1989 to March 1995, Mr. Liang worked at the finance section of Guangdong Provincial Highway Engineering Department. He was appointed as the manager of the Finance Department of Guangdong Jing Tong from March 1995 to August 1998. He served as the chief accountant of Guangdong Jing Tong from August 1998 to June 2004. From June 2004 to June 2008, he was appointed as the director and the chief accountant of Guangdong Jing Tong. Mr. Liang graduated and obtained a bachelor's degree from Changsha Jiaotong University（長沙交通學院）in 1989, majoring in engineering finance and accounting. He has obtained the professional qualification of a senior accountant.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Liu Zhiquan（劉志全）, aged 45, is the secretary of the Board and has served as the managing director of Guangdong Nan Yue Logistics (HK) Limited（廣東南粵物流股份（香港）有限公司）since July 2009. Mr. Liu has joined the Group since January 2001. He has obtained an executive master's degree of business management from the International East-West University in 1999. He graduated from the course of Advanced Study for Secretary of Board of Directors provided by the training centre of the Ministry of Commerce of the PRC in 2004. Mr. Liu is currently a member of the Hong Kong Institute of Chartered Secretaries and possesses professional technical qualification as an economist.

Fung Hon Tung（馮漢棟）, aged 41, is the Financial Controller and Company Secretary of the Company. Mr. Fung has joined the Group since 29 January 2007. Prior to joining the Group, Mr. Fung was a financial controller of a Stated-owned enterprise and worked at international accounting firms. Mr. Fung obtained a bachelor's degree from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The Board presents the report of the Directors for the year ended 31 December 2010 together with the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of integrated logistics services and expressway-related services. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries are set out in note 10 to the consolidated financial statements. There was no material change to the nature of the principal activities of the Group during the year ended 31 December 2010.

FINANCIAL RESULTS

The financial highlights of the year are set out on pages 12 to 13 of this annual report. The discussion and analysis of the Group's results and financial position of the year are set out on pages 20 to 30 of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2010 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") are set out on page 76 of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the current year as well as the last five financial years are set out on page 166 of this annual report.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

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

On 25 June 2010, the Board recommended the payment of the first interim dividend of 2010 of RMB0.098 per share (pre-tax), aggregating to RMB40,929,000. The Board recommend the payment of the final dividend for 2010. On 23 March 2011, the Board recommended the payment of the final dividend of 2010 of RMB0.066 per share (pre-tax) (RMB0.059 (after tax)), aggregating to RMB27,560,000. Such dividend is subject to approval by the shareholders at the annual general meeting ("AGM") to be held on 8 June 2011.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China adopted in 2008, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the 2010 final dividend to non-resident enterprise shareholders of overseas H shares (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, and other entities or organizations) whose names appear on the Company's H share register of members at 4:30 p.m. on 6 May 2011. The Company will not withhold any individual income tax for any natural person shareholders whose names appear on the Company's H shares register of members at 4:30 p.m. on 6 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from Saturday, 7 May 2011 to Wednesday, 8 June 2011, both days inclusive, for the purpose of determining shareholders who are eligible for the final dividend payment of 2010, during which period no transfer of the shares of the Company will be effected. Holders of H shares and domestic shares of the Company whose names appear on the registers of members of the Company on Friday, 6 May 2011 at 4:30 p.m. are entitled to attend the AGM to be held on Wednesday, 8 June 2011.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2010, the Group's total purchases attributable to the Group's five largest suppliers were 48.3%, and the Group's aggregate sales attributable to the Group's five largest customers were approximately 35.3%.

Guangdong Provincial Communication Group Company Limited respectively holds over 50% of the interest in four of the top five customers and one of the top five suppliers and holds approximately 44% of the interest in one of the top five customers. As disclosed above, the sales attributable by the Group's top five largest customers were approximately 35.3% for the year ended 31 December 2010. The total purchase attributable by one of the top five suppliers who is connected to Guangdong Provincial Communication Group Limited to the total purchasers of the Group was approximately 12.15% for the year ended 31 December 2010.

Save as disclosed above, during the year, none of the Directors, the Supervisors or their respective associates or any shareholders of the Company who, to the best of the Director's knowledge, holds more than 5% of the issued share capital of the Company, has any interest in the five largest customers or the five suppliers of the Group.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2010 and details of the distributable reserves of the Company as at 31 December 2010 are set out in note 19 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in note 19 to the consolidated financial statements prepared in accordance with the HKFRS contained herein.

FIXED ASSETS AND INVESTMENT PROPERTIES

Particulars of the movements in fixed assets and investment properties of the Group and the Company during the year ended 31 December 2010 are set out in note 6 and 9 to the consolidated financial statements.

EMPLOYEES PENSION SCHEME

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

DIRECTORS AND SUPERVISORS

The Directors who held office during the year ended 31 December 2010 and up to the date of this report are as follows:

Name	Date of Appointment as Director	Date of Resignation as Director
Executive Directors		
Liu Hong	29 December 2009	N/A
Wang Weibing	11 January 2001	N/A
Deng Chongzheng	20 December 2007	N/A
Lu Maohao	28 October 2002	N/A
Zeng Gangqiang	17 June 2008	N/A
Non-Executive Directors		
Cao Xiaofeng	19 June 2009	N/A
Lu Yaxing	22 June 2006	N/A
Zheng Renfa	19 June 2009	N/A
Cai Xiaoju	20 December 2007	N/A
Cai Conghua	25 June 2010	N/A
Chen Guozhang	9 December 2004	25 June 2010
Independent Non-Executive Directors		
Gui Shouping	2 February 2004	N/A
Liu Shaobuo	2 February 2004	N/A
Peng Xiaolei	2 February 2004	N/A

The Supervisors who held office during the year and up to the date of this report are as follows:

Name	Date of Appointment as Supervisor	Date of Resignation as Supervisor
Cheng Zhuo	2 February 2004	N/A
Zhou Jiede	2 February 2004	N/A
Li Hui	2 February 2004	N/A
Rao Fengsheng	12 June 2007	N/A
Chen Chuxuan	3 March 2009	N/A
Xiao Li	3 March 2009	N/A
Zhang Li	29 September 2009	N/A

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. All of the three independent nonexecutive Directors are considered by the Company as independent persons.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

Biography of Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 31 to 40 of this report.

Pursuant to Chapter 14A of the Listing Rules, details of the following connected transactions of the Group as at 31 December 2010 are required to be disclosed in the annual report of the Company:

ONE-OFF CONNECTED TRANSACTIONS

(a) On 14 July 2010, the Company (as lender) entered into the Entrusted Loan Agreement with CITIC Bank (as lending agent) and Guangdong Oriental Thought Technology Company Limited（廣東東方思維科技有限公司）("Guangdong Oriental Thought") (as borrower) entered into the Loan Agreement with CITIC Bank in respect of the Entrusted Loan Arrangement. Guangdong Oriental Thought is a non wholly-owned subsidiary of the Company, which is owned as to 30% by Guangdong Kaiyang Freeway Co., Ltd. ("GD Kaiyang Freeway"). GD Kaiyang Freeway is owned as to 53% by Guangdong Provincial Freeway Company Limited, which in turn is a wholly-owned subsidiary of GCGC, the controlling shareholder of the Company. Accordingly, Guangdong Oriental Thought is a connected person of the Company under the Listing Rules. Under the Entrusted Loan Arrangement, the Company provided a short-term facility of RMB4,900,000 to Guangdong Oriental Thought through CITIC Bank at the RMB lending rate for the same loan period offered by The People's Bank of China minus 10%, being 4.374%. The Entrusted Loan Arrangement expired on 25 December 2010.

For further information relating to the above transaction, please refer to the Company's announcement dated 15 July 2010.

(b) On 17 September 2010, the Company entered into an Equity Transfer Agreement with Guangdong Communication Enterprise Investment Company ("GCGC Investment"), whereby the Company has agreed to purchase and GCGC Investment has agreed to sell the entire equity interest in Guangdong Province Transportation Engineering Company Limited ("Guangdong Transportation Engineering") at a consideration of RMB69,565,000, and the Company agreed to repay the debt in an amount of RMB40,800,000 by one payment on behalf of Guangdong Transportation Engineering to GCGC Investment. GCGC Investment is a wholly-owned subsidiary of GCGC, the controlling company of the Company. The above transaction was approved by independent Shareholders at the extraordinary general meeting held on 30 November 2010.

For further information relating to the above transaction, please refer to the Company's announcement dated 17 September 2010 and the Company's circular dated 15 October 2010.

CONTINUING CONNECTED TRANSACTIONS

(a) On 9 August 2006, the Company and GCGC, the controlling company of the Company, entered into the Tai Ping Interchange Master Agreement, pursuant to which the members of GCGC provides repair and renovation services for the Tai Ping Interchange to the Group with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. The annual caps of connected transactions under the Tai Ping Interchange Master Agreement for 2009 and 2010 in the amount of RMB20,184,000 and RMB19,261,000 were approved at the extraordinary general meeting of the Company on 29 December 2009. The parties to the Agreement have agreed to renew the term until 31 December 2013. The annual caps of connected transactions for the three years ending 31 December 2013 amounted to RMB9,766,000, RMB600,000 and RMB1,575,000.

For further information relating to the above transactions, please refer to the Company's announcement dated 22 October 2010.

(b) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a first right of operation agreement, pursuant to which the Company has been granted preferential right by the GCGC to obtain operating right of the expressway service zones controlled by the members of GCGC. When exercising such preferential right, members of the Group entered into individual expressway service subcontracting agreements with owners of each of the expressway, which were the companies under the members of GCGC. The relevant annual caps for the three years ending 31 December 2010 were approved at the extraordinary general meeting on 20 December 2007 and expired on 31 December 2010. The annual caps of connected transactions for the three years ending 31 December 2013 in the amount of RMB112,317,000, RMB109,448,000 and RMB110,851,000, respectively, were approved by independent Shareholders at the extraordinary general meeting held on 3 January 2011.

For further information relating to the above transactions, please refer to the Company's announcement dated 22 October 2010 and the Company's circular dated 9 November 2010.

(c) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a master agreement, pursuant to which the Group purchases construction materials (primarily asphalt) from the members of GCGC (the "Materials Purchase Master Agreement"). The related annual caps for the three years ending 31 December 2010 were approved at the extraordinary general meeting held on 20 December 2007. However, due to the delay of certain transactions under the Materials Purchase Master Agreement which were expected to be carried out in 2009 and the new expressway construction projects of GCGC, the annual transaction amount for the year ending 31 December 2010 was revised to RMB934,342,000, which was approved at the extraordinary general meeting on 29 December 2009. The annual caps of the connected transactions for materials purchase services expired on 31 December 2010. The annual caps of the connected transactions for materials purchase services for the three years ending 31 December 2013 in the amount of RMB306,000,000, RMB414,400,000 and RMB2,084,000,000 were approved by independent Shareholders at the extraordinary general meeting held on 3 January 2011.

For further information relating to the above transactions, please refer to the Company's announcement dated 22 October 2010 and the Company's circular dated 9 November 2010.

(d) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a mater agreement, pursuant to which the Group (including Guangdong Xinyue, Guangdong Oriental Thought and Top-E) provides transportation intelligence services to the members of GCGC (the "Transportation Intelligence Services Master Agreement"). The related annual caps for the three years ending 31 December 2010 were approved at the extraordinary general meeting held on 20 December 2007. However, due to the new expressway construction projects of GCGC, which led to the increased demand of GCGC for material logistics services, the annual transaction amount for the year ending 31 December 2010 was revised to RMB642,150,000, which was approved at the extraordinary general meeting on 29 December 2009. The annual cap of connected transactions for transportation intelligence services expired on 31 December 2010. The annual caps of connected transactions for transportation intelligence services for the three years ending 31 December 2013 in the amount of RMB260,355,000, RMB366,936,000 and RMB359,785,000 were approved by independent Shareholders at the extraordinary general meeting held on 3 January 2011.

For further information relating to the above transactions, please refer to the Company's Announcement dated 22 October 2010 and the Company's circular dated 9 November 2010.

(e) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a master agreement, pursuant to which the Group has subcontracted its electrical and mechanical engineering business under the Transportation Intelligence to the members of GCGC (the "Transportation Intelligence Service Subcontract Master Agreement"). The relevant annual caps for the three years ending 31 December 2010 were approved at the extraordinary general meeting on 20 December 2007 and expired on 31 December 2010. The annual caps of connected transactions for the three years ending 31 December 2013 in the amount of RMB37,148,000, RMB82,832,000 and RMB117,095,000 were approved by Independent shareholders at the extraordinary general meeting held on 3 January 2011.

For further information relating to the above transactions, please refer to the Company's announcement dated 22 October 2010 and the Company's circular dated 9 November 2010.

(f) On 27 September 2005, the Company and GCGC, the controlling Shareholder of the Company, entered into a master agreement, pursuant to which the Group provides material logistics services to the members of GCGC in the construction of expressway and other infrastructure projects (the "Material Logistics Services Master Agreement"). The related annual caps for the three years ended 31 December 2010 was approved at the extraordinary general meeting held on 20 December 2007. However, due to the new expressway construction projects of GCGC, which led to the increased demand of GCGC for material logistics services, the annual transaction amount for the year ending 31 December 2010 was revised to RMB2,485,949,000 which was approved at the extraordinary general meeting on 29 December 2009. The annual cap of the connected transactions for the material logistics services for the year ending 31 December 2010 was further revised to RMB2,956,736,000 which was approved at the extraordinary general meeting on 25 June 2010, as the number of expressway construction projects of GCGC increased and the prices of raw materials (such as steel bar and asphalt) have increased significantly in 2010. The annual cap of connected transactions for the material logistics services expired on 31 December 2010. The annual caps of connected transactions for material logistics services for the three years ending 31 December 2013 in the amount of RMB3,790,000,000, RMB4,655,950,000 and RMB4,508,050,000 were approved by independent Shareholders at the Company's extraordinary general meeting held on 3 January 2011.

For further information relating to the above transactions, please refer to the Company's announcements dated 16 April 2010 and 22 October 2010, and the Company's circulars dated 27 April 2010 and 9 November 2010.

(g) Pursuant to the loan agreements entered into with Guangdong Xinyue and Guangdong Oriental Thought , respectively, by the Company, the Company will lend to Guangdong Xinyue and Guangdong Oriental Thought entrusted loan(s) with aggregate annual amounts not exceed RMB115,000,000 (such loans were specified to be used as capital of Guangdong Xinyue which may be required for market bidding from time to time, and working capital of Guangdong Xinyue for providing highway intelligence transportation services) and RMB5,000,000 (such loans were specified to be used as working capital of Guangdong Oriental Thought) respectively for each of the three years ending 31 December 2013, at an interest rate equivalent to the interest rate for loans with same terms made available to the Company by any of its principal banks from time to time. The annual caps of connected transactions under the above loan agreements in an aggregate amount of RMB120,000,000, RMB120,000,000 and RMB120,000,000 for the three years ending 31 December 2013 were approved by independent Shareholders at the extraordinary general meeting held on 3 January 2011.

