



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)

# 2011 ANNUAL REPORT



\* For identification purposes only



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# COMPANY PROFILE

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

The Group has four main lines of business: (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 networks, convenience stores, petrol stations, vehicle maintenance and outdoor advertising for expressways; (3) transportation intelligence services including development, establishment and maintenance of the intelligence transportation system and 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 with international standards, delivering first-class services to customers and providing good returns to shareholders of the Company (“Shareholders”). To achieve its business objectives, the Company will strive to continuously improve its management system and enhance its operations to meet the market demand.

## LEGAL NAME OF THE COMPANY

Guangdong Nan Yue Logistics Company Limited

## STOCK CODE

03399

## REGISTERED OFFICE

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

## PLACE OF BUSINESS IN HONG KONG

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

## BOARD OF DIRECTORS

### Executive Directors

Liu Hong  
Wang Weibing  
Deng Chongzheng  
Lu Maohao  
Zeng Gangqiang

### Non-Executive Directors

Cao Xiaofeng  
Lu Yaxing  
Zheng Renfa  
Cai Xiaoju  
Cai Conghua

### Independent Non-Executive Directors

Gui Shouping  
Liu Shaobuo  
Peng Xiaolei

## COMPANY SECRETARY

Fung Hon Tung

## AUTHORISED REPRESENTATIVES

Wang Weibing  
Deng Chongzheng

## AUDITOR

Deloitte Touche Tohmatsu CPA Ltd.  
30/F Bund Center  
222 Yan An Road East  
Huangpu District  
Shanghai  
China

## PRINCIPAL BANKERS

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

## LEGAL ADVISER

Paul Hastings  
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 2011

- The Company entered into a purchasing contract of approximately RMB376 million with Guangzhou Iron and Steel Co., Ltd.
- The Company entered into a purchasing contract of approximately RMB300 million with the distribution companies of Liuzhou Iron and Steel Company Limited and Guangxi Liuzhou Iron and Steel (Group) Company.
- Three petrol stations in the Shunde Service Zone, Jiancheng Service Zone and Kuidong Service Zone of Guangdong Top-E Expressway Service Zone Company Limited (“Top-E”), a subsidiary of the Group, commenced operation.

## MARCH 2011

- The Company entered into a material supply contract for Jiangzhao Expressway (江肇高速公路材料供應合同) of approximately RMB150 million with Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. and Guangdong Jiangzhao Expressway Control Center (廣東江肇高速公路管理中心).
- Top-E and Jiaying Tonghui Expressway Service Zone Management Co., Ltd. (嘉興市同輝高速公路服務區經營管理有限公司) entered into a subcontracting agreement for the operation of the Dianbai Service Zone of approximately RMB10.19 million.
- The petrol station in the Leliu Service Zone of Top-E commenced operation.
- Top-E was awarded the honorary title of “Top 10 Chain Operation Enterprises” in the Guangdong province excellent shops contest.

## APRIL 2011

- Top-E and Guangdong Guangzhou-Zhuhai West Superhighway Company Limited entered into a cooperative agreement for the construction and operation of the Shunde Service Zone of Guangzhou-Zhuhai West Highway of approximately RMB66.90 million.
- Guangdong New Way Advertising Company Limited (“New Way Advertising”), a subsidiary of the Group, was awarded the “Top 10 Highway Media Provider of China (中國十強高速公路媒體供應商)” at the 8th China Outdoor Advertising Conference.
- The Motor Transport Company of Guangdong and Hong Kong Limited (“GD-HK Company”), a subsidiary of the Group, was recognised as the “Model Enterprise of Safety Culture in China (全國安全文化建設示範企業)”.

## MAY 2011

- Top-E and Guangdong Maozhan Highway Company Limited (廣東茂湛高速公路有限公司) entered into an operation subcontracting agreement of approximately RMB21.53 million in relation to the operation rights of the Guandu Service Zone of Maozhan Highway.
- New Way Advertising was granted the title of “Top 10 Highway Media Enterprise in China (中國高速公路廣告十強企業)” by China Highway and Transportation Society in the 2nd Contest of Top 10 Highway Advertising Enterprises in China (第二屆中國高速公路廣告 10 強企業評審活動).

## JUNE 2011

- The “automatic vehicle license identification system (汽車牌照自動識別系統)” and “chassis of the dual direct-driven automatic card machines (雙直驅動全自動收發卡機機芯)” of Guangdong Xin Yue Communications Investment Company Limited (“Guangdong Xin Yue”, a subsidiary of the Group), obtained the certificates of utility model patents from the State Intellectual Property Office of the People's Republic of China.

## JULY 2011

- The Company ranked 413th in the ranking list of Top 500 Chinese Companies published by FORTUNE China.
- Guangdong Xin Yue obtained the project of “Transportation information and control system for expressway in the Pearl River Delta” (珠三角高速公路交通信息共享與誘導管理平台), which was under the 2011 Science and Technology Project of Guangdong Transportation Bureau and was granted government subsidy.

## AUGUST 2011

- The Company entered into a material supply contract for a total of 31 sections of the Guangle Expressway project of approximately RMB5.56 billion.
- Top-E and Shenzhen Haokoufu Food and Beverage Management Company Limited (深圳市好口福餐飲管理有限公司) entered into a subcontracting agreement of approximately RMB35.89 million for the food and beverage project in the Houmen Service Zone.
- Top-E and Guangdong Yunwu Highway Company Limited (廣東雲梧高速公路有限公司) entered into a subcontracting agreement of approximately RMB82.00 million for the operation of Guangzhou-Yunwu Expressway Service Zone.
- New Way Advertising and Guangdong Jingshi Culture and Media Company Limited (廣東警視文化傳播有限公司) entered into a contract of approximately RMB49.93 million for the release of advertisements on rolling lightboxes in toll stations.

# MAJOR EVENTS

## SEPTEMBER 2011

- Guangdong Xin Yue won the tender for the construction of safety facility at section 31 of Zunyi-Bijie highway in Guizhou at approximately RMB57.90 million.
- Guangdong Xin Yue won the tender for the construction of road safety facility at XTJA section 3 of the Xingxingxia-Tulufan Highway of Lianyungang-Huoerguosi Expressway in Xinjiang Uygur Autonomous Region at approximately RMB46.67 million.
- Guangdong Xin Yue completed the renovation of the toll-by-weight system for the expressway network in Guangdong West Region.

## OCTOBER 2011

- The Group completed the construction of the modified asphalt production lines and the first trial run was successful. All products have passed our internal inspection and assessment of competent authorities and all technical indicators of our products meet national standards.
- The Company entered into a material supply contract of approximately RMB970 million for 8 sections of the expansion project of Guangqing Expressway.
- Guangdong Xin Yue completed the upgrade of toll-by-weight system for expressway network in Guangdong East Region.
- Guangdong Xin Yue developed the wireless IC tag system, which has various IC card intelligent management functions, such as the tracking of card readers, card values and card information. Its successful development demonstrated the leading position of Guangdong Xin Yue in wireless IC tag systems.

## NOVEMBER 2011

- The Company entered into a purchasing contract of approximately RMB0.83 billion in relation to the purchase of steel bars for two sections of Zhaoqing-Huadu Expressway project.
- Top-E and China Petroleum & Chemical Corporation Guangdong Oil Products Company entered into a subcontracting agreement of approximately RMB35.50 million for the operation of petrol stations in the Longkou Service Zone of Jiangzhao Expressway.
- Petrol stations in the Chengyue Service Zone and Longmen Service Zone of Top-E commenced operation.
- The central warehouse for the retail and delivery of products of Top-E was moved to Huadu and commenced operation, laying a solid foundation for the long-term stable development of its retail business.
- Guangdong Xin Yue won the tender for the the electrical and mechanical engineering project at No.37 section (11-8) of Ningdao Expressway in Hunan province (湖南省寧道高速公路) at approximately RMB72.96 million.

## DECEMBER 2011

- The Company entered into a supply contract of approximately RMB140 million with Guangzhou Yangfan Steel Trade Company Limited (廣州揚帆鋼鐵貿易有限公司) in relation to the guaranteed supply of steel bars for Guangle Expressway project.
- The opening of “Le Relay” convenient store of Top-E in Guangzhou Wanda Plaza marked its successful expansion in urban cities and promoted the brand building of convenience stores.
- Top-E and Kungfu Catering Management Co., Ltd (廣州真功夫快餐連鎖管理有限公司) entered into a contract for the operation of Kungfu Restaurants in the western Wayaogang Service Zone.
- Guangdong Xin Yue won the tender for the ED2 contract for the supply and installation of equipment for power supply and distribution and tunnel ventilation, fire prevention and lighting of Songxi (boundary between Fujian and Zhejiang) to Jian'ou Highway in Fujian province of Changchun-Shenzhen Expressway at approximately RMB47.07 million.
- GD-HK Company successfully obtained 10 cross-border coaches operation rights approved by the Guangdong provincial government to expand the cross-border transportation business.
- GD-HK Company successfully became the primary ticket agent of CotaiJet of Chu Kong Passenger Transport.

# FINANCIAL HIGHLIGHTS

	<b>31 December 2011 RMB'000</b>	31 December 2010 RMB'000	Change
<b>Results highlights</b>			
Turnover			
Material logistics	<b>3,620,937</b>	4,519,905	-20%
Expressway service zones	<b>534,016</b>	455,155	17%
Transportation intelligence	<b>569,099</b>	754,546	-25%
Cross-border transportation	<b>284,941</b>	264,185	8%
Tai Ping Interchange	<b>134,750</b>	129,264	4%
Others	<b>1,428</b>	1,164	23%
Total turnover	<b>5,145,171</b>	6,124,219	-16%
Gross profit			
Material logistics	<b>193,675</b>	186,365	4%
Expressway service zones	<b>116,601</b>	107,681	8%
Transportation intelligence	<b>52,775</b>	109,956	-52%
Cross-border transportation	<b>38,245</b>	46,012	-17%
Tai Ping Interchange	<b>112,282</b>	106,295	6%
Others	<b>1,406</b>	(230)	N/A
Total gross profit	<b>514,984</b>	556,079	-7%
Business tax and other surcharges	<b>(68,311)</b>	(45,759)	49%
Selling and administrative expenses	<b>(330,391)</b>	(318,395)	4%
Finance costs	<b>(19,483)</b>	(26,286)	-26%
Impairment loss on assets	<b>9,908</b>	(21,330)	N/A
Investment income	<b>5,085</b>	1,717	196%
Operating profit	<b>111,792</b>	146,026	-23%
Non-operating income and expenses	<b>7,635</b>	10,429	-27%
Total profit	<b>119,427</b>	156,455	-24%
Income tax expenses	<b>(49,055)</b>	(44,558)	10%
Net profit	<b>70,372</b>	111,897	-37%
Minority interests	<b>12,490</b>	(6,483)	N/A
Net profit attributable to the shareholders of the Company	<b>82,862</b>	105,414	-21%
Basic earnings per share (RMB)	<b>0.20</b>	0.25	-21%

# FINANCIAL HIGHLIGHTS

	<b>31 December 2011 RMB'000</b>	31 December 2010 RMB'000	Change
<b>Results highlights</b>			
Total assets	<b>4,807,452</b>	4,305,147	12%
Total net assets	<b>1,312,047</b>	1,347,916	-3%
Equity attributable to the shareholders of the Company	<b>1,135,041</b>	1,153,162	-2%
Net assets per share attributable to shareholders of the Company (RMB)	<b>2.72</b>	2.76	-2%

## Ratios

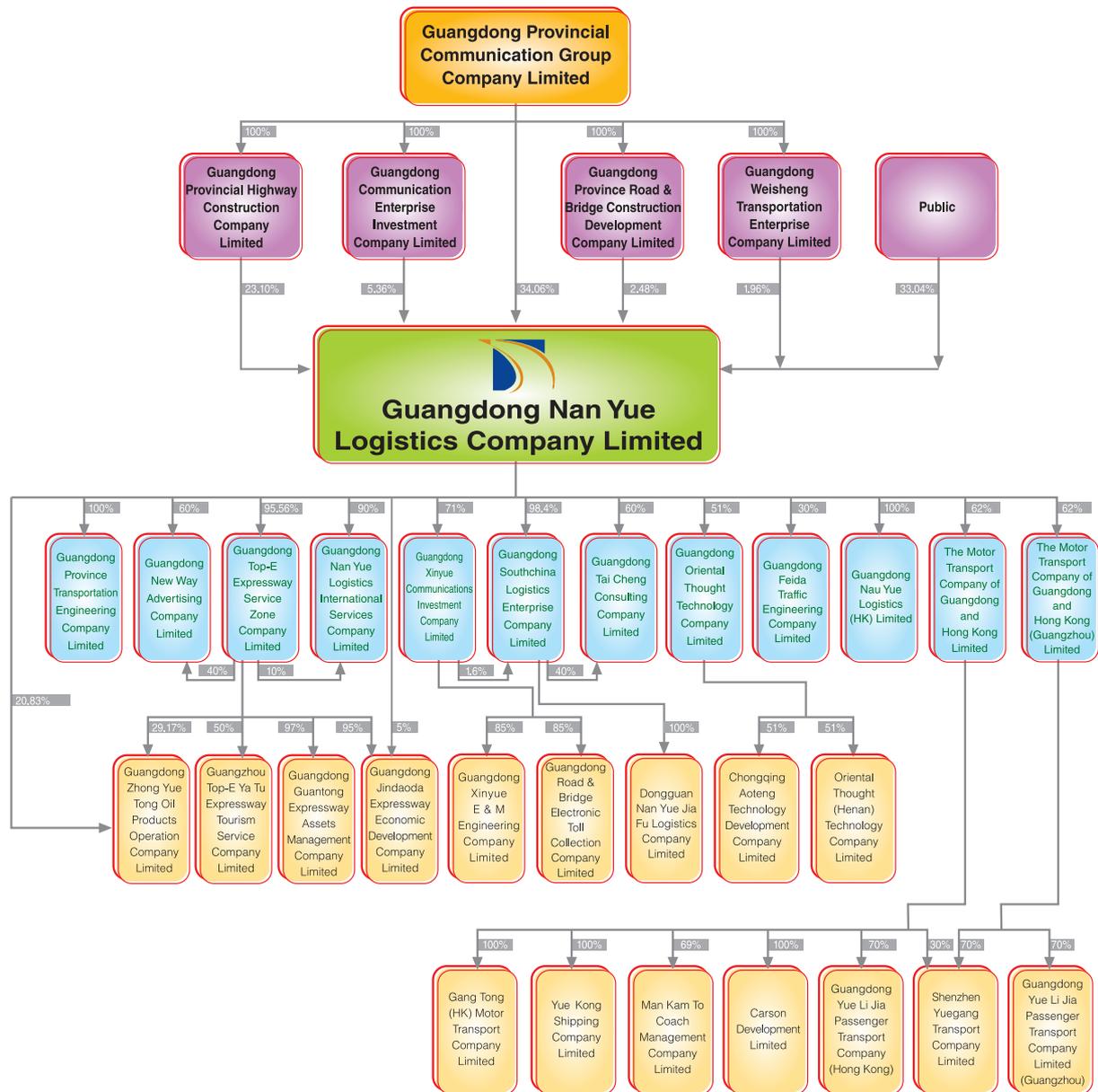
Gross profit margin (%)	<b>10.01%</b>	9.08%
Interest coverage ratio (times)	<b>4.98</b>	5.25
Current ratio (times)	<b>1.07</b>	1.11

Gross profit margin = Gross profit/Turnover

Interest coverage ratio = Profit before interest expense and income tax /(Interest expense + capitalised interest)

Current ratio = Total current assets/Total current liabilities

# CORPORATE STRUCTURE



I take this opportunity to present a review of the business activities of the Group in 2011 and an outlook of our future development.

## RESULTS AND DIVIDENDS

For the year ended 31 December 2011 (the "Year"), turnover of the Group amounted to RMB5,145 million (2010: RMB6,124 million), representing a decrease of 16% over the corresponding period for the year 2010. Net profit attributable to the shareholders was RMB83 million (2010: RMB105 million). Basic earnings per share was RMB0.2 (2010: Basic earnings per share was RMB0.25).

As at 31 December 2011, total assets and net current assets of the Group were RMB4,807 million (2010: RMB4,305 million) and RMB229 million (2010: RMB315 million) respectively, representing an increase of 12% and a decrease of 27% respectively as compared to 31 December 2010.

As approved at the annual general meeting held on 8 June 2011, the Board recommended the payment of the final dividend of 2010 of RMB0.066 per share (pre-tax), totaling RMB27,560,000.

On 15 March 2012, the Board recommended the payment of the final dividend of 2011 of RMB0.06 per share (pre-tax), totaling RMB25,058,513. Such dividend is subject to approval by the shareholders at the annual general meeting to be held on 6 June 2012.

For further information on dividends and their tax implications for shareholders, please see the section headed "Net profit attributable to shareholders and Dividends" on page 39 of this report.

## BUSINESS REVIEW

In 2011, China strived to cope with the complicated and changing global environment through controlling commodity prices, stabilizing economic growth and adjusting its economic structure. It also optimised the platforms for local investment and finance and carried out control measures on the property market. With a major focus on inflation control, China's policies have made progress as proven by China's stable economic development in general. As for the expressway industry of Guangdong Province in which the Group is primarily involved, the newly-constructed expressways in Guangdong Province were 187 kilometers long in 2011 according to the Report on the Implementation of the Plan of Domestic Economy and Social Development in 2011 and Draft of Development Plan in 2012 of Guangdong Province (廣東省 2011 年國民經濟和社會發展計劃執行情況與 2012 年計劃草案的報告) published by the Development and Reform Commission of Guangdong Province. In 2011, GCGC constructed new expressways of approximately 107 kilometers, representing a significant decrease as compared to 2010, and posed an adverse effect on the Group's related expressway businesses. In 2011, rising labour cost of the Group, changes in tax policies of China and the keen competition in transportation intelligence market also dampened the operating results of the Group.

## CHAIRMAN'S STATEMENT

In respect of material logistics, in 2011, the Group actively participated in major construction material supply projects in Guangdong and other provinces in addition to the material supply management projects of GCGC, and sped up the development of its wharf, storage and distribution businesses and identified new profit opportunities. The Group participated in the supply and management of steel bars, steel strands, cement and asphalt in 9 GCGC projects including Guangle Expressway, Guangqing Expressway extension, Jiangzhao Expressway (north section), Zhaohua Expressway, Fokai Expressway extension, Boshen Expressway, Phase III of the Guangzhou-Zhuhai West Expressway, Phase III of Shanjie Expressway and Zhongjiang Expressway. Besides the GCGC projects, the Group was also the supplier of steel bars and cement for national and local major construction projects such as Route 6 subway of Guangzhou, Zengcong Expressway, Guanghe Expressway, Guangming Expressway and Guiyang-Guangzhou Railway. A total of 2.485 million tonnes of cement, 574,000 tonnes of steel bars (including steel strand) and 37,000 tonnes of asphalt were supplied in 2011.

In respect of its expressway service zones in 2011, the Group mainly focused on: (1) implementing standardised operation models in expressway service zones and accelerating the set up of a business service platform of service zones for further petrol station development and business expansion by attracting new customers. Returns of investment solicitation projects increased significantly as compared to the corresponding period of last year; (2) strengthening the brand-building of convenient stores and exploring opportunities for the development of convenience stores outside expressway service zones. "Le Relay" convenient store opened and commenced operation successfully at Guangzhou Wanda Plaza, serving as a foray into the development of retail business; (3) integrating resources of all stores in service zones and organising joint marketing activities to boost the consumption of customers; (4) enhancing the development of car maintenance business and strengthening the management of franchised dealership of vehicle maintenance in addition to developing our own business of vehicle maintenance; (5) enlarging the advertising network by consolidating advertising resources of GCGC, and putting more effort into the exploration of new customers; (6) enhancing CSE (Cleanliness, Safety and Environment) management, satisfying customers by providing quality services, improving the business skills and the overall management standards of the service zones.

In respect of transportation intelligence business, there were more than 30 electrical, mechanical and transportation safety projects in progress in 2011. These projects included Xiarong section of Guiguang Expressway (electrical and mechanical system and transportation safety system), improvement of safety facilities of Shaogan Expressway, Qinglian Expressway (Phase 2), Guiqing Expressway, Wenma Expressway in Sichuan, Guangnan Expressway in Sichuan, Xingtu Expressway in Xinjiang, Eastern Guangzhu Expressway. The projects outside Guangdong were located in Guizhou, Sichuan, Anhui, Hubei, Fujian and Xinjiang. There were approximately 13 electrical and mechanical system maintenance projects, including Northern Jingzhu Expressway, Fokai Expressway, Kaiyang Expressway, Xintai Expressway, Yuegan Expressway and Guangqing Expressway. The Group was also engaged in the development of information systems, including the development of integrated management information systems for the main construction project of Hong Kong-Zhuhai-Macau Bridge and the monitoring system for the construction of Guangle Expressway. The Group has maintained its leading position in expressway transportation intelligence system. The technical support of the Group helped improve the management and traffic flow of expressways.

For cross-border transportation services, the Group obtained 10 additional operation rights of cross-border coaches from the government of Guangdong Province in 2011. The Group conducted comprehensive market research before the application and launch of new routes for sustainable operation. It also took the initiative to strengthen cooperation with other operators in the industry and achieved good results. To improve the operational performance of routes with an average carriage rate less than 40%, the Group adopted the measures of launching package tickets, reducing coach frequency, adjusting schedules, introducing package services and linking driver commissions with utility rates. The cargo load rates of cross-border freight business was also enhanced by improving cargo handling capacity. In addition, the Group strengthened its marketing efforts by focusing on developing high-end and long-term customers as well as business charters. The utilisation efficiency of vehicles was also effectively enhanced.

## OUTLOOK AND STRATEGIES

In 2012, it is expected that with uncertainties in the external economic environment, the global economic environment will be complicated by the US and European debt crisis. Although China's economy has substantial growth potential, China's economic growth may be affected by the continuous control measures on the property market control and decreasing investment from the local government. As such, the growth of the construction scale of expressway is expected to decline. The Group will adjust its business structure in a timely manner in response to the economic situation and the development of the transportation industry so as to enhance overall efficiency for the future development of the Company.

### 1. Material logistics services

- In 2012, the Group will strive to improve its material logistics services platform by making full use of its existing customer base and logistics infrastructure. The Group will further expand its logistics business of steel, cement and asphalt by focusing on national and local major construction projects in addition to providing material logistics services for GCGC projects.
- The Group will accelerate the construction of Phase II of the Nanyue Logistics Storage Centre Wharf, optimise the management of asphalt storage and develop the research and development and processing businesses of asphalt. The Group will strive to commence the operation of the wharf for the launch of its warehouse, transit and sales businesses. The Group will also strengthen its logistics chain by leveraging on its existing logistics facilities to provide logistics services such as stevedoring and storage services for upstream resource operators.

## 2. Expressway service zones

- The Group will speed up the construction of new projects and improve hardware facilities in service zones and exert more effort in improving and upgrading the service zones.
- The commercial value of service zones will be enhanced pursuant to the operating principles of commercial properties. The renovation of the VI (Visual Identity) system for convenience stores will be sped up. Trial operation of convenient stores will be carried out in passenger transit stations of second-tier cities. Preparation for the opening of convenience stores in new service zones will be organised effectively so as to ensure that new service zones can commence operation at the same time with the full operation of the main roads.
- A comprehensive merchant evaluation system and a database system of commercial property information which can provide updated information of existing merchants in the service zones in real time will be set up to strengthen the brand portfolio in the service zones and provide support to the planning of commercial properties. The operation capability and overall image of the service zones will be enhanced by bringing more well-known high-quality brands into the service zones, enriching service offerings and maintaining a reasonable business mix in order to raise the price segments and service standards.
- Brand building and promotion plans catering for development needs will be formulated. The Group will focus on promoting the brands in the service zones and exert efforts in building the brand awareness of “Top-E” by standardising the layout of all “Top-E” service zones to highlight the logo of “Top-E” and its unified management and business image and reveal the visual characteristics of “Top-E” brand. Brand awareness of “Top-E” will be further enhanced through advertisements, integration, regulation and standardisation as well as continuous improvement to the CSE management system.
- The Group will continue to secure more advertising resources from GCGC and extend its advertising network in order to establish a large-scale advertising network under the brand of the Group and further integrate the advertising resources from GCGC. It will focus on developing advertising boards in service zones with significant advertising effect and economic effectiveness. The construction of advertising boards will be planned to be conducted in phases based on the specific and actual situations to realise higher economic effectiveness.

### 3. Transportation intelligence services

- The Group will continue to formulate overall planning by taking into account the future development direction of transportation intelligence. The overall technology level of the Company will be enhanced through product research and development to maintain the leading position of information transmission of expressways of the Group in Guangdong and southern China. Moreover, the Group will develop products catering for the specific demands of expressway operators and expand production volume to realise economies of scale and bring new areas of profit growth to the Company.
- The Group will expand into new markets selectively. The Group will strive to allocate more manpower and capital to conduct thorough data collection and analysis to increase the bid-win rate of major projects. It will also focus on exploring new markets outside the local province. For projects outside the local province, the Group will study the financial position of the project owners when conducting market research and participate in bidding projects with sound capital conditions.
- Sales and marketing of custom-made products will be stepped up to consolidate the Group's leading position in the software market and lane equipment industry and increase the Group's market share of card machines, automatic card machines and portable toll collection machines. As automatic card machines will become the development trend in the market with promising outlook, the Group will strengthen the promotion of automatic card machines as its key product.
- The use of risk management information systems, safety management information systems and construction monitoring information systems within GCGC will be promoted.

### 4. Cross-border transportation services

- In the face of favorable factors such as the rising number of visitors to Hong Kong, the Group will capture new opportunities in cross-border transportation business and expand the business scope of passenger transportation in the PRC in a timely manner. It will further develop passenger transportation, freight transportation and business travel businesses. As the provincial government of Guangdong has approved the application of the Group for 10 additional operation rights of cross-border coaches at the end of 2011, the Group will utilise the additional resources effectively and formulate routes and resource allocation plans in a timely manner so that the new routes can start operation and generate profits for the Group as soon as possible.

## CHAIRMAN'S STATEMENT

- The Group will conduct detailed investigation and analysis and implement effective measures to optimize all of its routes in China to improve carriage rates. The Group will also strive to explore new business opportunities in expressway transportation in Hong Kong. According to the preliminary plans of the Hong Kong government, customs clearance through e-Channels is proposed to be first implemented in borders connected by railways such as Fu Tian and Lo Wu, which will have a significant impact on the Yau Ma Tei-Tsim Sha Tsui-Kwun Tong expressway (油尖觀塘快線) operated by the Group. In addition to expressing our appeals and urging the government to launch e-Channels in the Huanggang border simultaneously, the Group will also take precautionary measures to adjust its business strategies in a timely manner and explore new source for the growth of expressway transportation business.
- The Group will further develop its travel and business charter operation by adopting innovative business models. The Group will strengthen its cooperation with Mangocity in order to attract considerable internet traffic at a lower cost and develop The Motor Transport Company of Guangdong and Hong Kong Limited into an integrated business trip service provider. The Group will also put effort into building the brand awareness of the Wan Chai (Hong Kong) to Shenzhen Airport route and improve the performance of the primary ticket agency business of CotaiJet to increase its ticket revenue.
- The Group will enhance the promotion and marketing of its brand, “Best in Guangdong and Hong Kong (粵港第一家)” and redevelop the image as the best cross-border road passenger transportation company in Guangdong and Hong Kong through internal publications and external advertisements.

Yours faithfully,

**Liu Hong**

*Chairman*

Guangzhou, the PRC

15 March 2012

## BUSINESS REVIEW

As at 31 December 2011, the four main businesses of the Group are as follows:

- (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 2011, the Group actively developed the material logistics services by entering into supply contracts for the provision of steel bar, steel strands, cement and asphalt for nine projects of GCGC. The Group was also responsible for the supply of steel bar and cement for various major national and regional construction projects.

The Group further strengthened the management of the procurement, storage and transportation of its material supply chain in order to enhance operation efficiency by: (1) strengthening the budget control and audit of procurement; (2) improving the credit risk management of suppliers through regular evaluation of creditability and establishment of suppliers' credit archives; (3) implementing risk control over the entire supply chain from funding, decision making, sourcing to delivery; (4) establishing an inventory management system to monitor its inventory levels and to ensure that the materials are kept in a good and safe condition; and (5) establishing an assessment system to evaluate the overall performance of its delivery service providers for selection upon annual renewal of service contracts.

The Group further improved its asphalt supply business by extending its coverage to the research and development and processing of asphalt. Construction of the Group's Dongguan Asphalt Research Center (東莞瀝青研發中心) was completed. All necessary facilities for the research and testing of modified asphalt and modified emulsified asphalt are in place. The Group has completed the research of the formulation of modified asphalt and modified emulsified asphalt which are up to the national standards. The Group is studying the market demand for modified asphalt and modified emulsified asphalt for maintenance projects. The construction of a production line of modified asphalt was also completed. The test run of the production line was successful and the products had passed all internal and external examinations. All technical specifications of the products are up to national standards.

The Group continued the construction of the Guangdong Nanyue Logistics Storage Centre Wharf and phase two of the Guangdong Nanyue Logistics Storage Centre Wharf. The Group has reached agreements with various authorities of the local government of Dongguan, including the border control, maritime, customs, inspection and quarantine departments, on the public facilities, operation and ancillary facilities of the Guangdong Nanyue Logistics Storage Centre Wharf. Construction works are being inspected by the authorities. Preparation for the construction of phase two of the Guangdong Nanyue Logistics Storage Centre Wharf has commenced.

## Expressway service zones

In 2011, the Group continued to develop its major business of service zones by implementing its standardised operation model in service zones and achieved significant improvements in efficiency. The Group actively invited various service providers to operate in its service zones to meet the varied demands of customers. Highly-recognised quality brand names have been our major targets. In 2011, McDonald's was introduced to Wayaogang and Yangjiang Service Zone in 2011 and Zhengongfu (真功夫) was introduced to Wayaogang Service Zone. Other new services were also introduced to satisfy the needs of different customers.

The Group launched a brand building project to create a unique visual identity for its convenience stores through renovation. The Group also enhanced its management and service to satisfy its customers, in particular, the management of the CSE (Cleanliness, Safety and Environment) of its service zones. Based on the market feasibility study conducted in dozens of passenger terminals in Zhaoqing and Yangjiang and shopping malls in some first and second-tier cities, the Group studied the feasibility of establishing convenience stores in areas outside expressways and opened a convenience store "Le Relay" in Wanda Plaza in Guangzhou. The Group's logistics centre was relocated to Huadu to facilitate the long term and sustainable development of its retail business.

The Group has successfully centralised the advertising resources of expressways under the management of GCGC. The Group has acquired 743 advertisement points in 31 expressways wholly or partly owned by GCGC. In addition, the Group also expanded its advertising network which included 255 outdoor advertisement boards of operating expressways, of which 126 were in the Pearl River Delta. The advertisement resources of the Group have already achieved economies of scale and the Group has continued to expand its customer base.

In 2011, the Group adjusted the strategy for its car maintenance business. The Group continued the self-owned plus franchised operation model. While building the brand recognition of its self-owned operation of car maintenance, the Group also strengthened the management of its franchised operations.

## Transportation intelligence services

In respect of transportation intelligence business, there were over 30 electrical and mechanical and transportation safety projects in progress in 2011. These projects included Xiarong section of Guiguang Expressway (electrical and mechanical system and transportation safety system), improvement of safety facilities of Shaogan Expressway, Qinglian Expressway (Phase 2), Guiqing Expressway, Wenma Expressway in Sichuan, Guangnan Expressway in Sichuan, Xingtou Expressway in Xinjiang, Eastern Guangzhou Expressway. The projects outside Guangdong were located in Guizhou, Sichuan, Anhui, Hubei, Fujian and Xinjiang. All projects were in schedule and were accepted for delivery upon completion inspection. There were approximately 13 electrical and mechanical system maintenance projects, including Northern Jingzhu Expressway, Fokai Expressway, Kaiyang Expressway, Xintai Expressway, Yangmao Expressway, Zhanxu Expressway, Huihe Expressway and Yuegan Expressway. The Group was also engaged in the development of information systems, including the development of integrated management information systems for the main construction project of Hong Kong-Zhuhai-Macau Bridge and the monitoring system for the construction of Guangle Expressway.

In 2011, the Group successfully completed the improvement of the centralised toll-by-weight collection system for expressways. As proposed by the government of Guangdong Province, the expressway toll within the province is to be based on vehicle weight instead of vehicle types with effect from August 2011. With its excellent software development capacity and implementation experience, the Group has successfully installed the toll-by-weight collection system for expressways in eastern and western areas of Guangdong.

The Group has made significant investments in technology development to maintain its leading position in expressway transportation intelligence systems. The technical support of the Group helped improve the management and traffic flow of expressways. In 2011, the Group won several government-funded research and development projects, including the “Transportation information and control system for expressways in the Pearl River Delta”, the “Development of core control technology for centralised expressway monitoring system” under the 2011 Science and Technology Project of the Guangdong Transportation Bureau and the “Development of basic technology for collection and analysis of transportation information of Guangzhou” of the Bureau of Science and Information Technology of Baiyun District. The Group has also developed a vehicle-type recognition system and licenseplate recognition system with the use of high-resolution cameras. The development of these systems is in the final stage of determination of specifications and testing. In response to the requirement for toll fee collection system upgrades by the Guangdong Transportation Bureau and to facilitate the development of a centralised monitoring system by GCGC, the Group has proposed a technology upgrade for toll collection systems and technical standards for video networking and data collection and sharing of traffic monitoring systems. The Group has also applied for two utility model patents.

## Cross-border transportation services

The Group further expanded the cross-border passenger transportation services in 2011. The provincial government granted 10 additional operation rights of cross-border coaches to the Group at the end of 2011. The Group conducted comprehensive market research before the application and launch of new routes for sustainable operation. The Group made the first move to apply for cross-border coach routes for cities with development potential. Application of the Maoming route has been approved. Market research was carried out before the launch of new routes with favourable conditions. The coach routes for cities in the suburban areas of Guangzhou with a growing number of passengers, commenced operation after market research. The Group has also expedited the operation of routes when deemed appropriate, such as the direct route to Jieyang which was put into service in 2011. The Group further reorganised routes to cities in eastern Guangdong, including Chaozhou, Shantou and Liusha.

The Group successfully increased the revenue from transportation services by optimising resource allocation and utility of transportation capacity. Regarding cross-border passenger services, in addition to improvement in long distance passenger routes such as the Guangxi route, the Group also restructured short distance routes to Shunde, Heshan, Zhuhai, Lecong and Country Garden in Panyu to improve their efficiency by reorganising pickup points, launching non-stop routes and increasing frequency. For routes with low utility rates, the Group identified the reasons and implemented appropriate measures such as launching package tickets, reducing service frequency, adjusting schedules, introducing package service and linking driver commissions with utility rates. The operation was significantly improved with the average utility rate of Shanwei and Gaoming routes increasing by 9% and 18% respectively. Regarding cross-border freight business, the Group has increased the utility rate of imports from Hong Kong by optimising the packing of goods.

The Group placed emphasis on communication with its customers. Through regular visits and communication, the Group has established satisfactory relationships with most of its major customers. It also actively expanded its customer base by exploring new customers. The business travel service of the Group recorded steady growth through participating in the “Fly via Shenzhen” program and undertaking the ticket agency business of Cotai Jet from Chu Kong Passenger Transport. “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. Following the commission of handheld ticketing machines in all stations in Hong Kong, the Group further expanded the use of the machines in mainland China and improved the system.

The Motor Transport Company of Guangdong and Hong Kong Limited, a company under the Group which has been principally engaged in cross-border transportation, has been the director unit of the Hong Kong Guangdong Boundary Crossing Bus Association for seven consecutive years. It has strived to promote healthy competition in the industry and strengthened cooperation with other industry players to achieve better results.

## Tai Ping Interchange

The Group has the right of toll collection at Tai Ping Interchange, the revenue from toll collection increased by 4% in 2011 as compared with the same period of 2010.

## Development of land held by Guangdong Province Transportation Engineering Company Limited

As approved by the extraordinary general meeting, the Company acquired 100% equity interests of Guangdong Province Transportation Engineering Company Limited on 30 November 2010. According to the approval of the Special Plan on Old Plant Renovation in Guangzhou (2010-2020) (廣州市舊廠房改造專項規劃(2010-2020)) in January 2011, the land parcel of Guangdong Province Transportation Engineering Company Limited was included in the “old towns, plants and villages” redevelopment project. The land parcel of Guangdong Province Transportation Engineering Company was planned for commercial and residential purposes before the approval of the Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou (廣州市白雲新城西部延伸區控制性詳細規劃) issued in May 2011. After the release of the Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou, the Company will conduct comparative and selective studies on the development plan of the land parcel of Guangdong Province Transportation Engineering Company Limited according to the regulatory plan. The development plan for the land parcel will be determined as soon as possible and any relevant documents will be submitted in accordance with the procedures of the “old towns, plants and villages” redevelopment project to ensure that the Company can benefit from the redevelopment project.

The Company disclosed the development plan of the land parcel of Guangdong Transportation Engineering Company Limited in the circular to shareholders dated 15 October 2010. As the planning of the region in which this land parcel locates has changed, the development of the land will be delayed and the detail of development plan will be adjusted correspondingly. The Company will disclose the development progress of this land parcel when appropriate.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (unless otherwise stated, all amounts are shown in RMB)

### 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. Revenues from Tai Ping Interchange business were also included in the Group's turnover. Turnover for the year amounted to RMB5,145 million (2010: RMB6,124 million), representing a decrease of 16% over the same period last year, which was mainly due to the decrease in the projects for the supply of material logistics services and the projects under construction of the transportation intelligence business.

Turnover by business segment:

	For the year ended of 31 December			
	2011		2010	
	RMB'000	Percentage	RMB'000	Percentage
Material logistics	<b>3,620,937</b>	<b>70.37%</b>	4,519,905	73.81%
Expressway service zones	<b>534,016</b>	<b>10.38%</b>	455,155	7.43%
Transportation intelligence	<b>569,099</b>	<b>11.06%</b>	754,546	12.32%
Cross-border transportation	<b>284,941</b>	<b>5.54%</b>	264,185	4.31%
Tai Ping Interchange	<b>134,750</b>	<b>2.62%</b>	129,264	2.11%
Others	<b>1,428</b>	<b>0.03%</b>	1,164	0.02%
<b>Total</b>	<b>5,145,171</b>	<b>100.00%</b>	6,124,219	100.00%

### *Material logistics services*

Material logistics service is the Group's largest source of income. Turnover attained for the year was RMB3,621 million (2010: RMB4,520 million), representing a decrease of 20% and accounting for approximately 70.37% (2010: 73.81%) of the total turnover of the Group. The decrease in turnover was mainly attributable to (i) the decrease in projects resulting in the drop in supply, particularly the decrease in asphalt supply; and (ii) the progress of certain projects has lagged behind owing to the government austerity measures..

### *Expressway service zones*

As at 31 December 2011, the number of the Group's expressway service zones was 60 pairs (2010: 58 pairs). The turnover of expressway service zones amounted to RMB534 million (2010: RMB455 million), representing an increase of RMB79 million or approximately 17% as compared to last year and accounting for approximately 10.38% (2010: 7.43%) of the Group's total turnover. The increase in turnover was principally due to (i) the increase in the number of petrol stations; and (ii) the increase in the number of convenience stores in the service zones and the rise in revenue during the year from the convenience stores newly established at the end of the previous year, which offset the decrease in revenue from the one-off admission fees of petrol stations.

## *Transportation intelligence services*

Turnover of transportation intelligence services for the year amounted to RMB569 million (2010: RMB755 million), representing a decrease of RMB186 million or approximately 25% from last year and accounting for approximately 11.06% (2010: 12.23%) of the Group's total turnover. The decrease in revenue was mainly attributable to (i) the decrease in projects awarded during the year due to the government austerity measures, (ii) the decrease of construction since the projects under construction were nearly completed, and (iii) the downward adjustment in the accounting of the completed projects due to the audit investigation by the government.

## *Cross-border transportation services*

The revenue from cross-border transportation for the year was RMB285 million (2010: RMB264 million), representing an increase of 8% as compared to last year and accounting for approximately 5.54% (2010: 4.31%) of the Group's total turnover. Such increase was mainly attributable to the economic recovery after the financial crisis and the effects for the increase in passenger transport routes and the adjustment measures of the Company.

## *Tai Ping Interchange*

The revenue from Tai Ping Interchange for the year was RMB135 million (2010: RMB129 million), representing an increase of 4% as compared to last year and accounting for approximately 2.62% (2010: 2.11%) of the Group's total turnover. Such increase was mainly attributable to the economic growth of Guangdong Province and the increase in traffic volume.

## *Gross profit*

The gross profit of the Group for the year was RMB515 million (2010: RMB556 million), representing a decrease of RMB41 million or 7% as compared to last year. The gross profit margin was 10.01%, which was higher than the gross profit margin of 9.08% for the previous year. The decrease in gross profit was mainly attributable to (i) the increase in administrative costs for transportation intelligence projects as a result of intensifying market competition, rising labour costs and material costs and certain delayed projects; and (ii) the downward adjustment in the accounting of the completed projects under transportation intelligence business due to the audit investigation by the government. However, the increase in the gross profit from material logistics and expressway service zones partly offset the abovementioned adverse impacts which reduced the gross profit generated from transportation intelligence projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit by business segment:

	For the year ended of 31 December			
	2011		2010	
	RMB'000	Percentage	RMB'000	Percentage
Material logistics	193,675	37.61%	186,365	33.52%
Expressway service zones	116,601	22.64%	107,681	19.36%
Transportation intelligence	52,775	10.25%	109,956	19.77%
Cross-border transportation	38,245	7.43%	46,012	8.27%
Tai Ping Interchange	112,282	21.80%	106,295	19.12%
Others	1,406	0.27%	(230)	-0.04%
Total	<u>514,984</u>	<u>100.00%</u>	<u>556,079</u>	<u>100.00%</u>

## *Material logistics services*

Gross profit of transportation intelligence services accounted for 37.61% (2010: 33.52%) of the Group's total gross profit for the year, and increased to RMB194 million (2010: RMB186 million), representing an increase of 4%. The gross profit margin was 5.35% (2010: 4.12%), representing an increase of 1.23 percentage points as compared with the corresponding period last year. The increase was primarily due to the change of the structure of the projects for the year by focusing on expressway projects in Guangdong Province with more stable gross profit margin and reducing supply for the projects outside Guangdong Province.

## *Expressway service zones*

Gross profit of expressway service zones accounted for 22.64% (2010: 19.36%) of the Group's total gross profit for the year and amounted to RMB117 million (2010: RMB108 million). Gross profit margin was 21.83% (2010: 23.66%). Gross profit has increased slightly as compared to last year. The decrease in gross profit margin of service zones was principally due to the decrease in revenue from one-off admission fees of petrol stations.

## *Transportation intelligence services*

Gross profit of transportation intelligence services accounted for 10.25% (2010: 19.77%) of the Group's total gross profit for the year, and amounted to RMB53 million (2010: RMB110 million), representing a decrease of RMB57 million or 52%. The gross profit margin was 9.27% (2010: 14.57%). The decrease in gross profit was primarily due to the decrease in revenue. The decrease in gross profit margin was primarily due to (i) intensifying market competition; (ii) increasing construction costs as a result of rising labour costs and material costs; (iii) increasing project administrative costs as certain projects were delayed; and (iv) downward adjustment in the accounting of the completed projects caused by the audit investigation by the government.

## *Cross-border transportation services*

Gross profit of cross-border transportation services accounted for 7.43% (2010: 8.27%) of the Group's total gross profit for the year, and amounted to RMB38 million (2010: RMB46 million), representing a decreased of RMB8 million or 17% as compared to last year. The gross profit margin was 13.42% (2010: 17.42%). The decrease in gross profit and gross profit margin was mainly attributable to the increase in costs such as vehicle fuel costs, maintenance fee and wages.

## *Tai Ping Interchange*

Gross profit of Tai Ping Interchange business increased by 6% from RMB106 million in the previous year to RMB112 million during the year and accounted for 21.80% (2010: 19.12%) of the Group's total gross profit. The gross profit margin was 83.33% (2010: 82.23%), which was mainly because the increase in costs was less than the increase in revenue.

## *Business tax and other surcharges*

Business tax and other surcharges increased from RMB46 million in the previous year to RMB68 million during the year, representing an increase of RMB22 million or 49%. The increase was mainly because (i) foreign investment enterprise has been subjected to urban construction tax and education surcharge based on the business tax and value added tax since December 2010 according to the regulations of the State Administration of Taxation; and (ii) the increase in revenue from expressway service zones led to an increase in relevant tax expenses.

## *Selling and administrative expenses*

The Group's selling expenses amounted to RMB103 million and administrative expenses amounted to RMB228 million, totalling RMB331 million (2010: RMB318 million), representing an increase of 4% compared to last year. The increase was mainly attributable to the increase in the number of service zones and the increase in labour cost of each companies arising from the adjustment of the payment basis for social insurance according to relevant regulations.

## *Finance costs*

Finance costs decreased by 26% from RMB26 million last year to RMB19 million this year, mainly due to the decrease in business this year.

## *Liquidity and capital structure*

As at 31 December 2011, cash and cash equivalents amounted to RMB2,091 million (31 December 2010: RMB1,500 million). As at 31 December 2011, the balance of bills payable was RMB622 million (31 December 2010: RMB706 million). Net current assets was RMB229 million (31 December 2010: RMB315 million) and the current ratio was 1.07 times (31 December 2010: 1.11 times).

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Cash flows*

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

Cash and cash equivalents during 2011 were as follows:

	<b>For the year ended 31 December</b>		
	<b>2011</b>	2010	Change
	<b>RMB'000</b>	RMB'000	
Cash generated from/ (used in)			
Operating activities	<b>823,572</b>	214,016	285%
Investing activities	<b>(200,000)</b>	(115,941)	-73%
Financing activities	<b>(27,853)</b>	(84,680)	67%
Effect of foreign exchange rate	<b>(4,853)</b>	(2,615)	-86%
Increase in cash and cash equivalents	<b>590,866</b>	10,780	5,381%

## *Operating activities*

The net cash flows from operating activities in 2011 amounted to RMB824 million (2010: RMB214 million), representing an increase of RMB610 million. The increase was mainly because (i) the Company strengthened the control on the settlement ; and (ii) it settled payment through the letters of bank credit arrangement of PRC with longer maturity.

## *Investing activities*

Cash used in investing activities in 2011 was RMB200 million, which mainly comprised (i) RMB70 million for the acquisition of Guangdong Province Transportation Engineering Company Limited; (ii) RMB14 million for the special maintenance of the Tai Ping Interchange; (iii) RMB37 million for the construction of service zones; (iv) RMB19 million for the acquisition of cross-border transportation assets.

## *Financing activities*

The net cash used in financing activities in 2011 was RMB28 million (2010: RMB85 million), which was mainly used in settling interest for short-term borrowings and payment of dividends.

## *Borrowings*

As at 31 December 2011, all outstanding borrowings of the Group were unsecured short-term loans, totalling RMB60 million (31 December 2010: nil).

## *Acquisitions*

As at 31 December 2011, the Group did not have any incomplete acquisitions.

## *Subsequent events*

On 15 March 2012, the Board recommended the payment of a final dividend RMB0.06 per share (pre-tax), totaling RMB25,058,513.00. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2012. These financial statements do not reflect these dividends payable.

## *Charges on assets*

As at 31 December 2011, the Group did not have any charges on assets (31 December 2010: land use rights of RMB89,285,000 and a fixed deposit of RMB183 million).

## *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 2011, the fluctuation of foreign exchanges did not have a material effect on the working capital and liquidity of the Group. The Directors believe that the Group has sufficient foreign currency to meet its requirements. 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 2011, 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 49, 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's degree in 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. He 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 45, 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 the 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 the 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 58, 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. Mr. Deng is also the chairman of Shenzhen Yuegung Transport Company Limited (深圳粵港汽車運輸有限公司) and the director of Gang Tong (HK) Motor Transport Company Limited since 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 of the Company, 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 48, is an executive Director and has served as a Director of the Company since October 2002. Mr. Lu currently serves as a deputy general manager 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 a deputy secretary to the communist party of Guangdong Provincial Highway Construction Company Limited from September 2010 to June 2011. He also served as the chairman of the Board of the Company from May 2003 to February 2010. Mr. Lu worked in the engineering department of Guangdong Provincial Freeway Co., Ltd. from July 1988 to August 1992 and had been seconded to Zambia in Africa to work with a group of highway professionals from China for two years. Mr. Lu served in various management posts in Chu Kong Highway Engineering Company and Xin Yue Company Limited (新粵有限公司) from August 1992 to October 2002 respectively. He was promoted as deputy general manager of Xin Yue Company Limited and deputy general manager of Guangdong Xin Yue Communications Investment Company Limited (廣東新粵交通投資有限公司) in 1998. 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-month specialised training course business administration at San Francisco State University in 2002.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Zeng Gangqiang** (曾剛強), aged 55, 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 Nan Yue Logistics International Services Company Limited and chairman of Guangdong Tai Cheng Consulting Company Limited since 2008. He was the chairman of Guangdong Feida Transportation Engineering Company Limited from 2008 to May 2011. The previous work experiences of Mr. Zeng include the general secretary of Communist Youth League and deputy director of party office of Guangdong Zhujiang Navigation Company Hongkong & Macau Passenger Branch from December 1982 to December 1991; officer of organisation division of Guangdong Navigation Administration Bureau from December 1991 to June 1993; department deputy manager of Guangdong Communication Enterprise Investment Company 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 qualifications as an economist in business administration.

## Non-executive Directors

**Cao Xiaofeng** (曹曉峰), aged 47, 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).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Lu Yaxing (陸亞興)**, aged 48, 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 42, 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 48, is a non-executive Director and has served as a Director of the Company since December 2007. He currently serves as a deputy general manager of GCGC and he served as the chairman and party secretary of Guangdong Road & Bridge Construction from 2006 to 2012. 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 economics from the Central Party School (中共廣東省委黨校) in Guangdong province.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Cai Conghua** (蔡叢華), aged 45, is a 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-owned Assets 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 59, 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 the 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 been 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 the 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 the Logistics Engineering Institution of Chinese Mechanical Engineering Society and research fellow of the Logistics Planning Research Institute of China Federation of Logistics and Purchasing. Mr. Gui has obtained professional qualifications 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 majoring in logistics construction.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Liu Shaobuo** (劉少波), aged 51, is an independent non-executive Director and has served as a Director of the Company since February 2004. Mr. Liu has been engaged in teaching and research in areas such as financing, securities and investment for a long time. He is currently the dean of the faculty of economics and the director of the Finance Research Institute of Jinan University (暨南大學). Mr. Liu has served as a lecturer in the faculty of economics, an associate professor and professor in the 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 the finance department of the School of Economics as well as dean of the School of Economics, Director of the Finance Research Institute of Jinan University and the director of the Social Science Research Institute of Jinan University, respectively. Mr. Liu's other concurrent positions include the vice-president of the Society for Guangdong Economics, vice-chairman of Guangdong Provincial Society of Tertiary Industry and strategic consultation expert of the 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 Guangzhou Development Industry (Holdings) Co., Ltd (廣州發展實業控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600098), and Foshan Saturday Shoes Co., Ltd. (佛山星期六鞋業股份有限公司) (stock code: 002291) and Guangdong Taientang Pharmaceutical Co., Ltd. (廣東太安堂藥業股份有限公司) (stock code: 002433), companies listed on the Shenzhen Stock Exchange.

**Peng Xiaolei** (彭曉雷), aged 60, 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 has obtained professional qualification of senior accountant. 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 was 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 compiling a number of financial regulatory handbooks for Guangye Assets, including the 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 the 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)》. From 2008 to 2011, Mr. Peng also served as an independent director of Guangzhou Shipyard International Company Limited, a company listed on the Hong Kong 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 44, 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 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 40, 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 48, 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 with a bachelor of laws degree from Beijing Institute of Technology (北京理工大學). Mr. Rao worked in the Guangdong Province Communication Research Department and in the office of the 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 44, 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 Zhuo 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's degree in journalism from Beijing Broadcasting Institute (北京廣播學院) in 1998 and obtained a doctorate degree in advertising from the Communication University of China in 2009.

**Zhou Jiede** (周潔德), aged 45, 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 the professional qualifications of senior accountant, senior auditor, Certified Public Accountant and Certified Tax Agent. Ms. Zhou obtained a diploma in accounting from Sun Yat-sen University in 1987.

**Li Hui** (李輝), aged 48, 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 the assets management department of the Company. Ms. Li is also a supervisor of New Way Advertising and Guangdong Feida, both 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 has professional qualifications for the positions of economist and auditor.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Zhang Li** (張莉), aged 40, 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 Xin Yue and Guangdong Tai Cheng Consulting Co., Ltd. (廣東泰誠諮詢顧問有限公司), all of which are subsidiaries of the Company. Ms. Zhang Li joined the Group in March 2001 and worked as the vice manager of the 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 Li obtained a bachelor of economics degree from Huazhong University of Science and Technology (華中理工大學) in 1993 and obtained a master of economics degree from Jinan University (暨南大學) in 2002.

## SENIOR MANAGEMENT

**Yao Hanxiong** (姚漢雄), aged 46, 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设集團有限公司) (“Guangdong Jing Tong”). From 2002 to 2005, Mr. Yao was designated by the Organization Department of Guangdong Provincial Party Committee to serve 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 an 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 a practising qualification certificate.

**Chen Honghui** (陳鴻輝), aged 40, 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 Xin Yue 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 Xin Yue. 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. Mr. Chen 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.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Liang Xin** (梁鑫), aged 45, 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.

**Liu Zhiquan** (劉志全), aged 46, has joined the Group since January 2001 as 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. He obtained an executive master's degree in business management in 1999. He graduated from the course of advanced study for secretaries of boards 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 qualifications as an economist. Mr. Liu has served as an independent non-executive director of FlexSystem Holdings Ltd (stock code: 08050), a company listed in Hong Kong, since February 2012.

**Fung Hon Tung** (馮漢棟), aged 42, 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 state-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 2011 together with the audited financial statements of the Group for the year ended 31 December 2011.

## 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 (VI)10 to the financial statements. There was no material change to the nature of the principal activities of the Group during the year ended 31 December 2011.

## FINANCIAL RESULTS

The financial highlights of the year are set out on pages 8 to 9 of this annual report. The discussion and analysis of the Group's results and financial position of the year are set out on pages 17 to 27 of this annual report.

## CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2011 prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant regulations (the "CAS") are set out on page 72 of this annual report.

The Company's financial statements were previously prepared in accordance with accounting principles generally accepted in Hong Kong ("HKGAAP") for disclosure purposes in Hong Kong. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2010, with effect from this financial year, the Company decided to prepare its financial statements for disclosure purposes in Hong Kong in accordance with the "Accounting Standards for Business Enterprises" and other related regulations issued by the China Ministry of Finance ("CAS"). The adoption of CAS has been applied retrospectively and the comparative financial information for the previous year is restated in accordance with CAS. The effect of change in the adoption of accounting standard is not significant to the shareholders' equity.

## 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 264 of this annual report.

## NET 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 15 March 2012, the Board recommended the payment of the final dividend of 2011 of RMB0.06 per share (pre-tax), totalling RMB25,058,513. Such dividend is subject to approval by the shareholders at the annual general meeting ("AGM") to be held on 6 June 2012.

For the distribution of dividends, dividends for holders of Domestic Shares will be distributed and paid in RMB, while dividends for H Shares will be declared in RMB but paid in Hong Kong dollars ("HK\$") (conversion of RMB into HK\$ shall be calculated on the average price of the medium prices of the conversion of RMB into HK\$ announced by the People's Bank of China five working days preceding the Annual General Meeting of the Company).

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 at 4:30 p.m. on Monday, 18 June 2012.

According to the Law on 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 2011 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 organisations) whose names appear on the Company's H share register of members at 4:30 p.m. on Monday, 18 June 2012.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] No. 020) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), individual shareholders of overseas H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Monday, 18 June 2012 and whose registered addresses are located in the Hong Kong Special Administrative Region or outside China are exempted from individual income tax of China.

According to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall be obliged to withhold 20% individual income tax when it distributes the proposed 2011 final dividend to individual shareholders of H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Monday, 18 June 2012 and whose registered addresses are located in China. Individual shareholders of H Shares may apply for tax rebates, if any, in accordance with applicable regulations of the relevant taxation agreement or arrangement conditional upon further confirmation from the taxation authority of the PRC in respect of the information provided by such shareholders, if necessary.

Shareholders are suggested to seek advice from their taxation consultants in relation to taxation impacts in the PRC and Hong Kong and other matters arising from the ownership and disposal of the H Shares of the Company.

## CLOSURE OF REGISTER OF MEMBERS

The 2011 AGM will be held on Wednesday, 6 June 2012 and the registers of members of the Company will be closed in order to determine the qualification of shareholders to attend and vote at the 2011 AGM and their entitlement to the proposed final dividend payment. The details are as follows:

- (i) To determine the qualification of shareholders to attend and vote at the 2011 AGM:

Deadline for lodging transfer documents for registration	4:30 p.m. on Friday, 4 May 2012
Closure of register of members	Monday, 7 May 2012 to Wednesday, 6 June 2012 (both days inclusive)
Date of record	Wednesday, 6 June 2012

- (ii) To determine the shareholders' entitlement to the proposed final dividend payment:

Deadline for lodging transfer documents for registration	4:30 p.m. on Monday, 11 June 2012
Closure of register of members	Tuesday, 12 June 2012 to Monday, 18 June 2012 (both days inclusive)
Date of record	Monday, 18 June 2012

The registers of members of the Company will be closed during the above periods. In order to determine the qualification of shareholders to attend and vote at the 2011 AGM and their entitlement to the proposed final dividend payment, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the abovementioned deadlines.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2011, the Group's total purchases attributable to the Group's five largest suppliers were 6.1%, and the Group's aggregate sales attributable to the Group's five largest customers were 32.14%.

Guangdong Provincial Communication Group Company Limited respectively holds over 50% of the interest in two of the top five customers and holds approximately 44% of the interest in one of the top five customers. The sales attributable by the largest customer among the Group's five largest customers were 14.85% for the year ended 31 December 2011.

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 top five customers or the top five suppliers of the Group.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2011 and details of the distributable reserves of the Company as at 31 December 2011 are set out in note (VI)31 to the financial statements prepared in accordance with the CAS.

## STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in note (VI)32 to the financial statements prepared in accordance with the CAS.

## INVESTMENT PROPERTIES AND FIXED ASSETS

Particulars of the movements in investment properties and fixed assets of the Group and the Company during the year ended 31 December 2011 are set out in notes (VI)11 and 12 to the financial statements.

## EMPLOYEES PENSION SCHEME

Details of the Company's employees' pension scheme are set out in note (IX)5 to the financial statements prepared in accordance with the CAS.

## DIRECTORS AND SUPERVISORS

The Directors who held office during the year ended 31 December 2011 and up to the date of this report are as follows:

<b>Name</b>	<b>Date of Appointment as Director</b>	<b>Date of Resignation as Director</b>
<b>Executive Directors</b>		
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
<b>Non-Executive Directors</b>		
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
<b>Independent Non-Executive Directors</b>		
Gui Shouping	2 February 2004	N/A
Liu Shaobuo	2 February 2004	N/A
Peng Xiaolei	2 February 2004	N/A

# DIRECTORS' REPORT

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

<b>Name</b>	<b>Date of Appointment as Supervisor</b>	<b>Date of Resignation as Supervisor</b>
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 non-executive Directors are considered by the Company as independent persons.

## BIOGRAPHY OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

The biography of Directors, Supervisors and members of the senior management of the Company as at the date hereof is set out on pages 28 to 37 of this report.

Pursuant to Chapter 14A of the Listing Rules, details of the following connected transactions of the Group as at 31 December 2011 are required to be disclosed in the annual report of the Company:

## 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 2011, 2012 and 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 rights by the GCGC to obtain operating rights of the expressway service zones controlled by the members of GCGC. When exercising such preferential rights, 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 ended 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 2011, 2012 and 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 ended 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 ended 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 2011, 2012 and 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 master agreement, pursuant to which the Group (including Guangdong Xin Yue, 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 ended 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 ended 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 2011, 2012 and 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 ended 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 2011, 2012 and 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 ended 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 ended 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) 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 2011, 2012 and 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 Xin Yue and Guangdong Oriental Thought, respectively, by the Company, the Company will lend to Guangdong Xin Yue and Guangdong Oriental Thought entrusted loan(s) with aggregate annual amounts not exceeding RMB115,000,000 (such loans were specified to be used as capital of Guangdong Xin Yue which may be required for market bidding from time to time, and working capital of Guangdong Xin Yue 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 2011, 2012 and 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 (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.

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 NONEXEMPTED 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 2011 in relation to the continuing connected transactions of the Company.

Transaction	For the year ended	
	31 December 2011	
	Annual Cap (RMB '000)	Actual Amount (RMB '000)
<b>Discloseable continuing connected transactions for which waivers from announcement requirement have been granted by the Stock Exchange</b>		
a. Toll fees collection services for Tai Ping Interchange under the Toll Free Collection and Entrustment Agreement	4,200	4,200
<b>Non-exempt continuing connected transactions subject to approval of independent shareholders</b>		
b. Services in relation to major repairs and single item renovations under the Tai Ping Interchange Master Agreement	9,766	9,246
c. Provision of material logistics services under subsisting agreements and the Materials Logistics Services Master Agreement	3,790,000	1,572,314
d. Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the Transportation Intelligence Service Master Agreement	260,355	173,150
e. Purchase of materials under subsisting agreements and the Materials Purchase Master Agreement	306,000	59,929
f. Provision of financial assistance by the Company to Guangdong Xin Yue and Guangdong Oriental Thought	120,000	114,900
g. Prior operating rights and contracting obligations for expressway service zones under subsisting agreements	112,317	83,877
h. Subcontracting of certain work procedures in relation to expressway intelligence and outsourcing of construction labour under subsisting agreements and the relevant master agreement	37,148	14,235

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 and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". 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 46 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.

## RELATED PARTY TRANSACTIONS

Material related party transactions of the Company occurring 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 2011, the Board was aware of the following material litigation involving the Company:

1. The Company has brought a legal proceedings before the Guangzhou Intermediate People's Court against Tangshanshi Shuihou Zhagang Yi Chang (唐山市稅後軋鋼一廠), 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 to purchase steel products in the amount of RMB472,397,000 together with compensation for breach of contract. The Company has applied to the court for a charging order against the defendants' assets. The Guangzhou Intermediate People's Court gave its judgment on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company with a penalty. On 12 July 2011, the Guangzhou Intermediate People's Court issued a certificate of judgment (《裁判文書生效證明》) to confirm that the relevant ruling became effective on 30 June 2011. The Company is taking necessary action in accordance with the judgment.

2. In respect to costs of materials owed to the Company by China Railway Erju Group Material Co., Ltd, Transportation Commanding Department (交通工程指揮部) of Inter-city Railway between Guangzhou and Zhuhai of China Railway No.3 Engineering Group Co., Ltd, Commanding Office (工程指揮部) of Inter-city Railway between Guangzhou and Zhuhai of China Railway No.8 Engineering Group Co., Ltd and Project Management Office of Guangzhou-Shenzhen-Hong Kong Passenger Railway Line ZH-2 tender project of China Railway 17 Bureau Group (中鐵十七局集團) under the relevant contracts, the Company has brought arbitration and legal proceedings before the Chengdu Arbitration Commission, Guangzhou Arbitration Commission, Taiyuan Intermediate People's Court and Shenzhen Baoan People's Court in December 2011. The total costs involved amounted to RMB57,082,905. As at 31 January 2012, the petitions of the above contract dispute cases were duly accepted and pending the court's hearing. Since all of the above respondents or defendants are the associated companies of China Railway Group (中鐵集團), it is expected that there will not be any difficulty in collecting the above costs of materials and the Company has not made any provision for the above arbitration or litigation proceedings.

## 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 (VI)30 to financial statements prepared in accordance with the CAS.

## SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any Director, as at 31 December 2011, 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 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	23,325,462	Investment manager	16.90	5.59
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
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 2011, 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 A SHAREHOLDING OF 10% OR MORE IN THE COMPANY**

As at 31 December 2011, 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 2011 was RMB26,800,000,000. It is principally engaged in the investment, construction and management of a majority of the roads and expressway networks in Guangdong province.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of 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 2011, 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**

<b>Name of Associated corporation</b>	<b>Name of Director/ Supervisor</b>	<b>Nature of Interests</b>	<b>Number of shares held</b>	<b>Percentage in the relevant class of share capital</b>	<b>Note</b>
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 2011, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or 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 2011 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 (VII)5 to the financial statements prepared in accordance with the CAS.

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 2011.

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2011, 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 2011.

## BOARD COMMITTEES

The Company has established an audit committee and a remuneration committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 57 to 65 of this annual report.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 3,330 employees and the staff costs (including remuneration of Directors) of the Group was RMB252 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 2011.

## DONATIONS

The Group did not make any donations during the year ended 31 December 2011.

## AUDITOR

On 8 June 2011, the Company changed its auditor and appointed Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the auditor of the Company for the year ended 31 December 2011. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. has conducted the audit of the Group's financial statements which are prepared in accordance with the CAS.