For further information relating to the above transactions, please refer to the Company's announcement dated 22 October 2010 and the Company's circular dated 9 November 2010.

(h) On 29 December 2010, the Company and Guangdong Humen Bridge Company Limited（廣東虎門大橋有限公司）("Humen Bridge Company") entered into the toll fee collection and entrustment management agreement, pursuant to which the Company engaged Humen Bridge Company to provide the entrusted toll fee collection services in relation to the operation of Tai Ping Interchange for the period from 1 January 2011 to 31 December 2011 at an annual service fee of RMB4,200,000("Toll Fee Collection and Entrustment Management Agreement").

For further information relating to the above transaction, please refer to the Company's announcement dated 29 December 2010.

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

The following table sets out the relevant annual caps and the actual amounts for the year ended 31 December 2010 in relation to the continuing connected transactions of the Company.

Transaction	Annual Cap for the year ended 31 December 2010 (RMB '000)	Actual Amount for the year ended 31 December 2010 (RMB '000)
Discloseable continuing connected transactions for which waivers from announcement requirement have been granted by the Stock Exchange		
a. Toll fees collection services for Tai Ping interchange under the Toll Free Collection and Entrustment Management Agreement	4,200	4,200
Non-exempt continuing connected transactions subject to approval of independent shareholders		
b. Services in relation to major repairs and single item renovations under the Tai Ping Interchange Master Agreement	19,261	3,280
c. Provision of material logistics services under subsisting agreements and the Materials Logistics Services Master Agreement	2,956,736	2,278,876
d. Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the Transportation Intelligence Service Master Agreement	642,150	430,484
e. Purchase of materials under subsisting agreements and the Materials Purchase Master Agreement	934,342	554,218
f. Provision of financial assistance by the Company to Guangdong Xinyue	105,000	89,900
g. Prior operating rights and contracting obligations for expressway service zones under subsisting agreements	110,593	62,326
h. Subcontracting of certain work procedures in relation to expressway intelligence and outsourcing of construction labor under subsisting agreements and the relevant master agreement	277,355	96,150

The independent non-executive Directors, Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei, have reviewed the above continuing connected transactions as set out in (a) to (h) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 49 in this report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

RELATED PARTY TRANSACTIONS

Material related party transactions of the Company occurred during ordinary business are contained in notes to consolidated financial statements. Such related party transactions, which constitute "Connected Transactions" or "Continuing Connected Transactions", have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MATERIAL LITIGATION OR ARBITRATION

As at 31 December 2010, the Board was aware of the following material litigations involving the Company:

The Company have brought a legal proceeding before Guangzhou Intermediate People's Court against Tangshanshi Shuihou Zhagang Yi Chang（唐山市税後軋鋼一廠）, Tangshan Xingye Gongmao Jituan Co., Ltd（唐山興業工貿集團有限公司）and Tangshanshi Kaipingqu Xingye Zhazhichang（唐山市開平區興業軋製廠）to recover the sum paid in advance by the Company for purchase of steel products in the amount of RMB472,397,000 due to the Company from the above defendants together with a compensation for breach of contract. The Court has commenced a hearing on 17 December 2010 but no judgment has been made yet. The Company has made provision amounting to RMB463,733,000 in respect of the prepayments relating to the above litigation.

Saved for the above, neither the Company nor any of its subsidiaries have been involved in any litigation or arbitration which are pending or threatened by or against the Company.

PRE-EMPTIVE RIGHTS

The articles of association of the Company and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to Shareholders on a pro-rata basis to their shareholdings.

SHARE CAPITAL

Details of the share capital of the Company are set out in the note 18 to the consolidated financial statement prepared in accordance with the HKFRS.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director, as at 31 December 2010, Shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
GCGC (Note 1)	Domestic shares	142,266,080	Beneficial owner	50.87	34.06
	Domestic shares	137,375,787	Interests of controlled corporations	49.13	32.89
Guangdong Provincial Highway Construction Company Limited ("Highway Construction")	Domestic shares	96,476,444	Beneficial owner	34.50	23.10
Pope Asset Management, LLC	H shares	24,437,000	Investment manager	17.71	5.85
Guangdong Communication Enterprise Investment Company Limited ("GCGC Investment")	Domestic shares	22,371,349	Beneficial owner	8.00	5.36
Sinopec (Hong Kong) Limited	H shares	21,000,000	Beneficial owner	15.22	5.03
Sky Investment Counsel Inc.	H shares	10,979,784	Investment Manager	7.96	2.63
Guangdong Province Road & Bridge Construction Development Company Limited ("Road & Bridge Construction")	Domestic shares	10,346,749	Beneficial owner	3.70	2.48
Guangdong Weisheng Transportation Enterprise Company Limited ("Weisheng Transportation")	Domestic shares	8,181,245	Beneficial owner	2.93	1.96

Note:

(1) Highway Construction and GCGC Investment are wholly-owned subsidiaries of GCGC. Accordingly, GCGC is deemed to be interested in the domestic shares held by Highway Construction and GCGC Investment. GCGC is also deemed to be interested in the 18,527,994 domestic shares of the Company held by its other subsidiaries, namely Road & Bridge Construction and Weisheng Transportation.

Save as disclosed above, as at 31 December 2010, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 31 December 2010, GCGC held 142,266,080 domestic shares of the Company, representing 34.06% of the total issued share capital of the Company, while Highway Construction held 96,476,444 legal person shares of the Company, representing 23.10% of the total issued share capital of the Company, without any changes during the reporting period.

GCGC is a controlling Shareholder of the Company. Its legal representative is Zhu Xiaoling and its registered capital as at 31 December 2010 was RMB26,800,000,000. It is principally engaged in the investment, construction and management of the majority of roads and expressways networks in the Guangdong province.

SUFFICIENCY OF PUBLIC FLOAT

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

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

As at 31 December 2010, the interests of Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

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

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

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

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2010, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2010 was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REMUNERATIONS OF THE DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and Supervisors of the Company and the five highest paid individuals of the Group are set out in note 22 to the consolidated financial statements prepared in accordance with the HKFRS.

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2010.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2010, no Director or Supervisor has entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

None of the Directors or Supervisors of the Company had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2010.

BOARD COMMITTEES

The Company has established an audit committee and remuneration committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 60 to 69 of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had 3,467 employees and the staff costs (including remuneration of Directors) of the Group was RMB277 million for the year.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During this reporting period, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year ended 31 December 2010.

DONATIONS

The Group during the year ended 31 December 2010 did not made donation.

AUDITORS

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and the PRC auditors of the Company for the year ended 31 December 2010. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS.

For any of the past three years, there was no change to the Company's auditors.

By order of the Board
Liu Hong
Chairman

Guangzhou, the PRC
23 March 2011

SUPERVISORS' REPORT

Dear Shareholders:

In 2010, by following the principle of safeguarding the interests of all Shareholders, the Supervisory Committee of Guangdong Nan Yue Logistics Company Limited (hereinafter referred to as the "Company") has conscientiously performed its supervisory functions, and actively and effectively conducted its work in accordance with the Company Law, the Articles of Association and the relevant requirements of the Hong Kong Stock Exchange. We hereby present the major tasks carried out by the Supervisory Committee of the Company for the year 2010:

1. WORK UNDERTAKEN BY THE SUPERVISORY COMMITTEE IN 2010

(1) Carrying out daily supervision to understand corporate information

In 2010, the Supervisory Committee of the Company attended 55 meetings relating to major business operations and decision making of the Company, such as meetings of the Board of Directors, Shareholders' meeting and the Joint Conferences between the Party and the Government. Seven work letters and one reminder were issued to the Company according to the needs of supervision. The daily works of the Supervisory Committee include collecting and analyzing information regarding the business operation and management and financial situation of the Company, supervising the Company's strategic development, major investments, significant capital flows, material litigations and other significant events which need to notify the shareholders, and monitoring the compliance with laws and regulations of the decision making mechanism and decisions of the Company.

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

In 2010, the Supervisory Committee carried out three special examinations: (1) continued to finish the special examination of Guangdong Xinyue Communications Investment Company Limited, a subsidiary of the company; (2) conducted a special examination of Guangdong Oriental Thought Technology Company Limited, a subsidiary of the Company; (3) conducted a special examination of Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company. The Supervisory Committee communicated with such companies of which defects were identified during the examination and provided relevant recommendations. In addition, by integrating and analyzing the Company's operation information collected during its ordinary supervision, the Supervisory Committee completed the Work Report on the Examination of Nan Yue Logistics Company Limited for 2009, which provides reasonable recommendations on operational deficiencies of the Company.

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

In 2010, the Supervisory Committee convened a total of two Supervisory Committee meetings. The meetings were convened and held in compliance with the Company Law and the Articles of Association. The resolutions of the meetings were legal and valid.

1. On 31 March 2010, the sixth meeting of the third session of the Supervisory Committee was held, at which the internal control and audit of the Company for 2009 was reported by the Company's audit and compliance department; the audit of the Company's financial statements for 2009 was reported by the accounting firm engaged by the Company; the draft of the "Work Report of the Supervisory Committee for 2009" was discussed; and the "Conclusion of Work for 2009 and Work Plan for 2010 of the Supervisory Committee" was considered and approved.

2. On 13 April 2010, the seventh meeting of the third session of the Supervisory Committee was held, at which the "Work Report of the Supervisory Committee for 2009" and the "Resolution on Re-election of the Members of the Supervisory Committee" were considered and approved; and 14 reports and proposals were considered and discussed, including the "Annual Report of the Company for 2009". At the meeting, it was suggested that the Company should clarify its development strategic positioning and develop new core competitiveness; further improve its corporate governance structure and internal control system; expedite the integration of its internal resources and effectively control its administration costs to ensure a healthy and sustainable growth of the Company.

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

(1) The operation of the Company according to laws

In 2010, the procedures for convening board meetings and the process for passing resolutions complied with the laws and regulations. The Board was able to strictly execute each of the resolutions and authorizations given at the general meetings. Directors and the management of the Company were able to perform their duties in accordance with the resolutions of the general meetings. The Supervisory Committee was not aware of any violation of the laws, regulations and the Articles of Association or other matters which will damage the interest of the Company and the shareholders.

(2) Financial audit of the Company

Each of PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants audited the 2010 Financial Report of the Company. Currently, both PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants have issued standard unqualified audit reports. Upon examination and approval by the Supervisory Committee, the audit reports issued by PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants give a fair view of the Company's true and objective financial position and operating results.

(3) Connected transactions

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

3. RELEVANT RECOMMENDATIONS

Though the Company enhanced its management and corporate control in 2010, the Supervisory Committee suggests that the Board and the management of the Company should focus more of their efforts on the following aspects in the future:

(1) To further clarify the Company's development strategic positioning and develop its new core competitiveness;

(2) To further refine the Company's internal control systems and enhance the implementation of such systems, especially the management systems of contracts as well as tendering and bidding;

(3) To further expedite the integration of the Company's internal resources, in particular, the integration of transportation intelligence services, to enhance the competitiveness of its businesses.

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

Guangzhou, the PRC
23 March 2011

CORPORATE GOVERNANCE REPORT

The Company believes that stringent corporate governance practices could enhance its credibility and transparency and are in the interests of the Shareholders. Accordingly, the Company has been making continuous efforts in enhancing its standard of corporate governance with reference to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the articles of association of the Company and other applicable laws and regulations.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 December 2010, in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

The following gives a brief account of the corporate governance of the Company for the year ended 31 December 2010.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises thirteen Directors, including five executive Directors, five non-executive Directors and three independent non-executive Directors. The members are as follows:

Chairman:	Mr. Liu Hong
Executive Directors:	Mr. Liu Hong, Mr. Wang Weibing, Mr. Deng Chongzheng, Mr. Lu Maohao and Mr. Zeng Gangqiang
Non-executive Directors:	Mr. Cao Xiaofeng, Mr. Lu Yaxing, Mr. Zheng Renfa, Mr. Cai Xiaoju and Mr. Cai Conghua
Independent non-executive Directors:	Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei

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

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

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

The main duties of the Board include: determining the operating plans and investment proposals of the Company, evaluating the performance of the Company, overseeing the management, convening general meetings and executing the resolutions passed in general meetings of the Company. Shareholders' and the Company's interest is the primary concern for every member of the Board. The Directors have been performing their duties in accordance with the relevant laws and regulations in a diligent manner.

Moreover, the Board is also responsible for reporting a clear and balanced assessment of the Company's performance and prospects, preparing accounts that give a true and fair view of the Company's financial position on a going concern basis and disclosing other price-sensitive announcements and financial information.

The management is responsible for implementing the policies and strategies as determined by the Board, and is delegated with the daily operations and administration of the Company.

The independent non-executive Directors, who were appointed from the finance and logistics industries with extensive experience in accounting or financial management and other professional areas. The participation of the independent non-executive Directors in the Board brings independent judgment on the issues relating to the Group's strategy, performance, conflicts of interest, connected transactions, significant events and management process in order to ensure that the interests of all Shareholders of the Company have been duly considered. The independent non-executive Directors also provide professional advice for the stable and disciplined operations of the Company and the long-term development of the Company.

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

The articles of association of the Company explicitly provides the rights of the Directors, including the right to attend, receive notices of, and to vote in board meetings and the rules of procedure for the Board meetings were specifically formulated and implemented to regulate the conduct and procedures of the Board meetings.

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

For the year ended 31 December 2010, the Company held a total of ten Board meetings, with an average attendance rate of 93%. The Company kept detailed minutes for the business transacted in such meetings.

The attendance records of each member of the Board for the year ended 31 December 2010 are set out below:

	Meetings attended/held	**Attendance Rate**
Executive Directors		
Liu Hong *(Chairman)*	10/10	100%
Wang Weibing	10/10	100%
Deng Chongzheng	9/10	90%
Lu Maohao	10/10	100%
Zeng Gangqiang	10/10	100%
Non-executive Directors		
Cao Xiaofeng	10/10	100%
Lu Yaxing	8/10	80%
Zheng Renfa	10/10	100%
Cai Xiaoju	8/10	80%
Chen Guozhang (resigned on 25 June 2010)	4/4	100%
Cai Conghua (appointed on 25 June 2010)	6/6	100%
Independent non-executive Director		
Gui Shouping	8/10	80%
Liu Shaobuo	9/10	90%
Peng Xiaolei	9/10	90%

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' and Supervisors' securities transactions for the year ended 31 December 2010. Having made specific enquiries of all Directors and Supervisors, they have confirmed that they complied with the required standard set out in the Model Code for the year ended 31 December 2010.