By order of the Board

**Liu Hong**

*Chairman*

Guangzhou, the PRC

15 March 2012

Dear shareholders:

In 2011, by following the principle of safeguarding the interests of all Shareholders, the Supervisory Committee of 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 Stock Exchange. We hereby present the major tasks carried out by the Supervisory Committee of the Company for the year 2011:

## 1. WORK UNDERTAKEN BY THE SUPERVISORY COMMITTEE IN 2011

### (1) Carrying out daily supervision to understand corporate information

In 2011, the Supervisory Committee of the Company attended 44 meetings relating to major business operations and decision making of the Company, such as Shareholders' meetings, meetings of the Board of Directors and the party-executive joint conferences between the Party and the Government. Nine work letters and one reminder were issued to the Company according to the needs of supervision. The daily work of the Supervisory Committee includes collecting and analysing 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 litigation and other significant events which require shareholder notification, 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 2011, the Supervisory Committee carried out one survey and three special examinations: (1) conducted a special survey on the progress of certain litigation in connection with the project on material trading risks of the Company; (2) continued the special examination of Guangdong Oriental Thought, a subsidiary of the Company; (3) conducted a special examination of Guangdong Top-E, a subsidiary of the Company; and (4) conducted a special examination of New Way Advertising, a subsidiary of the Company. The Supervisory Committee communicated with companies of which defects were identified during the examination and provided relevant recommendations. In addition, by integrating and analysing the Company's operation information collected during its ordinary supervision, the Supervisory Committee completed a work report on the examination of Nan Yue Logistics Company Limited for 2010, which provides reasonable recommendations on operational deficiencies of the Company.

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

In 2011, 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 23 March 2011, the first meeting of the fourth session of the Supervisory Committee was held, at which the "Annual Report of the Supervisory Committee for 2010" and the "Conclusion of Work for 2009 and Work Plan for 2010 of the Supervisory Committee" was considered and approved, and the relevant proposals of the Board of Directors were considered and discussed.
2. On 23 August 2011, the second meeting of the fourth session of the Supervisory Committee was held, at which the relevant proposals of the Board of Directors were further considered and discussed, and some recommendations were made in respect of the relevant issues 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 2011, the procedures for convening board meetings and the process for passing resolutions complied with laws and regulations. The Board was able to strictly execute each of the resolutions and authorisations 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**

Deloitte Touche Tohmatsu CPA Limited audited the 2011 Financial Report of the Company and has issued standard unqualified audit reports currently. Upon examination by the Supervisory Committee, the audit report issued by Deloitte Touche Tohmatsu gives 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 connected transactions at market prices based on the principles of being open, fair and just, with no adverse effects on the interests of minority shareholders holding small to medium sized shareholdings in the Company or the interests of the Company.

## 3. RELEVANT RECOMMENDATIONS

Over the previous year, the Company standardised its decision-making and business operations and enhanced its management and control capability. Nevertheless, the Supervisory Committee considers that the Board and the management of the Company should put more efforts on the following aspects in the future:

- (1) To focus on researching mid to long-term development strategies and carry out long-term development by transforming and upgrading the Group's business model. The Company should also focus on finding ways to create new profit opportunities for the Company and to link corporate investment development with equity financing.
- (2) To integrate internal control and comprehensive risk management while improving various management systems and operation processes of the Company so as to enhance the risk control over its business administration.

By order of the Supervisory Committee

**Chen Chuxuan**

*Chairman of the Supervisory Committee*

Guangzhou, the PRC

15 March 2012

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 2011, 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 2011.

## 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 the composition of the Board of the Company of five executive Directors, five non-executive Directors and three independent non-executive Directors is reasonably balanced. The five non-executive Directors and three independent non-executive Directors have participated 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 business development 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.

# CORPORATE GOVERNANCE REPORT

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. The interests of Shareholders' and the Company is the primary concern for every member of the Board. The Directors shall perform 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 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 issues relating to the Group's strategies, 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 operation and the long-term development of the Company.

All Directors were appointed for a term of office until the expiration of the current session of the Board 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 2011, the Company held a total of eight Board meetings, with an average attendance rate of 92%. The Company kept detailed minutes for the business transacted in such meetings.

# CORPORATE GOVERNANCE REPORT

The attendance records of each member of the Board for the year ended 31 December 2011 are set out below:

	<b>Meetings attended/ held</b>	<b>Attendance Rate</b>
<b>Executive Directors</b>		
Liu Hong (Chairman)	8/8	100%
Wang Weibing	8/8	100%
Deng Chongzheng	8/8	100%
Lu Maohao	6/8	75%
Zeng Gangqiang	7/8	88%
<b>Non-executive Directors</b>		
Cao Xiaofeng	8/8	100%
Lu Yaxing	6/8	75%
Zheng Renfa	8/8	100%
Cai Xiaoju	7/8	88%
Cai Conghua	7/8	88%
<b>Independent non-executive Director</b>		
Gui Shouping	8/8	100%
Liu Shaobuo	7/8	88%
Peng Xiaolei	8/8	100%

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 AND 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 2011. 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 2011.

## 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 to appoint external auditors, supervise and review the Group's financial reports (including interim and annual results and the internal control system) and provide advice and comments to the Board. As at 31 December 2011, 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 financial statements of the Group, and made recommendations thereon. The Company has reported the financial position and internal audit results of the Company to the Audit Committee. The Company's auditor, Deloitte Touche Tohmatsu Certified Public Accountants Ltd., also proposed management suggestions to the Audit Committee according to the audit result. It has reviewed the audited financial statements for the year ended 31 December 2011, and recommended their adoption by the Board. For the year ended 31 December 2011, 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 2011 with an average attendance rate of 83%.

The audit committee members' attendance records of audit committee meetings for the year ended 31 December 2011 are set out below:

	<b>Meetings attended/ held</b>	<b>Attendance Rate</b>
Peng Xiaolei (Chairman)	2/2	100%
Liu Shaobuo	1/2	50%
Cao Xiaofeng	2/2	100%

## (2) REMUNERATION COMMITTEE

The Company has also established a remuneration committee of the Company (“Remuneration Committee”) to advise the Board in respect of the overall remuneration policy and structure of Directors and senior management and of the establishment of formal and transparent procedures in formulating remuneration policy; to review and approve the remuneration recommendations by the management according to the corporate policies and objectives set by the Board; to recommend to the Board the remuneration packages of Directors and senior management; 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 2011, the Remuneration Committee held one meeting.

The remuneration committee members’ attendance records of remuneration committee meetings in the year ended 31 December 2011 are set out below:

	<b>Meetings attended/ held</b>	<b>Attendance Rate</b>
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 2011, the Supervisory Committee examined the financial position and the legal compliance of the operations of the Company and conducted a 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 2011, 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 optimisation of the organisational 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 Company has conducted a review of the effectiveness of the system of internal control of the Company. In the year ended 31 December 2011, the Company put emphasis 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 procedure under the "Budget Management Manual", "Capital Management Manual", "Reimbursement Management Manual", "Management of Receivables Manual", "Management and Standardization of NC Financial System" and "Provisional Regulations on the Appointment of Middle Management of Finance Department of Intermediate Subsidiaries.

In 2011, (1) in order to strengthen basic accounting treatment, establish standardised accounting procedures and enhance accounting standards, the Company formulated the Guidelines on Standardization of Basic Accounting Treatment of Guangdong Nan Yue Logistics Company Limited (廣東南粵物流股份有限公司會計基礎工作操作規範指引); (2) in order to meet the need of the Company's business development, regulate and facilitate the healthy development of the Company's domestic letter of credit business, the Company formulated the Provisional Measures for Management of Domestic Letter of Credit Business (國內信用證業務管理暫行辦法) in accordance with relevant provisions of the People's Bank of China; (3) in order to further enhance the quality of accounting information, ensure the true, accurate, complete and timely preparation of all the financial reports and improve the preparation and analysis of the financial reports of each subsidiary, the Provisional Assessment Measures for Financial Reports of Guangdong Nan Yue Logistics Company Limited (廣東南粵物流股份有限公司財務報告評比辦法(試行)) was formulated; (4) in order to strengthen and further standardize the tax administration of the Company, the Guidelines on Standardization of Tax Administration of Guangdong Nan Yue Logistics Company Limited (廣東南粵物流股份有限公司稅務管理規範操作指引) was formulated based on tax laws and documents and standard requirements of the Company's internal financial and taxation system.

The preparation and implementation of these systems have further strengthened our financial management and standards.

The internal auditors of the Company monitor the daily financial management of the Company in accordance with their responsibilities, and advise the financial management department and the general manager and makes recommendations on the improvement of the financial management.

The Audit Committee of the Company held two meetings to liaise and discuss with the auditors of the Company, the department of finance and the internal audit department 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 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 promptly and ensure the accuracy and timeliness of regular reports and provisional reports of the Company. The Company has also established Measures for the Administration of Insider Information Confidentiality and Registration (內幕信息保密和登記管理辦法) to strengthen the management of insider information 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 of the Company 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 carried out a comprehensive analysis on the reasons for the historical risks of the Company and has actively carried out overall risk management. Based on the risk management consultation results of 2010, four systems, namely the Provisional Procedures for Risk Management (風險管理暫行辦法), the Manual on Risk Management (風險管理手冊), the Provisional Measures for Internal Control Assessment (內部控制評價管理暫行辦法) and the Proposal of the Planning of Risk Management Information (風險管理資訊化規劃建議書) were officially introduced in 2011 to optimize the Company's risk management mechanism. Currently, the risk management information system of the Company has been duly launched. The Company has also commenced the assessment of risk identification, and has compiled and announced the 2011 risk events database.

## AUDITOR

The Company has appointed Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the auditor of the Company. The fees for the audit and non-audit services provided by the above auditor to the Group for the year ended 31 December 2011 amounted to RMB2,610,000.

The statement of the auditor of the Company concerning their responsibilities on the financial statements of the Company is set out in the Auditors' Report on pages 66 to 67 of this annual report.

## GENERAL MEETINGS

The general meeting holds the highest authority of the Company. The Company held an extraordinary general meeting on 3 January 2011 to consider and approve the non-exempt continuing connected transactions of the Company. The Company held the 2010 Annual General Meeting on 8 June 2011 to consider six resolutions regarding, among others, the Director's Report for 2010 and payment of 2010 final dividends. The meetings were convened in compliance with the relevant legal procedures and safeguarded shareholders' participation and exercise of rights.

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

## INFORMATION DISCLOSURE AND INVESTOR RELATIONS

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

The Company has established a specialised team responsible for investor relations. Placing strong emphasis on communication with investors, the Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence in the Company as well as improving its corporate governance standards. The management of the Company maintain close communications with investors through different channels, such as 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 maintains its 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.

**De Shi Bao (Shen) Zi (12) No. P0192**

**TO THE SHAREHOLDERS OF GUANGDONG NAN YUE LOGISTICS COMPANY LIMITED:**

We have audited the accompanying financial statements of Guangdong Nan Yue Logistics Company Limited (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2011, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

## **1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

## **2. AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### 3. OPINION

In our opinion, the financial statements of the Company present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2011, and the company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

**Deloitte Touche Tohmatsu CPA Ltd.**

Shanghai, China

Chinese Certified Public Accountants

**Huang Xiaoxia**

Chinese Certified Public Accountants

**Yuan Feng**

15 March 2012

# CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi Yuan unless otherwise stated)

		As at 31 December	
	Notes	2011	2010 (Restated)
<b>Current Assets:</b>			
Cash and bank balances	(VI) 1	2,092,231,222.60	1,683,100,952.37
Notes receivable	(VI) 2	4,435,000.00	32,383,500.62
Accounts receivable	(VI) 3	898,769,092.76	624,806,299.74
Prepayments	(VI) 4	98,474,416.62	137,972,083.27
Dividends receivable	(VI) 5	94,792.23	—
Other receivables	(VI) 6	245,282,907.29	210,811,316.25
Inventories	(VI) 7	379,812,174.60	570,522,385.33
<b>Total Current Assets</b>		<b>3,719,099,606.10</b>	<b>3,259,596,537.58</b>
<b>Non-current Assets:</b>			
Long-term receivables	(VI) 8	22,349,501.66	12,000,000.00
Long-term equity investments	(VI) 10	93,064,332.82	70,699,687.29
Investment properties	(VI) 11	11,439,275.14	7,433,091.41
Fixed assets	(VI) 12	422,895,591.09	407,075,957.70
Construction in progress	(VI) 13	16,492,341.79	17,499,341.79
Intangible assets	(VI) 14	356,932,310.99	359,457,240.63
Development expenditure		—	110,970.00
Long-term prepaid expenses	(VI) 15	7,667,377.15	11,717,922.52
Deferred tax assets	(VI) 16	157,511,642.95	159,555,976.74
<b>Total Non-current Assets</b>		<b>1,088,352,373.59</b>	<b>1,045,550,188.08</b>
<b>TOTAL ASSETS</b>		<b>4,807,451,979.69</b>	<b>4,305,146,725.66</b>
<b>Current Liabilities:</b>			
Short-term borrowings	(VI) 18	60,000,000.00	—
Notes payable	(VI) 19	621,558,443.87	705,783,187.96
Accounts payable	(VI) 20	1,438,110,353.08	1,110,411,283.41
Receipts in advance	(VI) 21	442,492,499.55	757,064,148.36
Employee benefits payable	(VI) 22	60,667,664.93	46,251,995.03
Taxes payable	(VI) 23	138,164,981.99	154,257,865.17
Interests payable	(VI) 24	10,536,095.95	—
Dividends payable	(VI) 25	1,176,000.00	—
Other payables	(VI) 26	149,561,112.61	171,062,102.94
Other current liabilities	(VI) 27	567,693,227.72	—
<b>Total Current Liabilities</b>		<b>3,489,960,379.70</b>	<b>2,944,830,582.87</b>

# CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi Yuan unless otherwise stated)

		As at 31 December	
	Notes	2011	2010 (Restated)
<b>Non-current Liabilities:</b>			
Long-term payables	(VI) 28	—	6,954,653.98
Deferred tax liabilities	(VI) 16	<b>989,134.34</b>	995,189.47
Other non-current liabilities	(VI) 29	<b>4,455,593.10</b>	4,450,000.00
<b>Total Non-current Liabilities</b>		<b>5,444,727.44</b>	12,399,843.45
<b>TOTAL LIABILITIES</b>		<b>3,495,405,107.14</b>	2,957,230,426.32
<b>Shareholders' Equity:</b>			
Share capital	(VI) 30	<b>417,641,867.00</b>	417,641,867.00
Capital reserve	(VI) 31	<b>274,825,436.40</b>	344,390,293.02
Special reserve		<b>2,954,571.68</b>	1,379,199.25
Surplus reserve	(VI) 32	<b>120,497,853.66</b>	110,174,201.20
Retained profits	(VI) 33	<b>353,921,236.48</b>	308,946,768.14
Exchange difference arising on translation		<b>(34,800,450.16)</b>	(29,370,460.60)
<b>Equity attributable to shareholders of the Company</b>		<b>1,135,040,515.06</b>	1,153,161,868.01
Equity attributable to minority interests	(VI) 34	<b>177,006,357.49</b>	194,754,431.33
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,312,046,872.55</b>	1,347,916,299.34
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,807,451,979.69</b>	4,305,146,725.66

The accompanying notes are parts of the financial statements.

The financial statements on page 68 to 259 are signed by the following:

**Liu Hong**  
Legal representative  
and principal in charge  
of accounting

**Liang Xin**  
Chief accountant

**Cao Guangtang**  
Head of accounting  
department

# BALANCE SHEET OF THE COMPANY

(All amounts in Renminbi Yuan unless otherwise stated)

		As at 31 December	
	Notes	2011	2010 (Restated)
<b>Current Assets:</b>			
Cash and bank balances	(VI) 1	<b>1,784,886,260.82</b>	1,343,647,604.49
Notes receivable	(VI) 2	<b>3,500,000.00</b>	32,383,500.62
Accounts receivable	(VI) 3	<b>621,148,173.72</b>	409,515,313.38
Prepayments	(VI) 4	<b>49,775,019.50</b>	53,552,820.25
Dividends receivable	(VI) 5	<b>27,961,854.12</b>	47,786,877.84
Other receivables	(VI) 6	<b>322,228,613.64</b>	267,248,610.05
Inventories	(VI) 7	<b>92,723,085.57</b>	212,565,446.24
<b>Total Current Assets</b>		<b>2,902,223,007.37</b>	2,366,700,172.87
<b>Non-current Assets:</b>			
Long-term equity investments	(VI) 10	<b>489,256,478.41</b>	487,153,769.58
Fixed assets	(VI) 12	<b>7,171,954.74</b>	7,940,064.50
Construction in progress	(VI) 13	<b>191,564.80</b>	2,940,537.24
Intangible assets	(VI) 14	<b>223,342,304.98</b>	215,858,873.86
Long-term prepaid expenses	(VI) 15	<b>5,360,837.52</b>	5,393,648.46
Deferred tax assets	(VI) 16	<b>130,475,575.11</b>	134,068,486.72
<b>Total Non-current Assets</b>		<b>855,798,715.56</b>	853,355,380.36
<b>TOTAL ASSETS</b>		<b>3,758,021,722.93</b>	3,220,055,553.23

# BALANCE SHEET OF THE COMPANY

(All amounts in Renminbi Yuan unless otherwise stated)

		As at 31 December	
	Notes	2011	2010 (Restated)
<b>Current Liabilities:</b>			
Short-term borrowings	(VI) 18	60,000,000.00	—
Notes payable	(VI) 19	621,558,443.87	705,783,187.96
Accounts payable	(VI) 20	995,668,998.19	774,416,905.24
Receipts in advance	(VI) 21	90,503,575.01	380,603,181.17
Employee benefits payable	(VI) 22	12,393,285.97	9,930,998.85
Taxes payable	(VI) 23	131,470,593.38	148,138,180.64
Interests payable	(VI) 24	10,536,095.95	—
Other payables	(VI) 26	319,198,756.22	255,809,175.74
Other current liabilities	(VI) 27	567,693,227.72	—
<b>Total Current Liabilities</b>		<b>2,809,022,976.31</b>	2,274,681,629.60
<b>Non-current Liabilities:</b>			
Long-term payables	(VI) 28	—	2,479,883.04
<b>Total Non-current Liabilities</b>		<b>—</b>	2,479,883.04
<b>TOTAL LIABILITIES</b>		<b>2,809,022,976.31</b>	2,277,161,512.64
<b>Shareholders' Equity:</b>			
Share capital	(VI) 30	417,641,867.00	417,641,867.00
Capital reserve	(VI) 31	238,064,703.29	307,629,559.91
Special reserve		—	2,600.00
Surplus reserve	(VI) 32	118,019,764.80	107,696,112.34
Retained profits	(VI) 33	175,272,411.53	109,923,901.34
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>948,998,746.62</b>	942,894,040.59
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,758,021,722.93</b>	3,220,055,553.23

The accompanying notes are parts of the financial statements.

# CONSOLIDATED INCOME STATEMENT

(All amounts in Renminbi Yuan unless otherwise stated)

		For the year ended 31 December		
		2011	2010	
I.	Operating income	(VI) 35	5,145,170,830.30	6,124,218,789.39
	Less: Operating costs	(VI) 35	4,630,186,848.00	5,568,140,137.20
	Business taxes and levies	(VI) 36	68,310,569.81	45,758,502.71
	Selling expenses		102,620,432.83	98,706,320.26
	Administrative expenses		227,770,639.17	219,688,636.77
	Financial expenses	(VI) 37	19,483,004.90	26,286,145.55
	Impairment losses of assets	(VI) 38	(9,907,488.81)	21,330,350.51
	Add: Investment income	(VI) 39	5,085,360.25	1,717,448.14
	Including: Income from investments in associates and joint ventures	(VI) 39	5,269,987.73	3,111,474.34
II.	Operating profit		111,792,184.65	146,026,144.53
	Add: Non-operating income	(VI) 40	10,509,895.96	11,652,324.60
	Less: Non-operating expenses	(VI) 41	2,874,683.76	1,223,935.14
	Including: Losses from disposal of non-current assets	(VI) 41	454,547.10	815,886.35
III.	Total profit		119,427,396.85	156,454,533.99
	Less: Income tax expenses	(VI) 42	49,055,086.25	44,557,901.11
IV.	Net profit		70,372,310.60	111,896,632.88
	Net profit attributable to shareholders of the Company		82,862,482.80	105,414,046.28
	Net profit/(loss) attributable to minority interests		(12,490,172.20)	6,482,586.60
V.	Earnings per share			
	(I) Basic earnings per share	(VI) 43	0.20	0.25
	(II) Diluted earnings per share	(VI) 43	0.20	0.25
VI.	Other comprehensive income	(VI) 44	(10,687,891.20)	(7,643,348.55)
VII.	Total comprehensive income		59,684,419.40	104,253,284.33
	Total comprehensive income attributable to shareholders of the Company		77,432,493.24	100,670,151.13
	Total comprehensive income attributable to minority interests		(17,748,073.84)	3,583,133.20

The accompanying notes are parts of the financial statements.

# INCOME STATEMENT OF THE COMPANY

(All amounts in Renminbi Yuan unless otherwise stated)

		For the year ended 31 December		
		2011	2010	
I.	Operating income	Notes (VI) 35	<b>3,685,527,589.60</b>	4,628,725,778.47
	Less: Operating costs	(VI) 35	<b>3,400,572,986.64</b>	4,383,189,667.83
	Business taxes and levies	(VI) 36	<b>23,323,240.30</b>	4,439,812.02
	Selling expenses		<b>64,190,249.03</b>	39,689,627.92
	Administrative expenses		<b>59,220,901.92</b>	46,782,664.02
	Financial expenses	(VI) 37	<b>12,757,641.89</b>	22,791,118.75
	Impairment losses of assets	(VI) 38	<b>(10,016,137.28)</b>	19,958,159.14
	Add: Investment income	(VI) 39	<b>5,571,746.99</b>	99,128,596.47
	Including: Income from investments in associates and joint ventures	(VI) 39	<b>2,102,708.83</b>	1,918,778.06
II.	Operating profit		<b>141,050,454.09</b>	211,003,325.26
	Add: Non-operating income	(VI) 40	<b>158,246.92</b>	836,993.17
	Less: Non-operating expenses	(VI) 41	<b>40,247.50</b>	66,003.91
	Including: Losses from disposal of non-current assets	(VI) 41	<b>34,990.75</b>	—
III.	Total profit		<b>141,168,453.51</b>	211,774,314.52
	Less: Income tax expenses	(VI) 42	<b>37,931,928.86</b>	30,578,372.07
IV.	Net profit		<b>103,236,524.65</b>	181,195,942.45
V.	Earnings per share			
	(I) Basic earnings per share		<b>N/A</b>	N/A
	(II) Diluted earnings per share		<b>N/A</b>	N/A
VI.	Other comprehensive income		<b>—</b>	—
VII.	Total comprehensive income		<b>103,236,524.65</b>	181,195,942.45

# CONSOLIDATED CASH FLOW STATEMENT

(All amounts in Renminbi Yuan unless otherwise stated)

		For the year ended 31 December	
	Notes	2011	2010
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>5,240,130,681.83</b>	7,324,271,865.65
Receipts of tax refunds		<b>4,547,620.47</b>	3,930,276.36
Other cash receipts relating to operating activities	(VI) 45(1)	<b>199,388,790.56</b>	47,165,680.52
Sub-total of cash inflows from operating activities		<b>5,444,067,092.86</b>	7,375,367,822.53
Cash payments for goods purchased and services received		<b>3,889,365,681.46</b>	6,196,756,977.02
Cash payments to and on behalf of employees		<b>338,093,539.50</b>	305,363,287.33
Payments of various types of taxes		<b>216,762,100.21</b>	175,162,491.54
Other cash payments relating to operating activities	(VI) 45(2)	<b>176,273,798.85</b>	484,068,396.28
Sub-total of cash outflows from operating activities		<b>4,620,495,120.02</b>	7,161,351,152.17
Net Cash Flow from Operating Activities		<b>823,571,972.84</b>	214,016,670.36
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		<b>15,372.52</b>	2,030,000.00
Cash receipts from investment income		—	1,684,408.37
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>1,538,611.80</b>	1,653,747.48
Sub-total of cash inflows from investing activities		<b>1,553,984.32</b>	5,368,155.85
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>105,128,327.45</b>	121,199,418.94
Cash payments to acquire investments		<b>26,860,500.00</b>	—
Net cash payments for acquisitions of subsidiaries and other business units		<b>69,564,856.62</b>	—
Other cash payments relating to investing activities		—	110,000.00
Sub-total of cash outflows from investing activities		<b>201,553,684.07</b>	121,309,418.94
Net Cash Flow from Investing Activities		<b>(199,999,699.75)</b>	(115,941,263.09)

# CONSOLIDATED CASH FLOW STATEMENT

(All amounts in Renminbi Yuan unless otherwise stated)

		For the year ended 31 December	
	Notes	2011	2010
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		<b>405,000,000.00</b>	350,000,000.00
Sub-total of cash inflows from financing activities		<b>405,000,000.00</b>	350,000,000.00
Cash repayments of borrowings		<b>385,800,000.00</b>	350,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		<b>47,053,471.48</b>	84,680,354.54
Including: payments of dividends to minority shareholders of subsidiaries		<b>—</b>	9,608,884.97
Sub-total of cash outflows from financing activities		<b>432,853,471.48</b>	434,680,354.54
Net Cash Flow from Financing Activities		<b>(27,853,471.48)</b>	(84,680,354.54)
<b>IV. Effect of Foreign Exchange Rate Change on Cash and Cash Equivalents</b>		<b>(4,852,625.96)</b>	(2,614,951.73)
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>590,866,175.65</b>	10,780,101.00
Add: Opening balance of Cash and Cash Equivalents	(VI) 46(2)	<b>1,499,809,372.26</b>	1,489,029,271.26
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(VI) 46(2)	<b>2,090,675,547.91</b>	1,499,809,372.26

The accompanying notes are parts of the financial statements.

# CASH FLOW STATEMENT OF THE COMPANY

(All amounts in Renminbi Yuan unless otherwise stated)

		For the year ended 31 December	
	Notes	2011	2010
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>3,278,843,674.98</b>	5,703,117,960.26
Other cash receipts relating to operating activities	(VI) 45(1)	<b>246,122,691.23</b>	199,735,444.23
Sub-total of cash inflows from operating activities		<b>3,524,966,366.21</b>	5,902,853,404.49
Cash payments for goods purchased and services received		<b>2,546,148,490.01</b>	5,272,694,189.03
Cash payments to and on behalf of employees		<b>37,061,566.92</b>	27,400,581.49
Payments of various types of taxes		<b>132,529,152.94</b>	97,371,839.87
Other cash payments relating to operating activities	(VI) 45(2)	<b>115,714,251.96</b>	436,753,269.55
Sub-total of cash outflows from operating activities		<b>2,831,453,461.83</b>	5,834,219,879.94
Net Cash Flow from Operating Activities		<b>693,512,904.38</b>	68,633,524.55
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		—	4,900,000.00
Cash receipts from investment income		<b>23,091,173.28</b>	49,549,498.57
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>158,246.92</b>	—
Other cash receipts relating to investing activities		<b>12,069,413.40</b>	8,033,072.55
Sub-total of cash inflows from investing activities		<b>35,318,833.60</b>	62,482,571.12
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>22,225,944.94</b>	14,462,492.32
Cash payments to acquire investments		—	4,900,000.00
Net cash payments for acquisitions of subsidiaries and other business units		<b>69,564,856.62</b>	—
Other cash payments relating to investing activities		<b>44,800,000.00</b>	—
Sub-total of cash outflows from investing activities		<b>136,590,801.56</b>	19,362,492.32
Net Cash Flow from Investing Activities		<b>(101,271,967.96)</b>	43,120,078.80

# CASH FLOW STATEMENT OF THE COMPANY

(All amounts in Renminbi Yuan unless otherwise stated)

		For the year ended 31 December	
	Notes	2011	2010
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		<b>405,000,000.00</b>	350,000,000.00
Other cash receipts relating to financing activities	(VI) 45(3)	<b>21,559,406.64</b>	—
Sub-total of cash inflows from financing activities		<b>426,559,406.64</b>	350,000,000.00
Cash repayments of borrowings		<b>345,000,000.00</b>	350,000,000.00
Cash payments of dividends or settlement of interest expenses		<b>46,815,011.50</b>	47,102,753.00
Other cash payments relating to financing activities	(VI) 45(4)	<b>3,121,107.62</b>	8,780,876.41
Sub-total of cash outflows from financing activities		<b>394,936,119.12</b>	405,883,629.41
Net Cash Flow from Financing Activities		<b>31,623,287.52</b>	(55,883,629.41)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>374,432.39</b>	197,796.34
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>624,238,656.33</b>	56,067,770.28
Add: Opening balance of Cash and Cash Equivalents	(VI) 46(2)	<b>1,160,647,604.49</b>	1,104,579,834.21
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(VI) 46(2)	<b>1,784,886,260.82</b>	1,160,647,604.49

The accompanying notes are parts of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in Renminbi Yuan unless otherwise stated)

		Attributable to shareholders of the Company								
		Share capital	Capital reserve	Special reserve (Note)	Surplus reserve	Retained profits	Exchange difference arising on translation	Total	Minority interest	Total shareholders' equity
I.	At 31 December 2010	417,641,867.00	299,205,030.21	1,379,199.25	107,696,112.34	372,152,345.45	(29,370,460.60)	1,168,704,093.65	194,754,431.33	1,363,458,524.98
	Add: Effect of business combinations under common control	—	45,185,262.81	—	2,478,088.86	(63,205,577.31)	—	(15,542,225.64)	—	(15,542,225.64)
II.	At 1 January 2011	417,641,867.00	344,390,293.02	1,379,199.25	110,174,201.20	308,946,768.14	(29,370,460.60)	1,153,161,868.01	194,754,431.33	1,347,916,299.34
III.	Changes for the period	—	(69,564,856.62)	1,575,372.43	10,323,652.46	44,974,468.34	(5,429,989.56)	(18,121,352.95)	(17,748,073.84)	(35,869,426.79)
	(I) Net profit	—	—	—	—	82,862,482.80	—	82,862,482.80	(12,490,172.20)	70,372,310.60
	(II) Other comprehensive income	—	—	—	—	—	(5,429,989.56)	(5,429,989.56)	(5,257,901.64)	(10,687,891.20)
	Subtotal of (I) and (II)	—	—	—	—	82,862,482.80	(5,429,989.56)	77,432,493.24	(17,748,073.84)	59,684,419.40
	(III) shareholders' contributions and reduction in capital	—	—	—	—	—	—	—	—	—
	1. Capital contribution from shareholders	—	—	—	—	—	—	—	—	—
	2. Share-based payment recognised in shareholders' equity	—	—	—	—	—	—	—	—	—
	3. Others	—	—	—	—	—	—	—	—	—
	(IV) Profit distribution	—	—	—	10,323,652.46	(37,888,014.46)	—	(27,564,362.00)	—	(27,564,362.00)
	1. Transfer to surplus reserve	—	—	—	10,323,652.46	(10,323,652.46)	—	—	—	—
	2. Distributions to shareholders	—	—	—	—	(27,564,362.00)	—	(27,564,362.00)	—	(27,564,362.00)
	3. Others	—	—	—	—	—	—	—	—	—
	(V) Transfers within shareholders' equity	—	—	—	—	—	—	—	—	—
	1. Capitalisation of capital reserve	—	—	—	—	—	—	—	—	—
	2. Capitalisation of surplus reserve	—	—	—	—	—	—	—	—	—
	3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—
	4. Others	—	—	—	—	—	—	—	—	—
	(VI) Special reserve	—	—	1,575,372.43	—	—	—	1,575,372.43	—	1,575,372.43
	1. Transfer to special reserve in the period	—	—	2,820,431.09	—	—	—	2,820,431.09	—	2,820,431.09
	2. Amount utilised in the period	—	—	(1,245,058.66)	—	—	—	(1,245,058.66)	—	(1,245,058.66)
	(VII) Others	—	(69,564,856.62)	—	—	—	—	(69,564,856.62)	—	(69,564,856.62)
	1. Effect of business combinations under common control	—	(69,564,856.62)	—	—	—	—	(69,564,856.62)	—	(69,564,856.62)
IV.	At 31 December 2011	417,641,867.00	274,825,436.40	2,954,571.68	120,497,853.66	353,921,236.48	(34,800,450.16)	1,135,040,515.06	177,006,357.49	1,312,046,872.55

The accompanying notes are parts of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in Renminbi Yuan unless otherwise stated)

		Attributable to shareholders of the Company								
		Share capital	Capital reserve	Special reserve (Note)	Surplus reserve	Retained profits	Exchange difference arising on translation	Total	Minority interest	Total shareholders' equity
I.	At 31 December 2009	417,641,867.00	299,205,030.21	—	90,934,689.64	320,247,771.99	(24,626,565.45)	1,103,402,793.39	197,275,565.54	1,300,678,358.93
	Add: Effect of business combinations under common control	—	45,185,262.81	—	2,478,088.86	(59,024,724.43)	—	(11,361,372.76)	—	(11,361,372.76)
II.	At 1 January 2010	417,641,867.00	344,390,293.02	—	93,412,778.50	261,223,047.56	(24,626,565.45)	1,092,041,420.63	197,275,565.54	1,289,316,986.17
III.	Changes for the period	—	—	1,379,199.25	16,761,422.70	47,723,720.58	(4,743,895.15)	61,120,447.38	(2,521,134.21)	58,599,313.17
	(I) Net profit	—	—	—	—	105,414,046.28	—	105,414,046.28	6,482,586.60	111,896,632.88
	(II) Other comprehensive income	—	—	—	—	—	(4,743,895.15)	(4,743,895.15)	(2,899,453.40)	(7,643,348.55)
	Subtotal of (I) and (II)	—	—	—	—	105,414,046.28	(4,743,895.15)	100,670,151.13	3,583,133.20	104,253,284.33
	(III) shareholders' contributions and reduction in capital	—	—	—	—	—	—	—	—	—
	1. Capital contribution from shareholders	—	—	—	—	—	—	—	—	—
	2. Share-based payment recognised in shareholders' equity	—	—	—	—	—	—	—	—	—
	3. Others	—	—	—	—	—	—	—	—	—
	(IV) Profit distribution	—	—	—	16,761,422.70	(57,690,325.70)	—	(40,928,903.00)	(6,104,267.41)	(47,033,170.41)
	1. Transfer to surplus reserve	—	—	—	16,761,422.70	(16,761,422.70)	—	—	—	—
	2. Distributions to shareholders	—	—	—	—	(40,928,903.00)	—	(40,928,903.00)	(6,104,267.41)	(47,033,170.41)
	3. Others	—	—	—	—	—	—	—	—	—
	(V) Transfers within shareholders' equity	—	—	—	—	—	—	—	—	—
	1. Capitalisation of capital reserve	—	—	—	—	—	—	—	—	—
	2. Capitalisation of surplus reserve	—	—	—	—	—	—	—	—	—
	3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—
	4. Others	—	—	—	—	—	—	—	—	—
	(VI) Special reserve	—	—	1,379,199.25	—	—	—	1,379,199.25	—	1,379,199.25
	1. Transfer to special reserve in the period	—	—	2,527,662.19	—	—	—	2,527,662.19	—	2,527,662.19
	2. Amount utilised in the period	—	—	(1,148,462.94)	—	—	—	(1,148,462.94)	—	(1,148,462.94)
	(VII) Others	—	—	—	—	—	—	—	—	—
	1. Effect of business combinations under common control	—	—	—	—	—	—	—	—	—
IV.	At 31 December 2010	417,641,867.00	344,390,293.02	1,379,199.25	110,174,201.20	308,946,768.14	(29,370,460.60)	1,153,161,868.01	194,754,431.33	1,347,916,299.34

The accompanying notes are parts of the financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

(All amounts in Renminbi Yuan unless otherwise stated)

	Share capital	Capital reserve	Special reserve (Note)	Surplus reserve	Retained profits	Total shareholders' equity
I. At 31 December 2010	417,641,867.00	307,629,559.91	2,600.00	107,696,112.34	109,923,901.34	942,894,040.59
Add: Effect of business combinations under common control	—	—	—	—	—	—
II. At 1 January 2011	417,641,867.00	307,629,559.91	2,600.00	107,696,112.34	109,923,901.34	942,894,040.59
III. Changes for the period	—	(69,564,856.62)	(2,600.00)	10,323,652.46	65,348,510.19	6,104,706.03
(I) Net profit	—	—	—	—	103,236,524.65	103,236,524.65
(II) Other comprehensive income	—	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	—	103,236,524.65	103,236,524.65
(III) shareholders' contributions and reduction in capital	—	—	—	—	—	—
1. Capital contribution from shareholders	—	—	—	—	—	—
2. Others	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	10,323,652.46	(37,888,014.46)	(27,564,362.00)
1. Transfer to surplus reserve	—	—	—	10,323,652.46	(10,323,652.46)	—
2. Distributions to shareholders	—	—	—	—	(27,564,362.00)	(27,564,362.00)
3. Others	—	—	—	—	—	—
(V) Transfers within shareholders' equity	—	—	—	—	—	—
1. Capitalisation of capital reserve	—	—	—	—	—	—
2. Capitalisation of surplus reserve	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—
4. Others	—	—	—	—	—	—
(VI) Special reserve	—	—	(2,600.00)	—	—	(2,600.00)
1. Transfer to special reserve in the period	—	—	—	—	—	—
2. Amount utilised in the period	—	—	(2,600.00)	—	—	(2,600.00)
(VII) Others	—	(69,564,856.62)	—	—	—	(69,564,856.62)
1. Effect of business combinations under common control	—	(69,564,856.62)	—	—	—	(69,564,856.62)
IV. At 31 December 2011	417,641,867.00	238,064,703.29	—	118,019,764.80	175,272,411.53	948,998,746.62

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

(All amounts in Renminbi Yuan unless otherwise stated)

	Share capital	Capital reserve	Special reserve (Note)	Surplus reserve	Retained profits	Total shareholders' equity
I. At 31 December 2009	417,641,867.00	307,629,559.91	—	90,934,689.64	(13,581,715.41)	802,624,401.14
Add: Effect of business combinations under common control	—	—	—	—	—	—
II. At 1 January 2010	417,641,867.00	307,629,559.91	—	90,934,689.64	(13,581,715.41)	802,624,401.14
III. Changes for the period	—	—	2,600.00	16,761,422.70	123,505,616.75	140,269,639.45
(I) Net profit	—	—	—	—	181,195,942.45	181,195,942.45
(II) Other comprehensive income	—	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	—	181,195,942.45	181,195,942.45
(III) shareholders' contributions and reduction in capital	—	—	—	—	—	—
1. Capital contribution from shareholders	—	—	—	—	—	—
2. Others	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	16,761,422.70	(57,690,325.70)	(40,928,903.00)
1. Transfer to surplus reserve	—	—	—	16,761,422.70	(16,761,422.70)	—
2. Distributions to shareholders	—	—	—	—	(40,928,903.00)	(40,928,903.00)
3. Others	—	—	—	—	—	—
(V) Transfers within shareholders' equity	—	—	—	—	—	—
1. Capitalisation of capital reserve	—	—	—	—	—	—
2. Capitalisation of surplus reserve	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—
4. Others	—	—	—	—	—	—
(VI) Special reserve	—	—	2,600.00	—	—	2,600.00
1. Transfer to special reserve in the period	—	—	2,600.00	—	—	2,600.00
2. Amount utilised in the period	—	—	—	—	—	—
(VII) Others	—	—	—	—	—	—
1. Effect of business combinations under common control	—	—	—	—	—	—
IV. At 31 December 2010	417,641,867.00	307,629,559.91	2,600.00	107,696,112.34	109,923,901.34	942,894,040.59

Note: Special reserves are those amounts especially set aside in accordance with relevant laws and regulations on transportation in Mainland China, which are accrued in proportion to the transportation income and paid in when actually incurred.

The accompanying notes are parts of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

*(All amounts in Renminbi Yuan unless otherwise stated)*

## (I) INFORMATION

Guangdong Nan Yue Logistics Company Limited was established in the People's Republic of China (the "PRC") on 28 December 1999 as a limited company under the name of Guangdong Yuedi Communications Company Limited by Guangdong Provincial Highway Construction Company Limited, Guangdong Communication Enterprise Investment Company Limited, Guangdong Province Road & Bridge Construction Development Company Limited, Guangdong Weisheng Transportation Enterprise Company Limited and Guangdong Guantong Expressway Assets Management Company Limited. On 25 December 2000, Guangdong Yuedi Communications Company Limited was converted to a joint stock limited company under the approval of the People's Government Municipality Yue Ban Han [2000] No.685 and Economic and Trade Commission of Guangdong Province Yue Jing Mao Jian Du [2000] No.1057. On 1 April 2002, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong Yuedi Communications Company Limited was renamed as Guangdong Nan Yue Logistics Company Limited (the "Company"). The registered capital of the Company was RMB 292,187,322.00.

In 2005, according to the board minutes and the revised Company's Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB 1.00 per H share on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), including 125,454,545 new H shares, and 12,545,455 sale H shares converted from Domestic shares. The registered capital of the Company was changed to RMB 417,641,867.00 after the placing and public offer.

The Company and its subsidiaries (the "Group") are principally engaged in the following businesses: (1) material logistics services, mainly including logistics management for expressway and other sizable infrastructure projects; (2) expressway service zones operation and related auxiliary services, such as operating food and beverage network, convenience stores, outdoor advertising for expressways, vehicle maintenance and gas stations; (3) transportation intelligence services, including safety facilities installation and maintenance and toll collection; 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 and (5) toll collection and operation businesses at Tai Ping Interchange in the Guangdong Province, the PRC.

The Company's ultimate holding company is Guangdong Provincial Communication Group Company Limited. The address of the Company's registered office is 8 Floor, No. 1731-1735 Airport Road, Guangzhou, China. The legal representative of the Company is Liu Hong.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group has adopted the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance on 15 February 2006 ("CAS"). In addition, the Group has disclosed relevant financial information in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on SEHK. The Company's and consolidated financial statements of prior period disclosed on 20 April, 2011 in the Main Board of the SEHK was prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

### 2. Statement of compliance with CAS

The financial statements of the Company have been prepared in accordance with the CAS, and present truly and completely, the Company's and consolidated financial position as of 31 December 2011, and the Company's and consolidated results of operations and cash flows for the year then ended.

### 3. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. The Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

### 4. Accounting period

The Group has adopted the calendar year as its accounting year, from 1 January to 31 December.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 5. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's overseas subsidiaries choose Hong Kong dollar as its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

### 6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

#### 6.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination/the aggregate face value of shares issued as consideration is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained profits.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

(continued)

#### 6.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

(continued)

#### 6.2 Business combinations not involving enterprises under common control (continued)

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is assessed based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale. The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

The impairment of goodwill is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 7. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 7. Preparation of consolidated financial statements (continued)

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of Shareholders' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under Shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained profits.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

### 8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 9. Translation of transactions and financial statements denominated in foreign currencies

#### 9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognised as “exchange differences arising on translation of financial statements denominated in foreign currencies” in shareholder’s equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 9. Translation of transactions and financial statements denominated in foreign currencies

(continued)

#### 9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained profits are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the average exchange rate of the accounting year; the opening balance of retained profits is the translated closing balance of the previous year's retained profits; the closing balance of retained profits is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the average exchange rate of the accounting year. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

#### 10.1 Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

#### 10.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

#### 10.3 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group's financial assets are mainly loans and receivables.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.3 Classification, recognition and measurement of financial assets (continued)

##### 10.3.1. Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

##### 10.3.2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.3 Classification, recognition and measurement of financial assets (continued)

##### 10.3.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, dividends receivable and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

##### 10.3.4. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.4 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
  - Adverse changes in the payment status of borrower in the group of assets;
  - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.4 Impairment of financial assets (continued)

- Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to 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 amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.4 Impairment of financial assets (continued)

— Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

— Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.5 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.6 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

##### 10.6.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 10. Financial instruments (continued)

#### 10.6 Classification, recognition and measurement of financial liabilities (continued)

##### 10.6.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

#### 10.7 Derecognition of Financial Liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

#### 10.8 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

#### 10.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 11. Receivables

The Group's receivables include accounts receivable, other receivables, etc. Accounts receivables from sales of goods or rendering of services are initially recognised at the fair value of the contract.

The recoverability of receivables (include individually significant and individually not significant) is assessed individually. When there is objective evidence that the group will not be able to recover the receivables, bad debt provision is determined by deducting the present value of expected future cash flows to the carrying amount.

### 12. Inventories

#### 12.1 Categories of inventories and initially measured

The Group's inventories mainly include materials in transit, raw materials, low cost and short-lived materials, packaging materials and materials on consignment for further processing, work in progress, finished goods, goods on hand and construction cost, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

Construction contracts are accounted for at actual cost, which comprises the direct and indirect costs attributable to executing the contract incurred during the period from the date of entering into the contract to the final completion of the contract. The cumulative costs incurred and cumulative gross profits (or losses) recognised for contracts in progress are offset against the progress billings and the net amount is presented in the balance sheet. Where the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognised exceed the progress billings for contracts in progress, the surplus is shown as inventories. Where the progress billings for contracts in progress exceed the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognised, the surplus is shown as receipts in advance.

Travelling and bidding expenses, etc incurred for entering into a contract is recognised as costs of the contract when the contract is entered into if such expenditure can be separately identified and reliably measured and it is probable that the contract will be obtained. Otherwise, such expenditure is charged to profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 12. Inventories (continued)

#### 12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

#### 12.3 Amortisation method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.

#### 12.4 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis. After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

#### 12.5 Inventory count system

The perpetual inventory system is maintained for stock system.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 13. Long-term equity investments

#### 13.1 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

#### 13.2 Subsequent measurement and recognition of profit or loss

##### 13.2.1 Long-term equity investment accounted for using the cost method

For long-term equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 13. Long-term equity investments (continued)

#### 13.2 Subsequent measurement and recognition of profit or loss (continued)

##### 13.2.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in shareholders' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 13. Long-term equity investments (continued)

#### 13.2 Subsequent measurement and recognition of profit or loss (continued)

##### 13.2.2. Long-term equity investment accounted for using the equity method (continued)

For long-term equity investments in associates and joint ventures which had been held by the Group before its first-time adoption, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the investee's net assets at the time of acquisition, the excess is amortised and is recognised in profit or loss on a straight line basis over the original remaining life.

##### 13.2.3. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

#### 13.3 Methods of impairment assessment and determining the provision for impairment loss

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

#### 13.4 Methods of impairment assessment and determining the provision for impairment loss

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 14. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

The Group reviews the investment properties at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If there is any indication that such assets may be impaired, the recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once an impairment loss is recognised for an investment property, it will not be reversed in any subsequent period.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 15. Fixed Assets

#### 15.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of over one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

#### 15.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	10 - 50	0 - 5	2 - 9.5
Building improvement	3 - 5	0	20 - 33.33
Transportation vehicle	5 - 8	3 - 5	11.88 - 19.4
Machinery and equipment	5	3	19.40
Office equipment and others	5	3 - 5	19 - 19.4
Pier	44	0	2.27

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 15. Fixed Assets (continued)

#### 15.3 Methods of impairment assessment and determining the provision for impairment losses of fixed assets

The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

#### 15.4 Other explanations

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 16. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

### 17. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general- purpose borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 18. Intangible Assets

#### 18.1 Intangible assets

Intangible assets include land use rights, franchise operating rights (“Tai Ping Interchange”), royalties, coastline use right, computer software, Passenger service licences, etc.

Intangible assets, other than toll bridge franchise which are recorded based on the amount of shareholder’s capital contribution recognised according to approved assessment, are measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

The Group assesses at each balance sheet date whether there is any indication that the land use rights, franchise operating rights (“Tai Ping Interchange”), royalties, coastline use right, computer software, with a finite useful life may be impaired, and makes adjustments when necessary.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, and impairment is recognised if there is any indication that such assets may be impaired.

#### 18.2 Research and development expenditure

Expenditure during the research phase is recognised as an expense in the period in which it is incurred. Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 18. Intangible Assets (continued)

#### 18.2 Research and development expenditure (continued)

- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period.

#### 18.3 Methods of impairment assessment and determining the provision for impairment losses of intangible assets

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

### 19. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of over one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 20. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency such as onerous contract, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

### 21. Revenue Recognition

#### 21.1 Revenue from sale of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

#### 21.2 Revenue from rendering of services

Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on services performed to date as a percentage of total services to be performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 21. Revenue Recognition (continued)

#### 21.3 Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised using the percentage of completion method at the balance sheet date. The stage of completion of a contract is determined using the proportion that completed contract work bears to the estimated total contract work.

Where the outcome of a construction contract cannot be estimated reliably, (1) if contract costs are expected to be recoverable, contract revenue is recognised to the extent of contract costs that are expected to be recoverable; and contract costs are recognised as expenses in the period in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognised as expenses immediately when incurred and contract revenue is not recognised. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognised using the percentage of completion method.

If the estimated total contract costs exceed total contract revenue, the expected loss is recognised immediately as an expense for the period.

The cumulative costs incurred and cumulative gross profits (or losses) recognised for contracts in progress and the progress billings are offset and the net amount is presented in the balance sheet. Where the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognised exceed the progress billings for contracts in progress, the surplus is shown as inventory. Where the progress billings for contracts in progress exceed the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognised, the surplus is shown as receipts in advance.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(continued)*

### 22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

A government grant related to an asset is recognised as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

For repayment of a government grant already recognised, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 23. Deferred tax assets/ deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

#### 23.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

#### 23.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 23. Deferred tax assets/ deferred tax liabilities (continued)

#### 23.2 Deferred tax assets and deferred tax liabilities (continued)

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

### 24. Operating leases and finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 24.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

#### 24.2 The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with over an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

### 25. Significant accounting policies, accounting estimates, and the method of financial statement preparation

#### 25.1 Employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The Group participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (III) TAXES

### 1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Income from sale of goods	3%, 13%, 17%
Business tax	Income from highway facilities and other auxiliary facilities, and income from rendering of service	5%
Business tax	Income from construction contracts, transportation income and toll income	3%
City maintenance and construction tax	Value-added tax and business tax payables	5%, 7%
Educational surtax and surcharge	Value-added tax and business tax payables	3%
Embankment protection cost	Taxable operating income	0.05%, 0.1%, 0.13%
Enterprise income tax	Taxable profit	15%, 24%, 25%
Hong Kong profits tax	Assessable profit	16.5%

### 2. Tax incentive and approval

Pursuant to the Enterprise Income Tax Law of the People's Republic of China published on 16 March 2007, the Company has been subject to the enterprise income tax rate of 25% from 1 January 2009. Except for Guangdong Xin Yue Communications Investment Company Limited, Guangdong Oriental Thought Technology Company Limited and Shenzhen Yuegang Transport Company Limited, all the other group companies established in Mainland China are subject to enterprise income tax rate of 25%.

The Company's subsidiaries Guangdong Xin Yue Communications Investment Company Limited and Guangdong Oriental Thought Technology Company Limited are qualified for high and new technology enterprise in 2008. According to relevant regulations in the State Administration of Taxation Guo Shui [2009] NO.203 Notification on Relevant Problems of Implementing Preferable Income Tax for High-tech Enterprises, having been filed with the tax bureau directly subordinated to Guangdong local taxation bureau, from 2008 to 2011, Guangdong Oriental Thought Technology Company Limited and Guangdong Xin Yue Communications Investment Company Limited are entitled to preferable income tax treatment for high-tech enterprises, with applicable income tax rate of 15%.

Shenzhen Yuegang Transport Company Limited is incorporated in Shenzhen Special Economic Zone and is subject to a preferential enterprise income tax rate of 24% in 2011 (2010: 22%).

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% (2010: 16.5%).

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IV) PRIOR PERIOD ADJUSTMENTS

ITEM	Financial statement items	Increase(decrease) consolidated financial statement 31 December 2010
Reclassify the Tai Ping Interchange right from fixed assets to intangible assets	Intangible assets	203,557,063.13
	Fixed assets	(203,557,063.13)
Reclassify the presentation of accounts receivable, receipts in advance, accounts payable and prepayments	Accounts receivable	45,966,071.64
	Receipts in advance	3,039,791.31
	Accounts payable	29,311,694.09
	Prepayments	(13,614,586.24)

All of the above adjustments are reclassification and have no impact on the net assets stated in the consolidated financial statement at the beginning of the year.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

### 1. Information of subsidiaries

	Full name of the subsidiary	Type	Place of incorporation	Nature of business	Registered capital	Actual capital contribution at the end of the year	Proportion of ownership interest (%)	Proportion of voting power (%)	Established or acquired
1	Guangdong New Way Advertising Company Limited	Domestic and non-financial	Guangdong, China	Expressway services	RMB 33,000,000.00	RMB 33,000,000.00	100.00	100.00	Established
2	Dongguan Nan Yue Jia Fu Logistics Company Limited	Domestic and non-financial	Guangdong, China	Material logistics services	RMB 10,000,000.00	RMB 10,000,000.00	100.00	100.00	Established
3	Guangdong Tai Cheng Consulting Company Limited (Note 1)	Domestic and non-financial	Guangdong, China	Material logistics services	RMB 1,024,214.67	RMB 1,024,214.67	100.00	100.00	Established
4	Guangdong Nan Yue Logistics (HK) Limited	Overseas subsidiary	Hong Kong, China	Material logistics services	HKD 1,500,000.00	RMB 1,323,750.00	100.00	100.00	Established
5	Guangdong Road & Bridge Electronic Toll Collection Company Limited	Domestic and non-financial	Guangdong, China	Intelligent transportation services	RMB 30,000,000.00	RMB 25,500,000.00	85.00	85.00	Established
6	Guangdong Xin Yue E & M Engineering Company Limited (Note 1)	Domestic and non-financial	Guangdong, China	Intelligent transportation services	RMB 10,000,000.00	RMB 8,500,000.00	85.00	85.00	Established
7	Guangdong Oriental Thought Technology Company Limited	Domestic and non-financial	Guangdong, China	Intelligent transportation services	RMB 22,000,000.00	RMB 11,455,880.25	51.00	51.00	Business combinations involving enterprises under common control
8	Chongqing Aoteng Technology Development Company Limited	Domestic and non-financial	Chongqing, China	Intelligent transportation services	RMB 1,000,000.00	RMB 510,000.00	51.00	51.00	Established
9	Oriental Thought (Henan) Technology Company Limited	Domestic and non-financial	Henan, China	Intelligent transportation services	RMB 1,000,000.00	RMB 510,000.00	51.00	51.00	Established
10	Guangdong Top-E Expressway Service Zone Company Limited	Domestic and non-financial	Guangdong, China	Expressway services	RMB 100,000,000.00	RMB 98,831,192.00	95.56	95.56	Business combinations involving enterprises under common control
11	Guangdong Guantong Expressway Assets Management Company Limited	Domestic and non-financial	Guangdong, China	Expressway services	RMB 10,000,000.00	RMB 9,700,000.00	97.00	97.00	Business combinations involving enterprises under common control

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Information of subsidiaries (continued)

	Full name of the subsidiary	Type	Place of incorporation	Nature of business	Registered capital	Actual capital contribution at the end of the year	Proportion of ownership interest (%)	Proportion of voting power (%)	Established or acquired
12	Guangdong Jindaoda Expressway Economic Development Company Limited	Domestic and non-financial	Guangdong, China	Expressway services	RMB 10,000,000.00	RMB 10,277,412.45	100.00	100.00	Business combinations involving enterprises under common control
13	Guangdong Nan Yue Logistics International Services Company Limited (Note2)	Domestic and non-financial	Guangdong, China	Material logistics services	RMB 10,000,000.00	RMB 5,122,060.00	100.00	100.00	Business combinations involving enterprises under common control
14	Guangdong Southchina Logistics Enterprise Company Limited (Note2)	Domestic and non-financial	Guangdong, China	Material logistics services	RMB 100,000,000.00	RMB 126,460,932.72	100.00	100.00	Business combinations involving enterprises under common control
15	Guangdong Xin Yue Communications Investment Company Limited	Domestic and non-financial	Guangdong, China	Intelligent transportation services	RMB 60,000,000.00	RMB 43,465,324.00	71.00	71.00	Business combinations involving enterprises under common control
16	The Motor Transport Company Of Guangdong and Hong Kong Limited	Overseas subsidiary	Hong Kong, China	Cross-border transportation services	HKD9,000,000.00	RMB 120,196,428.59	62.00	62.00	Business combinations involving enterprises under common control
17	Gang Tong (HK) Motor Transport Company Limited	Overseas subsidiary	Hong Kong, China	Cross-border transportation services	HKD500,000.00	HKD500,000.00	100.00	100.00	Business combinations involving enterprises under common control
18	Yue Kong Shipping Company Limited	Overseas subsidiary	Hong Kong, China	Cross-border transportation services	HKD20,000.00	HKD20,000.00	100.00	100.00	Business combinations involving enterprises under common control
19	Man Kam To Coach Management Company Limited	Overseas subsidiary	Hong Kong, China	Cross-border transportation services	HKD100,000.00	HKD 69,000,000.00	69.00	69.00	Business combinations involving enterprises under common control
20	Carson Development Limited	Overseas subsidiary	Hong Kong, China	Cross-border transportation services	HKD 10,000.00	HKD 8,888,920.00	100.00	100.00	Business combinations involving enterprises under common control
21	Guangdong Yue Lijia Passenger Transport Company (Hong Kong)	Overseas subsidiary	Hong Kong, China	Cross-border transportation services	HKD 10,000.00	HKD 7,000.00	70.00	70.00	Business combinations involving enterprises under common control

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Information of subsidiaries (continued)

Sequence number	Full name of the subsidiary	Type	Place of incorporation	Nature of business	Registered capital	Actual capital contribution at the end of the year	Proportion of ownership interest (%)	Proportion of voting power (%)	Established or acquired
22	The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	Domestic and non-financial	Guangdong, China	Cross-border transportation services	HKD9,000,000.00	RMB 25,319,234.10	62.00	62.00	Business combinations involving enterprises under common control
23	Sherzhen Yueqiang Transport Company Limited	Domestic and non-financial	Guangdong, China	Cross-border transportation services	HKD10,500,000.00	RMB 8,273,755.35	100.00	100.00	Business combinations involving enterprises under common control
24	Guangdong Yue Li Jia Passenger Transport Company (Guangzhou)	Domestic and non-financial	Guangdong, China	Cross-border transportation services	HKD3,500,000.00	RMB 2,310,000.00	70.00	70.00	Business combinations involving enterprises under common control
25	Guangdong Province Transportation Engineering Company Limited	Domestic and non-financial	Guangdong, China	Venue rental services	RMB 17,040,000.00	RMB 69,564,656.62	100.00	100.00	Business combinations involving enterprises under common control

Note 1: Guangdong Tai Cheng Consulting Company Limited and Guangdong Xin Yue E & M Engineering Company Limited applied for unregister during the current year, and the unregister is still under progress up to the authorised issued date of the financial statements.

Note 2: The Company owns 100% ownership of Guangdong Nan Yue Logistics International Services Company Limited, of which 90% is direct ownership and the rest 10% is indirect ownership; the Company owns 100% ownership of Guangdong Southchina Logistics Enterprise Company Limited, of which 98.4% is direct ownership, and the rest 1.6% is indirect ownership.

Note 3: As at 31 December 2011, the Company and its subsidiaries did not issue any debt securities.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 2. Newly acquired subsidiary in the year

Name	Net assets as at 31 December 2011	Net profit for the year
Guangdong Province Transportation Engineering Company Limited (Note)	15,542,225.64	1,811,708.90

Note: Guangdong Province Transportation Engineering Company Limited is newly acquired during the year through a business combination involving enterprises under common control, please see note IX "Other Significant Matters" for the financial position of the subsidiary on acquisition date and year end, as well as its operating results and cash flows from the beginning of the year to the acquisition date.

### 3. Exchange rates for translating major financial statement items of foreign operations

In preparing the consolidated financial statements, assets and liabilities of a foreign operation on the balance sheet are translated at the exchange rate 0.8107 of HKD to RMB; all items in the income statement as well as items reflecting the distribution of profits are translated at the exchange rate 0.8308 of HKD to RMB.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

#### CONSOLIDATED

	As at 31 December			
	2011		2010	
	Original currency	RMB	Original currency	RMB
Cash				
RMB	3,128,899.85	3,128,899.85	3,393,680.69	3,393,680.69
HKD	74,767.14	60,613.72	132,204.38	112,492.71
Bank balances				
RMB(Note1)	2,048,643,102.56	2,048,643,102.56	1,648,628,466.61	1,648,628,466.61
USD	202,689.84	1,276,583.17	362,821.33	2,398,950.57
HKD	46,337,430.82	37,566,348.61	33,230,420.39	28,275,781.68
Other currency funds (Note 2)				
RMB	823,709.87	823,709.87	291,580.11	291,580.11
HKD	902,880.00	731,964.82	—	—
Total		<b>2,092,231,222.60</b>		<b>1,683,100,952.37</b>

Note1: As at 31 December 2010, a restricted cash of a fixed deposit amounted as RMB183 million was used for an application for a charging order against the defendants' assets under a litigation as disclosed in the section headed "Material Litigation and Arbitration" in Note IX "Other Significant Matters". As at 31 December 2011, the fixed deposit of RMB183 million was unrestricted.

Note 2: The other currency funds at the end of this year are customs deposits, letter of guarantee, marginal deposits of performance, with total amount of RMB 1,555,674.69 (31 December 2010: RMB 291,580.11).

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. Cash and bank balances

COMPANY

	As at 31 December			
	2011		2010	
	Original Currency	RMB	Original Currency	RMB
Cash				
RMB	8,324.96	8,324.96	2,700.84	2,700.84
HKD	—	—	—	—
Bank balances				
RMB	1,784,877,935.86	1,784,877,935.86	1,342,758,784.14	1,342,758,784.14
HKD	—	—	1,041,390.89	886,119.51
Total		<u>1,784,886,260.82</u>		<u>1,343,647,604.49</u>

### 2. Notes receivable

(1) Categories of notes receivable

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Bank acceptances	<u>4,435,000.00</u>	<u>32,383,500.62</u>	<u>3,500,000.00</u>	<u>32,383,500.62</u>

(2) Both the Group and the Company have no endorsed notes to other parties which are not yet due at the end of current and prior year.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Accounts receivable

#### CONSOLIDATED

(1) Disclosure of accounts receivable by categories:

	As at 31 December							
	2011				2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Proportion		Proportion		Proportion		Proportion	
Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	575,148,611.71	61.71	14,264,922.29	2.48	417,463,953.89	62.55	36,195,861.36	8.67
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	356,891,141.80	38.29	19,005,738.46	5.33	249,985,559.51	37.45	6,447,352.30	2.58
Total	<u>932,039,753.51</u>	<u>100.00</u>	<u>33,270,660.75</u>	<u>3.57</u>	<u>667,449,513.40</u>	<u>100.00</u>	<u>42,643,213.66</u>	<u>6.39</u>

The Group determines that amount receivable of over RMB 10,000,000.00 (RMB10,000,000.00 included) is considered as individually significant account receivable.

Before accepting new clients, the Group assessed the credit worthiness of potential clients and set corresponding credit limits according to the internal credit assessment policies. Except for the requirement that new clients usually need to make payments in advance, various companies of the Group have different credit policies, depending on their business market and operation requirements. Credit period is generally 3 months, while the credit period of major clients can be extended to 6 months.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Accounts receivable (continued)

CONSOLIDATED (continued)

(1) Disclosure of accounts receivable by categories: (continued)

The ageing analysis of the accounts receivable according to the date of transaction is as follows:

Ageing	As at 31 December							
	2011				2010			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 3 months	527,248,877.95	56.57	—	527,248,877.95	377,071,958.58	56.49	4,227,318.81	372,844,639.77
Over 3 months and within 6 months	115,591,970.44	12.40	—	115,591,970.44	96,873,279.41	14.51	—	96,873,279.41
Over 6 months and within 1 year	47,037,437.02	5.05	706,810.11	46,330,626.91	69,610,392.96	10.44	35,000.00	69,575,392.96
Over 1 year and within 2 years	168,863,244.06	18.12	4,509,586.23	164,353,657.83	36,675,929.67	5.49	205,308.89	36,470,620.78
Over 2 years and within 3 years	26,864,939.23	2.88	611,808.70	26,253,130.53	41,880,427.57	6.28	4,418,311.10	37,462,116.47
Over 3 years	46,433,284.81	4.98	27,442,455.71	18,990,829.10	45,337,525.21	6.79	33,757,274.86	11,580,250.35
Total	<u>932,039,753.51</u>	<u>100.00</u>	<u>33,270,660.75</u>	<u>898,769,092.76</u>	<u>667,449,513.40</u>	<u>100.00</u>	<u>42,643,213.66</u>	<u>624,806,299.74</u>

The Group, considering the debtors' payment history and their financial abilities, assessed the accounts receivable past due are not impaired.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Accounts receivable (continued)

#### CONSOLIDATED (continued)

#### (2) Reversals or collections during this year

Debtor	Reasons for reversals or collections	Basis of determining the original bad debt provision	Accumulated bad debt provision prior to reversals or collections	Amount of reversals or collections
Company 1	Receivable collected	Provide based on the recoverability	15,018,422.29	753,500.00
Company 2	Receivable collected	Provide based on the recoverability	12,229,390.92	8,338,996.40
Company 3	Receivable collected	Provide based on the recoverability	1,438,036.75	1,403,536.75
Company 4	Receivable collected	Provide based on the recoverability	852,655.58	121,364.31
Company 5	Receivable collected	Provide based on the recoverability	111,870.18	430.00
Others	Receivable collected	Provide based on the recoverability	41,208.16	41,208.16
Total			<u>29,691,583.88</u>	<u>10,659,035.62</u>

#### (3) Accounts receivable written off during the year

During the year, the Group wrote off trade receivables from 10 customers, as these customers have been dissolved and such trade receivables become uncollectible. The total amount written off was RMB 833,857.82.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Accounts receivable (continued)

#### COMPANY

(1) Disclosure of accounts receivable by categories:

	As at 31 December							
	2011				2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion(%)	Amount	Proportion (%)	Amount	Proportion(%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	578,287,231.70	89.51	14,264,922.29	2.47	374,617,293.17	84.62	27,247,813.21	7.27
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	67,743,889.48	10.49	10,618,025.17	15.67	68,107,703.93	15.38	5,961,870.51	8.75
<b>Total</b>	<b>646,031,121.18</b>	<b>100.00</b>	<b>24,882,947.46</b>	<b>3.85</b>	<b>442,724,997.10</b>	<b>100.00</b>	<b>33,209,683.72</b>	<b>7.50</b>

The Company determines that amount receivable of over RMB 10,000,000.00 (RMB 10,000,000.00 included) is considered as individually significant other receivable.