COMMITTEES OF THE BOARD

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

(1) AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "Audit Committee") are, among others, to appoint external auditors, review and supervise the financial reporting process, review quarterly, interim and annual results and internal control system of the Group and provide advice and comments to the Board. As at 31 December 2010, the Audit Committee, chaired by Mr. Peng Xiaolei, had a total of three members, namely Mr. Peng Xiaolei, Mr. Liu Shaobuo and Mr. Cao Xiaofeng. The members of Audit Committee met regularly with the management and external auditors and reviewed the external audit reports and the annual financial statements of the Group, and made recommendations thereon. It has reviewed the audited financial statements for the year ended 31 December 2010, and recommended their adoption by the Board. The Company reported to the Audit Committee the major businesses of the Company and the various management suggestions proposed by the Company's international auditor, PricewaterhouseCoopers. For the year ended 31 December 2010, the Company has been in compliance with the requirements relating to audit committees under Rule 3.21 of the Listing Rules.

The Audit Committee held two meetings in the year ended 31 December 2010 with an average attendance rate of 67% by each of its members.

The audit committee members' attendance records of audit committee meetings for the year ended 31 December 2010 are set out below:

	Meetings attended/held	Attendance rate
Peng Xiaolei (Chairman)	2/2	100%
Liu Shaobuo	1/2	50%
Cao Xiaofeng	1/2	50%

(2) REMUNERATION COMMITTEE

The Company has also established a remuneration committee of the Company ("Remuneration Committee") to determine the policies in relation to human resources management, to review the compensation strategies, to determine the remuneration packages of the senior executives and managers, to approve the term of the service contract of the executive Diretors, to assess the performance of the executive Directors, to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The Remuneration Committee consists of one executive Director, Mr. Wang Weibing, and two independent non-executive Directors, Mr. Gui Shouping and Mr. Liu Shaobuo. Mr. Wang Weibing is the chairman of the Remuneration Committee.

During the year ended 31 December 2010, the Remuneration Committee held one meeting.

The remuneration committee members' attendance records of remuneration committee meetings in the year ended 31 December 2010 are set out below:

	Meetings attended/held	Attendance rate
Wang Weibing (Chairman)	1/1	100%
Gui Shouping	1/1	100%
Liu Shaobuo	1/1	100%

SUPERVISORY COMMITTEE

The supervisory committee of the Company (the "Supervisory Committee") comprises seven members, two of whom are independent Supervisors (namely, Ms. Zhou Jiede and Ms. Cheng Zhuo), two are Supervisors appointed by Shareholders (namely, Mr. Chen Chuxuan and Ms. Xiao Li) while three are Supervisors representing the staff of the Group (namely, Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li). The Supervisory Committee is responsible for supervising the Board, Directors as well as the senior management of the Company, so as to prevent them from abusing their power to damage the lawful rights and interests of the Shareholders, the Company and its staff. For the year ended 31 December 2010, the Supervisory Committee examined the financial position and the legal compliance of the operations of the Company and conducted the due diligence review of the senior management of the Company through convening Supervisory Committee's meetings and attending the Board meetings, and general meetings of the Company, as well as undertaking its duties in a proactive and diligent manner under the principles of due care.

During the year ended 31 December 2010, the Supervisory Committee held two meetings.

INTERNAL CONTROL

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

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable law and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal control system of the Company includes the perfection of the organizational structure, and the establishment of a comprehensive set of policies and standards. The responsibilities of each of the business and operational units shall be clearly presented to ensure effective control.

The Board has conducted a review of the effectiveness of the system of internal control of the Company. In the year ended 31 December 2010, the Company highly emphasized on its internal control and continued to adopt a number of initiatives to control and monitor and prevent potential risks, the particulars of which are as follows:

1. Financial control

The Company has continued to strictly comply with each financial system including "Budget Management Manual", "Capital Management Manual", "Reimbursement Management Manual", "Management of Receivables Manual" and "Management and Standardization of NC Financial System".

In 2010, (1) in order to strengthen the financial control and asset management of its subsidiaries, to prevent operating risk and financial risk effectively and to standardize the financial management, the Company formulated the Provisional Regulations on the Appointment of Middle Management of Finance Department of Intermediate Subsidiaries（直屬公司財務部門中層管理人員委派管理暫行規定）; (2) in order to enhance the financial management and regulate the meetings of financial matters of the Company, the Company formulated the Procedures of Financial meeting（財務工作會議管理辦法）to regulate the convening and management of meetings on financial matters, annual budget, annual audited accounts, interim financial statements, quarterly financial statements and special financial matters; and (3) in order to standardize the control of the cost of logistics, the Company has also formulated Provisional Measures for the Audit of Cost of Freight and Storage（運輸倉儲成本費用核算（暫行）管理辦法）.

The preparation and implementation of these systems have further strengthened our financial management and promoted its standard.

The internal auditors of the Company monitor the daily financial management of the Company in accordance with their responsibilities, and advise the financial management department and the general manager and makes recommendations on the improvement of the financial management. In 2010, in order to further improve the internal audit system, the Company formulated Provisional Rules of Internal Audit Procedures（內部審計工作程式實施細則（試行））.

The Audit Committee of the Company held two meetings to liaise and discuss with the auditors of the Company and the department of finance on financial management, financial statements and auditing.

2. Operational control

The management of the Company and all departments undertake their respective work and faithfully perform their functions and discharge their duties in accordance with the articles of association and systems of the Company in order to ensure the safe operation of the Company's businesses.

The Company has been carrying out statistics compilation and analysis on its production operations on a monthly basis, in order for the management to have a better grasp of the position and to make judgments and decisions. The material events of the Company are submitted to the Board and general meetings of the Company for consideration and voting in accordance with the articles of association of the Company. The Supervisors supervise the exercise of powers by the management and the Board in the management of affairs of the Company and advise and make recommendations.

3. Compliance control

In the course of the Company's external expansion of operations, the relevant laws and regulations are complied with so as to strengthen the systems of the Company. The management staff and departments of the Company had entered into contracts and took part in tendering processes in accordance with the requirements of the Company. The Company has in place a designated team of professionals for legal matters, which advises on the lawfulness and compliance of material operational decisions.

The Company has established its information disclosure mechanism pursuant to the "Measures for the Administration of Information Disclosure" to ensure that the Company can report matters of significance timely and ensure the accuracy and timeliness of regular reports and provisional reports of the Company.

The Company conducts regular statistics compilations of connected transactions which occur in various subsidiaries and departments pursuant to the Listing Rules and "Provisions on the Administration of Connected Transactions" so as to ensure that the proceeding and procedures of connected transactions and the disclosure of information are in compliance with the requirements of the Listing Rules.

4. Risk management

The Company has continued to adopt the "Provisional Measures of Investment Management" to strengthen its management of major investment projects of the Company, thereby standardizing its operations and minimizing its risks.

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

During 2010, the Company engaged external professional entities to conduct the establishment of comprehensive risk management system. Report on Risk Assessment and Strategies（風險評估與策略報告）was prepared while Interim Procedures for Comprehensive Risk Management of Guangdong Nan Yue Logistics Company Limited（廣東南粵物流股份有限公司全面風險管理暫行辦法）and Manual on Comprehensive Risk Management（全面風險管理手冊）were formulated, which provided a regulatory framework for the comprehensive risk management of the Company.

AUDITORS

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company. The fees for the audit and non-audit services provided by the above auditors to the Group for the year ended 31 December 2010 amounted to RMB3,080,000 and RMB765,000 respectively.

The statement of the auditors of the Company concerning their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 70 to 71 of this annual report.

GENERAL MEETINGS

The general meeting holds the highest authority of the Company. The Company held 2009 Annual General Meeting on 25 June 2010 to consider and approve the payment of a first interim dividend of 2010 and other nine resolutions; the Company held an extraordinary general meeting on 30 November 2010 to approve, confirm and ratify the terms of the equity transfer agreement dated 17 September 2010 entered into between the Company and Guangdong Communication Enterprise Investment Company in relation to the proposed acquisition by the Company of the entire equity interests in Guangdong Province Transportation Engineering Company Limited and the transactions contemplated thereunder and the implementation thereof. The meeting was convened in compliance with the relevant legal procedures and safeguarded shareholders' participation and exercise of rights. The Company held an extraordinary general meeting on 3 January 2011 to consider and approve the non-exempt continuing transactions of the Company.

The Company highly values the functions of the general meetings, and therefore encourages all Shareholders to attend the general meetings, which serve as a direct and effective communication channel between the Board and the investors of the Company. The constitution of the Company expressly provides for the rights of the Shareholders, including the right to attend, to receive notices to, and to vote in general meetings.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In respect of any disclosable and significant event, the Company will make accurate and complete disclosure through the publication of announcements, notices, circulars, interim and annual reports in a timely manner on the websites of the Stock Exchange and the Company, pursuant to the disclosure requirements under the Listing Rules. This is to ensure the right to information and participation of the Shareholders and to provide a true and fair view of the Company to the public.

The Company has established a specialized team responsible for investor relations. Placing strong emphasis on the communication with investors, the Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence to the Company as well as improving its corporate governance standards. Management of the Company maintain close communications with investor through different channels, such as road shows, conferences and one-on-one meetings, so that investors may have a better understanding of the Company's management philosophy, operating environment and development strategies.

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF GUANGDONG NAN YUE LOGISTICS COMPANY LIMITED

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

We have audited the consolidated financial statements of Guangdong Nan Yue Logistics Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 72 to 165, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

TO THE SHAREHOLDERS OF GUANGDONG NAN YUE LOGISTICS COMPANY LIMITED *(continued)*
(A joint stock company incorporated in the People's Republic of China with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2011

Consolidated Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2010	As at 31 December 2009 (Restated)	As at 1 January 2009 (Restated)
ASSETS				
Non-current assets				
Fixed assets	6	**454,585**	404,418	343,258
Leasehold land and land use rights	7	**100,445**	103,593	106,017
Intangible assets	8	**220,862**	227,569	184,050
Investment properties	9	**18,577**	5,834	4,864
Interests in associates	11	**63,893**	65,156	65,032
Interests in joint ventures	12	**22,186**	18,906	16,195
Available-for-sale financial assets	13	**3,359**	200	200
Deferred income tax assets	14	**157,713**	148,792	29,750
		1,041,620	974,468	749,366
Current assets				
Inventories	15	**289,859**	320,977	896,577
Due from customers on construction contracts	16	**273,344**	226,146	155,558
Trade and other receivables	17	**1,016,817**	1,484,277	1,854,048
Cash and bank balances	29	**1,682,099**	1,494,821	1,121,054
		3,262,119	3,526,221	4,027,237
Total assets		**4,303,739**	4,500,689	4,776,603
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	18	**417,642**	417,642	417,642
Other reserves	19	**360,983**	343,110	336,234
Retained earnings				
– Proposed final dividend	28	**27,560**	—	45,523
– Others		**378,510**	355,375	553,030
		1,184,695	1,116,127	1,352,429
Non-controlling interests		**194,820**	196,281	191,340
Total equity		**1,379,515**	1,312,408	1,543,769

Consolidated Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2010	As at 31 December 2009 (Restated)	As at 1 January 2009 (Restated)
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	14	**190**	277	1,465
Trade and other payables	20	**178,803**	136,383	157,383
		178,993	136,660	158,848
Current liabilities				
Trade and other payables	20	**2,727,761**	3,011,464	2,822,609
Current income tax payable		**17,470**	40,157	31,377
Bank borrowings		**—**	—	220,000
		2,745,231	3,051,621	3,073,986
Total liabilities		**2,924,224**	3,188,281	3,232,834
Total equity and liabilities		**4,303,739**	4,500,689	4,776,603
Net current assets		**516,888**	474,600	953,251
Total assets less current liabilities		**1,558,508**	1,449,068	1,702,617

The notes on pages 81 to 165 are an integral part of these financial statements.

The financial statements on pages 72 to 165 were approved by the Board of Directors on 23 March 2011 and were signed on its behalf.

Liu Hong
Director

Wang Wei Bing
Director

Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2010	2009
ASSETS			
Non-current assets			
Fixed assets	6	**11,787**	14,749
Intangible assets	8	**219,498**	226,470
Investments in subsidiaries	10	**445,295**	445,295
Interests in associates	11	**31,200**	31,200
Interest in a joint venture	12	**6,250**	6,250
Deferred income tax assets	14	**136,196**	131,207
		850,226	855,171
Current assets			
Inventories	15	**211,536**	258,535
Trade and other receivables	17	**825,116**	1,253,691
Cash and bank balances	29	**1,343,133**	1,104,580
		2,379,785	2,616,806
Total assets		**3,230,011**	3,471,977
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**417,642**	417,642
Other reserves	19	**417,037**	400,272
Retained earnings/(accumulated losses)			
– Proposed final dividend	28	**27,560**	—
– Others		**76,363**	(17,464)
Total equity		**938,602**	800,450
LIABILITIES			
Current liabilities			
Trade and other payables	20	**2,285,981**	2,643,492
Current income tax payable		**5,428**	28,035
		2,291,409	2,671,527

Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2010	2009
Total liabilities		**2,291,409**	2,671,527
Total equity and liabilities		**3,230,011**	3,471,977
Net current assets/(liabilities)		**88,376**	(54,721)
Total assets less current liabilities		**938,602**	800,450

The notes on pages 81 to 165 are an integral part of these financial statements.

The financial statements on pages 72 to 165 were approved by the Board of Directors on 23 March 2011 and were signed on its behalf.

Liu Hong
Director

Wang Wei Bing
Director

Consolidated Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2010**	2009
Revenue	5	**6,112,214**	6,209,831
Cost of sales	21	**(5,549,950)**	(5,551,655)
Gross profit		**562,264**	658,176
Other income	23	**28,542**	42,455
Selling expenses	21	**(114,301)**	(162,356)
Administrative expenses	21	**(282,350)**	(733,861)
Other operating expenses		**(6,918)**	(6,572)
Operating profit/(loss)		**187,237**	(202,158)
Finance costs	24	**(28,952)**	(34,468)
Share of results of associates and joint ventures		**2,342**	1,735
Profit/(loss) before income tax		**160,627**	(234,891)
Income tax (expense)/benefit	25	**(42,091)**	57,951
Profit/(loss) for the year		**118,536**	(176,940)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**112,002**	(190,399)
Non-controlling interests		**6,534**	13,459
		118,536	(176,940)
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in RMB per share)	27	**0.27**	(0.46)
Dividends	28	**68,489**	—

The notes on pages 72 to 165 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2010	2009
Profit/(loss) for the year	**118,536**	(176,940)
Revaluation gain on investment properties, net of tax	**2,843**	—
Exchange differences	**(8,013)**	(675)
Total comprehensive income/(loss) for the year	**113,366**	(177,615)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**108,842**	(190,779)
Non-controlling interests	**4,524**	13,164
	113,366	(177,615)

The notes on pages 72 to 165 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company				
		Share capital (Note 18)	Other reserves (Note 19)	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2009		417,642	336,234	598,553	191,340	1,543,769
Comprehensive (loss)/income						
(Loss)/profit for the year		—	—	(190,399)	13,459	(176,940)
Other comprehensive loss						
Exchange differences - Group		—	(380)	—	(295)	(675)
Total comprehensive (loss)/income		—	(380)	(190,399)	13,164	(177,615)
Transactions with owners						
Appropriation from retained earnings		—	7,256	(7,256)	—	—
Dividends to non-controlling shareholders		—	—	—	(8,223)	(8,223)
Dividends to the Company's equity holders		—	—	(45,523)	—	(45,523)
Total transactions with owners		—	7,256	(52,779)	(8,223)	(53,746)
Balance at 31 December 2009		417,642	343,110	355,375	196,281	1,312,408

Consolidated Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company				
		Share capital (Note 18)	Other reserves (Note 19)	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2010		**417,642**	**343,110**	**355,375**	**196,281**	**1,312,408**
Comprehensive income						
Profit for the year		**—**	**—**	**112,002**	**6,534**	**118,536**
Other comprehensive income/(loss)						
Revaluation gain on investment properties, net of tax		**—**	**1,763**	**—**	**1,080**	**2,843**
Exchange differences - Group		**—**	**(4,923)**	**—**	**(3,090)**	**(8,013)**
Total comprehensive (loss)/income		**—**	**(3,160)**	**112,002**	**4,524**	**113,366**
Transactions with owners						
Appropriation from retained earnings		**—**	**20,378**	**(20,378)**	**—**	**—**
Additions in other reserves		**—**	**655**	**—**	**212**	**867**
Dividends to non-controlling shareholders		**—**	**—**	**—**	**(6,197)**	**(6,197)**
Dividends to the Company's equity holders	28	**—**	**—**	**(40,929)**	**—**	**(40,929)**
Total transactions with owners		**—**	**21,033**	**(61,307)**	**(5,985)**	**(46,259)**
Balance at 31 December 2010		**417,642**	**360,983**	**406,070**	**194,820**	**1,379,515**

The notes on pages 72 to 165 are an integral part of these financial statements.

Consolidated Cash Flow Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2010	2009
Cash flows from operating activities			
Cash generated from operations	29(a)	**460,390**	867,982
Interest paid		**(28,952)**	(34,468)
Income tax paid		**(73,786)**	(53,499)
Net cash generated from operating activities		**357,652**	780,015
Cash flows from investing activities			
Purchase of fixed assets		**(117,787)**	(128,722)
Purchase of intangible assets		**(5,510)**	(2,181)
Proceeds from sale of fixed assets	29(b)	**2,097**	234
Proceed from sale of an associate		**2,026**	—
Investment in a joint venture		**—**	(1,500)
Increase in amount due from a joint venture		**(2,000)**	—
Decrease in amounts due from associates		**900**	702
Dividend received from a joint venture		**299**	—
Interest received		**4,754**	3,841
Increase in restricted cash		**(183,000)**	—
Net cash used in investing activities		**(298,221)**	(127,626)
Cash flows from financing activities			
Proceeds from bank borrowings		**350,000**	1,310,000
Repayments of bank borrowings		**(350,000)**	(1,530,000)
Dividends paid to the Company's equity holders	28	**(40,929)**	(45,523)
Dividends paid to non-controlling shareholders		**(6,197)**	(8,223)
Net cash used in financing activities		**(47,126)**	(273,746)
Net increase in cash and cash equivalents		**12,305**	378,643
Cash and cash equivalents at beginning of the year		**1,487,437**	1,108,833
Exchange losses on cash and cash equivalents		**(935)**	(39)
Cash and cash equivalents at end of the year	29(c)	**1,498,807**	1,487,437

The notes on pages 72 to 165 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

The Company and its subsidiaries (together the "Group") are principally engaged in the following businesses: (1) Material logistics services: purchase and sale of construction materials for expressway constructions and other sizable infrastructure projects and provision of related logistics management services; (2) Expressway service zones: operation of expressway service zones and provision of expressway auxiliary services such as operation of food and beverage network, convenience stores, outdoor advertising for expressways, vehicle maintenance and petrol stations; (3) Transportation intelligence services: installation and maintenance of toll collection and safety facilities; (4) Cross-border transportation services: operation of routes between Hong Kang and the Guangdong province; and (5) Tai Ping Interchange: share of toll income from toll stations connecting to Tai Ping Interchange of the Group.

These consolidated financial statements are presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(continued)*

Change in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (Revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (Revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

2.1 Basis of preparation *(continued)*

Change in accounting policy and disclosures (continued)

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

- HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as fixed assets and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

  The effect of the adoption of this amendment is as below:

	As at 31 December		As at 1 January
	2010	2009	2009
Decrease in leasehold land and land use rights	**34,625**	43,589	44,773
Increase in fixed assets	**34,625**	43,589	44,773

Other than the above, other new/revised standards and amendments effective 1 January 2010 are not relevant to the Group's operations and did not have any impact on the Group's financial statements.

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

2.1 Basis of preparation *(continued)*

Change in accounting policy and disclosures (continued)

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2010 or later periods, but the Group has not early adopted them.

— HKAS 32 (Amendment), "Classification of rights issues" (effective for annual period beginning on or after 1 February 2010).

— HK(IFRIC) – Int 19, "Extinguishing financial liabilities with equity instruments" (effective for annual period beginning on or after 1 July 2010).

— Amendment to HKFRS 1, "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (effective for annual period beginning on or after 1 July 2010).

— HKAS 24 (Revised), "Related party disclosures" (effective for annual period beginning on or after 1 January 2011).

— Amendment to HK(IFRIC) Int – 14, "Prepayments of a minimum funding requirement" (effective for annual period beginning on or after 1 January 2011).

— HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" (effective for annual period beginning on or after 1 January 2012).

— HKFRS 9 "Financial Instruments" (effective for annual period beginning on or after 1 January 2013).

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

2.1 Basis of preparation *(continued)*

Change in accounting policy and disclosures *(continued)*

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

— HKICPA's third annual improvements to HKFRS published in May 2010

- HKFRS 3 (Revised), "Business combinations" (effective for annual period beginning on or after 1 July 2010).
- HKFRS 1, "First time Adoption of International Financial Reporting Standards" (effective for annual period beginning on or after 1 January 2011).
- HKFRS 7, "Financial instruments: Disclosures" (effective for annual period beginning on or after 1 January 2011).
- HKAS 1, "Presentation of financial statements" (effective for annual period beginning on or after 1 January 2011).
- HKAS 27, "Consolidated and separate financial statements" (effective for annual period beginning on or after 1 July 2010).
- HKAS 34, "Interim financial reporting" (effective for annual period beginning on or after 1 January 2011).
- HK(IFRIC)-Int 13, "Customer loyalty programmes" (effective for annual period beginning on or after 1 January 2011).

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions to standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

2.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

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

The acquisition method of accounting is used to account for all other acquisitions of subsidiaries by the Group, which does not meet the criteria for merger accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 2.6).

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

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

2.2 Consolidation *(continued)*

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. 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.

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

2.2 Consolidation *(continued)*

(c) Associates (continued)

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.9). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(d) Joint ventures

A joint venture is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral over the entity. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

In the Company's balance sheet the investments in joint ventures are stated at cost less provision for impairment losses (Note 2.9). The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

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

2.2 Consolidation *(continued)*

Changes in accounting policy (continued)

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.4 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

— all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities' operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

2.5 Fixed assets

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

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

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

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

2.5 Fixed assets *(continued)*

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

—	Leasehold land classified as finance lease	Shorter of remaining lease term of 16 - 850 years or useful life
—	Buildings	5-25 years
—	Leasehold improvements	5 years
—	Furniture, fixtures and equipment	5 years
—	Motor vehicles	5-8 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint ventures is included in investments in associates or joint ventures and is tested for impairment as part of the overall balance. Separately capitalised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

2.6 Intangible assets *(continued)*

(b) Computer software

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

(c) Motor vehicle licences

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

(d) Tai Ping Interchange

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

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

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

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

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

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

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

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

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

2.7 Service concession arrangements (HK(IFRIC) – Int 12) *(continued)*

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

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

2.8 Investment properties

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

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

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

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

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

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

Changes in fair values are recognised in the income statement.

If an investment property becomes owner–occupied, it is reclassified as a fixed asset and its fair value at the date of reclassification becomes its cost for accounting purposes.

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

2.8 Investment properties *(continued)*

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

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

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

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as 'trade and other receivables (excluding prepayments)' and 'cash and cash equivalents' in the balance sheet (Notes 2.13 and 2.14).

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories in financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

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

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

2.10.3 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

2.10 Financial assets *(continued)*

2.10.3 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

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

2.10 Financial assets *(continued)*

2.10.3 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

2.11 Inventories

Inventories mainly comprise materials for construction work and spare parts for repair and maintenance, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Construction contracts

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

2.12 Construction contracts *(continued)*

The Group uses the percentage of completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retentions are included within trade and other receivables.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.13 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

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

2.15 Share capital

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)*

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

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

2.18 Other financial liabilities

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

2.19 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

2.19 Current and deferred income tax *(continued)*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

In accordance with the rules and regulations in Mainland China, the Mainland China based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group and the Mainland China based employees are required to make monthly contributions to these plans calculated as a percentage of the employee's salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired Mainland China based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the government in Mainland China.

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

2.20 Employee benefits *(continued)*

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition

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

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

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

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

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

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

Toll income of Tai Ping Interchange of the Group is recognised when the right to receive such income is established.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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

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

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

2.23 Government grants

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

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate for.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred government grants and are recognised in the income statement on a straight line basis over the expected lives of the related assets.

2.24 Leases

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

2.25 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, customers and suppliers concentration 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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Foreign exchange risk

The Group exposes to foreign exchange risk as cross-border transportation services between Hong Kong and Mainland China are denominated in Hong Kong Dollar ("HKD"), and the Group's presentation currency differs from the functional currency of the services. The Group also has some purchases of imported materials denominated in US Dollar ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations. The Group aims to manage the foreign exchange risk by maintaining the balances between collections and payments, and recognised assets and liabilities in foreign currency.

As at 31 December 2010, if RMB has strengthened/weakened by 10% against HKD with all other variables held constant, profit before income tax would have been approximately RMB110,000 (31 December 2009: RMB440,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD denominated cash in bank.

As at 31 December 2010, if RMB has strengthened/weakened by 10% against USD with all other variables held constant, profit before income tax would have been approximately RMB240,000 (31 December 2009: RMB465,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated cash in bank.

(b) Credit risk

The carrying amount of cash and cash equivalents and trade and other receivables, except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. Most of the Group's cash and bank balances are held in financial institutions in Mainland China, which management believes are of high credit quality.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk (continued)*

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

Counterparties with external credit rating (Note)	**2010**	2009
A1	**442,894**	520,545
Baa1	**1,315**	314
Baa2	**371,132**	144,304
Baa3	**12,138**	60,305
Ba1	**585,973**	404,672
Ba2	**12,086**	136,548

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

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

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

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

As at 31 December 2010, approximately 17 % (31 December 2009: 12%) of the trade receivables were concentrated on the top five customers. The Group performs ongoing credit evaluations of their customers' financial condition and generally do not require collaterals on trade and other receivables (Note 17).

(c) *Concentration of customers and suppliers risk*

During the year, the Group's sales to top five customers accounted for approximately 35.3% of the total revenue (2009: 19.4%); the Group's purchase from top five suppliers accounted for 48.3% (2009: 24.8%) of the total purchase. The Group aims to maintain long-term relationship with reputable customers and suppliers in the expansion of its business.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(d) Interest rate risk

The Group's interest-rate risk arises from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings issued at fixed rates expose the Group to fair value interest-rate risk. In 2010, all the Group's bank borrowings were at fixed rate.

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

(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. As at 31 December 2010, the undrawn bank facilities of the Group are RMB2,135,720,000 (31 December 2009: RMB2,406,240,000), which will be expired within one year.

Surplus cash held by the operating entities over and above balance required for working capital management are centralized. Management will allocate available cash on hand according to working capital requirements of each operating entity.

The table below classifies the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group Less than 1 year	Company Less than 1 year
At 31 December 2010		
Trade and other payables		
(exclude advances from customers)	**2,128,135**	**1,890,197**
At 31 December 2009		
Trade and other payables		
(exclude advances from customers)	2,738,302	2,513,385

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

	2010	2009
Total liabilities	**2,924,224**	3,188,281
Total assets	**4,303,739**	4,500,689
Gearing ratio	**68%**	71%

3.3 Fair value estimation

The group disclosures the fair value measurements by level of the following fair value measurement hierarchy:

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Percentage of completion of construction contracts

The Group's management estimates the percentage of completion of construction contracts. These estimates are based on the engineers' knowledge and historical experience, and by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Management assesses the completion progress at each balance sheet date. Were the percentage of completion to differ by 5% from management's estimates, the amount of revenue recognised in the year would be increased by RMB71,364,000 if the percentage of completion (limited to 100% of completion) was increased, or would be decreased by RMB73,157,000 if the percentage of completion was decreased.

(b) Useful lives of fixed assets

The Group's management determines the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge when useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Were the useful life to differ by 5% from management's estimates, the amount of depreciation charge in the year would be increased by RMB3,567,000 if the useful life was shortened, or would be decreased by RMB3,943,000 if the useful life was prolonged.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market condition. Management reviews the market conditions of inventories periodically and reassesses the sufficiency of provision of impairment accordingly. If the estimated selling price to lower by 10% from management's estimates, the Group would have recognised a provision against inventories by RMB619,000.

(d) Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables in accordance with the accounting policy stated in Note 2.10.3. This estimate is based on the credit history of its customers and the current market condition. It could change significantly as a result of change in financial positions of customers. Management reviews the debtor settlement status periodically and reassesses the sufficiency of provision accordingly.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION

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

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

Segment information on reporting segments provided to the management for the year ended 31 December 2010 is as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Revenue							
Segment revenue	4,552,968	447,195	783,916	261,578	129,360	—	6,175,017
Inter-segment revenue	(53,075)	—	(9,728)	—	—	—	(62,803)
Revenue from external customers	4,499,893	447,195	774,188	261,578	129,360	—	6,112,214
Operating profit/(loss)	75,800	35,630	8,346	16,429	102,263	(51,231)	187,237
Depreciation and amortisation	(11,570)	(32,494)	(5,512)	(28,318)	(12,965)	(1,106)	(91,965)
(Provision for)/reversal of impairment losses	(19,539)	2,682	(4,684)	(5)	—	—	(21,546)
Share of results of associates and joint ventures	—	1,418	(1,556)	121	—	2,359	2,342
Income tax (expense)/benefit	(20,767)	(10,592)	(2,088)	(1,242)	(25,506)	18,104	(42,091)
Total segment assets	1,940,398	392,415	868,056	326,455	577,037	38,306	4,142,667
Total segment assets include:							
Interests in associates	—	2,568	782	28,776	—	31,767	63,893
Interests in joint ventures	—	10,682	—	—	—	11,504	22,186
Additions to non-current assets (other than financial instruments and deferred income tax assets)	32,809	73,749	2,607	30,634	1,259	7,796	148,854
Total segment liabilities	2,013,656	370,038	462,823	33,364	26,683	—	2,906,564

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Segment information for the year ended 31 December 2009 is as follows:

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Segment assets are reconciled to total assets as follows:

	2010	2009
Total segment assets	4,142,667	4,351,697
Deferred income tax assets	157,713	148,792
Available-for-sale financial assets	3,359	200
Total assets per consolidated balance sheet	4,303,739	4,500,689

Segment liabilities are reconciled to total liabilities as follows:

	2010	2009
Total segment liabilities	2,906,564	3,147,847
Current income tax payable	17,470	40,157
Deferred income tax liabilities	190	277
Total liabilities per consolidated balance sheet	2,924,224	3,188,281

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.