Before accepting new clients, the Group assessed the credit worthiness of potential clients and set corresponding credit limits according to the internal credit assessment policies. Except for the requirement that new clients usually need to make payments in advance, various companies of the Group have different credit policies, depending on their business market and operation requirements. Credit period is generally 3 months, while the credit period of major clients can be extended to 6 months.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Accounts receivable (continued)

#### COMPANY (continued)

#### (1) Disclosure of accounts receivable by categories: (continued)

Ageing analysis of accounts receivable is as follows:

Ageing	As at 31 December							
	2011				2010			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 3 months	383,414,866.97	59.35	—	383,414,866.97	256,569,151.04	57.95	4,200,378.65	252,368,772.39
Over 3 months and within 6 months	48,306,147.03	7.48	—	48,306,147.03	90,108,896.65	20.35	—	90,108,896.65
Over 6 months and within 1 year	9,066,179.57	1.40	—	9,066,179.57	43,747,831.49	9.88	—	43,747,831.49
Over 1 year and within 2 years	166,272,302.19	25.74	4,200,378.65	162,071,923.54	12,492,419.36	2.82	—	12,492,419.36
Over 2 years and within 3 years	10,251,801.10	1.59	336,807.17	9,914,993.93	7,848,694.51	1.77	1,328,765.85	6,519,928.66
Over 3 years	28,719,824.32	4.44	20,345,761.64	8,374,062.68	31,958,004.05	7.23	27,680,539.22	4,277,464.83
<b>Total</b>	<b>646,031,121.18</b>	<b>100.00</b>	<b>24,882,947.46</b>	<b>621,148,173.72</b>	<b>442,724,997.10</b>	<b>100.00</b>	<b>33,209,683.72</b>	<b>409,515,313.38</b>

The Company, considering the debtors' payment history and their financial abilities, assessed the account receivable past due are not impaired.

#### (2) Reversals or collections during this year

Debtor	Reasons for reversals or collections	Basis of determining the original bad debt provision	Accumulated bad debt provision prior to reversals or collections	Amount of reversals or collections
Company 1	Receivable collected	Provide based on the recoverability	15,018,422.29	753,500.00
Company 2	Receivable collected	Provide based on the recoverability	12,229,390.92	8,338,996.40
<b>Total</b>			<b>27,247,813.21</b>	<b>9,092,496.40</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Prepayments

#### CONSOLIDATED

(1) Ageing analysis of prepayments is as follows:

Ageing	As at 31 December							
	2011				2010			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	57,118,985.38	10.16	—	57,118,985.38	93,408,639.23	15.52	346,823.20	93,061,816.03
Over 1 year and within 2 years	20,141,387.91	3.58	346,823.20	19,794,564.71	203,384,852.22	33.80	168,918,486.93	34,466,365.29
Over 2 years and within 3 years	185,122,480.24	32.93	168,918,486.93	16,203,993.31	298,652,720.72	49.63	294,467,784.75	4,184,935.97
Over 3 years	299,824,657.97	53.33	294,467,784.75	5,356,873.22	6,258,965.98	1.05	—	6,258,965.98
Total	562,207,511.50	100.00	463,733,094.88	98,474,416.62	601,705,178.15	100.00	463,733,094.88	137,972,083.27

(2) Prepayments aged over 1 year:

Debtors	Creditors	Amount	Ageing	Reasons for not settled
The Company	Company A	202,346,895.70	Over 1 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
The Company	Company B	176,052,126.35	Over 1 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
The Company	Company C	99,091,241.20	Over 1 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
The Company	Company D	2,863,333.00	Over 1 year and within 2 years	The Company won the lawsuit, and the court cost should be paid by the defendant. The execution is under progress.
Guangdong Xin Yue Communications Investment Company Limited	Company E	3,574,786.46	Over 1 year and within 3 years	Project is not completed yet.
Guangdong Xin Yue Communications Investment Company Limited	Company F	2,429,497.75	Over 2 year	Project is not completed yet.
Total		486,357,880.46		

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Prepayments (continued)

#### COMPANY

(1) Ageing analysis of prepayments is as follows:

Ageing	As at 31 December							
	2011				2010			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	33,085,857.91	6.44	—	33,085,857.91	37,441,589.23	7.23	346,823.20	37,094,766.03
Over 1 year and within 2 years	9,126,934.76	1.78	346,823.20	8,780,111.56	184,544,537.48	35.68	168,918,486.93	15,626,050.55
Over 2 years and within 3 years	176,827,536.96	34.44	168,918,486.93	7,909,050.03	295,299,788.42	57.09	294,467,784.75	832,003.67
Over 3 years	294,467,784.75	57.34	294,467,784.75	—	—	—	—	—
<b>Total</b>	<b>513,508,114.38</b>	<b>100.00</b>	<b>463,733,094.88</b>	<b>49,775,019.50</b>	<b>517,285,915.13</b>	<b>100.00</b>	<b>463,733,094.88</b>	<b>53,552,820.25</b>

(2) Prepayments aged over 1 year:

Debtor	Name of Creditors	Amount	Ageing	Reason for not settled
The Company	Company A	202,346,895.70	over 1 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
The Company	Company B	176,052,126.35	over 1 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
The Company	Company C	99,091,241.20	over 1 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
The Company	Company D	2,863,333.00	Over 1 year and within 2 years	The Company won the lawsuit, and the court cost should be paid by the defendant. The execution is under progress.
<b>Total</b>		<b>480,353,596.25</b>		

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Dividends receivable

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance	Reasons for uncollected amounts	Whether the amount is impaired
Dividends receivable						
aged within 1 year	—	94,792.23	—	<b>94,792.23</b>	declared but unpaid	N
including: Guangdong Communications Telecommunications Company Limited	—	94,792.23	—	<b>94,792.23</b>	declared but unpaid	N
Total	—	94,792.23	—	<b>94,792.23</b>		

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Dividends receivable (continued)

#### COMPANY

Investee	Opening balance	Increase	Decrease	Closing balance	Reasons for uncollected amounts	Whether the amount is impaired
Dividends receivable aged						
within 1 year	19,825,023.72	3,266,149.56	23,091,173.28	—		N
Including: Guangdong						
Nan Yue Logistics						
International Services						
Company Limited	19,825,023.72	—	19,825,023.72	—		N
The Motor Transport Company						
of Guangdong and						
Hong Kong Limited	—	2,577,853.35	2,577,853.35	—		N
The Motor Transport Company						
of Guangdong and						
Hong Kong(Guangzhou) Limited	—	688,296.21	688,296.21	—		N
Dividends receivable						
aged over 1 year	27,961,854.12	—	—	<b>27,961,854.12</b>	declared but unpaid	N
including: Guangdong						
Southchina Logistics						
Enterprise Company Limited	27,961,854.12	—	—	<b>27,961,854.12</b>	declared but unpaid	N
Total	<u>47,786,877.84</u>	<u>3,266,149.56</u>	<u>23,091,173.28</u>	<u><b>27,961,854.12</b></u>		

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables

#### CONSOLIDATED

(1) Disclosure of other receivables by categories:

Category	As at 31 December							
	2011				2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	83,789,588.56	29.09	35,008,046.56	41.78	69,775,041.11	27.42	32,384,587.67	46.41
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	204,262,809.11	70.91	7,761,443.82	3.80	184,673,463.27	72.58	11,252,600.46	6.09
<b>Total</b>	<b>288,052,397.67</b>	<b>100.00</b>	<b>42,769,490.38</b>	<b>14.85</b>	<b>254,448,504.38</b>	<b>100.00</b>	<b>43,637,188.13</b>	<b>17.15</b>

The Group determines that other receivable of over RMB 2,000,000.00 (RMB2,000,000.00 included) is considered as individually significant other receivables.

Ageing analysis of other receivables is as follows:

Ageing	As at 31 December							
	2011				2010			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	84,876,803.57	29.47	138,000.00	84,738,803.57	118,490,907.45	46.57	527,421.20	117,963,486.25
Over 1 year and within 2 years	80,916,998.90	28.09	527,421.20	80,389,577.70	71,317,693.93	28.03	4,767,855.82	66,549,838.11
Over 2 years and within 3 years	61,382,255.41	21.31	4,228,308.86	57,153,946.55	12,746,744.92	5.01	636,734.95	12,110,009.97
Over 3 years	60,876,339.79	21.13	37,875,760.32	23,000,579.47	51,893,158.08	20.39	37,705,176.16	14,187,981.92
<b>Total</b>	<b>288,052,397.67</b>	<b>100.00</b>	<b>42,769,490.38</b>	<b>245,282,907.29</b>	<b>254,448,504.38</b>	<b>100.00</b>	<b>43,637,188.13</b>	<b>210,811,316.25</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

CONSOLIDATED (continued)

(2) Reversals and collections during this year:

Debtor	Reasons for reversals or collections	Basis of determining the original bad debt provision	Accumulated bad debt provision prior to reversals or collections	Amount of reversals or collections
Company I	Received cash	Provide based on the ecoverability	65,346.22	65,346.22
Company II	Received cash	Provide based on the ecoverability	720,000.00	720,000.00
Others	deposits	Provide based on the ecoverability	11,434.50	11,434.50
Total			<u>796,780.72</u>	<u>796,780.72</u>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Other receivables (continued)

#### COMPANY

(1) Disclosure of other receivables by categories:

Category	As at 31 December							
	2011				2010			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	343,550,840.66	96.74	32,384,587.67	9.43	293,931,138.01	97.92	32,384,587.67	11.02
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	11,589,781.85	3.26	527,421.20	4.55	6,229,480.91	2.08	527,421.20	8.47
<b>Total</b>	<b>355,140,622.51</b>	<b>100.00</b>	<b>32,912,008.87</b>	<b>9.27</b>	<b>300,160,618.92</b>	<b>100.00</b>	<b>32,912,008.87</b>	<b>10.96</b>

The Company determines that other receivable of over RMB 2,000,000.00 (RMB2,000,000.00 included) is considered as individually significant other receivables.

Ageing analysis of other receivables is as follows:

Ageing	As at 31 December							
	2011				2010			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	184,521,974.97	51.95	—	184,521,974.97	120,135,819.61	40.02	527,421.20	119,608,398.41
Over 1 year and within 2 years	92,609,104.43	26.08	527,421.20	92,081,683.23	91,703,928.74	30.55	4,209,578.67	87,494,350.07
Over 2 years and within 3 years	35,856,267.82	10.10	4,209,578.67	31,646,689.15	34,816,686.84	11.60	—	34,816,686.84
Over 3 years	42,153,275.29	11.87	28,175,009.00	13,978,266.29	53,504,183.73	17.83	28,175,009.00	25,329,174.73
<b>Total</b>	<b>355,140,622.51</b>	<b>100.00</b>	<b>32,912,008.87</b>	<b>322,228,613.64</b>	<b>300,160,618.92</b>	<b>100.00</b>	<b>32,912,008.87</b>	<b>267,248,610.05</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories

#### CONSOLIDATED

(1) Categories of inventories:

	At as 31 December					
	2011			2010		
	Gross amount	Provision for impairment losses	Carrying amount	Gross amount	Provision for impairment losses	Carrying amount
Raw materials	8,326,899.49	—	8,326,899.49	17,778,584.20	—	17,778,584.20
Work-in-progress	—	—	—	9,934,898.81	—	9,934,898.81
Merchandise						
(Finished goods)	124,187,627.89	—	124,187,627.89	257,650,493.65	3,604,021.57	254,046,472.08
Reusable materials	776,172.00	—	776,172.00	2,002,615.60	—	2,002,615.60
Construction contracts cost (the cumulative cost incurred and cumulative gross profits (or losses) recognised offset against the progress billings)	253,142,558.83	6,621,083.61	246,521,475.22	291,630,297.12	6,621,083.61	285,009,213.51
Materials in transit	—	—	—	1,750,601.13	—	1,750,601.13
<b>Total</b>	<b>386,433,258.21</b>	<b>6,621,083.61</b>	<b>379,812,174.60</b>	<b>580,747,490.51</b>	<b>10,225,105.18</b>	<b>570,522,385.33</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

#### CONSOLIDATED (continued)

(2) Provision for impairment losses of inventories:

Category of inventories	Opening balance	Increase	Decrease		Closing balance
			Reversals	Write-off	
Merchandise (Finished goods)	3,604,021.57	—	1,807,795.58	1,796,225.99	—
Construction contracts cost (the cumulative cost incurred and cumulative gross profits (or losses) recognised offset against the progress billings)	6,621,083.61	—	—	—	6,621,083.61
Total	10,225,105.18	—	1,807,795.58	1,796,225.99	6,621,083.61

#### COMPANY

(1) Categories of inventories:

Item	At as 31 December					
	2011			2010		
	Gross amount	Provision for impairment losses	Carrying amount	Gross amount	Provision for impairment losses	Carrying amount
Merchandise (Finished goods)	92,723,085.57	—	92,723,085.57	214,418,866.68	3,604,021.57	210,814,845.11
Materials in transit	—	—	—	1,750,601.13	—	1,750,601.13
Total	92,723,085.57	—	92,723,085.57	216,169,467.81	3,604,021.57	212,565,446.24

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Inventories (continued)

#### COMPANY (continued)

(2) Provision for impairment losses of inventories:

Category of inventories	Opening balance	Increase	Decrease		Closing balance
			Reversals	Write-off	
Merchandise (Finished goods)	3,604,021.57	—	1,807,795.58	1,796,225.99	—
Total	3,604,021.57	—	1,807,795.58	1,796,225.99	—

### 8. Long-term receivables

#### CONSOLIDATED

	As at 31 December	
	2011	2010
Shenzhen Yueyun Investment Development Company Limited	22,349,501.66	12,000,000.00
Total	22,349,501.66	12,000,000.00

Note: On December 31, 2011, Shenzhen Yue Gang Transport Company Limited, a subsidiary of the Company, provided an interest free loan of RMB38,860,500.00 to Shenzhen Yueyun Investment Development Company Limited, an associate of the Company according to its pro rata shareholding. The loan will be repaid by Shenzhen Yueyun Investment Development Company Limited at specified amounts on annual basis from 2012 to 2030.

The Group has discounted the above loan to present value according to amortised cost method (31 December 2010: RMB12,000,000.00, interest free, with no specific repayment date).

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. Investments in joint ventures and associates

#### CONSOLIDATED

Name of investee	Place of incorporation	Nature of business	Proportion of	Proportion of	Total assets at the end of the year	Total net assets at the end of the year	Total operating income for the year	Net profit for the year
			ownership interest held by the Group (%)	voting power in the investee held by the Group (%)				
Joint venture (Note 1)								
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	Guangdong, China	Wholesale of oil and its manufacture	50.00	50.00	42,364,348.38	41,838,689.67	92,664,584.02	2,443,417.41
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	Guangdong, China	Tourism consulting	50.00	50.00	7,365,973.68	586,442.21	5,932,798.71	(66,357.03)
Subtotal					<u>49,730,322.06</u>	<u>42,425,131.88</u>	<u>98,597,382.73</u>	<u>2,377,060.38</u>
Associates (Note 1)								
Guangdong Feida Traffic Engineering Company Limited	Guangdong, China	Building installation	30.00	30.00	133,705,168.18	20,543,803.29	100,183,956.10	3,319,606.25
Southern United Assets and Equity Exchange Company Limited (Note 2)	Guangdong, China	State-owned property exchange business	20.00	20.00	141,729,334.89	103,523,638.68	38,124,569.76	5,490,259.52
Guangdong Foda Expressway Economy Development Company Limited	Guangdong, China	Services	49.00	49.00	5,650,861.56	3,640,940.53	—	(359,904.60)

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. Investments in joint ventures and associates (continued)

CONSOLIDATED (continued)

Name of investee	Place of incorporation	Nature of business	Proportion of	Proportion of	Total assets at the end of the year	Total net assets at the end of the year	Total operating income for the year	Net profit for the year
			ownership interest held by the Group (%)	voting power in the investee held by the Group (%)				
Lufeng Shenshan Expressway Company Limited	Guangdong, China	Others	45.00	45.00	7,999,394.51	2,544,475.10	3,461,364.04	1,169,362.11
Shenzhen Yueyun Investment Development Company Limited	Guangdong, China	Transportation	20.00	20.00	332,820,526.38	167,236,652.20	25,532,076.34	803,738.77
Express Cross-Border Coach Management Company Limited	Hong Kong, China	Transportation	23.86	23.86	6,302,047.75	(829,273.60)	144,569,277.19	(81,223.74)
Guangdong Communications Telecommunications Company Limited	Guangdong, China	Telecom	49.00	49.00	9,271,596.12	5,515,034.14	14,212,889.54	1,481,083.67
Subtotal					637,478,929.39	302,175,270.34	326,084,132.97	11,822,921.98

Note 1: All the associates and joint ventures of the Group are non-listed companies.

Note 2: In accordance with the resolution of the Board of Directors of Southern United Assets & Equity Exchange Company Limited in December 2011, the shareholders of Guangdong Hengjian Investment Holding Co., Ltd will increase the capital of Southern United Assets & Equity Exchange Company Limited unilaterally by RMB 20 million. With the increased capital, the registered capital of Southern United Assets & Equity Exchange Company Limited will be amounted to RMB100 million, among which the monetary capital contribution by the Group is RMB 20 million. The proportion of contribution by the Group to Southern United Assets & Equity Exchange Company Limited has been decreased from 25% to 20%.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments

#### CONSOLIDATED

(1) Long-term equity investments accounted for using the cost method are as follows:

Investee (Note 1)	Investment cost	Opening balance	Decrease	Closing balance	Cash dividends for the year	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
Huadu Jindaoda Expressway Economic Development Company Limited	80,000.00	80,000.00	—	80,000.00	—	N/A
Hunan Xin Yue traffic investment Company Limited (Note2)	200,000.00	200,000.00	(200,000.00)	—	—	N/A
Shell Xin Yue (Foshan) Company Limited	3,158,500.00	3,158,500.00	—	3,158,500.00	—	N/A
<b>Total</b>	<b>3,438,500.00</b>	<b>3,438,500.00</b>	<b>(200,000.00)</b>	<b>3,238,500.00</b>	<b>—</b>	

Note1: Investee that long-term equity investments accounted for using the cost method are non-listed companies.

Note2: The Group's subsidiary Guangdong Xin Yue Communications Investments Company Limited disposed its share of Hunan Xin Yue Communications Company Limited in December 2011.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

CONSOLIDATED (continued)

(2) Long-term equity investment accounted for using the equity method

Investee (Note)	Inception amount	Opening balance	Increase/ (decrease)	Profit and loss movement Adjustment		Closing balance	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
				Investment profit or (loss)	Dividends received		
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	15,000,000.00	19,697,636.14	—	1,219,837.78	—	20,917,473.92	N/A
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	1,500,000.00	487,912.91	—	(33,178.51)	—	454,734.40	N/A
Guangdong Feida Traffic Engineering Company Limited	11,200,000.00	9,867,864.13	—	275,951.91	—	10,143,816.04	N/A
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	18,229,047.84	—	1,317,793.07	—	19,546,840.91	N/A
Guangdong Foda Expressway Economic Development Company Limited	490,000.00	1,674,616.02	—	(176,353.25)	—	1,498,262.77	N/A

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

CONSOLIDATED (continued)

(2) Long-term equity investment accounted for using the equity method (continued)

Investee (Note)	Inception amount	Opening balance	Increase/ (decrease)	Profit and loss adjustment		Closing balance	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
				Investment profit or (loss)	Dividends received		
Lufeng Shenshan Expressway Company Limited	450,000.00	607,723.61	—	526,212.95	—	1,133,936.56	N/A
Shenzhen Yueyun Investment Development Company Limited	18,000,000.00	16,776,386.64	16,510,998.34	160,747.75	—	33,448,132.73	N/A
Express Cross-Border Coach Management Company Limited	54,049.80	—	—	—	—	—	N/A
Guangdong Communications Telecommunications Company Limited	1,942,112.26	—	1,942,112.26	1,978,976.03	—	3,921,088.29	N/A
Total		67,341,187.29	18,453,110.60	5,269,987.73	—	91,064,285.62	

Note: Investee that long-term equity investments accounted for using the equity method are non-listed companies.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

CONSOLIDATED (continued)

#### (3) Provision for impairment losses of long-term equity investments

Investee	Opening balance	Increase	Decrease	Reasons	Closing balance
Huadu Jindaoda Expressway Economic Development Company Limited	80,000.00	—	—	N/A	80,000.00
Guangdong Communications Telecommunications Company Limited	—	1,158,452.80	—	N/A	1,158,452.80
Total	80,000.00	1,158,452.80	—		1,238,452.80

As at 31 December, 2011, the investee's ability to transfer funds to the Company is not restricted.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

#### COMPANY

Investee	Place of corporation	Nature of business	Proportion of ownership interest (%)	Proportion of voting power (%)	Total assets at the end of the year	Total net assets at the end of the year	Total operating income for the year	Net profit for the year
Subsidiaries								
Guangdong Xin Yue Communications Investment Company Limited	Guangdong, China	Intelligent transportation services	71.00	71.00	798,907,074.71	183,510,465.97	528,981,327.14	(35,006,433.09)
Guangdong Top-E Expressway Service Zone Company Limited	Guangdong, China	Highway services	95.56	95.56	602,187,890.38	227,749,870.64	486,896,982.04	19,720,689.73
Guangdong Southchina Logistics Enterprise Company Limited	Guangdong, China	Material logistics services	98.40	98.40	345,582,081.47	117,825,143.75	170,068,031.98	(9,663,041.86)
Guangdong Nanyue logistics International Services Company Limited	Guangdong, China	Material logistics services	90.00	90.00	18,178,568.62	17,700,142.35	6,605,635.64	1,380,045.52
Guangdong New Way Advertising Company Limited	Guangdong, China	Expressway services	60.00	60.00	65,937,174.97	44,701,710.20	47,435,053.97	1,475,913.82
Guangdong Tai Cheng Consulting Company Limited(Note 1)	Guangdong, China	Material logistics services	60.00	60.00	2,059,421.72	2,059,421.72	—	(2,706,864.64)
Guangdong Oriental Thought Technology Company	Guangdong, China	Intelligent transportation services	51.00	51.00	41,634,189.65	26,784,156.74	52,003,174.08	(9,534,962.03)
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	Guangdong, China	Cross-border transportation services	62.00	62.00	114,546,387.52	62,829,305.49	52,293,042.23	(2,196,953.56)
The Motor Transport Company of Guangdong and Hong Kong Limited	Hong Kong, China	Cross-border transportation services	62.00	62.00	265,546,629.40	225,980,332.57	232,648,319.52	9,093,725.40
Guangdong Nan Yue Logistics (HK) Limited	Hong Kong, China	Material logistics services	100.00	100.00	1,790,557.82	(94,770.13)	91,801,184.17	(2,310,936.05)

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

#### COMPANY (continued)

Investee	Place of corporation	Nature of business	Proportion of ownership interest (%)	Proportion of voting power (%)	Total assets at the end of the year	Total net assets at the end of the year	Total operating income for the year	Net profit for the year
Guangdong Jindaoda Expressway Economic Development Company Limited (Note 2)	Guangdong, China	Expressway services	5.00	5.00	75,656,922.01	51,653,568.49	23,232,813.10	11,605,937.59
Guangdong Province Transportation Engineering Company Limited	Guangdong, China	Venue rental services	100.00	100.00	37,428,463.53	(13,730,516.74)	8,171,443.53	1,811,708.90
Subtotal					<u>2,369,455,361.80</u>	<u>946,968,831.05</u>	<u>1,700,137,007.40</u>	<u>(16,331,170.27)</u>
Joint venture								
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	Guangdong, China	Wholesale of oil and its manufacture	20.83	20.83	42,364,348.38	41,838,689.67	92,664,584.02	2,443,417.41
Guangdong Feida Traffic Engineering Company Limited	Guangdong, China	Building installation industry	30.00	30.00	133,705,168.18	20,543,803.29	100,183,956.10	3,319,606.25
Southern United Assets and Equity Exchange Company Limited	Guangdong, China	State-owned property right trading business	20.00	20.00	141,729,334.89	103,523,638.68	38,124,569.76	5,490,259.52
Subtotal					<u>317,798,851.45</u>	<u>165,906,131.64</u>	<u>230,973,109.88</u>	<u>11,253,283.18</u>

Note 1: Guangdong Taicheng Consulting Company Limited applied for the unregistered during the current year, and was still under progress up to the authorised issue date of the financial statements.

Note 2: The Company holds 100% ownership of Guangdong Jindaoda Expressing Economic Development Company Limited, of which 5% is direct ownership, and 95% is indirect ownership.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

COMPANY (continued)

(1) Long-term equity investment accounted for using the cost method:

Investee	Investment cost	Opening balance	Increase/ (decrease)	Closing balance	Dividends received	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
Guangdong Xin Yue Communications Investment Company Limited	43,465,324.00	43,465,324.00	—	<b>43,465,324.00</b>	—	N/A
Guangdong Top-E Expressway Service Zone Company Limited	98,831,192.00	98,831,192.00	—	<b>98,831,192.00</b>	—	N/A
Guangdong Southchina Logistics Enterprise Company Limited	124,457,237.80	124,457,237.80	—	<b>124,457,237.80</b>	—	N/A
Guangdong Nanyue Logistics International Services Company Limited	4,609,854.00	4,609,854.00	—	<b>4,609,854.00</b>	—	N/A
Guangdong Jindaoda Expressway Economic Development Company Limited	777,412.45	777,412.45	—	<b>777,412.45</b>	—	N/A
Guangdong New Way Advertising Company Limited	19,800,000.00	19,800,000.00	—	<b>19,800,000.00</b>	—	N/A

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

COMPANY (continued)

(1) Long-term equity investment accounted for using the cost method: (continued)

Investee	Investment cost	Opening balance	Increase/ (decrease)	Closing balance	Dividends received	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
Guangdong Tai Cheng Consulting Company Limited	614,528.80	614,528.80	—	<b>614,528.80</b>	—	N/A
Guangdong Oriental Thought Technology Company Limited	11,455,880.25	11,455,880.25	—	<b>11,455,880.25</b>	—	N/A
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	25,319,234.10	25,319,234.10	—	<b>25,319,234.10</b>	688,296.21	N/A
The Motor Transport Company of Guangdong and Hong Kong Limited	120,196,428.59	120,196,428.59	—	<b>120,196,428.59</b>	2,577,853.35	N/A
Guangdong Nan Yue Logistics (HK) Limited	1,323,750.00	1,323,750.00	—	<b>1,323,750.00</b>	—	N/A
Guangdong Province Transportation Engineering Company Limited (Note)	69,564,856.62	—	—	—	—	N/A
<b>Total</b>	<b>520,415,698.61</b>	<b>450,850,841.99</b>	<b>—</b>	<b>450,850,841.99</b>	<b>3,266,149.56</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Long-term equity investments (continued)

#### COMPANY (continued)

#### (1) Long-term equity investment accounted for using the cost method: (continued)

Note: In September 2010, Guangdong Communication Enterprise Investment Company Limited entered an equity transfer agreement with the Company, transferring its 100% equity of Guangdong Province Transportation Engineering Company Limited to the Company with a consideration of RMB 69,564,856.62. In March 2011, the above equity transferring was approved and completed. The Company's long-term equity investment to Guangdong Province Transportation Engineering Company Limited is adjusted to RMB 0.00 since the Company shares limited liability for its negative net assets as at the combination date under business combination involving enterprises under common control. Please see section "Business Combination" under Note (IX) "Other Significant Matters" for details.

#### (2) Long-term equity investment accounted for using the equity method:

Investee	Inception amount	Opening balance	Increase/ (decrease)	Profit and loss adjustment		Closing balance	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
				Investment profit or (loss)	Dividends received		
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	6,250,000.00	8,206,015.62	—	508,963.85	—	8,714,979.47	N/A
Guangdong Feida Traffic Engineering Company Limited	11,200,000.00	9,867,864.13	—	275,951.91	—	10,143,816.04	N/A
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	18,229,047.84	—	1,317,793.07	—	19,546,840.91	N/A
<b>total</b>	<b>37,450,000.00</b>	<b>36,302,927.59</b>	<b>—</b>	<b>2,102,708.83</b>	<b>—</b>	<b>38,405,636.42</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Investment properties

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
I. Total original amount	14,925,392.14	10,207,078.79	10,176,177.48	<b>14,956,293.45</b>
1. Buildings	4,604,659.62	625,216.05	2,710,284.20	<b>2,519,591.47</b>
2. Land use rights	10,320,732.52	9,581,862.74	7,465,893.28	<b>12,436,701.98</b>
II. Total accumulated depreciation and amortisation	7,492,300.73	1,034,840.33	5,010,122.75	<b>3,517,018.31</b>
1. Buildings	4,258,632.75	393,619.69	2,702,363.48	<b>1,949,888.96</b>
2. Land use rights	3,233,667.98	641,220.64	2,307,759.27	<b>1,567,129.35</b>
III. Total net book value	7,433,091.41			<b>11,439,275.14</b>
1. Buildings	346,026.87			<b>569,702.51</b>
2. Land use rights	7,087,064.54			<b>10,869,572.63</b>
IV. Total accumulated provision for impairment losses	—	—	—	—
1. Buildings	—	—	—	—
2. Land use rights	—	—	—	—
V. Total carrying amount	7,433,091.41			<b>11,439,275.14</b>
1. Buildings	346,026.87			<b>569,702.51</b>
2. Land use rights	7,087,064.54			<b>10,869,572.63</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Investment properties (continued)

#### CONSOLIDATED (continued)

- (1) The increase in the original amount for the year consists of an increase of RMB 10,207,078.79 on the transfer from owner-occupied properties and land use rights to investment properties.
- (2) The decrease in the original amount for the year consists of a decrease of RMB9,681,489.15 on the transfer from investment properties to owner-occupied properties and a decrease of RMB 494,688.33 on foreign currency translation differences.
- (3) The increase in accumulated depreciation and amortisation for the year consists of an increase of RMB 629,493.00 on transfer from owner-occupied properties and land use rights to investment properties.
- (4) The decrease in accumulated depreciation and amortisation for the year consists of a decrease of RMB 4,438,982.44 on the transfer from investment properties to owner-occupied properties or inventories, and a decrease of RMB571,140.31 on foreign currency translation differences.
- (5) The remaining years of amortisation in land use rights is 33 to 70 years.
- (6) Among the carrying amount of land use rights:

	As at 31 December	
	2011	2010
Long-term leases of over 50 years (50 years included)	<u>10,869,572.63</u>	<u>7,087,064.54</u>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Fixed Assets

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
I. Total original amount	822,433,349.54	83,760,287.73	37,584,327.68	<b>868,609,309.59</b>
Including: Buildings	155,673,537.56	17,346,725.56	1,398,566.54	<b>171,621,696.58</b>
Building improvement	125,346,160.27	9,296,762.49	—	<b>134,642,922.76</b>
Transportation vehicles	315,722,136.45	24,563,386.86	29,370,283.53	<b>310,915,239.78</b>
Machinery and equipment	72,176,196.19	15,964,411.42	2,029,482.19	<b>86,111,125.42</b>
Office equipment and others	98,472,067.44	16,326,388.76	4,785,995.42	<b>110,012,460.78</b>
Pier	55,043,251.63	262,612.64	—	<b>55,305,864.27</b>
II. Total accumulated depreciation	414,003,198.47	62,243,953.09	31,887,626.43	<b>444,359,525.13</b>
Including: Buildings	46,163,124.04	11,632,068.58	842,971.61	<b>56,952,221.01</b>
Building improvement	55,239,384.01	5,879,802.06	—	<b>61,119,186.07</b>
Transportation vehicles	224,647,199.38	29,299,916.53	25,765,232.49	<b>228,181,883.42</b>
Machinery and equipment	15,323,017.02	5,521,020.72	927,641.48	<b>19,916,396.26</b>
Office equipment and others	72,630,474.02	8,859,846.32	4,351,780.85	<b>77,138,539.49</b>
Pier	—	1,051,298.88	—	<b>1,051,298.88</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Fixed Assets (continued)

CONSOLIDATED (continued)

	Opening balance	Increase	Decrease	Closing balance
III. Total net book value	408,430,151.07			424,249,784.46
Including: Buildings	109,510,413.52			114,669,475.57
Building improvement	70,106,776.26			73,523,736.69
Transportation vehicle	91,074,937.07			82,733,356.36
Machinery and equipment	56,853,179.17			66,194,729.16
Office equipment and other	25,841,593.42			32,873,921.29
Pier	55,043,251.63			54,254,565.39
IV. Total accumulated provision for impairment losses	1,354,193.37	—	—	1,354,193.37
Including: Buildings	—	—	—	—
Building improvement	—	—	—	—
Transportation vehicle	—	—	—	—
Machinery and equipment	—	—	—	—
Office equipment and other	1,354,193.37	—	—	1,354,193.37
Pier	—	—	—	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Fixed Assets (continued)

CONSOLIDATED (continued)

	Opening balance	Increase	Decrease	Closing balance
V. Total carrying amount	407,075,957.70			422,895,591.09
Including: Buildings	109,510,413.52			114,669,475.57
Building improvement	70,106,776.26			73,523,736.69
Transportation vehicles	91,074,937.07			82,733,356.36
Machinery and equipment	56,853,179.17			66,194,729.16
Office equipment and others	24,487,400.05			31,519,727.92
Pier	55,043,251.63			54,254,565.39

- (1) The increase in the original amount for the year consists of acquisitions of RMB 36,883,872.53, an increase of RMB 39,428,697.55 transferred from construction in progress, an increase of RMB 2,600,472.58 transferred from investment properties and an increase of RMB 4,847,245.07 from long-term deferred expenses.
- (2) The decrease in the original carrying amount for the year consists of a decrease of RMB 24,809,280.01 on disposals, a decrease of RMB 1,033,269.64 due to fixed assets completion of settlement, a decrease of RMB 625,216.05 on the transfer from owner-occupied properties to investment properties and a decrease of RMB 11,116,561.98 on foreign currency translation differences.
- (3) The increase in accumulated depreciation for the year consists of charge for the year of RMB 59,052,497.19, an increase of RMB 2,253,742.91 on the transfer from investment properties, an increase of RMB 897,647.56 on transferring from long-term deferred expenses and an increase of RMB 40,065.43 resulting from physical inspection surplus of buildings.
- (4) The decrease in accumulated depreciation for the year consists of a decrease of RMB 23,796,503.74 on disposals, a decrease of RMB 7,876,399.73 on foreign currency translation differences, and a decrease of RMB 214,722.96 on the transferring from owner-occupied properties to investment properties.
- (5) The remaining years of amortisation of land use rights is 4 to 68 years.
- (6) As at 31 December 2011, the original amount of fixed assets that fully depreciated but are still in use is RMB 318,162,585.85

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Fixed Assets (continued)

#### COMPANY

	Opening balance	Increase	Decrease	Closing balance
I. Total original amount	33,224,389.95	1,608,708.51	1,171,934.60	<b>33,661,163.86</b>
Including: Transportation vehicles	19,894,146.16	777,024.00	223,600.00	<b>20,447,570.16</b>
Office equipment and others	13,330,243.79	831,684.51	948,334.60	<b>13,213,593.70</b>
II. Total accumulated depreciation	23,930,132.08	2,325,797.75	1,120,914.08	<b>25,135,015.75</b>
Including: Transportation vehicles	16,459,567.39	1,401,919.83	212,420.00	<b>17,649,067.22</b>
Office equipment and others	7,470,564.69	923,877.92	908,494.08	<b>7,485,948.53</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Fixed Assets (continued)

COMPANY (continued)

	Opening balance	Increase	Decrease	Closing balance
III. Total net book value	9,294,257.87			8,526,148.11
Including: Transportation vehicles	3,434,578.77			2,798,502.94
Office equipment and others	5,859,679.10			5,727,645.17
IV. Total accumulated provision for impairment losses	1,354,193.37	—	—	1,354,193.37
Including: Transportation vehicles	—	—	—	—
Office equipment and others	1,354,193.37	—	—	1,354,193.37
V. Total carrying amount	7,940,064.50			7,171,954.74
Including: Transportation vehicles	3,434,578.77			2,798,502.94
Office equipment and others	4,505,485.73			4,373,451.80

- (1) The increase in the original amount for the year consists of acquisitions of RMB 1,187,046.38, an increase of RMB 421,662.13 transferred from construction in progress.
- (2) The decrease in the original amount for the year consists of a decrease of RMB 1,171,934.60 on disposals.
- (3) The increase in accumulated depreciation for the year consists of charge for the current year of RMB 2,325,797.75.
- (4) The decrease in accumulated depreciation for the year consists of a decrease of RMB 1,120,914.08 on disposals.
- (5) As at 31 December 2011, the original amount of fixed assets that fully depreciated but are still in use is RMB 12,875,168.14.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Construction in progress

#### CONSOLIDATED

	As at 31 December					
	2011			2010		
	Gross amount	Provision for impairment losses	Carrying amount	Gross amount	Provision for impairment losses	Carrying amount
Tai Ping Interchange improvement	—	—	—	2,518,875.11	—	2,518,875.11
Attendance system	—	—	—	421,662.13	—	421,662.13
Design cost of LiTong Square	191,564.80	—	191,564.80	—	—	—
Construction project of Yang-Mao column	43,254.55	—	43,254.55	823,578.50	—	823,578.50
Construction project of Mao-Zhan Highway Column	—	—	—	527,800.00	—	527,800.00
Construction project of Jiangzhong- Kaiyang Highway Column	—	—	—	5,636,000.00	—	5,636,000.00
Construction project of Yue-Gan Highway Column	—	—	—	414,325.90	—	414,325.90
Construction project of Bo-Zhan Highway Column	—	—	—	409,118.07	—	409,118.07
Supervising project on Kaiyang, Jiangzhong, Mao-Zhan, Yang-Maocolumn	—	—	—	32,500.00	—	32,500.00
Reconnaissance on Jing-Zhu north column	275,727.30	—	275,727.30	—	—	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Construction in progress (continued)

CONSOLIDATED (continued)

	As at 31 December					
	2011			2010		
	Gross amount	Provision for impairment losses	Carrying amount	Gross amount	Provision for impairment losses	Carrying amount
Design construction on Jing-Zhu north column	36,771.00	—	36,771.00	—	—	—
Design project of Kaiyang, Jiangzhong, Mao-Zhan, Yang-Mao column	18,530.00	—	18,530.00	199,900.00	—	199,900.00
RMS system	284,550.00	—	284,550.00	—	—	—
Simple facilities construction projects 20 service zones	2,621,304.95	—	2,621,304.95	125,422.90	—	125,422.90
Kitchen project	58,651.70	—	58,651.70	—	—	—
Building construction cost in 12 service zones	3,121,477.08	—	3,121,477.08	869,316.76	—	869,316.76
Service building improvement in 26 service zones	7,339,627.12	—	7,339,627.12	1,132,848.62	—	1,132,848.62
Purchase of equipment	—	—	—	4,387,993.80	—	4,387,993.80
Phase II of wharf	632,109.70	—	632,109.70	—	—	—
Three old reconstruction project	1,868,773.59	—	1,868,773.59	—	—	—
<b>Total</b>	<b>16,492,341.79</b>	<b>—</b>	<b>16,492,341.79</b>	<b>17,499,341.79</b>	<b>—</b>	<b>17,499,341.79</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Construction in progress (continued)

#### CONSOLIDATED (continued)

Note 1: The decrease of carrying amount for this year consists of RMB 39,428,697.55 transferred to fixed assets and RMB 1,960,000.00 transferred to intangible assets.

Note 2: As at 31 December 2011, there is no individual project amounted over RMB2,000,000.00 under construction.

#### COMPANY

	As at 31 December					
	2011			2010		
	Gross amount	Provision for impairment losses	Carrying amount	Gross amount	Provision for impairment losses	Carrying amount
Tai Ping Interchange improvement	—	—	—	2,518,875.11	—	2,518,875.11
Attendance system	—	—	—	421,662.13	—	421,662.13
Design cost for Li Tong square	191,564.80	—	191,564.80	—	—	—
Total	191,564.80	—	191,564.80	2,940,537.24	—	2,940,537.24

Note1: The decrease of carrying amount for the year consists of RMB 421,667.13 transferred to fixed assets and RMB 1,960,000.00 transferred to intangible assets.

Note2: As at 31 December 2011, there is no individual project amounted over RMB2,000,000.00 under construction.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Intangible Assets

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
I. Total original amount	489,677,133.35	28,238,306.75	11,869,458.82	<b>506,045,981.28</b>
Land use rights	157,680,334.24	7,081,016.57	11,587,690.57	<b>153,173,660.24</b>
Computer software	10,560,370.49	2,249,649.29	—	<b>12,810,019.78</b>
Coastline use rights	7,110,000.00	—	—	<b>7,110,000.00</b>
Passenger service licences	5,964,094.24	—	281,768.25	<b>5,682,325.99</b>
Tai Ping Interchange	308,362,334.38	18,907,640.89	—	<b>327,269,975.27</b>
II. Total accumulated amortisation	130,219,892.72	19,887,467.98	993,690.41	<b>149,113,670.29</b>
Land use rights	16,894,251.38	5,300,390.67	993,690.41	<b>21,200,951.64</b>
Computer software	7,973,836.95	1,070,263.49	—	<b>9,044,100.44</b>
Coastline use rights	546,533.14	660,414.47	—	<b>1,206,947.61</b>
Passenger service licences	—	—	—	<b>—</b>
Tai Ping Interchange	104,805,271.25	12,856,399.35	—	<b>117,661,670.60</b>
III. Total net book value	359,457,240.63			<b>356,932,310.99</b>
Land use rights	140,786,082.86			<b>131,972,708.60</b>
Computer software	2,586,533.54			<b>3,765,919.34</b>
Coastline use rights	6,563,466.86			<b>5,903,052.39</b>
Passenger service licences	5,964,094.24			<b>5,682,325.99</b>
Tai Ping Interchange	203,557,063.13			<b>209,608,304.67</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Intangible Assets (continued)

CONSOLIDATED (continued)

	Opening balance	Increase	Decrease	Closing balance
IV. Total accumulated provision for impairment	—	—	—	—
Land use rights	—	—	—	—
Computer software	—	—	—	—
Coastline use rights	—	—	—	—
Passenger service licences	—	—	—	—
Tai Ping Interchange	—	—	—	—
V. Total carrying amount	359,457,240.63			<b>356,932,310.99</b>
Land use rights	140,786,082.86			<b>131,972,708.60</b>
Computer software	2,586,533.54			<b>3,765,919.34</b>
Coastline use rights	6,563,466.86			<b>5,903,052.39</b>
Passenger service licences	5,964,094.24			<b>5,682,325.99</b>
Tai Ping Interchange	203,557,063.13			<b>209,608,304.67</b>

- (1) The increase in the original amount for the year consists of an increase of RMB 7,081,016.57 on the transfer from investment properties to owner-occupied properties, an increase of RMB 19,197,290.18 on acquisition of software and improvements to Tai Ping Interchange, and an increase of RMB 1,960,000.00 transferred from construction in progress.
- (2) The decrease in the original amount for the year consists of a decrease of RMB 9,581,862.74 on the transfer from land use rights to investment properties and a decrease of RMB 2,287,596.08 on foreign currency translation differences.
- (3) The increase in accumulated depreciation for the year consists of charge for the year of RMB 17,702,228.45 and a increase of RMB 2,185,239.53 on the transfer from investment properties to owner-occupied properties.
- (4) The decrease in accumulated depreciation for the year consists of a decrease of RMB 578,920.07 on foreign currency translation differences and a decrease of RMB 414,770.34 on the land use rights transferred from owner-occupied to investment properties.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Intangible Assets (continued)

#### CONSOLIDATED (continued)

- (5) Among the carrying amount of intangible assets:

Useful life	As at 31 December	
	2011	2010
Medium-term leases of 10 years (10 years included) to 50 years	101,271,516.22	103,362,953.63
Long-term leases over 50 years (50 years included)	30,701,192.38	37,423,129.23
Total	131,972,708.60	140,786,082.86

- (6) As at 31 December, 2011, there is no collateral or pledge for the Group's land use rights (31 December 2010: the land use right with a carrying amount of RMB89,285,000.00, was pledged as collateral as the guarantee of litigation for the property belonging to the defendant as disclosed in section 4 Material Litigation and Arbitration under Note IX "Other Significant Matters".).

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Intangible Assets (continued)

#### COMPANY

	Opening balance	Increase	Decrease	Closing balance
I. Total original amount	330,690,638.16	22,861,299.32	—	<b>353,551,937.48</b>
Computer software	17,223,814.55	2,434,265.00	—	<b>19,658,079.55</b>
Tai Ping Interchange	313,466,823.61	20,427,034.32	—	<b>333,893,857.93</b>
II. Total accumulated amortisation	114,831,764.30	15,377,868.20	—	<b>130,209,632.50</b>
Computer software	9,223,644.86	2,252,638.23	—	<b>11,476,283.09</b>
Tai Ping Interchange	105,608,119.44	13,125,229.97	—	<b>118,733,349.41</b>
III. Total net book value	215,858,873.86			<b>223,342,304.98</b>
Computer software	8,000,169.69			<b>8,181,796.46</b>
Tai Ping Interchange	207,858,704.17			<b>215,160,508.52</b>
IV. Total accumulated provision for impairment	—	—	—	—
Computer software	—	—	—	—
Tai Ping Interchange	—	—	—	—
V. Total carrying amount	215,858,873.86			<b>223,342,304.98</b>
Computer software	8,000,169.69			<b>8,181,796.46</b>
Tai Ping Interchange	207,858,704.17			<b>215,160,508.52</b>

- (1) The increase in the original amount for the year consists of an increase of RMB 20,901,299.32 on acquisition of software and improvement to Tai Ping Interchange and an increase of RMB 1,960,000.00 transferred from construction in progress.
- (2) The increase in accumulated depreciation for the year consists of charge for the year of RMB 15,377,868.20.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Long-term prepaid expenses

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
Leashold improvement	2,027,232.55	500,283.64	1,186,078.10	<b>1,341,438.09</b>
Insurance expenses of Tai Ping	114,012.00	116,597.07	114,447.07	<b>116,162.00</b>
Land use right rental for Tai Ping Interchange	5,150,648.98	—	302,978.92	<b>4,847,670.06</b>
Expenses for the office building and the dormitory on section of Qingyuan	—	167,205.00	45,601.38	<b>121,603.62</b>
Expenses for the office building and the dormitory on section of Shaoguan	—	238,308.00	59,577.04	<b>178,730.96</b>
Improvement for office and billboards	54,999.91	—	20,000.04	<b>34,999.87</b>
Improvement on Guangshen Advertising column	—	569,941.55	37,996.12	<b>531,945.43</b>
Reformation of billboard on the top of Humen Bridge Station	82,980.98	—	31,828.56	<b>51,152.42</b>
Office renovation project	156,044.23	—	45,671.52	<b>110,372.71</b>
Improvement of owned fixed assets	3,991,970.79	342,223.80	4,309,432.41	<b>24,762.18</b>
Kitchen decoration	—	211,868.93	—	<b>211,868.93</b>
Others	140,033.08	—	43,362.20	<b>96,670.88</b>
Total	<u>11,717,922.52</u>	<u>2,146,427.99</u>	<u>6,196,973.36</u>	<u><b>7,667,377.15</b></u>

Note: The decrease in the balance for the year consists of a decrease of RMB 3,949,597.51 on the transfer to fixed assets, and a charge for the year of RMB 2,247,375.85.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Long-term prepaid expenses (continued)

#### COMPANY

Item	Opening balance	Increase	Decrease	Closing balance
Insurance of Tai Ping Interchange	114,012.00	116,597.07	114,447.07	<b>116,162.00</b>
Land use right rental for Tai Ping Interchange	5,150,648.98	—	302,978.92	<b>4,847,670.06</b>
Improvements of office building and dormitories at Qingyuan section, Guangle Project	—	167,205.00	45,601.38	<b>121,603.62</b>
Improvements of office building and dormitories at Shaoguan section, Guangle Project	—	238,308.00	59,577.04	<b>178,730.96</b>
Others	128,987.48	—	32,316.60	<b>96,670.88</b>
Total	<u>5,393,648.46</u>	<u>522,110.07</u>	<u>554,921.01</u>	<u><b>5,360,837.52</b></u>

Note: The decrease in the balance consists of a charge for the year of RMB 554,921.01.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Deferred tax assets and deferred tax liabilities

(1) Recognised deferred tax assets and deferred tax liabilities

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Deferred tax assets:				
Bad debt provision:	<b>130,591,659.36</b>	132,861,170.23	<b>127,318,524.86</b>	129,381,429.14
Including: Accounts receivable	<b>6,961,451.67</b>	9,265,759.24	<b>5,768,670.05</b>	7,861,172.97
Prepayments	<b>114,671,503.92</b>	114,476,503.92	<b>114,476,503.92</b>	114,476,503.92
Other receivables	<b>8,958,703.77</b>	9,118,907.07	<b>7,073,350.89</b>	7,043,752.25
Provision for impairment losses of inventories	<b>993,162.54</b>	1,894,167.93	—	901,005.39
Provision for impairment losses of fixed assets	<b>338,548.34</b>	338,548.34	<b>338,548.34</b>	338,548.34
Investment losses of investments	<b>140,904.30</b>	140,904.30	—	—
Fixed assets depreciation	<b>774,041.05</b>	1,032,054.75	—	—
Intangible assets amortisation	<b>252,850.00</b>	223,045.69	—	—
Employee benefits payable	<b>4,972,445.76</b>	5,878,266.50	<b>2,818,501.91</b>	3,447,503.85
Accounts payable	<b>12,793,890.04</b>	9,614,997.34	—	—
Unrealised profit through internal transaction	<b>3,348,721.97</b>	3,086,088.68	—	—
Deductible losses	<b>3,093,890.09</b>	4,386,732.98	—	—
Other payables	<b>211,529.50</b>	100,000.00	—	—
<b>Total</b>	<b>157,511,642.95</b>	159,555,976.74	<b>130,475,575.11</b>	134,068,486.72
Deferral tax liabilities				
Fixed assets depreciation	<b>282,942.41</b>	189,610.30	—	—
Investment income	<b>706,191.93</b>	805,579.17	—	—
<b>Total</b>	<b>989,134.34</b>	995,189.47	—	—

Note: According to the Company's future profit forecast, the Group believes that it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the related deferred tax assets are recognised.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Deferred tax assets and deferred tax liabilities (continued)

(2) Details of recognised taxable temporary differences and deductible temporary differences

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Deductible temporary differences				
Bad debt provision	<b>527,718,341.10</b>	536,867,335.39	<b>509,274,099.42</b>	517,525,716.54
Including: Accounts receivable	<b>30,826,557.70</b>	40,608,600.33	<b>23,074,680.18</b>	31,444,691.86
Prepayments	<b>459,206,015.68</b>	457,906,015.68	<b>457,906,015.68</b>	457,906,015.68
Other receivables	<b>37,685,767.72</b>	38,352,719.38	<b>28,293,403.56</b>	28,175,009.00
Provision for impairment losses of inventories	<b>6,621,083.61</b>	10,225,105.18	—	3,604,021.57
Provision for impairment losses of fixed assets	<b>1,354,193.37</b>	1,354,193.37	<b>1,354,193.37</b>	1,354,193.37
Investment losses of investments	<b>939,362.00</b>	939,362.00	—	—
Fixed assets depreciation	<b>3,096,164.20</b>	4,128,218.96	—	—
Intangible assets amortisation	<b>1,011,400.04</b>	892,182.76	—	—
Employee benefits payable	<b>19,889,783.02</b>	23,513,066.01	<b>11,274,007.64</b>	13,790,015.41
Accounts payable	<b>51,175,560.15</b>	38,459,989.37	—	—
Unrealised profit through internal transaction	<b>13,394,887.88</b>	12,361,354.72	—	—
Deductible losses	<b>12,375,560.36</b>	17,546,931.92	—	—
Other payables	<b>846,118.00</b>	400,000.00	—	—
<b>Total</b>	<b>638,422,453.73</b>	646,687,739.68	<b>521,902,300.43</b>	536,273,946.89
Taxable temporary difference				
Fixed assets depreciation	<b>1,714,802.48</b>	1,149,153.33	—	—
Investment income	<b>2,824,767.72</b>	3,222,316.68	—	—
<b>Total</b>	<b>4,539,570.20</b>	4,371,470.01	—	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Deferred tax assets and deferred tax liabilities (continued)

(3) Deductible temporary differences for which deferred tax assets are not recognised

	As at 31 December			
	2011		2010	
	Deductible temporary differences	Expiry date	Deductible temporary differences	Expiry date
Deductible losses	59,435,837.17	Before 31 December 2016	8,929,613.80	Before 31 December 2015
	30,888,132.91	Indefinite	35,603,268.46	Indefinite
Accrued cost (expense) of goods sold	1,604,065.61	Before 31 December 2016	—	N/A
Employee benefits payable	212,000.00	Before 31 December 2016	—	N/A
Long-term equity investment impairment	1,238,452.80	N/A	80,000.00	N/A
Total	93,378,488.49		44,612,882.26	

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Provision for impairment losses of assets

#### CONSOLIDATED

	Opening balance	Increase	Decrease		Closing balance	
			Reversals	Write-off		Other reasons to reduce
Bad debt provision	550,013,496.67	2,264,561.31	11,455,816.34	951,394.56	97,601.07	<b>539,773,246.01</b>
Provision impairment losses of inventories	10,225,105.18	—	1,807,795.58	1,796,225.99	—	<b>6,621,083.61</b>
Provision for impairment losses of long-term equity investments	80,000.00	1,158,452.80	—	—	—	<b>1,238,452.80</b>
Provision for impairment losses of fixed assets	1,354,193.37	—	—	—	—	<b>1,354,193.37</b>
<b>Total</b>	<b>561,672,795.22</b>	<b>3,423,014.11</b>	<b>13,263,611.92</b>	<b>2,747,620.55</b>	<b>97,601.07</b>	<b>548,986,975.79</b>

#### COMPANY

	Opening balance	Increase	Decrease		Closing balance	
			Reversals	Write-off		Other reasons to reduce
Bad debt provision	529,854,787.47	884,154.70	9,092,496.40	118,394.56	—	<b>521,528,051.21</b>
Provision for impairment losses of inventories	3,604,021.57	—	1,807,795.58	1,796,225.99	—	<b>—</b>
Provision for impairment losses of fixed asset	1,354,193.37	—	—	—	—	<b>1,354,193.37</b>
<b>Total</b>	<b>534,813,002.41</b>	<b>884,154.70</b>	<b>10,900,291.98</b>	<b>1,914,620.55</b>	<b>—</b>	<b>522,882,244.58</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. Short-term borrowings

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Unsecured and non-guaranteed loans	60,000,000.00	—	60,000,000.00	—
Total	<u>60,000,000.00</u>	<u>—</u>	<u>60,000,000.00</u>	<u>—</u>

Note: The Group and the Company have no outstanding short-term borrowings that expired.

### 19. Notes payable

(1) Details of notes payable:

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Bank acceptances	<u>621,558,443.87</u>	<u>705,783,187.96</u>	<u>621,558,443.87</u>	<u>705,783,187.96</u>

The Group and the Company's notes payable as at 31 December 2011 will all become due before 23 April 2012.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. Accounts payable

(1) The ageing analysis of the accounts payable according to the date of transaction is as follows:

Ageing	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Within 3 month	1,015,522,834.21	929,226,990.48	701,937,588.93	685,330,590.56
Over 3 months and within 6 months	209,792,788.19	46,026,442.61	201,759,918.82	27,080,969.01
Over 6 months and within 1 year	86,851,126.25	33,803,713.98	62,089,100.90	8,489,962.36
Over 1 year and within 2 years	61,388,519.86	59,504,861.61	6,858,853.74	26,043,784.17
Over 2 years and within 3 years	26,642,071.21	12,733,129.42	17,192,139.96	22,778,381.92
Over 3 years	37,913,013.36	29,116,145.31	5,831,395.84	4,693,217.22
Total	<u>1,438,110,353.08</u>	<u>1,110,411,283.41</u>	<u>995,668,998.19</u>	<u>774,416,905.24</u>

As at 31 December, 2011, the Group's accounts payable aged over one year are mainly the main guarantees for purchasing construction materials and other raw materials.

(2) As at 31 December 2011, the Group has no account payable individually more than RMB10 million.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 21. Receipts in advance

#### CONSOLIDATED

(1) The ageing analysis of receipts in advance is as follows:

Ageing	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Within 1 year	<b>196,697,605.93</b>	568,291,938.22	<b>70,755,682.97</b>	359,528,801.02
Over 1 year and within 2 years	<b>79,579,192.13</b>	25,841,778.99	<b>566,069.79</b>	10,204,664.47
Over 2 years and within 3 years	<b>14,958,112.71</b>	139,758,729.96	<b>9,904,664.47</b>	5,112,127.60
Over 3 years	<b>151,257,588.78</b>	23,171,701.19	<b>9,277,157.78</b>	5,757,588.08
Total	<b>442,492,499.55</b>	757,064,148.36	<b>90,503,575.01</b>	380,603,181.17

(2) Significant receipts in advance aged over one year:

Creditors	Amount	Reasons
China Petroleum & Chemical Corporation Guangdong Jiangmen branch	13,913,458.71	Dayanshan's service zone is closed, and the solutions is yet to be worked out.
Total	13,913,458.71	

#### COMPANY

As at 31 December 2011, the Company has no receipt in advance individually more than RMB10,000,000.00.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 22. Employee benefits payable

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
Wages or salaries, bonuses, allowances and subsidies	30,335,924.43	250,496,243.00	247,599,041.86	<b>33,233,125.57</b>
Staff welfare	18,852.31	10,706,614.17	10,118,641.48	<b>606,825.00</b>
Social security contributions	5,452,066.32	41,986,926.11	40,998,379.52	<b>6,440,612.91</b>
Including: Medical insurance	13,804.61	9,629,181.84	9,635,704.39	<b>7,282.06</b>
Basic pensions	102,498.50	21,426,938.80	21,492,616.23	<b>36,821.07</b>
Supplementary medical insurance	1,450,512.19	320,063.68	322,103.68	<b>1,448,472.19</b>
Supplementary pensions	1,011,360.00	5,977,122.40	5,346,202.91	<b>1,642,279.49</b>
Annuity assurance	2,862,471.28	752,738.77	319,716.00	<b>3,295,494.05</b>
Unemployment insurance	4,714.85	2,405,060.25	2,401,927.82	<b>7,847.28</b>
Employment injury insurance	2,961.31	899,203.21	900,968.43	<b>1,196.09</b>
Maternity insurance	3,743.58	576,617.16	579,140.06	<b>1,220.68</b>
Housing funds	759,132.14	25,807,854.19	26,128,399.49	<b>438,586.84</b>
Union fee and employee education cost	7,065,173.09	7,131,494.73	10,624,781.97	<b>3,571,885.85</b>
Non-monetary benefits	—	26,570.00	26,570.00	—
Termination benefits and Internal retirement compensation	2,393,915.65	15,954,336.61	2,421,764.04	<b>15,926,488.22</b>
Including: Compensation for termination of employment	—	8,466,228.53	1,441,152.76	<b>7,025,075.77</b>
Expected internal retirement compensation	2,393,915.65	7,488,108.08	980,611.28	<b>8,901,412.45</b>
Others	226,931.09	1,412,867.47	1,189,658.02	<b>450,140.54</b>
<b>Total</b>	<b>46,251,995.03</b>	<b>353,522,906.28</b>	<b>339,107,236.38</b>	<b>60,667,664.93</b>

Note: The increase in the employee benefits payable for the year consists of an increase of RMB 6,954,653.98 transferred from long-term payables and an increase of RMB5,136,584.75 transferred from other payables. The decrease in the employee benefits payable for the year consists of RMB795,574.40 of foreign currency translation difference, and a decrease of RMB76,630.00 transferred to other payables.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 22. Employee benefits payable (continued)

#### COMPANY

Item	Opening balance	Increase	Decrease	Closing balance
Wages or salaries, bonuses, allowances and subsidies	7,733,619.73	22,269,004.78	22,269,004.78	<b>7,733,619.73</b>
Staff welfare	—	625,491.68	625,491.68	—
Social security contributions	1,510,670.70	4,043,646.67	4,043,676.67	<b>1,510,640.70</b>
Including: Medical insurance	15,840.51	977,301.65	977,301.65	<b>15,840.51</b>
Basic pensions	36,683.71	1,843,734.96	1,843,734.96	<b>36,683.71</b>
Supplementary medical insurance	1,448,472.19	51,288.92	51,288.92	<b>1,448,472.19</b>
Supplementary pensions	—	804,499.08	804,529.08	<b>(30.00)</b>
Unemployment insurance	8,837.67	244,147.71	244,147.71	<b>8,837.67</b>
Employment injury insurance	487.58	81,781.81	81,781.81	<b>487.58</b>
Maternity insurance	349.04	40,892.54	40,892.54	<b>349.04</b>
Housing funds	249,335.00	3,188,838.00	3,188,838.00	<b>249,335.00</b>
Union fee and employee education cost	396,760.33	3,302,408.71	3,319,974.63	<b>379,194.41</b>
Termination benefits and internal retirement compensation	—	2,479,883.04	—	<b>2,479,883.04</b>
Including: Compensation for termination of employment	—	2,479,883.04	—	<b>2,479,883.04</b>
Others	40,613.09	605,425.69	605,425.69	<b>40,613.09</b>
<b>Total</b>	<b>9,930,998.85</b>	<b>36,514,698.57</b>	<b>34,052,411.45</b>	<b>12,393,285.97</b>

Note: The increase in the employee benefits payable consists of an increase of RMB 2,479,883.04 transferred from long-term payables.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. Taxes payable

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
Value added tax	139,461,088.82	75,575,298.51	104,529,237.72	110,507,149.61
Business tax	(7,418,876.76)	41,717,254.02	39,933,797.55	(5,635,420.29)
Enterprise income tax	15,754,943.90	47,005,313.51	44,140,247.83	18,620,009.58
City construction and maintenance tax	(105,500.92)	14,143,929.00	9,506,625.90	4,531,802.18
Property tax	431,131.30	4,539,570.30	4,766,985.67	203,715.93
Land use right tax	52,090.03	2,222,214.99	2,052,552.10	221,752.92
Individual income tax	4,091,241.37	14,664,617.12	14,905,541.21	3,850,317.28
Educational surcharges	(185,301.76)	10,120,379.73	6,693,758.00	3,241,319.97
Stamp duty	—	115,874.65	123,909.30	(8,034.65)
Other taxes	2,177,049.19	5,483,301.83	5,027,981.56	2,632,369.46
Total	154,257,865.17	215,587,753.66	231,680,636.84	138,164,981.99

Note: The decrease of taxes payable in the year consists of a decrease of RMB12,995.42 on foreign currency translation differences and a decrease of RMB 12,881,564.37 of withholding tax transferred to other payables.