	2010	2009
Revenue		
Mainland China	5,902,570	6,016,557
Hong Kong	209,644	193,274
	6,112,214	6,209,831

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Total of non-current assets are located as follows:

	2010	2009
Mainland China	**735,904**	686,616
Hong Kong	**144,644**	138,860
	880,548	825,476
Deferred income tax assets	**157,713**	148,792
Available-for-sale financial assets	**3,359**	200
Total non-current assets per consolidated balance sheet	**1,041,620**	974,468

Revenue of approximately RMB2,036,482,000 (2009: RMB1,053,902,000) are derived from external customers within a single group which over 10% of the Group's revenue. These revenues are attributable to segments of material logistics services, expressway service zones and transportation intelligence services.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS

Group

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2009						
Cost as previously reported	119,918	130,866	56,853	310,433	40,281	658,351
Effect of adoption of HKAS17 (Amendment)	53,614	—	—	—	—	53,614
Cost as restated	173,532	130,866	56,853	310,433	40,281	711,965
Accumulated depreciation and impairment, as previously reported	(36,866)	(76,231)	(35,327)	(211,442)	—	(359,866)
Effect of adoption of HKAS17 (Amendment)	(8,841)	—	—	—	—	(8,841)
Accumulated depreciation and impairment, as restated	(45,707)	(76,231)	(35,327)	(211,442)	—	(368,707)
Net book amount, as restated	127,825	54,635	21,526	98,991	40,281	343,258
Year ended 31 December 2009						
Opening net book amount, as previously reported	83,052	54,635	21,526	98,991	40,281	298,485
Effect of adoption of HKAS17 (Amendment)	44,773	—	—	—	—	44,773
Opening net book amount, as restated	127,825	54,635	21,526	98,991	40,281	343,258
Exchange differences	(549)	(3)	(2)	(67)	—	(621)
Additions	2,498	8,805	2,775	30,064	141,035	185,177
Transfers	17,030	3,435	50,069	—	(70,534)	—
Transfers to intangible assets (Note 8)	—	—	—	—	(53,765)	(53,765)
Disposals	—	(4,490)	(972)	(1,326)	—	(6,788)
Depreciation charge	(7,034)	(20,131)	(6,364)	(29,314)	—	(62,843)
Closing net book amount	139,770	42,251	67,032	98,348	57,017	404,418

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Group *(continued)*

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 31 December 2009						
Cost as previously reported	139,364	129,419	103,036	318,640	57,017	747,476
Effect of adoption of HKAS17 (Amendment)	53,456	—	—	—	—	53,456
Cost as restated	192,820	129,419	103,036	318,640	57,017	800,932
Accumulated depreciation and impairment, as previously reported	(43,183)	(87,168)	(36,004)	(220,292)	—	(386,647)
Effect of adoption of HKAS17 (Amendment)	(9,867)	—	—	—	—	(9,867)
Accumulated depreciation and impairment, as restated	(53,050)	(87,168)	(36,004)	(220,292)	—	(396,514)
Net book amount, as restated	139,770	42,251	67,032	98,348	57,017	404,418

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Group *(continued)*

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Year ended 31 December 2010						
Opening net book amount, as previously reported	96,181	42,251	67,032	98,348	57,017	360,829
Effect of adoption of HKAS17 (Amendment)	43,589	—	—	—	—	43,589
Opening net book amount, as restated	139,770	42,251	67,032	98,348	57,017	404,418
Exchange differences	(1,343)	(31)	(17)	(2,274)	—	(3,665)
Additions	3,704	4,077	8,640	27,011	99,912	143,344
Transfers from construction in progress	85,342	36,269	3,759	—	(125,370)	—
Transfers to intangible assets (Note 8)	—	—	—	—	(1,671)	(1,671)
Transfers to investment properties (Note 9)	(7,387)	—	—	—	—	(7,387)
Disposals	(143)	(729)	(587)	(1,841)	—	(3,300)
Depreciation charge	(8,332)	(26,308)	(10,604)	(30,556)	—	(75,800)
Impairment charge	(1,354)	—	—	—	—	(1,354)
Closing net book amount	210,257	55,529	68,223	90,688	29,888	454,585
At 31 December 2010						
Cost as previously reported	224,408	167,537	108,631	315,121	29,888	845,585
Effect of adoption of HKAS17 (Amendment)	42,249	—	—	—	—	42,249
Cost as restated	266,657	167,537	108,631	315,121	29,888	887,834
Accumulated depreciation and impairment, as previously reported	(48,776)	(112,008)	(40,408)	(224,433)	—	(425,625)
Effect of adoption of HKAS17 (Amendment)	(7,624)	—	—	—	—	(7,624)
Accumulated depreciation and impairment, as restated	(56,400)	(112,008)	(40,408)	(224,433)	—	(433,249)
Net book amount, as restated	210,257	55,529	68,223	90,688	29,888	454,585

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

Company

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2009						
Cost	3,908	13,437	5,383	19,144	28,694	70,566
Accumulated depreciation	(681)	(11,858)	(3,753)	(12,552)	—	(28,844)
Net book amount	3,227	1,579	1,630	6,592	28,694	41,722
Year ended 31 December 2009						
Opening net book amount	3,227	1,579	1,630	6,592	28,694	41,722
Additions	—	155	942	—	30,768	31,865
Transfers to intangible assets (Note 8)	—	—	—	—	(53,765)	(53,765)
Depreciation charge	(742)	(1,618)	(671)	(2,042)	—	(5,073)
Closing net book amount	2,485	116	1,901	4,550	5,697	14,749
At 31 December 2009						
Cost	3,908	13,592	6,325	19,144	5,697	48,666
Accumulated depreciation	(1,423)	(13,476)	(4,424)	(14,594)	—	(33,917)
Net book amount	2,485	116	1,901	4,550	5,697	14,749
Year ended 31 December 2010						
Opening net book amount	**2,485**	**116**	**1,901**	**4,550**	**5,697**	**14,749**
Additions	**—**	**38**	**537**	**750**	**7,661**	**8,986**
Transfers to intangible assets (Note 8)	**—**	**—**	**—**	**—**	**(7,080)**	**(7,080)**
Depreciation charge	**(742)**	**(26)**	**(833)**	**(1,913)**	**—**	**(3,514)**
Impairment charge	**(1,354)**	**—**	**—**	**—**	**—**	**(1,354)**
Closing net book amount	**389**	**128**	**1,605**	**3,387**	**6,278**	**11,787**
At 31 December 2010						
Cost	**3,908**	**13,630**	**6,862**	**19,894**	**6,278**	**50,572**
Accumulated depreciation and impairment	**(3,519)**	**(13,502)**	**(5,257)**	**(16,507)**	**—**	**(38,785)**
Net book amount	**389**	**128**	**1,605**	**3,387**	**6,278**	**11,787**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. FIXED ASSETS *(continued)*

The Group does not have the title deeds of certain buildings in expressway service zones as they were built by the Group on land owned by other entities. The Group has entered into agreements with the relevant entities to use such land in the form of lease or sub-contract, with a period in line with the useful lives of the relevant buildings. The total net book amount of such buildings amounted to approximately RMB65,647,000 at 31 December 2010 (31 December 2009: RMB44,880,000).

Depreciation charges of approximately RMB56,947,000 (2009: RMB45,677,000), RMB8,587,000 (2009: RMB4,035,000) and RMB10,266,000 (2009: RMB13,131,000) were included in cost of sales, selling expenses and administrative expenses, respectively.

7. LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	31 December		1 January
	2010	2009 (Restated)	2009 (Restated)
- In Mainland China			
Leases of between 10 to 50 years	**100,445**	103,593	106,017

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

	2010	2009
Opening net book amount, as previously reported	**147,182**	150,790
Effect of adoption of HKAS17 (Amendment)	**(43,589)**	(44,773)
Opening net book amount, as restated	**103,593**	106,017
Investments in available-for-sale financial assets (Note 13)	**(371)**	—
Amortisation charge	**(2,457)**	(2,424)
Others	**(320)**	—
Closing net book amount	**100,445**	103,593

As at 31 December 2010, land use rights with net book amount of RMB89,285,000 has been charged for an application for a charging order against the defendants' assets under a litigation in Mainland China as disclosed on page 51 in this report under section headed "Material Litigation and Arbitration".

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS

Group

	Tai Ping Interchange	Goodwill	Computer software	Motor vehicle licences	Total
At 1 January 2009					
Cost	277,826	1,450	8,866	—	288,142
Accumulated amortisation and impairment	(97,913)	—	(6,179)	—	(104,092)
Net book amount	179,913	1,450	2,687	—	184,050
Year ended 31 December 2009					
Opening net book amount	179,913	1,450	2,687	—	184,050
Exchange differences	—	—	—	(1)	(1)
Additions	—	—	884	1,297	2,181
Transferred from construction in progress (Note 6)	53,765	—	—	—	53,765
Disposal	—	—	(286)	—	(286)
Amortisation charge	(10,734)	—	(1,590)	—	(12,324)
Reversal of impairment provision	—	—	184	—	184
Closing net book amount	222,944	1,450	1,879	1,296	227,569
At 31 December 2009					
Cost	331,591	1,450	9,433	1,296	343,770
Accumulated amortisation and impairment	(108,647)	—	(7,554)	—	(116,201)
Net book amount	222,944	1,450	1,879	1,296	227,569

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS *(continued)*

Group *(continued)*

	Tai Ping Interchange	Goodwill	Computer software	Motor vehicle licences	Total
Year ended 31 December 2010					
Opening net book amount	222,944	1,450	1,879	1,296	227,569
Exchange Differences	—	—	—	(158)	(158)
Additions	—	—	684	4,826	5,510
Transfers from construction in progress (Note 6)	657	—	1,014	—	1,671
Disposals	—	—	(22)	—	(22)
Amortisation charge	(12,545)	—	(1,163)	—	(13,708)
Closing net book amount	211,056	1,450	2,392	5,964	220,862
At 31 December 2010					
Cost	332,248	1,450	11,109	5,964	350,771
Accumulated amortisation and impairment	(121,192)	—	(8,717)	—	(129,909)
Net book amount	211,056	1,450	2,392	5,964	220,862

Amortisation charges of approximately RMB12,545,000 (2009: RMB10,737,000) and RMB 1,163,000 (2009: RMB1,587,000) were included in cost of sales and administrative expenses, respectively.

Goodwill is allocated to the expressway service zones segment, which is operated in Mainland China, for test of impairment. There is no material impairment for goodwill as at year end.

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. INTANGIBLE ASSETS *(continued)*

Company

	Tai Ping Interchange	Computer Software	Total
At 1 January 2009			
Cost	277,826	10,241	288,067
Accumulated amortisation	(97,913)	(5,689)	(103,602)
Net book amount	179,913	4,552	184,465
Year ended 31 December 2009			
Opening net book amount	179,913	4,552	184,465
Additions	—	926	926
Transfers from construction in progress (Note 6)	53,765	—	53,765
Disposals	—	(42)	(42)
Amortisation charge	(10,734)	(1,910)	(12,644)
Closing net book amount	222,944	3,526	226,470
At 31 December 2009			
Cost	331,591	11,125	342,716
Accumulated amortisation	(108,647)	(7,599)	(116,246)
Net book amount	222,944	3,526	226,470
Year ended 31 December 2010			
Opening net book amount	**222,944**	**3,526**	**226,470**
Additions	**—**	**77**	**77**
Transfers from construction in progress (Note 6)	**657**	**6,423**	**7,080**
Amortisation charge	**(12,545)**	**(1,584)**	**(14,129)**
Closing net book amount	**211,056**	**8,442**	**219,498**
At 31 December 2010			
Cost	**332,248**	**17,666**	**349,914**
Accumulated amortisation	**(121,192)**	**(9,224)**	**(130,416)**
Net book amount	**211,056**	**8,442**	**219,498**

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(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. INVESTMENT PROPERTIES - GROUP

	2010	2009
Opening net book amount	5,834	4,864
Exchange differences	(488)	(15)
Transfer from fixed assets (Note 6)	7,387	—
Difference between fair value and carrying amount of fixed assets at the date of transfer (included in other comprehensive income)	2,843	—
Fair value gain (included in other income)	3,001	985
Closing net book amount	18,577	5,834

(a) The investment properties are located in Hong Kong and are held on leases of between 39 to 44 years.