#### COMPANY

	Opening balance	Increase	Decrease	Closing balance
Value added tax	139,795,328.03	54,455,821.06	84,983,572.61	109,267,576.48
Property tax	527,691.30	4,716,992.81	4,784,396.56	460,287.55
Enterprise income tax	5,321,705.96	34,339,017.25	28,788,543.64	10,872,179.57
City construction and maintenance tax	33,881.58	10,821,220.82	6,219,197.35	4,635,905.05
Individual income tax	427,001.05	3,290,197.89	3,009,155.47	708,043.47
Educational surcharges	16,457.58	7,784,000.85	4,488,712.93	3,311,745.50
Other taxes	2,016,115.14	3,463,470.47	3,264,729.85	2,214,855.76
Total	148,138,180.64	118,870,721.15	135,538,308.41	131,470,593.38

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 24. Interest payable

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Interest of short-term borrowings	112,245.83	—	112,245.83	—
Interest under the letter of credits arrangement	10,423,850.12	—	10,423,850.12	—
Total	10,536,095.95	—	10,536,095.95	—

### 25. Dividends payable

#### CONSOLIDATED

Creditor	As at 31 December	
	2011	2010
Domestic natural person	1,176,000.00	—

The dividends payable at the end of the year refers to dividend declared but not yet paid by the Company's subsidiary Chongqing Aoteng Technology Development Company Limited.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 26. Other payables

(1) The ageing analysis of other payables is as follows:

Ageing	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Within 1 year	94,108,461.39	71,284,391.25	304,206,801.87	212,278,243.65
Over 1 year and within 2 years	22,524,625.64	17,113,251.23	1,623,985.27	22,284,206.33
Over 2 years and within 3 years	7,839,567.50	13,028,594.16	532,871.32	7,913,384.00
Over 3 years	25,088,458.08	69,635,866.30	12,835,097.76	13,333,341.76
Total	149,561,112.61	171,062,102.94	319,198,756.22	255,809,175.74

(2) Individual material other payables aged over one year:

#### CONSOLIDATED AND COMPANY

Creditors	Amount	Reasons
Hubei Fuxing Science and Technology Co.,LTD	2,000,000.00	The contract has not completed
China Petroleum & Chemical Guangdong Company Limited	2,000,000.00	The contract has not completed
Guangdong Xinguang International Logistics Company Limited	2,398,800.00	The contract has not completed
Total	6,398,800.00	

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 27. Other current liabilities

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Payable credit under the letter of arrangement	567,693,227.72	—	567,693,227.72	—
Total	567,693,227.72	—	567,693,227.72	—

Note: Other current liabilities are those liabilities that fall due within one year arising from the arrangement under the letter of credit, where the Company entrusted the issuing bank of the letter of credit to make payments to the buyers on behalf of the Company. Under such arrangement, the issuing bank of the letter of credit will arrange a paying bank for the Company, and the paying bank will make advance payments to the Company's suppliers. And the Company will repay such payments when the letter of credit expires.

### 28. Long-term payables

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Employee compensation	—	6,954,653.98	—	2,479,883.04
Total	—	6,954,653.98	—	2,479,883.04

Note: The decrease of long-term payables for the year is due to the transferring of the employee compensation from long-term payables to employee benefits payable.

### 29. Other non-current liabilities

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Government subsidy	4,455,593.10	4,450,000.00	—	—
Total	4,455,593.10	4,450,000.00	—	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 30. Share capital

#### CONSOLIDATED AND COMPANY

	Opening balance	New issue of shares	Changes for the year			Others	Subtotal	Closing balance
			Bonus issue	Capitalisation of surplus reserve				
2011 and 2010:								
I. Restricted tradable shares								
1. State-owned shares	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—
<b>3. Other domestic-owned shares</b>	—	—	—	—	—	—	—	—
Total restricted tradable shares	—	—	—	—	—	—	—	—
II. Tradable shares								
1. Ordinary shares denominated in RMB	279,641,867.00	—	—	—	—	—	—	279,641,867.00
2. Foreign-owned shares listed overseas	138,000,000.00	—	—	—	—	—	—	138,000,000.00
Total tradable shares	417,641,867.00	—	—	—	—	—	—	417,641,867.00
Total shares	417,641,867.00	—	—	—	—	—	—	417,641,867.00

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 31. Capital reserve

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
<b>2011:</b>				
Capital premium	331,425,667.50	—	—	331,425,667.50
Including:Capital contributed by investors	331,425,667.50	—	—	331,425,667.50
Differences arising from business combination involving enterprises under common control	—	—	69,564,856.62	(69,564,856.62)
Other capital reserve	12,964,625.52	—	—	12,964,625.52
Total	344,390,293.02	—	69,564,856.62	274,825,436.40
<b>2010:</b>				
Capital premium	331,425,667.50	—	—	331,425,667.50
Including:Capital contributed by investors	331,425,667.50	—	—	331,425,667.50
Other capital reserve	12,964,625.52	—	—	12,964,625.52
Total	344,390,293.02	—	—	344,390,293.02

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 31. Capital reserve (continued)

#### COMPANY

	Opening balance	Increase	Decrease	Closing balance
<b>2011:</b>				
Capital premium	286,240,404.65	—	—	286,240,404.65
Including: Capital contributed by investors	286,240,404.65	—	—	286,240,404.65
Differences arising from business combination involving enterprises under common control	—	—	69,564,856.62	(69,564,856.62)
Other capital reserve	21,389,155.26	—	—	21,389,155.26
Total	307,629,559.91	—	69,564,856.62	238,064,703.29
<b>2010:</b>				
Capital premium	286,240,404.65	—	—	286,240,404.65
Including: Capital contributed by investors	286,240,404.65	—	—	286,240,404.65
Other capital reserve	21,389,155.26	—	—	21,389,155.26
Total	307,629,559.91	—	—	307,629,559.91

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 32. Surplus reserves

#### CONSOLIDATED

	Opening balance	Increase	Decrease	Closing balance
<b>2011:</b>				
Statutory surplus reserve	110,174,201.20	10,323,652.46	—	120,497,853.66
Reserve fund	—	—	—	—
<b>Total</b>	<b>110,174,201.20</b>	<b>10,323,652.46</b>	<b>—</b>	<b>120,497,853.66</b>
<b>2010:</b>				
Statutory surplus reserve	93,412,778.50	16,761,422.70	—	110,174,201.20
Reserve fund	—	—	—	—
<b>Total</b>	<b>93,412,778.50</b>	<b>16,761,422.70</b>	<b>—</b>	<b>110,174,201.20</b>

#### COMPANY

	Opening balance	Increase	Decrease	Closing balance
<b>2011:</b>				
Statutory surplus reserve	107,696,112.34	10,323,652.46	—	118,019,764.80
Reserve fund	—	—	—	—
<b>Total</b>	<b>107,696,112.34</b>	<b>10,323,652.46</b>	<b>—</b>	<b>118,019,764.80</b>
<b>2010:</b>				
Statutory surplus reserve	90,934,689.64	16,761,422.70	—	107,696,112.34
Reserve fund	—	—	—	—
<b>Total</b>	<b>90,934,689.64</b>	<b>16,761,422.70</b>	<b>—</b>	<b>107,696,112.34</b>

Statutory surplus reserve can be used to make up for the losses, expand the production and operation or to be transferred to increase capital; when transferred to capital, the statutory surplus reserve remained shall be no less than 25% of the Company's registered capital immediately before the surplus reserve was transferred to increase capital.

Please see Note (VI) 33 for the provision of statutory surplus reserve for the current year.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 33. Retained profits

#### CONSOLIDATED

	2011	2010
At the end of prior year before adjustment:	<b>372,152,345.45</b>	320,247,771.99
Add: Effect on combination of enterprises under common control	<b>(63,205,577.31)</b>	(59,024,724.43)
At beginning of year after adjustment :	<b>308,946,768.14</b>	261,223,047.56
Add: Net profit attributable to shareholders of the Company for the year	<b>82,862,482.80</b>	105,414,046.28
Less: Appropriation to statutory surplus reserve	<b>10,323,652.46</b>	16,761,422.70
Distribution of dividends on ordinary shares	<b>27,564,362.00</b>	40,928,903.00
Conversion of ordinary share's dividends into share capital	—	—
At the end of the year	<b>353,921,236.48</b>	308,946,768.14
Including: Profit distribution declared after the balance sheet date	<b>25,058,513.00</b>	27,564,362.00

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 33. Retained profits (continued)

#### COMPANY

	2011	2010
At the end of prior year	<b>109,923,901.34</b>	(13,581,715.41)
Add: Net profit attributable to shareholders of the Company for the year	<b>103,236,524.65</b>	181,195,942.45
Less: Appropriation to statutory surplus reserve	<b>10,323,652.46</b>	16,761,422.70
Distribution of dividends on ordinary shares	<b>27,564,362.00</b>	40,928,903.00
Conversion of ordinary share's dividends into share capital	—	—
At the end of the year	<b>175,272,411.53</b>	109,923,901.34
Including: Profit distribution declared after the balance sheet date	<b>25,058,513.00</b>	27,564,362.00

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. The Company appropriates a statutory reserve of RMB 10,323,652.46 in the year (31 December 2010: RMB 16,761,422.70).

Note 2: A final dividend of RMB0.066 (tax included) per share amounting to RMB27,564,362.00 was approved by shareholders in annual general meeting held on 8 June 2011. (31 December 2010: RMB0.109 (tax included) per share amounting to RMB40,928,903.00).

Note 3: Appropriation to surplus reserve by subsidiaries

As at 31 December 2011, the balance of the Group's retained profits include appropriation to surplus reserve by subsidiaries amounting to RMB 170,014,984.85 (31 December 2010: RMB 168,804,471.46).

Note 4: Profit distribution declared after the balance sheet date

As approved by a resolution in a meeting of the Company's Board of Directors on March 15, 2012, a dividend of RMB 0.06 (tax included) per share amounting to RMB 25,058,513.00 (totally 417,641,867 shares as at 31 December 2011) will be distributed to shareholders. The above dividend distribution is yet to be approved in a shareholders' meeting.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 34. Minority interests

The minority interests of the Group's subsidiaries is as follows:

Entity	As at 31 December	
	2011	2010
Guangdong Provincial Expressway Company Limited	52,191,257.04	60,282,307.27
Guangdong Province Chang Da Development Investment Company Limited	6,681,841.40	8,092,010.76
Beijing Oriental Thought Information Technology Company Limited	5,279,360.77	7,469,947.07
Guangdong Kai Yang Expressway Company Limited	8,335,832.80	11,794,653.27
Shenzhen Transpotation Company Limited	52,259,032.74	53,557,756.48
Hong Kong Zhenmei Tourism and Trading Company Limited	52,259,032.74	53,557,756.48
Total	177,006,357.49	194,754,431.33

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 35. Operating income and operating costs

#### CONSOLIDATED

#### (1) Operating income

		For the year ended 31 December			
		2011		2010	
		Operating income	Operating cost	Operating income	Operating cost
1.	Principal operating income				
	Construction materials sales	3,564,744,502.29	3,408,638,546.32	4,442,621,929.95	4,360,232,653.04
	Software and hardware sales	27,072,713.45	31,674,169.81	49,110,242.45	20,739,543.09
	Tai Ping Interchange service income	134,750,253.87	22,468,167.47	129,264,641.06	22,969,418.23
	Other services income	915,020,474.57	743,530,673.67	794,616,644.95	612,638,112.44
	Construction contracts income	477,903,788.79	412,969,309.71	659,540,572.10	529,874,542.59
	Subtotal	<u>5,119,491,732.97</u>	<u>4,619,280,866.98</u>	<u>6,075,154,030.51</u>	<u>5,546,454,269.39</u>
2.	Other operating income				
	Lease income and others	25,679,097.33	10,905,981.02	49,064,758.88	21,685,867.81
	Total	<u>5,145,170,830.30</u>	<u>4,630,186,848.00</u>	<u>6,124,218,789.39</u>	<u>5,568,140,137.20</u>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 35. Operating income and operating costs (continued)

CONSOLIDATED (continued)

(2) Construction contracts income from the Company's top ten customers:

Projects	Total contract revenue	Accumulated costs incurred	Accumulated gross profits	Recognised operating income revenue in the year	Recognised operating cost in the year
Jiang Zhao-traffic safety facilities	66,834,863.00	30,597,438.51	2,267,017.68	29,935,637.00	27,695,860.75
Guizhou Zhensheng mechatronic engineering (Note)	108,509,793.98	104,629,266.97	6,013,498.68	15,257,574.00	19,455,891.98
Sichuan Wenma- traffic safety facilities	24,210,162.00	21,084,495.29	277,948.49	19,258,328.00	18,981,130.59
Guizhou gui guang- traffic safety facilities	31,767,675.00	15,317,508.46	1,352,785.54	16,670,294.00	15,337,189.28
Nan er huan- traffic safety facilities	27,573,851.00	24,739,209.90	113,247.57	15,619,453.00	15,584,326.34
Guizhou Maotai mechatronic engineering (Note)	56,761,042.00	52,779,253.29	5,047,484.71	13,092,058.00	13,456,294.71
Sichuan Dianlin mechatronic engineering	80,000,000.00	68,858,926.92	5,829,949.08	11,976,109.00	13,021,266.20
Dong er huan mechatronic engineering	42,494,771.00	41,002,194.59	1,492,576.41	10,649,815.00	11,963,272.65
Guizhou du xin- traffic safety facilities	32,466,798.00	26,448,326.00	6,018,472.00	15,614,888.00	10,976,587.43
Shanxi xiao an- traffic safety facilities	22,429,599.00	20,953,836.47	1,475,762.53	11,251,952.00	10,328,461.83
<b>Total</b>	<b>493,048,554.98</b>	<b>406,410,456.40</b>	<b>29,888,742.69</b>	<b>159,326,108.00</b>	<b>156,800,281.76</b>

Note: As at 31 December 2011, the cumulative costs incurred and cumulative gross profits recognised exceeded the total contract revenue. The Group believes that the expected loss will be most probably covered from contractors, and therefore did not recognise the expected loss.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 35. Operating income and operating costs (continued)

#### COMPANY

#### (1) Operating income

		For the year ended 31 December			
		2011		2010	
		Operating income	Operating cost	Operating income	Operating cost
1.	Principal operating income				
	Construction materials sales	3,550,777,335.73	3,378,104,819.17	4,499,461,137.41	4,360,220,249.60
	Tai Ping Interchange service income	134,750,253.87	22,468,167.47	129,264,641.06	22,969,418.23
	Total	<u>3,685,527,589.60</u>	<u>3,400,572,986.64</u>	<u>4,628,725,778.47</u>	<u>4,383,189,667.83</u>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 36. Business taxes and levies

#### CONSOLIDATED

	For the year ended 31 December	
	2011	2010
Business tax	<b>41,543,395.07</b>	41,007,415.63
City construction and maintenance tax	<b>14,195,506.60</b>	2,838,138.51
Education surcharges	<b>10,166,370.23</b>	1,487,391.65
Cultural construction fee	<b>492,851.16</b>	284,334.51
Others	<b>1,912,446.75</b>	141,222.41
Total	<b>68,310,569.81</b>	45,758,502.71

#### COMPANY

	For the year ended 31 December	
	2011	2010
Business tax	<b>4,584,242.78</b>	4,403,774.95
City construction and maintenance tax	<b>10,821,220.82</b>	23,265.74
Education surcharges	<b>7,787,179.53</b>	12,771.33
Others	<b>130,597.17</b>	—
Total	<b>23,323,240.30</b>	4,439,812.02

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 37. Financial expenses

#### CONSOLIDATED

	For the year ended 31 December	
	2011	2010
Interest expense	<b>30,023,205.43</b>	36,826,934.06
Less: Captailised interest expense	—	—
Less: Interest income	<b>14,570,491.16</b>	15,905,947.59
Exchange differences	<b>(3,140,619.74)</b>	(3,360,646.99)
Less: Captailised exchange differences	—	—
Bank surcharges	<b>6,450,498.88</b>	7,821,408.16
Others	<b>720,411.49</b>	904,397.91
	<hr/>	<hr/>
Total	<b>19,483,004.90</b>	26,286,145.55
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#### COMPANY

	For the year ended 31 December	
	2011	2010
Interest expense	<b>29,786,745.45</b>	28,719,728.97
Less: Captailised interest expense	—	—
Less: Interest income	<b>24,950,700.49</b>	13,516,843.06
Exchange differences	<b>(374,432.39)</b>	393,812.56
Less: Captailised exchange differences	—	—
Bank surcharges	<b>7,911,820.32</b>	6,290,022.39
Others	<b>384,209.00</b>	904,397.89
	<hr/>	<hr/>
Total	<b>12,757,641.89</b>	22,791,118.75
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# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 38. Impairment loss on assets

#### CONSOLIDATED

	For the year ended 31 December	
	2011	2010
Bad Debt (reversal) losses	<b>(9,258,146.03)</b>	16,022,792.79
(Reversal) written-down of inventories	<b>(1,807,795.58)</b>	3,953,364.35
Impairment on fixed assets	—	1,354,193.37
Impairment on long-term equity investments	<b>1,158,452.80</b>	—
Total	<b><u>(9,907,488.81)</u></b>	<u>21,330,350.51</u>

#### COMPANY

	For the year ended 31 December	
	2011	2010
Bad Debt (reversal) losses	<b>(8,208,341.70)</b>	18,603,965.77
(Reversal) written-down of inventories	<b>(1,807,795.58)</b>	—
Impairment on fixed assets	—	1,354,193.37
Total	<b><u>(10,016,137.28)</u></b>	<u>19,958,159.14</u>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Investment income

#### CONSOLIDATED

(1) Details of investment income

	For the year ended 31 December	
	2011	2010
Income from long-term equity investments under cost method	—	620,760.45
Income from long-term equity investments under equity method	<b>5,269,987.73</b>	3,111,474.34
Loss from disposal of equity investment	<b>(184,627.48)</b>	(2,014,786.65)
Total	<b>5,085,360.25</b>	1,717,448.14

(2) Income from long-term equity investments under cost method

	For the year ended 31 December	
	2011	2010
Shell Xin Yue (Foshan) Company Limited	—	620,760.45
Total	—	620,760.45

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Investment income (continued)

CONSOLIDATED (continued)

(3) Income (loss) from long-term equity investments under equity method

Investee	For the year ended 31 December	
	2011	2010
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	1,219,837.78	2,165,848.37
Guangdong Feida Traffic Engineering Company Limited	275,951.91	177,223.23
Southern United Assets and Equity Exchange Company Limited	1,317,793.07	839,262.40
Guangzhou Top- E Ya Tu Expressway Tourism Service Company Limited	(33,178.51)	(586,897.98)
Lu Feng Shen Shan Expressway Service Company Limited	526,212.95	449,811.67
Guangdong Foda Expressway Economy Development Company Limited	(176,353.25)	46,523.25
Shenzhen Yueyun Investment Development Company Limited	160,747.75	120,853.41
Express Cross-Border Coach Management Company Limited	—	(101,150.01)
Guangdong Communications Telecommunications Company Limited	1,978,976.03	—
Total	5,269,987.73	3,111,474.34

(4) The Group has no significant restrictions on remittance of investment income.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Investment income (continued)

#### COMPANY

##### (1) Details of investment income

	For the year ended 31 December	
	2011	2010
Income from long-term equity investments under cost method	<b>3,266,149.56</b>	97,115,967.06
Income from long-term equity investments under equity method	<b>2,102,708.83</b>	1,918,778.06
Entrust loan interest income	<b>202,888.60</b>	93,851.35
Total	<b>5,571,746.99</b>	99,128,596.47

##### (2) Income from long-term equity investments under cost method

Investee	For the year ended 31 December	
	2011	2010
Guangdong NanYue Logistics International Services Company Limited	—	19,825,023.72
Guangdong South China Logistics Enterprise Company Limited	—	27,961,854.12
Guangzhou Top-E Expressway Service Zone Company Limited	—	42,482,421.78
The Motor Transport Company of Guangdong and Hong Kong Limited	<b>2,577,853.35</b>	6,846,667.44
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	<b>688,296.21</b>	—
Total	<b>3,266,149.56</b>	97,115,967.06

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Investment income (continued)

COMPANY (continued)

(3) Income from long-term equity investments under equity method

Investee	For the year ended 31 December	
	2011	2010
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	508,963.85	902,292.43
Guangdong Feida Traffic Engineering Company Limited	275,951.91	177,223.23
Southern United Assets and Equity Exchange Company Limited	1,317,793.07	839,262.40
Total	2,102,708.83	1,918,778.06

(4) The Company has no significant restrictions on remittance of investment income.

### 40. Non-operating income

CONSOLIDATED

(1) Details of non-operating income are as follows:

	For the year ended 31 December		Non-recurring profit for the year
	2011	2010	
Total gains on disposal of non-current assets	980,382.63	2,990,744.75	980,382.63
Including: Gains on disposal of fixed assets	980,382.63	202,857.47	980,382.63
Gains on disposal of intangible assets	—	2,787,887.28	—
Donations received	773,844.66	1,708,851.96	773,844.66
Government grants	6,075,961.27	5,255,649.09	1,528,340.80
Others	2,679,707.40	1,697,078.80	1,883,661.20
Total	10,509,895.96	11,652,324.60	5,166,229.29

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 40. Non-operating income (continued)

CONSOLIDATED (continued)

(2) Details of government grants

	For the year ended 31 December		Explanation
	2011	2010	
Xinjiang cotton transportation cost subsidy	—	1,632,000.00	Subsidy for Xinjiang cotton transportation cost from Ministry of Finance
Subsidy for replacing Euro II diesel vehicles	<b>893,940.80</b>	—	Subsidy from the Hong Kong Government
The pearl river delta Expressway traffic information sharing and induction management system	<b>100,000.00</b>	—	Project funds from Guangdong
Key software subsidy of Guangzhou Baiyun District	—	1,000,000.00	Software subsidy from Guangzhou Baiyun District Science and Technology Bureau

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 40. Non-operating income (continued)

CONSOLIDATED (continued)

(2) Details of government grants (continued)

	For the year ended 31 December		Explanation
	2011	2010	
Project research funds industry development	—	300,000.00	The fourth batch of Guangzhou software project funds 2009
Refund of value-added tax	<b>4,547,620.47</b>	1,723,649.09	Refund of value-added tax levied from sales of software
Expressway traffic monitoring and operation project fund	<b>300,000.00</b>	—	Guangdong Transportation Bureau subsidy
Multi-mode intelligent video identification and trial production project fund	<b>200,000.00</b>	—	Guangdong Transportation Bureau subsidy
Traffic comprehensive monitoring center technical standards acceptance inspection	—	600,000.00	Guangdong Transportation Bureau subsidy
Funds to high-tech corporation from Tianhe District Economic and Trade Bureau	<b>34,400.00</b>	—	Tianhe District Economic and Trade Bureau subsidies
Total	<b>6,075,961.27</b>	5,255,649.09	

Note: The Government grants that recognised in profit and loss are government grants that income related.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 40. Non-operating income (continued)

#### COMPANY

(1) Details of non-operating income are as follows:

	For the year ended 31 December		Non-recurring profit for the year
	2011	2010	
Gains on disposal of fixed assets	158,246.92	—	158,246.92
Others	—	836,993.17	—
Total	158,246.92	836,993.17	158,246.92

### 41. Non-operating expenses

	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
Losses on disposal of fixed assets	454,547.10	815,886.35	34,990.75	—
Donations to third parties	60,000.00	—	—	—
Others	2,360,136.66	408,048.79	5,256.75	66,003.91
Total	2,874,683.76	1,223,935.14	40,247.50	66,003.91

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 42. Income tax expense

	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
Current tax expense calculated according to tax laws and relevant requirements	<b>46,202,183.36</b>	51,362,454.77	<b>33,788,032.38</b>	35,573,015.93
Including: Enterprise income tax	<b>45,935,345.37</b>	51,167,364.43	<b>33,788,032.38</b>	35,573,015.93
Hong Kong profits tax	<b>266,837.99</b>	195,090.34	—	—
Adjustments to income tax of last year	<b>803,130.15</b>	988,743.13	<b>550,984.87</b>	—
Adjustments to deferred tax	<b>2,049,772.74</b>	(7,793,296.79)	<b>3,592,911.61</b>	(4,994,643.86)
<b>Total</b>	<b>49,055,086.25</b>	44,557,901.11	<b>37,931,928.86</b>	30,578,372.07

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 42. Income tax expense (continued)

Reconciliation of income tax expense to the accounting profit is as follows:

	Consolidated		Company	
	For the year ended December		For the year ended 31 December	
	2011	2010	2011	2010
Accounting profit	119,427,396.85	156,454,533.99	141,168,453.51	211,774,314.52
Income tax expense calculated at 25% (prior year: 25%)	29,856,849.21	39,113,633.50	35,292,113.38	52,943,578.63
Effect of expenses that are not deductible for tax purposes	8,205,672.30	4,503,262.76	2,816,395.25	883,700.29
Effect of tax-free income	(3,138,236.16)	(25,385,082.44)	(727,564.64)	(23,248,906.85)
R&D expense additional deduction	(161,347.93)	(619,705.84)	—	—
Effect of unrecognised deductible losses and deductible temporary differences	14,896,688.09	27,253,198.36	—	—
Effect of using previously unrecognised deductible losses and deductible temporary differences	(2,705,286.53)	(58,867.60)	—	—
Effect of different tax rates of subsidiaries	1,297,617.11	(1,237,280.76)	—	—
Adjustment to income tax of prior year	803,130.15	988,743.13	550,984.87	—
Total	49,055,086.25	44,557,901.11	37,931,928.86	30,578,372.07

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 43. Calculation process of basic earnings per share and diluted earnings per share

- (1) For the purpose of calculating basic earnings per share, net profit for the year attributable to shareholders of the Company for the year is as follows:

	For the year ended 31 December	
	2011	2010
Net profit attributable to shareholders of the Company	82,862,482.80	105,414,046.28
Including: Net profit from continuing operations	<u>82,862,482.80</u>	<u>105,414,046.28</u>

- (2) For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

	For the year ended 31 December	
	2011	2010
Number of ordinary shares outstanding at the beginning of year	417,641,867	417,641,867
Add: Weighted average number of ordinary shares issued during the year	—	—
Number of ordinary shares outstanding at the end of year	<u>417,641,867</u>	<u>417,641,867</u>

The Company has no dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 43. Calculation process of basic earnings per share and diluted earnings per share (continued)

#### (3) Earnings per share

	For the year ended 31 December	
	2011	2010
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.20	0.25
Diluted earnings per share	0.20	0.25
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	0.20	0.25
Diluted earnings per share	0.20	0.25

### 44. Other comprehensive income

#### CONSOLIDATED

	For the year ended 31 December	
	2011	2010
Translation differences of financial statements denominated in foreign currencies	(10,687,891.20)	(7,643,348.55)

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 45. Notes to the cash flow statement

#### (1) Other cash receipts relating to operating activities

	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
Interest income	14,570,491.16	15,869,413.73	13,084,175.69	7,601,190.77
Non-operating cash income	1,554,053.18	1,698,061.02	—	—
Decrease in other operating receivables	—	26,066,205.77	41,830,173.84	187,297,260.29
Government subsidies	1,528,340.80	3,532,000.00	—	—
Previously restricted bank deposit released	181,735,905.42	—	183,000,000.00	—
Others	—	—	8,208,341.70	4,836,993.17
<b>Total</b>	<b>199,388,790.56</b>	<b>47,165,680.52</b>	<b>246,122,691.23</b>	<b>199,735,444.23</b>

#### (2) Other cash payments relating to operating activities

	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
Expenditures settled by cash	136,399,841.74	159,377,938.86	102,095,504.64	99,064,236.84
Financial expenses excluded interest expenditure	1,999,449.46	5,297,045.48	5,174,921.70	3,442,966.17
Non-operating cash expenditures	1,979,914.31	408,048.79	40,247.50	66,003.91
Increase in other operating receivables	35,894,593.34	—	8,383,777.60	—
Decrease in other operating payables	—	143,077,992.04	—	151,180,062.63
Restricted bank deposit	—	175,907,371.11	—	183,000,000.00
Others	—	—	19,800.52	—
<b>Total</b>	<b>176,273,798.85</b>	<b>484,068,396.28</b>	<b>115,714,251.96</b>	<b>436,753,269.55</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 45. Notes to the cash flow statement (continued)

#### (3) Other cash receipts relating to investing activities

	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
Inter-Group cash pool receipts	—	—	21,559,406.64	—
Total	—	—	21,559,406.64	—

#### (4) Other cash payments relating to investing activities

	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
Inter-Group cash pool receipts	—	—	—	5,674,263.28
Inter-Group cash pool interest expense	—	—	3,121,107.62	3,106,613.13
Total	—	—	3,121,107.62	8,780,876.41

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 46. Supplementary information to the cash flow statement

#### (1) Supplementary information to the cash flow statement

Supplementary information	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
(1) Reconciliation of net profit to cash flow from operating activities:				
Net profit	<b>70,372,310.60</b>	111,896,632.88	<b>103,236,524.65</b>	181,195,942.45
Add: Provision for impairment losses of assets	<b>(9,907,488.81)</b>	21,330,350.51	<b>(10,016,137.28)</b>	19,958,159.14
Depreciation of fixed assets	<b>59,052,497.19</b>	73,654,645.40	<b>2,325,797.75</b>	2,530,800.64
Depreciation of investment property	<b>405,347.03</b>	323,115.35	—	—
Amortisation of intangible assets	<b>17,702,228.45</b>	17,370,453.43	<b>15,377,868.20</b>	15,234,179.15
Amortisation of long-term prepaid expenses	<b>2,233,657.45</b>	3,301,052.29	<b>554,921.01</b>	443,457.52
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains)	<b>(1,676,063.55)</b>	(2,111,815.09)	<b>(123,256.17)</b>	—
Financial expenses (income)	<b>31,719,670.11</b>	36,858,513.80	<b>20,666,895.88</b>	23,793,269.55
Losses (gains) arising from investments	<b>(5,085,360.25)</b>	(1,717,448.14)	<b>(5,571,746.99)</b>	(99,128,596.47)
Decrease(increase) in deferred tax assets	<b>2,044,333.79</b>	(8,582,914.06)	<b>3,592,911.61</b>	(4,994,643.87)
Increase (decrease)in deferred tax liabilities	<b>(6,055.13)</b>	(753,338.70)	—	—
Decrease (increase)in inventories	<b>192,304,907.17</b>	11,626,601.76	<b>123,446,382.24</b>	45,835,265.38

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 46. Supplementary information to the cash flow statement (continued)

#### (1) Supplementary information to the cash flow statement (continued)

Supplementary information	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
(1) (continued)				
Decrease (increase) in receivables from operating activities	<b>(55,870,163.72)</b>	246,431,799.23	<b>2,175,173.70</b>	161,011,297.55
Increase(decrease) in payables from operating activities	<b>518,706,780.08</b>	(296,990,177.55)	<b>437,850,169.78</b>	(277,245,606.49)
Changes in special reserve	<b>1,575,372.43</b>	1,379,199.25	<b>(2,600.00)</b>	—
Others	—	—	—	—
Net cash flow from operating activities	<b>823,571,972.84</b>	214,016,670.36	<b>693,512,904.38</b>	68,633,524.55
(2) Net increase in cash and cash equivalents:				
Closing balance of cash	<b>2,090,675,547.91</b>	1,499,809,372.26	<b>1,784,886,260.82</b>	1,160,647,604.49
Less: Opening balance of cash	<b>1,499,809,372.26</b>	1,489,029,271.26	<b>1,160,647,604.49</b>	1,104,579,834.21
Net increase in cash and cash equivalents	<b>590,866,175.65</b>	10,780,101.00	<b>624,238,656.33</b>	56,067,770.28

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 46. Supplementary information to the cash flow statement (continued)

#### (2) Composition of cash and cash equivalents

Supplementary information	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
I. Cash				
Including: Cash on hand	3,189,513.57	3,506,173.40	8,324.96	2,700.84
Bank deposits	2,087,486,034.34	1,496,303,198.86	1,784,877,935.86	1,160,644,903.65
Other monetary funds	—	—	—	—
II. Closing balance of cash and cash equivalents	2,090,675,547.91	1,499,809,372.26	1,784,886,260.82	1,160,647,604.49
Restricted other monetary funds	1,555,674.69	183,291,580.11	—	183,000,000.00
III. Closing balance of cash and cash equivalents	2,092,231,222.60	1,683,100,952.37	1,784,886,260.82	1,343,647,604.49

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### CONSOLIDATED

#### 1. Parent of the Company

Name of the parent	Related party relationship	Place of incorporation	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent(%)	Proportion of the Company's voting power held by the parent(%)
Guangdong Provincial Communication Group Company Limited	Parent company and Ultimate controlling party	Guangdong, China	Transportation infrastructure construction and highway project operation	26,800,000,000.00	34.06	34.06

2. The details of the Group's subsidiaries please refer to Note V.

3. The details of the Group's associates and joint ventures please refer to Note VI (9).

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Other related parties of the Group