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

10. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2010	2009
Investments, at cost:		
- Unlisted shares	441,433	441,433
Amounts due from subsidiaries	3,862	3,862
	445,295	445,295

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

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

The following is a list of the principal subsidiaries at 31 December 2010, all of which are limited liability companies:

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital/issued share capital	Interest held	
				Direct	Indirect
Guangdong Top-E Expressway Service Zone Company Limited	Mainland China	Toll road services in Mainland China	RMB100,000,000	95.6%	—
Guangdong Nan Yue Logistic International Service Company Limited	Mainland China	Freight and transportation in Mainland China	RMB10,000,000	90.0%	10.0%
Guangdong Southchina Logistic Enterprise Company Limited	Mainland China	Construction and logistics in Mainland China	RMB100,000,000	98.4%	1.6%
Guangdong Xinyue Communications Investment Company Limited ("Guangdong Xinyue")	Mainland China	Construction and logistics, including purchase and sale of construction materials in Mainland China	RMB60,000,000	71.0%	—
Guangdong New Way Advertising Company Limited	Mainland China	Advertising services in Mainland China	RMB33,000,000	60.0%	40.0%
Guangdong Tai Cheng Consulting Company Limited	Mainland China	Consulting services in Mainland China	RMB1,000,000	60.0%	40.0%
The Motor Transport Company of Guangdong and Hong Kong Limited	Hong Kong	Coach and freight services in Mainland China and Hong Kong	HKD9,000,000	62.0%	—
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	Mainland China	Coach and freight services in Mainland China and Hong Kong	HKD19,000,000	62.0%	—

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital/issued share capital	Interest held	
				Direct	Indirect
Guangdong Oriental Thought Technology Company Limited ("Guangdong Oriental Thought")	Mainland China	Software development and management in Mainland China	RMB22,000,000	51.0%	—
Guandong Jindaoda Expressway Economic Development Company Limited	Mainland China	Toll road services in Mainland China	RMB10,000,000	5.0%	95.0%
Guangdong Guantong Expressway Assets Management Company Limited	Mainland China	Toll road services in Mainland China	RMB10,000,000	—	97.0%
Guangdong Xinyue E&M Engineering Company Limited	Mainland China	Construction and engineering services in Mainland China	RMB10,000,000	—	85.0%
Guangdong Road & Bridge Electronic Toll Collection Company Limited	Mainland China	Development of electronic toll collection system in Mainland China	RMB30,000,000	—	85.0%
Shenzhen Yuegang Transport Company Limited ("Shenzhen Yuegang")	Mainland China	Provision of coach services in Mainland China	HKD10,500,000	—	100.0%
Gang Tong (HK) Motor Transport Company Limited	Hong Kong	Provision of coach services in Mainland China and Hong Kong	HKD500,000	—	100.0%
Yue Kong Shipping Company Limited	Hong Kong	Provision of transport agency services in Hong Kong	HKD20,000	—	100.0%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

Name	Place of incorporation	Principal activities and place of operation	Particulars of registered capital/issued share capital	Interest held	
				Direct	Indirect
Carson Development Limited	Hong Kong	Property holding in Hong Kong	HKD10,000	—	100.0%
Man Kam To Coach Management Company Limited	Hong Kong	Provision of coach services in Hong Kong	HKD100,000	—	69.0%
Chongqing Aoteng Technology Development Company Limited	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	51.0%
Oriental Thought (Henan) Technology Company Limited	Mainland China	Software development and management in Mainland China	RMB1,000,000	—	51.0%
Guangdong Yue Li Jia Passenger Transport Company Limited (Hong Kong)	Hong Kong	Provision of coach services in Mainland China and Hong Kong	HKD10,000	—	70.0%
Guangdong Yue Li Jia Passenger Transport Company Limited (Guangzhou)	Mainland China	Provision of coach services in Mainland China and Hong Kong	HKD3,500,000	—	70.0%
Guangdong Nan Yue Logistics (Hong Kong) Limited	Hong Kong	Trading of asphalt	HKD1,500,000	100%	—
Dongguan Nan Yue Jia Fu Logistic Company Limited	Mainland China	Transportation and storage in Mainland China	RMB10,000,000	—	100%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTERESTS IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
Beginning of the year	**52,558**	52,034	**31,200**	31,200
Share of associates' results	**2,777**	524	**—**	—
Disposal of an associate	**(4,040)**	—	**—**	—
End of the year	**51,295**	52,558	**31,200**	31,200
Amounts due from associates	**15,696**	16,596	**—**	—
Less: provision for impairment of receivables	**(3,098)**	(3,998)	**—**	—
	63,893	65,156	**31,200**	31,200

Interests in associates as at 31 December 2010 include goodwill of RMB8,075,000 (2009: RMB8,075,000).

As at 31 December 2010 and 2009, the amounts due from associates are unsecured, interest free and have no fixed repayment terms. The settlement of such amounts is neither planned nor likely to occur in the coming year.

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

Name	Particulars of issued/registered capital	Country/place of incorporation	Interest held on 31 December			
			2010		2009	
			Direct	Indirect	Direct	Indirect
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 (Note a)	RMB2,000,000	Mainland China	**—**	**—**	—	40.0%
Express Cross-Border Coach Management Company Limited	HKD199,000	Hong Kong	**—**	**23.9%**	—	23.9%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. INTERESTS IN ASSOCIATES *(continued)*

Name	Particulars of issued/registered capital	Country/place of incorporation	Interest held on 31 December			
			2010		2009	
			Direct	Indirect	Direct	Indirect
Southern United Assets and Equity Exchange Company Limited	RMB80,000,000	Mainland China	**25.0%**	**—**	25.0%	—
Shenzhen Man Kam To Coach Management Company Limited	RMB30,000,000	Mainland China	**—**	**20.0%**	—	20.0%
Guangdong Feida Traffic Engineering Company Limited	RMB10,000,000	Mainland China	**30.0%**	**—**	30.0%	—

Note a: During 2010, the Group disposed all its investments in Guangdong Road Technology Development Company Limited.

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

	Assets	Liabilities	Revenues	Profit
2010	**141,396**	**89,807**	**96,021**	**2,777**
2009	146,958	93,282	89,304	524

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(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. INTERESTS IN JOINT VENTURES

	Group		Company	
	2010	2009	**2010**	2009
Beginning of the year	**18,906**	16,195	**6,250**	6,250
Incorporation of a joint venture	**—**	1,500	**—**	—
Share of joint ventures' results	**1,579**	1,211	**—**	—
Dividend received from a joint venture	**(299)**	—	**—**	—
End of the year	**20,186**	18,906	**6,250**	6,250
Amounts due from joint ventures	**2,000**	—	**—**	—
	22,186	18,906	**6,250**	6,250

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

Name	Particulars of issued /registered capital	Country/place of incorporation	Interest held on 31 December 2009 and 2010	
			Direct	Indirect
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	RMB30,000,000	Mainland China	20.8%	29.2%
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	RMB3,000,000	Mainland China	—	50.0%

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

	Assets	Liabilities	Revenues	Profit
2010	**23,270**	**3,084**	**29,635**	**1,579**
2009	19,839	933	22,779	1,211

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS - GROUP

	2010	2009
At 1 January	200	200
Additions	3,159	—
At 31 December	3,359	200

The Group contributed certain land use rights with carrying value of RMB371,000 to Shell Road Solution Xinlu (Foshan) Company Limited ("Shell Foshan"). In return, the Group acquired 6.05% equity interests in Shell Foshan. Fair value of these land use rights amounted to RMB3,159,000 at the contribution date. Fair value gain on these land use rights has been included in other income (Note 23).

The available-for-sale financial assets of the Group are all unlisted securities and denominated in RMB.

None of these financial assets is either past due or impaired.

14. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2010	2009	2010	2009
Deferred tax assets:				
– Deferred tax assets to be recovered within 12 months	23,773	18,950	2,915	2,916
– Deferred tax assets to be recovered after more than 12 months	133,940	129,842	133,281	128,291
	157,713	148,792	136,196	131,207
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	(190)	(277)	—	—
Deferred tax assets - net	157,523	148,515	136,196	131,207

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. DEFERRED INCOME TAX *(continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
Beginning of the year	**148,515**	28,285	**131,207**	15,278
Credited in the income statement (Note 25)	**9,006**	120,226	**4,989**	115,929
Exchange differences	**2**	4	**—**	—
End of the year	**157,523**	148,515	**136,196**	131,207

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Group						Company				
	Provision for impairment of receivables	Provision for impairment of inventories	Provision for impairment of construction contracts	Provision for impairment of fixed assets	Accrued expenses	Total	Provision for impairment of receivables	Provision for impairment of inventories	Provision for impairment of fixed assets	Accrued expenses	Total
At 1 January 2009	10,330	919	404	—	19,543	31,196	8,925	919	—	5,434	15,278
Credited/(charged) in the income statement	118,593	—	(83)	—	452	118,962	118,447	—	—	(2,518)	115,929
At 31 December 2009	128,923	919	321	—	19,995	150,158	127,372	919	—	2,916	131,207
Credited in the income statement	4,098	—	672	339	3,417	8,526	4,650	—	339	—	4,989
At 31 December 2010	**133,021**	**919**	**993**	**339**	**23,412**	**158,684**	**132,022**	**919**	**339**	**2,916**	**136,196**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. DEFERRED INCOME TAX *(continued)*

Deferred tax liabilities:

	Group			Company
	Accelerated tax depreciation	Proposed dividend of a subsidiary	Total	
At 1 January 2009	(483)	(2,428)	(2,911)	—
Credited in the income statement	202	1,062	1,264	—
Exchange differences	4	—	4	—
At 31 December 2009	(277)	(1,366)	(1,643)	—
Credited in the income statement	85	395	480	—
Exchange differences	2	—	2	—
At 31 December 2010	**(190)**	**(971)**	**(1,161)**	**—**

The Group had carry-forward tax losses of approximately RMB58,810,000 as at 31 December 2010 (31 December 2009: RMB50,737,000). Deferred income tax assets arising from such tax losses of approximately RMB9,759,000 (31 December 2009: RMB8,459,000) 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 2010, tax losses of approximately RMB8,512,000 (31 December 2009: RMB7,343,000) will expire within a period of 5 years. The remaining tax losses can be carried forward indefinitely.

At 31 December 2010, there were no other material unprovided deferred income tax assets and liabilities.

15. INVENTORIES

	Group		Company	
	2010	2009	**2010**	2009
Materials	**236,909**	270,061	**213,462**	261,170
Spare parts, merchandise and others	**56,627**	54,593	**1,751**	1,042
Less: provision for impairment of inventories	**(3,677)**	(3,677)	**(3,677)**	(3,677)
	289,859	320,977	**211,536**	258,535

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB4,354,543,000 (2009: RMB4,498,153,000).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. DUE FROM CUSTOMERS ON CONSTRUCTION CONTRACTS - GROUP

	2010	2009
Contract costs incurred plus recognised profits	**3,439,544**	3,441,892
Less: progress billings to date	**(3,159,579)**	(3,213,607)
provision for impairment of construction contracts	**(6,621)**	(2,139)
	273,344	226,146

At 31 December 2010, retentions held by customers for contract work included in trade and other receivables of the Group under Note 17 amounted to approximately RMB71,586,000 (31 December 2009: RMB78,829,000).

At 31 December 2010, advances received from customers for contract work included in trade and other payables of the Group under Note 20 amounted to approximately RMB93,386,000 (31 December 2009: RMB80,181,000).

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

	2010	2009
Amounts due from customers on construction contracts		
– Fellow subsidiaries	**89,031**	118,582
– Fellow associates	**2,161**	6,149
– Associates	**—**	175
	91,192	124,906

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
Trade receivables (Note a)	**350,698**	503,179	**199,261**	285,084
Bills receivable (Note b)	**32,384**	82,834	**32,384**	82,834
Other receivables (Note c)	**167,894**	127,341	**36,049**	31,555
Prepayments (Note d)	**127,721**	315,102	**104,877**	247,508
Amounts due from related parties (Note e)	**338,120**	455,821	**452,545**	606,710
	1,016,817	1,484,277	**825,116**	1,253,691

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

(a) Trade receivables

	Group		Company	
	2010	2009	**2010**	2009
Trade receivables	**384,410**	546,720	**230,709**	324,159
Less: provision for impairment of receivables	**(33,712)**	(43,541)	**(31,448)**	(39,075)
	350,698	503,179	**199,261**	285,084

The various companies of the Group have different credit policies, dependent on the requirements of the market and the business in which they operate. For material logistics services business and transportation intelligence services business, certain percentage of the trade receivables is retained by customers as quality assurance and is repaid upon finalisation of the relevant construction projects.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

The ageing analysis of the trade receivables before provision is as follows:

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**196,450**	301,607	**100,950**	161,600
Over 3 months and within 6 months	**92,730**	107,974	**87,726**	92,601
Over 6 months and within 1 year	**28,588**	55,201	**6,087**	22,321
Over 1 year and within 2 years	**20,835**	34,301	**4,152**	14,648
Over 2 years and within 3 years	**10,729**	20,557	**4,587**	9,832
Over 3 years	**35,078**	27,080	**27,207**	23,157
	384,410	546,720	**230,709**	324,159

(b) Bills receivable

At 31 December 2009 and 2010, bills receivable of the Group and the Company had maturity dates within 6 months.

(c) Other receivables

	Group		Company	
	2010	2009	**2010**	2009
Other receivables	**208,390**	165,977	**68,961**	66,989
Less: provision for impairment of receivables	**(40,496)**	(38,636)	**(32,912)**	(35,434)
	167,894	127,341	**36,049**	31,555

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Other receivables *(continued)*

The ageing analysis of other receivables is as follows:

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**64,681**	67,600	**9,734**	26,024
Over 3 months and within 6 months	**19,947**	9,619	**37**	677
Over 6 months and within 1 year	**24,450**	13,280	**5,871**	2,224
Over 1 year and within 2 years	**41,620**	43,393	**17,160**	36,515
Over 2 years and within 3 years	**39,876**	18,992	**36,159**	65
Over 3 years	**17,816**	13,093	**—**	1,484
	208,390	165,977	**68,961**	66,989

(d) Prepayments

	Group		Company	
	2010	2009	**2010**	2009
Prepayment	**591,454**	750,082	**568,610**	682,488
Less: provision for impairment of prepayment	**(463,733)**	(434,980)	**(463,733)**	(434,980)
	127,721	315,102	**104,877**	247,508

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

Impairment provision was mainly made for prepayment advanced to certain steel suppliers. The Group has filed a lawsuit against these steel suppliers and details are disclosed on page 51 in this report under section headed "Material Litigation and Arbitration".

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

(e) Due from related parties

	Group		Company	
	2010	2009	**2010**	2009
Trade receivables				
– Fellow subsidiaries	**205,213**	140,106	**118,830**	62,138
– Fellow associates	**43,883**	4,900	**36,325**	916
– Subsidiaries	**—**	—	**55,594**	14,497
– Associates	**10,000**	1,520	**—**	—
Less: provision for impairment of receivables	**(7,411)**	(10,443)	**(1,761)**	(1,761)
	251,685	136,083	**208,988**	75,790
Other receivables				
– Fellow subsidiaries	**63,238**	17,752	**21,603**	4,545
– Fellow associates	**12,001**	1,324	**—**	—
– Subsidiaries	**—**	—	**215,146**	229,518
– Associates	**95**	107	**95**	95
Less: provision for impairment of receivables	**(1,796)**	(3,088)	**—**	—
	73,538	16,095	**236,844**	234,158

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
Prepayments				
– Fellow subsidiaries	**12,339**	302,706	**5,182**	295,231
– Fellow associates	**143**	103	**—**	—
– Subsidiaries	**—**	—	**1,531**	1,531
– Associates	**415**	834	**—**	—
	12,897	303,643	**6,713**	296,762
Total				
– Fellow subsidiaries	**280,790**	460,564	**145,615**	361,914
– Fellow associates	**56,027**	6,327	**36,325**	916
– Subsidiaries	**—**	—	**272,271**	245,546
– Associates	**10,510**	2,461	**95**	95
Less: provision for impairment of receivables	**(9,207)**	(13,531)	**(1,761)**	(1,761)
	338,120	455,821	**452,545**	606,710

Except for the balance due from subsidiaries amounting to RMB187,733,000 at 31 December 2010, which was interest-bearing at a weighted average rate of 4.42% per annum (31 December 2009: RMB171,322,000 at 4.52%), other balances with related parties at 31 December 2009 and 2010 were unsecured and interest-free.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

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

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

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**169,008**	78,625	**149,955**	54,755
Over 3 months and within 6 months	**2,662**	3,684	**2,383**	191
Over 6 months and within 1 year	**44,580**	15,653	**37,858**	10,390
Over 1 year and within 2 years	**14,862**	23,306	**8,341**	6,176
Over 2 years and within 3 years	**16,530**	4,789	**6,176**	—
Over 3 years	**11,454**	20,469	**6,036**	6,039
	259,096	146,526	**210,749**	77,551

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

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**34,800**	8,011	**38,160**	54,557
Over 3 months and within 6 months	**5,508**	2,114	**7,683**	4,056
Over 6 months and within 1 year	**20,491**	734	**15,021**	85,472
Over 1 year and within 2 years	**9,992**	1,104	**122,006**	62,008
Over 2 years and within 3 years	**317**	1,833	**34,912**	19,684
Over 3 years	**4,226**	5,387	**19,062**	8,381
	75,334	19,183	**236,844**	234,158

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Credit quality analysis

Management make periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors, valuation of the collaterals and whether there are any trade disputes with the debtors.

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

	Group		Company	
	2010	2009	**2010**	2009
Fully performing under credit term	**352,003**	404,311	**231,367**	248,848
Past due but not impaired	**271,402**	298,714	**204,991**	191,311
Past due and impaired	**52,485**	73,055	**37,484**	44,385
Total trade and bills receivables	**675,890**	776,080	**473,842**	484,544
Less: provision for impairment of receivables	**(41,123)**	(53,984)	**(33,209)**	(40,836)
Trade and bills receivables - net	**634,767**	722,096	**440,633**	443,708

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

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**57,248**	74,060	**51,922**	47,780
Over 3 months	**214,154**	224,654	**153,069**	143,531
	271,402	298,714	**204,991**	191,311

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Credit quality analysis *(continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**315**	4,488	**—**	4,467
Over 3 months	**52,170**	68,567	**37,484**	39,918
	52,485	73,055	**37,484**	44,385

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

	Group		Company	
	2010	2009	**2010**	2009
Fully performing under credit term	**169,986**	113,647	**256,029**	268,235
Past due and impaired	**113,738**	71,513	**49,776**	32,912
Total other receivables	**283,724**	185,160	**305,805**	301,147
Less: provision for impairment of receivables	**(42,292)**	(41,724)	**(32,912)**	(35,434)
Other receivables - net	**241,432**	143,436	**272,893**	265,713

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Credit quality analysis *(continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**617**	5,046	**—**	4,771
Over 3 months	**113,121**	66,467	**49,776**	28,141
	113,738	71,513	**49,776**	32,912

Ageing analysis of receivables are prepared and closely monitored in order to minimise credit risk associated. Management considers that the majority of the receivables are fully performing with long trading history and the provision for impairment is sufficient to cover the credit risk by reference to the corresponding default history.

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

	Group		Company	
	2010	2009	**2010**	2009
RMB	**1,523,627**	1,972,592	**1,354,970**	1,764,941
HKD	**40,338**	42,373	**—**	—
	1,563,965	2,014,965	**1,354,970**	1,764,941

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
Beginning of the year	**(530,688)**	(54,082)	**(511,250)**	(38,219)
Provision for receivable impairment	**(28,960)**	(482,940)	**(28,754)**	(478,413)
Receivables written off as uncollectible	**150**	1,034	**—**	485
Unused amounts reversed	**12,350**	5,300	**10,150**	4,897
End of the year	**(547,148)**	(530,688)	**(529,854)**	(511,250)

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

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

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

18. SHARE CAPITAL

	Number of shares (thousands)	Amount
At 31 December 2009 and 2010	417,642	417,642

The total authorised number of ordinary shares is 417,641,877 shares (31 December 2009: 417,641,877 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

19. OTHER RESERVES

Group	Capital reserve (Note a)	Merger reserve (Note b)	Share premium	Statutory surplus reserve (Note c)	Enterprise expansion fund (Note d)	Revaluation reserve	Translation	Safety fund reserve (Note e)	Total
Balance at 1 January 2009	14,694	(167,594)	283,639	170,814	53,753	3,836	(22,908)	—	336,234
Exchange differences	—	—	—	—	—	—	(380)	—	(380)
Appropriation from retained earnings	—	—	—	7,256	—	—	—	—	7,256
Balance at 31 December 2009	14,694	(167,594)	283,639	178,070	53,753	3,836	(23,288)	—	343,110
Exchange differences	**—**	**—**	**—**	**—**	**—**	**—**	**(4,923)**	**—**	**(4,923)**
Revaluation gain on investment properties	**—**	**—**	**—**	**—**	**—**	**1,763**	**—**	**—**	**1,763**
Additions in other reserves	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**655**	**655**
Appropriation from retained earnings	**—**	**—**	**—**	**20,378**	**—**	**—**	**—**	**—**	**20,378**
Balance at 31 December 2010	**14,694**	**(167,594)**	**283,639**	**198,448**	**53,753**	**5,599**	**(28,211)**	**655**	**360,983**

19. OTHER RESERVES *(continued)*

(a) Capital reserve

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

(b) Merger reserve

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

(c) Statutory reserves

According to relevant rules and regulations in Mainland China and the articles of association of the Company and certain of its subsidiaries, when distributing profit attributable to shareholders each year, the Company and certain of its subsidiaries shall set aside at least 10% of its profit attributable to shareholders based on the Company's and its subsidiaries' local statutory accounts for the statutory reserve fund (except where the statutory surplus reserve has reached 50% of the Company's and these subsidiaries' registered share capital). These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividend without prior approval from a shareholders' general meeting under certain conditions.

When the statutory reserve is not sufficient to make good for any losses of the Company and these subsidiaries from previous years, current year profit attributable to equity holders shall be used to make good the losses before allocations are set aside for the statutory reserve fund.

(d) Enterprise expansion fund

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

(e) Safety fund reserve

Pursuant to certain relevant laws and regulations in Mainland China, certain of the Group's subsidiaries engaged in transportation business are required to set aside a certain amount in proportion to its transportation income for the relevant year as safety fund reserve. As the Group has no legal or constructive obligation to pay out these amounts at point of recognition, the amount has been treated as an appropriation of reserves in equity. The fund can be used for improvements of safety on transportation facilities and is not available for distribution to shareholders.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. OTHER RESERVES *(continued)*

(f) Distributable reserve

Dividend will be distributed of the Group's distributable reserves, which represent the lower amount as determined in according with generally accepted accounting principles in Mainland China ("China GAAP") and HKFRS. As at 31 December 2010, the Company's distributable reserves, representing the Company's retained earnings as at year end were approximately RMB103,923,000 (As at 31 December 2009, the Company's accumulated losses were approximately RMB17,464,000), being the lower of the distributable reserves as determined under China GAAP and HKFRS (Note 19(g)).

(g) The movement in other reserves and retained earnings/(accumulated losses) of the Company during the years are as follows:

	Other reserves					Retained earnings/ (accumulated losses)
	Capital reserve	Share premium	Statutory surplus reserve	Safety fund reserve	Total	
Balance at 1 January 2009	8,249	283,639	108,553	—	400,441	255,576
Loss for the year	—	—	—	—	—	(227,686)
Appropriation from retained earnings	—	—	(169)	—	(169)	169
Dividend relating to 2008	—	—	—	—	—	(45,523)
Balance at 31 December 2009	8,249	283,639	108,384	—	400,272	(17,464)
Profit for the year	**—**	**—**	**—**	**—**	**—**	**179,078**
Appropriation from retained earnings	**—**	**—**	**16,762**	**—**	**16,762**	**(16,762)**
Additions in other reserves	**—**	**—**	**—**	**3**	**3**	**—**
Dividend relating to 2010	**—**	**—**	**—**	**—**	**—**	**(40,929)**
Balance at 31 December 2010	**8,249**	**283,639**	**125,146**	**3**	**417,037**	**103,923**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
Trade payables (Note a)	**721,519**	793,354	**406,923**	449,824
Bills payable (Note b)	**705,783**	1,583,579	**705,783**	1,583,579
Advances from customers	**338,256**	243,335	**24,358**	30,298
Accrued expenses and other payables (Note c)	**366,704**	281,230	**209,487**	167,879
Amount due to related parties (Note d)	**774,302**	246,349	**939,430**	411,912
	2,906,564	3,147,847	**2,285,981**	2,643,492
Less: Non-current portion (Note e)	**(178,803)**	(136,383)	**—**	—
Current portion	**2,727,761**	3,011,464	**2,285,981**	2,643,492

(a) Trade payables

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**569,872**	676,222	**328,113**	421,080
Over 3 months and within 6 months	**45,963**	34,162	**38,901**	19,310
Over 6 months and within 1 year	**23,935**	46,771	**14,716**	3,383
Over 1 year and within 2 years	**51,767**	10,704	**21,108**	1,938
Over 2 years and within 3 years	**5,981**	8,637	**1,332**	1,795
Over 3 years	**24,001**	16,858	**2,753**	2,318
	721,519	793,354	**406,923**	449,824

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. TRADE AND OTHER PAYABLES *(continued)*

(b) Bills payable

Bills payable of the Group and the Company have maturity dates within six months and were bearing interest at rates from 0 to 7.80% per annum (2009: 0 to 7.50% per annum).

(c) Accrued expenses and other payables

	Group		Company	
	2010	2009	**2010**	2009
Value added tax and other taxes payable	**149,348**	135,102	**140,803**	131,165
Other payables*	**217,356**	146,128	**68,684**	36,714
	366,704	281,230	**209,487**	167,879

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

Notes to the Consolidated Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. TRADE AND OTHER PAYABLES *(continued)*

(d) Due to related parties

	Group		Company	
	2010	2009	**2010**	2009
Trade payables				
– Fellow subsidiaries	**327,309**	74,590	**283,658**	33,568
– Fellow associates	**3,846**	952	**2,563**	350
– Subsidiaries	**—**	—	**43,303**	40,553
	331,155	75,542	**329,524**	74,471
Advances from customers				
– Fellow subsidiaries	**423,985**	140,238	**361,683**	75,234
– Fellow associates	**16,188**	25,643	**9,743**	24,575
– Associates	**—**	329	**—**	—
	440,173	166,210	**371,426**	99,809
Other payables				
– Parent Company	**984**	1,312	**984**	1,312
– Fellow subsidiaries	**1,589**	3,186	**1,547**	1,347
– Fellow associates	**5**	—	**—**	—
– Associate	**396**	99	**—**	—
– Subsidiaries	**—**	—	**235,949**	234,973
	2,974	4,597	**238,480**	237,632
Total				
– Parent Company	**984**	1,312	**984**	1,312
– Fellow subsidiaries	**752,883**	218,014	**646,888**	110,149
– Fellow associates	**20,039**	26,595	**12,306**	24,925
– Subsidiaries	**—**	—	**279,252**	275,526
– Associates	**396**	428	**—**	—
	774,302	246,349	**939,430**	411,912

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. TRADE AND OTHER PAYABLES *(continued)*

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

Except for the balance due to subsidiaries amounting to RMB229,435,000 as at 31 December 2010 (2009: RMB234,745,000), which was interest-bearing at rate of 0.36% (2009: 0.36%) per annum, other balances with related parties as at 31 December 2009 and 2010 were unsecured and interest-free.

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

	Group		Company	
	2010	2009	**2010**	2009
Within 3 months	**289,647**	34,381	**296,226**	31,531
Over 3 months and within 6 months	**5,617**	7,049	**1,249**	—
Over 6 months and within 1 year	**10,158**	6,941	**3,060**	17,114
Over 1 year and within 2 years	**11,006**	13,531	**4,393**	21,357
Over 2 years and within 3 years	**5,226**	6,698	**20,339**	1,466
Over 3 years	**9,501**	6,942	**4,257**	3,003
	331,155	75,542	**329,524**	74,471

(e) Non-current portion

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. EXPENSES BY NATURE

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

	2010	2009 (Restated)
Charge/(reverse)		
Cost of inventories sold	**4,354,543**	4,498,153
Cost of sales for construction contracts	**642,212**	605,410
Transportation expense	**229,961**	286,493
Business tax and other surcharges	**53,049**	53,684
Depreciation of fixed assets	**75,800**	62,843
Amortisation of leasehold land and land use rights	**2,457**	2,424
Amortisation of intangible assets	**13,708**	12,324
Loss on disposal of fixed assets and intangible assets	**1,545**	6,840
Employee benefits expense (Note 22)	**276,655**	225,015
Operating lease expense	**74,446**	62,597
Reversal of provision for impairment of intangible assets	**—**	(184)
Provision for impairment of fixed assets	**1,354**	—
Provision for impairment of receivables (Note a)	**15,710**	477,338
Provision for impairment of construction contracts	**4,482**	1,104
Auditor's remuneration	**4,098**	3,757
Research and development costs	**7,197**	9,425

Note a: The amount in 2009 mainly represented impairment provision made for prepayment advanced to certain steel suppliers who were not able to supply goods to the Group in accordance with the purchase contracts.

22. EMPLOYEE BENEFITS EXPENSE

	2010	2009
Wages and salaries	**221,284**	166,631
Retirement scheme contributions and defined contribution plans	**13,078**	12,234
Welfare and other expenses	**42,293**	46,150
	276,655	225,015
Average number of employee	**3,467**	3,627

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFITS EXPENSE *(continued)*

(a) Directors' and senior management's emoluments

The remuneration of every Director and Supervisor for the year ended 31 December 2010 is set out below:

Name	Fees	Salary	Employer's contribution to pension scheme	Total
Director				
Mr. Liu Hong (h)	—	491	18	509
Mr. Wang Wei Bing	—	494	18	512
Mr. Lu Ya Xing (k)	—	—	—	—
Mr. Chen Guo Zhang (i and k)	—	—	—	—
Mr. Cai Chong Hua (j and k)	—	—	—	—
Mr. Zeng Gang Qiang	—	343	18	361
Mr. Liu Shao Buo	60	—	—	60
Mr. Gui Shou Ping	60	—	—	60
Mr. Peng Xiao Lei	60	—	—	60
Mr. Deng Chong Zheng	—	885	10	895
Mr. Cai Xiao Ju (k)	—	—	—	—
Mr. Lu Mao Hao	—	427	15	442
Mr. Zeng Ren Fa (d and k)	—	—	—	—
Mr. Cao Xiao Feng (d and k)	—	—	—	—
Supervisor				
Ms. Li Hui	—	235	18	253
Mr. Rao Feng Sheng	—	407	18	425
Ms. Zhang Li	—	259	18	277
Mr. Chen Chu Xuan (b and k)	—	—	—	—
Ms. Xiao Li (b andk k)	—	—	—	—
Ms. Cheng Zhuo	48	—	—	48
Ms. Zhou Jie De	48	—	—	48

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFITS EXPENSE *(continued)*

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

The remuneration of every Director and Supervisor for the year ended 31 December 2009 is set out below:

Name	Fees	Salary	Employer's contribution to pension scheme	Total
Director				
Mr. Liu Hong (h)	—	5	—	5
Mr. Wang Wei Bing	—	452	17	469
Mr. Liu Wei (c and k)	—	—	—	—
Mr. Lu Ya Xing (k)	—	—	—	—
Mr. Huang Guo Xuan (c and k)	—	—	—	—
Mr. Chen Guo Zhang (i and k)	—	—	—	—
Mr. Zeng Gang Qiang	—	315	15	330
Mr. Liu Shao Buo	60	—	—	60
Mr. Gui Shou Ping	60	—	—	60
Mr. Peng Xiao Lei	60	—	—	60
Mr. Su Yong Dong (g)	—	320	13	333
Mr. Deng Chong Zheng	—	898	—	898
Mr. Cai Xiao Ju (k)	—	—	—	—
Mr. Lu Mao Hao	—	452	17	469
Mr. Zeng Ren Fa (d and k)	—	—	—	—
Mr. Cao Xiao Feng (d and k)	—	—	—	—
Supervisor				
Ms. Ling Ping (a and k)	—	—	—	—
Ms. Li Hui	—	232	14	246
Mr. Chen Di Li (a and k)	—	—	—	—
Mr. Rao Feng Sheng	—	360	16	376
Ms. Fan Xin Cai (e)	—	73	3	76
Ms. Zhang Li (f)	—	61	4	65
Mr. Chen Chu Xuan (b and k)	—	—	—	—
Ms. Xiao Li (b and k)	—	—	—	—
Ms. Cheng Zhuo	48	—	—	48
Ms. Zhou Jie De	48	—	—	48

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. EMPLOYEE BENEFITS EXPENSE *(continued)*

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

Notes:

(a) Resigned on 03 March 2009.

(b) Appointed on 03 March 2009.

(c) Resigned on 19 June 2009.

(d) Appointed on 19 June 2009.

(e) Resigned on 29 September 2009.

(f) Appointed on 29 September 2009.

(g) Resigned on 29 December 2009.

(h) Appointed on 29 December 2009.

(i) Resigned on 25 June 2010.

(j) Appointed on 25 June 2010.

(k) The director or supervisor received emoluments from the Parent Company, part of which is in respect of his services to the Company and its subsidiaries. No apportionment has been made as the director considers that it is impracticable to apportion this amount between their services to the Group and their services to the Company's Parent Company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year is as follows:

	2010	2009
Basic salaries and other allowances	**1,226**	1,144
Bonuses	**190**	197
Employer's contribution to pension scheme	**28**	28
	1,484	1,369

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. OTHER INCOME

	2010	2009
Rental income	3,078	2,855
Interest income	4,754	3,841
Government grants *	4,051	1,880
Refund of value added tax	1,720	2,687
Compensation income	—	20,226
Fair value gain on land use rights(Note 13)	2,788	—
Fair value gain on investment properties	3,001	985
Others	9,150	9,981
	28,542	42,455

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

24. FINANCE COSTS

	2010	2009
Interest expense:		
– bank borrowings	6,270	19,959
– bills payable	22,682	14,509
	28,952	34,468

(All amounts in Renminbi Yuan thousands unless otherwise stated)

25. INCOME TAX EXPENSE/(BENEFIT)

Except for Guangdong Oriental Thought, Guangdong Xinyue and Shenzhen Yuegang, all the other group companies incorporated in Mainland China are subject to Mainland China Corporate Income Tax ("CIT"), which has been calculated on the estimated assessable profit for the year at a rate of 25%. Guangdong Oriental Thought and Guangdong Xinyue are regarded as new high-tech enterprise by the relevant government authorities, and are subject to CIT at a rate of 15%. Shenzhen Yuegang is located in Shenzhen Special Economic Zone and is subject to a preferential tax rate of 22% (2009: 20%).

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the year at a rate of 16.5% (2009: 16.5%).

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

	2010	2009
Current income tax		
– Hong Kong profits tax	**342**	—
– Mainland China CIT	**50,755**	62,275
Deferred income tax (Note 14)	**(9,006)**	(120,226)
Income tax expense/(benefit)	**42,091**	(57,951)

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

	2010	2009
Profit/(loss) before income tax	**160,627**	(234,891)
Calculated at tax rates applicable to profit/(loss) of respective companies within the Group	**38,621**	(61,419)
Utilisation of previous unrecognised tax loss	**(881)**	(503)
Income not subject to tax	**(1,980)**	(2,242)
Expenses not deductible for tax purposes	**5,169**	5,978
Others	**1,162**	235
Income tax expense/(benefit)	**42,091**	(57,951)

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

For the year ended 31 December 2010, the profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB179,078,000. For the year ended 31 December 2009, the loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB227,686,000.

27. EARNINGS/(LOSS) PER SHARE

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

	2010	2009
Profit/(loss) attributable to equity holders of the Company	**112,002**	(190,399)
Weighted average number of shares in issue (thousands)	**417,642**	417,642
Basic earnings/(loss) per share (RMB per share)	**0.27**	(0.46)

There were no dilutive potential shares during the years presented.

28. DIVIDENDS

The first interim dividend relating to 2010 paid was RMB40,929,000 (RMB0.098 per share). The dividend relating to 2008 paid in 2009 was RMB45,523,000 (RMB0.109 per share).

The directors recommend the payment of a final dividend of RMB0.066 per share, totalling approximately RMB27,560,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 8 June 2011. 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

	2010	2009
Profit/(loss) for the year	**118,536**	(176,940)
Income tax expense/(benefit)	**42,091**	(57,951)
Provision for impairment of receivables	**15,710**	477,338
Provision for impairment of construction contracts	**4,482**	1,104
Provision for impairment of fixed assets	**1,354**	—
Reversal of provision for impairment of intangible assets	**—**	(184)
Depreciation of fixed assets	**75,800**	62,182
Amortisation of leasehold land and land use rights	**2,457**	3,085
Amortisation of intangible assets	**13,708**	12,324
Loss on disposal of fixed assets and intangible assets	**1,545**	6,840
Fair value gain of investment properties	**(3,001)**	(985)
Share of results of associates and joint ventures	**(2,342)**	(1,735)
Interest income	**(4,754)**	(3,841)
Interest expense	**28,952**	34,468
Provision for safety fund reserve	**867**	—
Fair value gain on land use rights	**(2,788)**	—
	292,617	355,705
Change in working capital:		
Inventories	**31,118**	575,600
Balances on construction contracts	**(51,680)**	(71,692)
Trade and other receivables	**448,994**	(132,526)
Restricted cash	**7,092**	4,837
Trade and other payables	**(264,984)**	136,058
Exchange difference	**(2,767)**	—
Cash generated from operations	**460,390**	867,982

Notes to the Consolidated Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

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

	2010	2009
Net book amount	**3,642**	7,074
Loss on sale of fixed assets and intangible assets	**(1,545)**	(6,840)
Proceeds from sale of fixed assets and intangible assets	**2,097**	234

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

	Group		Company	
	2010	2009	2010	2009
Cash at bank and in hand	**1,642,308**	1,442,821	**1,343,133**	1,104,580
Bank deposits with original term of less than three months	**39,791**	52,000	**—**	—
Cash and bank balances	**1,682,099**	1,494,821	**1,343,133**	1,104,580
Less: Restricted cash *	**(183,292)**	(7,384)	**(183,000)**	—
Cash and cash equivalents	**1,498,807**	1,487,437	**1,160,133**	1,104,580

* As at 31 December 2010, restricted cash refers to a fixed deposit of RMB183 million used for an application for a charging order against the defendants' assets under a litigation in Mainland China as disclosed on page 51 in this report under section headed "Material Litigation and Arbitration". It receives interest at rate of 2.25% per annum. Other restricted cash represented bank balances pledged against bank acceptance notes by the Group, which will be released upon maturity of the bank acceptance notes. It receives interest at rate of 0.36% per annum.

The effective interest rate per annum on cash at bank as at 31 December 2010 was 0.01% to 0.36% (31 December 2009: 0.01% to 0.36%).

The effective interest rate per annum on bank deposits with original terms of less than three months as at 31 December 2010 was from 0.05% to 2.25% (31 December 2009: from 0.05% to 1.71%).

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

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

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

	Group		Company	
	2010	2009	**2010**	2009
RMB	**1,612,574**	1,454,431	**1,342,039**	1,099,369
HKD	**67,126**	35,736	**1,094**	5,211
USD	**2,399**	4,654	**—**	—
	1,682,099	1,494,821	**1,343,133**	1,104,580

30. COMMITMENTS – GROUP

(a) Capital commitments

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

	2010	2009
Fixed assets		
– Contracted but not provided for	**37,909**	57,998

(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:

	2010	2009
Not later than 1 year	**55,379**	50,858
Later than 1 year and not later than 5 years	**276,897**	255,160
Later than 5 years	**542,460**	547,066
	874,736	853,084

(All amounts in Renminbi Yuan thousands unless otherwise stated)

30. COMMITMENTS – GROUP *(continued)*

(c) Operating lease for land and buildings

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

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

	2010	2009
Not later than 1 year	**3,358**	4,052
Later than 1 year and not later than 5 years	**4,443**	4,553
Later than 5 years	**5,483**	6,097
	13,284	14,702

(d) Future operating lease receivables

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

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

	2010	2009
Not later than 1 year	**159,470**	100,686
Later than 1 year and not later than 5 years	**494,763**	334,416
Later than 5 years	**1,009,303**	614,499
	1,663,536	1,049,601

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS

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

a) Related-party transactions

i) Revenue	**2010**	2009
Material logistics services:		
– Fellow subsidiaries	**1,682,296**	868,932
– Fellow associates	**515,209**	—
– Associates	**—**	3,512
	2,197,505	872,444
Expressway service zones:		
– Parent company	**2**	88
– Fellow subsidiaries	**2,305**	558
– Fellow associates	**1,417**	631
	3,724	1,277
Transportation intelligence services:		
– Fellow subsidiaries	**351,879**	184,324
– Fellow associates	**61,021**	5,265
– Associates	**6,667**	18
	419,567	189,607
	2,620,796	1,063,328

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

	2010	2009
ii) Purchase of materials and services		
Purchases of materials:		
– Fellow subsidiaries	**533,722**	93,947
Purchases of services:		
– Management fee for collection of toll income to fellow associates	**4,200**	4,200
Construction services		
– Fellow subsidiaries	**1,080**	27,208
– Fellow associates	**4,253**	408
– Associates	**—**	2,023
	5,333	29,639
	543,255	127,786
iii) Lease of office buildings, land and warehouse from fellow subsidiaries	**1,553**	1,780

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

a) Related-party transactions *(continued)*

	2010	2009
iv) Sub-contracting fee in for management of expressway service zones		
– Fellow subsidiaries	**57,081**	46,704
– Fellow associates	**5,246**	3,124
– Associates	**—**	1,134
	62,327	50,962
v) Key management compensation		
– Salary	**6,777**	5,034
– Discretionary bonuses	**190**	197
– Employer's contribution to pension scheme	**250**	213
	7,217	5,444

b) Balances with related parties

	2010	2009
Due from customers on construction contracts (Note 16)	**91,192**	124,906
Due from related parties (Note 17)		
– Trading nature	**264,582**	439,726
– Non-trading nature	**73,538**	16,095
	338,120	455,821
Due to related parties (Note 20)		
– Trading nature	**771,328**	241,752
– Non-trading nature	**2,974**	4,597
	774,302	246,349

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 2010 mainly represented certain taxes and insurance premium withheld by/from related parties.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS *(continued)*

c) Additional information on Other State-owned Enterprises

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

In its expressway service zone business, Tai Ping Interchange business and cross-border transportation service 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

	2010	2009
Revenue:		
– Material logistics services	**1,765,214**	3,100,966
– Expressway service zones	**138,685**	133,946
– Transportation intelligence services	**96,439**	502,680
	2,000,338	3,737,592
Purchase of materials	**1,437,095**	1,805,717
Purchase of fixed assets	**42,597**	95,132
Purchase of services	**17,561**	76,148
Interest income from state-owned banks	**4,548**	3,784
Interest expense to state-owned banks	**28,407**	34,332

(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

	2010	2009
Due from Other State-owned Enterprises included in:		
– Due from customers on construction contracts	**188,501**	91,643
– Trade receivables	**291,832**	317,256
– Other receivables	**91,897**	42,528
– Prepayments	**32,884**	114,377
	605,114	565,804

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

	2010	2009
Due to Other State-owned Enterprises included in:		
– Trade payables	**240,317**	157,839
– Bills payable	**373,444**	665,239
– Advances from customers	**295,580**	165,991
– Other payables	**72,402**	26,555
	981,773	1,015,624

Balances with Other State-owned Enterprises, except for certain bills payable (Note 20(b)), were unsecured and interest-free.

	2010	2009
Bank deposits in state-owned banks	**1,676,876**	1,423,582

32. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 31 December 2010 (31 December 2009: Nil).

33. SUBSEQUENT EVENT

As at 17 September 2010, the Company entered the Equity Transfer Agreement with Guangdong Communication Enterprise Investment Company ("Guangdong Communication"), a fellow subsidiary of the Company. According to the Equity Transfer Agreement, the Company will acquire 100% equity interest in Guangdong Transportation Engineering Company Limited ("Guangdong Transportation Engineering"). The consideration is to be settled by the Company by cash of approximately RMB69,565,000 and repayment of the debt with amount of RMB40,800,000 on behalf of Guangdong Transportation Engineering to Guangdong Communication. The acquisition was approved by the extraordinary general meeting held on 30 September 2010 and the State-owned Assets Supervision and Administration Commission of the People's Government of Guangdong Province on 20 January 2011 respectively.

Financial Summary

RESULTS

(All amounts in Renminbi Yuan thousands)

Year ended 31 December	2010	2009	2008	2007	2006	2005
Turnover	6,112,214	6,209,831	7,680,779	6,889,728	5,635,395	4,352,022
(Profit)/Loss before income tax expense	160,627	(234,891)	217,638	253,990	258,981	226,438
Income tax (expense)/benefit	(42,091)	57,951	(49,365)	(72,287)	(77,709)	(65,684)
(Profit)/loss for the year	118,536	(176,940)	168,273	181,703	181,272	160,754
(Profit)/loss for the year attributable to:						
Equity holders of the Company	112,002	(190,399)	150,099	159,023	155,750	136,588
Non-controlling interests	6,534	13,459	18,174	22,680	25,522	24,166

ASSETS AND LIABILITIES

As at 31 December	2010	2009	2008	2007	2006	2005
Total assets	4,303,739	4,500,689	4,776,603	4,567,554	3,750,896	3,383,058
Total liabilities	(2,924,224)	(3,188,281)	(3,232,834)	(3,130,397)	(2,445,362)	(2,211,011)
	1,379,515	1,312,408	1,543,769	1,437,157	1,305,534	1,172,047