	Related party relationships
Guangdong Provincial Highway Construction Company Limited	Under control of ultimate holding company and holds 23.1% share of the Company
Guangdong Communication Enterprise Investment Company Limited	Under control of ultimate holding company and holds 5.36% share of the Company
Guangdong Province Road & Bridge Construction Development Company Limited	Under control of ultimate holding company and holds 2.48% share of the Company
Guangdong Weisheng Transportation & Enterprises Company Limited	Under control of ultimate holding company and holds 1.96% share of the Company
Guangdong Feida Traffic Engineering Company Limited	Associates
Guangdong Foda Expressway Economy Development Company Limited	Associates
Guangdong Communications Telecommunications Company Limited	Associates
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	Associates
Express Cross-Border Coach Management Company Limited	Associates
Shenzhen Yueyun Investment Development Company Limited	Associates
Lufeng Shenshan Expressway Company Limited	Joint Venture
Guangdong Bo-Da Expressway Company Limited	Under control of ultimate holding company
Guangdong Er-Guang Expressway Company Limited	Under control of ultimate holding company
Guangdong Guanyue Highway & Bridge Company Limited	Under control of ultimate holding company
Guangdong Guanghui Expressway Company Limited	Under control of ultimate holding company
Guangdong Guangle Expressway Company Limited	Under control of ultimate holding company
Guangdong He-hui Highway Company Limited	Under control of ultimate holding company
Guangdong Jiangzhong Expressway Company Limited	Under control of ultimate holding company
Guangdong Kai Yang Expressway Company Limited	Under control of ultimate holding company
Guangzhou Leatop Real Estate Investment Company Limited	Under control of ultimate holding company
Guangdong Lulutong Company Limited	Under control of ultimate holding company
Guangdong Maozhan Expressway Company Limited	Under control of ultimate holding company
Guangdong Meihe Expressway Company Limited	Under control of ultimate holding company
Guangdong Shanfen Expressway Company Limited	Under control of ultimate holding company
Guangdong Shanjie Expressway Company Limited	Under control of ultimate holding company
Guangdong Provincial Fokai Expressway Company Limited	Under control of ultimate holding company
Guangdong Provincial Freeway Company Limited	Under control of ultimate holding company

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Other related parties of the Group (continued)

	Related party relationships
Guangdong Province Expressway Construction Materials Supply Station	Under control of ultimate holding company
Guangdong Provincial Traffic Development Company Limited	Under control of ultimate holding company
Guangdong Provincial Motor Transportation Group Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Xinhui Section Company Limited	Under control of ultimate holding company
Guangdong Provincial Chang Da Highway Engineering Company Limited	Under control of ultimate holding company
Guangdong Taishan Coastal Expressway Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Zhuhai Section Company Limited	Under control of ultimate holding company
Guangdong Yang-Mao Expressway Company Limited	Under control of ultimate holding company
Guangdong Yu-Zhan Expressway Company Limited	Under control of ultimate holding company
Guangdong Yue Dong Freeway Industry Development Company Limited	Under control of ultimate holding company
Guangdong Yue-Gan Expressway Company Limited	Under control of ultimate holding company
Guangdong Yun-Wu Expressway Company Limited	Under control of ultimate holding company
Guangdong Zhan-Xu Expressway Company Limited	Under control of ultimate holding company
Guangdong Zhaoyang Expressway Company Limited	Under control of ultimate holding company
Guangfo Expressway Company Limited	Under control of ultimate holding company
Guang-Shen-Zhu Expressway Company Limited	Under control of ultimate holding company
Guangzhou Newsoft Technology Company Limited	Under control of ultimate holding company
Guangzhou Xin Yue Asphalt Company Limited	Under control of ultimate holding company
Heyuan He-Long Expressway Company Limited	Under control of ultimate holding company
Jingzhu Expressway Guangzhu Section Company Limited	Under control of ultimate holding company
Weisheng Transportation & Enterprises Company Limited	Under control of ultimate holding company
Xin Yue Company Limited	Under control of ultimate holding company
Yingde Yue-Ying Expressway Operation Company Limited	Under control of ultimate holding company
Yunfu Guangyun Expressway Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Operation Company Limited	Under control of ultimate holding company
Guangdong Expressway Technology Investment Company Limited	Under control of ultimate holding company
Guangdong Heng-Jian Highway Development Company Limited	Under control of ultimate holding company
Guangdong Luo-Yang expressway Company Limited	Under control of ultimate holding company
Guangdong Western Shen-Shan expressway Company Limited	Under control of ultimate holding company
Guangdong Provincial Expressway Development Company Limited	Under control of ultimate holding company

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Other related parties of the Group (continued)

	Related party relationships
Guangdong Gao-Da Property Development Company Limited	Under control of ultimate holding company
Guangdong Gaintop Highway Engineering Construction Group Company Limited	Associates of ultimate holding company
Guangdong Jingzhu Expressway Guangzhou North Section Company Limited	Associates of ultimate holding company
Foshan Guang-San Expressway Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Guangshan Expressway Huizhou Section Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Humen Bridge Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Shen-Shan Expressway East Section Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Province Expressway Mechanical Material Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Yuejia Expressway Company Limited	Associates of ultimate holding company's subsidiary
Hui-Shen (Yantian) Expressway Huizhou Section Company Limited	Associates of ultimate holding company's subsidiary
Jiangmen Jiang-He Expressway Company Limited	Associates of ultimate holding company's subsidiary
Shenzhen Huiyan Expressway Company Limited	Associates of ultimate holding company's subsidiary
Zhaoqing Yuezhao Expressway Company Limited	Associates of ultimate holding company's subsidiary
Guang-He Expressway Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Road Information Development Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Guangzhou Expressway West Section Company Limited	Associates of ultimate holding company's subsidiary

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions

#### CONSOLIDATED

(1) Sales and purchase of goods, provision and receipt of services

Sales and purchases of goods, provision and receipt of services between the Group and related parties were as follows:

	<b>For the year ended 31 December</b>	
	<b>2011</b>	2010
<b>Material logistics service income</b>		
Guangdong Guanyue Highway & Bridge Company Limited	<b>455,027,382.96</b>	497,759,352.79
Guangdong Gaintop Highway Engineering Construction Group Company Limited	<b>166,376,043.24</b>	477,840,953.14
Guangdong Provincial Freeway Company Limited	—	110,649,758.55
Guangdong Provincial Chang Da Highway Engineering Company Limited	<b>891,831,105.36</b>	945,176,848.49
Guangzhou Xin Yue Asphalt Company Limited	<b>59,079,695.12</b>	—
Guangdong Provincial Highway Construction Company Limited	—	38,645,308.87
Guangdong Province Road & Bridge Construction Development Company Limited	—	394,017.08
Xin Yue Company Limited	—	219,875,311.64
Guangdong Guanghui Expressway Company Limited	—	608,740.15
Guangdong Communication Enterprise Investment Company Limited	—	11,015,686.96
Guangdong Provincial Expressway Development Company Limited	—	169,008.55
Guangdong Feida Traffic Engineering Company Limited	—	1,278,031.52
	<b>1,572,314,226.68</b>	<b>2,303,413,017.74</b>

The above material logistics service transactions have been conducted in accordance with the service contracts between the relevant companies under the Group and the above related parties, based on the Material Logistics Services Master Agreement signed between the Company and Guangdong Provincial Communication Group Company Limited on 27 September 2005. The selling price was determined by cost of materials plus a certain margin; among which the transaction with related parties as contractors are disclosed as above.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

#### CONSODIATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Transportation intelligence service income</b>		
Guangdong Bo-Da Expressway Company Limited	1,970,034.07	—
Guangdong Er-Guang Expressway Company Limited	49,572.65	—
Guangdong Feida Traffic Engineering Company Limited	4,248,290.36	6,593,871.00
Guangdong Guanyue Highway & Bridge Company Limited	2,530,142.00	—
Guangdong Guanghui Expressway Company Limited	(6,740,729.19)	313,471.31
Guangdong Guangle Expressway Company Limited	2,680,248.36	—
Guangdong Guangzhu Expressway West Section Company Limited	12,420,533.00	—
Guangdong Humen Bridge Company Limited	965,182.48	—
Guangdong Jiangzhong Expressway Company Limited	957,866.00	—
Guangdong Communication Enterprise Investment Company Limited	1,444,444.45	—
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	(562,271.61)	—
Guangdong Gaintop Highway Engineering Construction Group Company Limited	630,795.65	—
Guangdong Kai Yang Expressway Company Limited	459,811.00	—
Guangdong Luoyang Expressway Company Limited	1,948,750.42	—
Guangdong Maozhan Expressway Company Limited	125,229.51	—
Guangdong Meihe Expressway Company Limited	8,696,828.00	—
Guangdong Shanfen Expressway Company Limited	3,126,709.55	—
Guangdong Shanjie Expressway Company Limited	1,467,466.33	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

CONSODIATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Transportation intelligence</b>		
<b>service income</b> <i>(continued)</i>		
Guangdong Shen-Shan Expressway		
East Company Limited	1,816,030.04	—
Guangdong Western Shen-Shan Expressway		
Company Limited	6,557,423.18	—
Guangdong Provincial Fokai Expressway		
Company Limited	3,647,529.00	—
Guangdong Provincial Freeway Company Limited	30,752,097.07	78,915,016.31
Guangdong Provincial Highway Construction		
Company Limited	19,496,488.51	65,037,373.36
Guangdong Province Road & Bridge		
Construction Development		
Company Limited	23,217,461.80	161,198,215.93
Guangdong Provincial Chang Da Highway		
Engineering Company Limited	3,562,111.00	—
Guangdong Coastal Expressway Xinhui		
Section Company Limited	425,062.00	—
Guangdong Coastal Expressway Operation		
Company Limited	1,072,687.49	—
Guangdong Coastal Expressway Zhuhai Section		
Company Limited	884,980.00	—
Guangdong Yang-Mao Expressway Company Limited	263,562.00	—
Guangdong Yu-Zhan Expressway Company Limited	50,000.00	—
Guangdong Yue Dong Freeway		
Industry Development Company Limited	3,894,256.00	—
Guangdong Yue-Gan Expressway Company Limited	5,251,263.00	—
Guangdong Yuejia Expressway Company Limited	1,198,432.00	—
Guangdong Yun-Wu Expressway Company Limited	8,321,453.10	—
Guangdong Zhaoyang Expressway Company Limited	716,202.03	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

#### CONSODIATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Transportation intelligence</b>		
<b>service income</b> <i>(continued)</i>		
Guangfo Expressway Company Limited	2,220,814.00	—
Guang-Shen-Zhu Expressway Company Limited	385,000.00	—
Heyuan He-Long Expressway Company Limited	6,626,794.63	—
Hui-Shen (Yantian) Expressway Huizhou Section Company Limited	1,416,857.96	—
Jingzhu Expressway Guangzhu Section Company Limited	1,123,069.10	—
Shenzhen Huiyan Expressway Company Limited	68,900.00	—
Yingde Yue-Ying Expressway Operation Company Limited	97,897.43	—
Yunfu Guangyun Expressway Company Limited	(1,145,439.60)	—
Guang-He Expressway Company Limited	11,297,566.42	—
Zhaoqing Yuezhao Expressway Company Limited	3,312,450.50	—
Guangdong Provincial Communication Group Company Limited	200,000.00	—
Guangdong Provincial Expressway Development Company Limited	—	2,267,570.69
Guangzhou Leatop Real Estate Investment Company Limited	—	140,170.94
Xin Yue Company Limited	—	507,402.00
	<b>173,149,851.69</b>	<b>314,973,091.54</b>

The above transportation intelligence service transactions have been conducted in accordance with the service contracts between the relevant companies under the Group and the above related parties, based on the Intelligence Transportation Service and Other Ancillary Services Master Agreement signed between the Company and Guangdong Provincial Communication Group Company Limited on 27 September 2005. Transaction price was negotiated between both parties.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

CONSOLIDATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Expressway service zones operation income</b>		
Guangdong Guanyue Highway & Bridge Company Limited	<b>150,000.00</b>	—
Guangdong Humen Bridge Company Limited	<b>482,362.86</b>	544,273.66
Guangdong Jiangzhong Expressway Company Limited	<b>956,684.62</b>	—
Guangdong Provincial Expressway Development Company Limited	—	988,750.00
Guangdong Provincial Freeway Company Limited	<b>17,304.00</b>	10,588,358.74
Communication Group Company Limited	<b>518,052.00</b>	1,500.00
Guangdong Province Road & Bridge Construction Development Company Limited	<b>788,215.62</b>	4,487,658.28
Guangdong Provincial Chang Da Highway Engineering Company Limited	<b>321,341.80</b>	—
Guang-Shen-Zhu Expressway Company Limited	<b>500,600.00</b>	—
Heyuan He-Long Expressway Company Limited	<b>124,276.94</b>	—
Xin Yue Company Limited	—	5,567,740.24
Guangdong Provincial Highway Construction Company Limited	—	4,190,282.00
Guangdong Communication Enterprise Investment Company Limited	—	49,024.00
Guangdong Guanghui Expressway Company Limited	—	4,259,628.03
Lufeng Shenshan Expressway Company Limited	<b>66,400.00</b>	—
	<b>3,925,237.84</b>	30,677,214.95

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

#### CONSOLIDATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Cross-border transportation services income</b>		
Express Cross-Border Coach Management Company Limited	<b>20,130,658.19</b>	22,711,049.53
<b>Rendering of services income</b>		
Guangdong Province Road & Bridge Construction Development Company Limited	<b>1,427,829.33</b>	—
<b>Purchase of materials</b>		
Guangdong Lulutong Company Limited	<b>755,007.65</b>	—
Guangzhou Newsoft Technology Company Limited	<b>9,177,000.00</b>	—
Guangzhou Xin Yue Asphalt Company Limited	<b>34,935,902.74</b>	—
Mechanical Material Company Limited	<b>7,475,227.67</b>	—
Guangdong Province Expressway Construction Materials Supply Station	<b>17,517,948.72</b>	—
Xin Yue Company Limited	—	533,721,551.01
Guangdong Gaintop Highway Engineering Construction Group Company Limited	—	55,682,964.39
	<b>69,861,086.78</b>	589,404,515.40

The above purchase of materials transactions have been conducted in accordance with the service contracts between the relevant companies under the Group and the above related parties, based on the Material Purchase Master Agreement signed between the Company and Guangdong Provincial Communication Group Company Limited on 27 September 2005. Transaction price was negotiated between both parties.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

#### CONSODIATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Expressway service zones operation expenses</b>		
Foshan Guang-San Expressway Company Limited	482,652.90	—
Guangdong Guangzhu Expressway West Section Company Limited	1,450,000.00	—
Guangdong He-hui Highway Company Limited	1,224,653.75	—
Guangdong Humen Bridge Company Limited	392,013.76	—
Guangdong Jiangzhong Expressway Company Limited	3,083,750.00	—
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	231,537.36	—
Guangdong Kai Yang Expressway Company Limited	5,270,699.00	—
Guangdong Maozhan Expressway Company Limited	2,449,740.96	—
Guangdong Meihe Expressway Company Limited	3,674,738.50	—
Guangdong Shanfen Expressway Company Limited	2,003,110.00	—
Guangdong Shanjie Expressway Company Limited	1,081,800.82	—
Guangdong Shen-Shan Expressway East Section Company Limited	2,595,898.00	—
Guangdong Provincial Freeway Company Limited	5,515,464.26	28,741,244.12
Guangdong Provincial Highway Construction Company Limited	3,021,159.98	5,493,051.66
Guangdong Taishan Coastal Expressway Company Limited	611,808.50	—
Guangdong Coastal Expressway Zhuhai Section Company Limited	1,230,163.38	—
Guangdong Yang-Mao Expressway Company Limited	3,772,900.00	—
Guangdong Yu-Zhan Expressway Company Limited	2,586,638.50	—
Guangdong Yue Dong Freeway Industry Development Company Limited	1,045,811.02	—
Guangdong Yue-Gan Expressway Company Limited	8,529,283.33	—
Guangdong Yuejia Expressway Company Limited	327,735.86	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

#### CONSODIATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Expressway service zones</b>		
<b>operation expenses</b> <i>(continued)</i>		
Guangdong Yun-Wu Expressway Company Limited	1,155,000.00	—
Guangdong Zhan-Xu Expressway Company Limited	4,000,000.00	—
Guangdong Zhaoyang Expressway Company Limited	1,500,000.00	—
Guangfo Expressway Company Limited	1,446,627.77	—
Guang-Shen-Zhu Expressway Company Limited	12,565,297.38	—
Heyuan He-Long Expressway Company Limited	1,514,149.00	—
Hui-Shen (Yantian) Expressway Huizhou Section Company Limited	85,539.13	—
Jingzhu Expressway Guangzhu Section Company Limited	1,661,000.00	—
Guangdong Coastal Expressway Xinhui Section Company Limited	96,149.30	—
Yunfu Guangyun Expressway Company Limited	1,122,401.56	—
Zhaoqing Yuezhao Expressway Company Limited	1,200,000.00	—
Guangdong Communication Enterprise Investment Company Limited	—	4,105,300.00
Guangdong Provincial Expressway Development Company Limited	—	1,200,000.00
Guangdong Province Road & Bridge Construction Development Company Limited	6,949,585.50	10,284,740.92
Xin Yue Company Limited	—	1,671,729.96
	<b>83,877,309.52</b>	<b>51,496,066.66</b>

The above expressway service zones operation transactions have been conducted in accordance with the service contracts between the relevant companies under the Group and the above related parties, based on the First Right of Operation Agreement signed between the Company and Guangdong Provincial Communication Group Company Limited on 15 September 2005. Transaction price was negotiated between both parties.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

CONSOLIDATED *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Rental expenses</b>		
Guang-Shen-Zhu Expressway Company Limited	<b>615,613.92</b>	615,613.92
Guangdong Humen Bridge Company Limited	<b>600,000.00</b>	600,000.00
	<b>1,215,613.92</b>	1,215,613.92
<b>Service expenses</b>		
Guangdong Feida Traffic Engineering Company Limited	<b>4,302,520.13</b>	689,672.62
Guangdong Communication Enterprise Investment Company Limited	—	509,831.49
Guangdong Provincial Highway Construction Company Limited	—	615,613.92
Guangdong Humen Bridge Company Limited	<b>4,200,000.00</b>	4,200,000.00
Guangdong Gaintop Highway Engineering Construction Group Company Limited	<b>8,411,561.63</b>	4,123,425.84
Guangdong Provincial Freeway Company Limited	—	2,833,861.85
Guangdong Gaoda Property Development Company Limited.	<b>952,971.39</b>	1,133,224.19
	<b>17,867,053.15</b>	14,105,629.91

(2) Loans with related parties

On December 31, 2011, Shenzhen Yue Gang Transport Company Limited, a subsidiary of the Company, provided an interest free loan of RMB38,860,500.00 to Shenzhen Yueyun Investment Development Company Limited, an associate of the Company according to its pro rata shareholding. The loan will be repaid by Shenzhen Yueyun Investment Development Company Limited at specified amounts on annual basis from 2012 to 2030. The Group has discounted the above loan according to amortised cost method (31 December 2010: RMB12,000,000.00, interest free, with no specific repayment date).

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### COMPANY

(1) Sales and purchase of goods, provision and receipt of services (continued)

	For the year ended 31 December	
	2011	2010
<b>Material logistics service income</b>		
Dongguan Nan Yue Jia Fu Logistics Company Limited	1,781,149.46	—
Guangdong Southchina Logistics Enterprise Company Limited	—	53,047,750.99
Guangdong Xin Yue Communications Investment Company Limited	—	2,469,867.00
	<b>1,781,149.46</b>	55,517,617.99
<b>Purchase of materials expenses</b>		
Guangdong Nan Yue Logistics International Services Company Limited	6,103,781.61	—
Guangdong Southchina Logistics Enterprise Company Limited	12,151,541.34	—
Dongguan Nan Yue Jia Fu Logistics Company Limited	7,280,000.00	—
Guangdong Nan Yue Logistics (HK) Company Limited	91,801,184.17	191,875,392.66
Guangdong Xin Yue Communications Investment Company Limited	1,985,388.09	—
	<b>119,321,895.21</b>	191,875,392.66

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

COMPANY *(continued)*

(1) Sales and purchase of goods, provision and receipt of services *(continued)*

	For the year ended 31 December	
	2011	2010
<b>Service expenses</b>		
Guangdong Guantong Expressway Assets Management Company Limited.	<b>37,331.62</b>	—
Guangdong Province Transportation Engineering Company Limited	<b>178,867.20</b>	—
Guangdong Southchina Logistics Enterprise Company Limited	<b>39,610,000.00</b>	13,813,711.75
Guangdong New Way Advertising Company Limited	<b>181,798.40</b>	224,046.99
Guangdong Tai Cheng Consulting Company Limited	—	6,504,692.37
Guangdong Nan Yue Logistics International Services Company Limited	—	7,546,792.20
Guangdong Oriental Thought Technology Company Limited	—	405,739.40
	<b>40,007,997.22</b>	28,494,982.71

(2) Leases with related parties

	For the year ended 31 December	
	2011	2010
Guangdong Province Transportation Engineering Company Limited	<b>1,639,651.20</b>	600,063.12

The Company leased the property located at Airport Road, Baiyun District from its subsidiary Guangdong Province Transportation Engineering Company Limited during the period commencing from 1 January 2011 to 31 December 2011. The annual rental, negotiated with reference to the market price, was RMB1,639,651.20. Rental expenses for this year amounted to RMB 1,639,651.20 (2010: RMB 600,063.12) was recognised in profit or loss for the current year.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

COMPANY *(continued)*

(3) Interest income and interest expense with related parties

	For the year ended 31 December	
	2011	2010
<b>Interest income</b>		
Guangdong Southchina Logistics Enterprise Company Limited	5,660,974.19	4,497,921.96
Guangdong Oriental Thought Technology Company Limited	202,888.60	93,851.35
Guangdong Xin Yue Communications Investment Company Limited	6,205,537.04	3,535,150.59
	<b>12,069,399.83</b>	8,126,923.90
<b>Interest expense</b>		
Guangdong Guantong Expressway Assets Management Company Limited	61,710.37	32,015.79
Guangdong Jindaoda Expressway Economic Development Company Limited	158,670.71	68,139.06
Guangdong Nan Yue Logistics International Services Company Limited	50,016.76	51,534.57
Guangdong Southchina Logistics Enterprise Company Limited	27,316.01	1,142.35
Guangdong Tai Cheng Consulting Company Limited	10,475.21	10,078.67
Guangdong Top-E Expressway Service Zone Company Limited	991,167.75	737,202.41
Guangdong New Way advertising Company Limited	86,600.43	72,702.59
Guangdong Xin Yue Communications Investment Company Limited	1,422.91	1,163.55
	<b>1,387,380.15</b>	973,978.99

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

COMPANY (continued)

(4) Assets transfer with related parties:

Related parties	Details of related party transaction	Type of related party transaction	Pricing principle of related party transaction	Amount for the year	Amount for the year
Guangdong Xin Yue Communications Investment Company Limited	Tai Ping Interchange bridge improvement	Assets purchase	Agreement pricing	6,538,619.48	—
Guangdong Oriental Thought Technology Company Limited	Purchase of software	Assets purchase	Agreement pricing	2,012,991.46	6,401,762.13
Guangdong Oriental Thought Technology Company Limited	Purchase of fixed asset	Assets purchase	Agreement pricing	194,700.86	—

(5) Compensation for key management personnel

The total compensation for key management personnel in the current year is RMB 7,316,907.79 (2010: RMB6,950,659.25).

Compensations for the 20 (2010: 20) directors and supervisors are as follows:

	Executive director				
	Liu Hong	Wang Weibing	Deng Chongzheng	Lu Maohao	Zeng Gangqiang
<b>2011:</b>					
Fee	—	—	—	—	—
Basic salaries and other allowances	589,257.60	583,798.62	854,147.85	217,778.65	491,737.52
Retirement plan contributions	20,566.98	20,566.98	9,800.00	—	20,566.98
<b>Total</b>	<b>609,824.58</b>	<b>604,365.60</b>	<b>863,947.85</b>	<b>217,778.65</b>	<b>512,304.50</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### COMPANY (continued)

#### (5) Compensation for key management personnel (continued)

	Executive director				
	Liu Hong	Wang Weibing	Deng Chongzheng	Lu Maohao	Zeng Gangqiang
2010:					
Fee	—	—	—	—	—
Basic salaries and other allowances	490,703.00	494,323.00	884,600.00	426,666.00	343,486.00
Retirement plan contributions	17,878.00	17,878.00	10,200.00	14,899.00	17,878.00
<b>Total</b>	<b>508,581.00</b>	<b>512,201.00</b>	<b>894,800.00</b>	<b>441,565.00</b>	<b>361,364.00</b>

	Non-executive and independent non-executive director							
	Cao Xiaofeng	Lu Yaxin	Zheng Renfa	Cai Xiaoju	Cai Conghua	Gui Shouping	Liu Shaobuo	Peng Xiaolei
2011:								
Fee	—	—	—	—	—	60,000.00	60,000.00	60,000.00
Basic salaries and other allowances	—	—	—	—	—	—	—	—
Retirement plan contributions	—	—	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>60,000.00</b>	<b>60,000.00</b>	<b>60,000.00</b>

2010:								
Fee	—	—	—	—	—	60,000.00	60,000.00	60,000.00
Basic salaries and other allowances	—	—	—	—	—	—	—	—
Retirement plan contributions	—	—	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>60,000.00</b>	<b>60,000.00</b>	<b>60,000.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

COMPANY *(continued)*

(5) Compensation for key management personnel *(continued)*

	Chen Chuxuan	Rao Fengsheng	Zhang Li	Supervisors			Zhou Jiede
				Li Hui	Xiao Li	Cheng Zhuo	
<b>2011:</b>							
Fee	—	—	—	—	—	48,000.00	48,000.00
Basic salaries and other allowances	—	472,425.97	326,595.87	284,065.26	—	—	—
Retirement plan contributions	—	20,566.98	20,566.98	20,566.98	—	—	—
<b>Total</b>	<b>—</b>	<b>492,992.95</b>	<b>347,162.85</b>	<b>304,632.24</b>	<b>—</b>	<b>48,000.00</b>	<b>48,000.00</b>
<b>2010:</b>							
Fee	—	—	—	—	—	48,000.00	48,000.00
Basic salaries and other allowances	—	407,393.00	258,974.00	235,383.00	—	—	—
Retirement plan contributions	—	17,878.00	17,878.00	17,878.00	—	—	—
<b>Total</b>	<b>—</b>	<b>425,271.00</b>	<b>276,852.00</b>	<b>253,261.00</b>	<b>—</b>	<b>48,000.00</b>	<b>48,000.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### COMPANY (continued)

#### (5) Compensation for key management personnel (continued)

In addition to the directors and supervisors above, the compensation for other key management personnel are as follows:

	For the year ended 31 December	
	2011	2010
Other key management personnel	<b>3,087,898.57</b>	3,000,764.25
Total	<b>3,087,898.57</b>	3,000,764.25

Note 1: Key management personnel are those personnel having the authority and responsibility for planning, directing and controlling the activities of the entity, including director, general manager, chief accountant, financial controller, vice general managers taking charge of each business unit, and personnel who perform similar strategic functions.

Note 2: During the current period, the Group and the Company have neither made any payments that served as a motivation for directors to join, nor paid any compensation for director's resignation

The five individuals whose emoluments were the highest in the Group for the current year include three (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year is as follows:

	For the year ended 31 December	
	2011	2010
Basic salaries and other allowances	<b>1,480,140.08</b>	1,456,057.00
Retirement plan contributions	<b>30,556.26</b>	28,012.00
Total	<b>1,510,696.34</b>	1,484,069.00

The individual emolument of the five individuals whose emoluments were the highest in the Group was below RMB1,000,000.00.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties

CONSOLIDATED

		As at 31 December	
	Related Party	2011	2010
Accounts receivable	Guangdong Bo-Da Expressway Company Limited	66,103,109.38	—
	Guangdong Feida Traffic Engineering Company Limited	12,665,274.26	6,317,908.35
	Guangdong Guanyue Highway & Bridge Company Limited	26,450,080.42	11,973,962.92
	Guangdong Guanghui Expressway Company Limited	4,576,498.32	5,436,095.13
	Guangdong Guangle Expressway Company Limited	39,128,004.74	—
	Guangdong Guangshan Expressway Huizhou Section Company Limited	321,121.02	—
	Guangdong Guangzhu Expressway West Section Company Limited	96,941,875.76	—
	Guangdong He-Hui Highway Company Limited	4,918,337.47	—
	Guangdong Humen Bridge Company Limited	1,605,878.60	—
	Guangdong Jiangzhong Expressway Company Limited	577,425.69	—
	Guangdong Communication Enterprise Investment Company Limited	900,000.00	22,668,527.09
	Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	284,602.30	—
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	7,694,382.81	—
	Guangdong Kai Yang Expressway Company Limited	138,600.00	—
	Guangzhou Leatop Real Estate Investment Company Limited	186,500.80	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties *(continued)*

CONSOLIDATED *(continued)*

		As at 31 December	
Related Party		2011	2010
Accounts receivable <i>(continued)</i>	Guangdong Luoyang Expressway Company Limited	1,197,392.00	—
	Guangdong Maozhan Expressway Company Limited	19,000.00	—
	Guangdong Meihe Expressway Company Limited	16,627,204.74	—
	Guangdong Shanfen Expressway Company Limited	3,727,077.18	—
	Guangdong Shanjie Expressway Company Limited	22,381,745.89	—
	Guangdong Shen-Shan Expressway East Section Company Limited	799,633.43	—
	Guangdong Provincial Fokai Expressway Company Limited	818,375.46	—
	Guangdong Provincial Freeway Company Limited	43,143,742.05	42,734,250.13
	Guangdong Provincial Highway Construction Company Limited	219,942.84	19,712,615.59
	Guangdong Provincial Traffic Development Company Limited	1,534,072.93	—
	Guangdong Province Road & Bridge Construction Development Company Limited	12,560,047.58	61,157,785.48
	Guangdong Provincial Chang Da Highway Engineering Company Limited	11,138,397.74	13,413,873.21
	Guangdong Western Shen-Shan expressway Company Limited	4,827,520.01	—
	Guangdong Coastal Expressway Xinhui Section Company Limited	1,604,224.62	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties *(continued)*

CONSOLIDATED *(continued)*

		As at 31 December	
Related Party		2011	2010
Accounts receivable <i>(continued)</i>	Guangdong Coastal Expressway Zhuhai Section Company Limited	<b>802,836.49</b>	—
	Guangdong Yang-Mao Expressway Company Limited	<b>35,000.00</b>	—
	Guangdong Yu-Zhan Expressway Company Limited	<b>2,360,742.86</b>	—
	Guangdong Yue Dong Freeway Industry Development Company Limited	<b>3,246,909.20</b>	—
	Guangdong Yue-Gan Expressway Company Limited	<b>5,445,253.09</b>	—
	Guangdong Yun-Wu Expressway Company Limited	<b>39,685,810.81</b>	—
	Guangdong Zhan-Xu Expressway Company Limited	<b>2,074,686.29</b>	—
	Guangfo Expressway Company Limited	<b>1,455,703.59</b>	—
	Guangdong Zhaoyang Expressway Company Limited	<b>63,468.05</b>	—
	Guang-Shen-Zhu Expressway Company Limited	<b>2,289,715.18</b>	—
	Guangzhou Xin Yue Asphalt Company Limited	<b>1,724,359.01</b>	—
	Hui-Shen (Yantian) Expressway Huizhou Section Company Limited	<b>560,970.87</b>	—
	Jingzhu Expressway Guangzhu Section Company Limited	<b>526,753.00</b>	—
	Shenzhen Huiyan Expressway Company Limited	<b>203,627.19</b>	—
	Yingde Yue-Ying Expressway Operation Company Limited	<b>70,476.34</b>	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December		
	Related Party	2011	2010	
Accounts receivable (continued)	Yunfu Guangyun Expressway Company Limited	348,711.35	—	
	Guang-He Expressway Company Limited	51,798,168.76	—	
	Zhaoqing Yuezhao Expressway Company Limited	840,328.49	—	
	Express Cross-Border Coach Management Company Limited	1,140,073.83	851,352.87	
	Guangdong Provincial Expressway Development Company Limited	—	1,091,252.14	
	Xin Yue Company Limited	—	18,499,351.97	
			<u>497,763,662.44</u>	<u>203,856,974.88</u>

		As at 31 December	
	Related Party	2011	2010
Accounts payable	Guangdong Expressway Technology Investment Company Limited	2,158.60	—
	Guangdong Guanyue Highway & Bridge Company Limited	65,526.87	68,883.30
	Guangdong Guangshan Expressway Huizhou Section Company Limited	320,236.62	—
	Guangdong He-Hui Highway Company Limited	1,150,534.85	—
	Guangdong Heng-Jian Expressway Company Limited	66,209.69	—
	Guangdong Humen Bridge Company Limited	350,000.00	—
	Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	35,409.36	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties *(continued)*

CONSOLIDATED *(continued)*

		As at 31 December	
Related Party		2011	2010
Accounts payable <i>(continued)</i>	Guangdong Gaintop Highway Engineering Construction Group Company Limited	<b>2,217,603.07</b>	1,909,226.51
	Guangdong Maozhan Expressway Company Limited	<b>119,999.95</b>	—
	Guangdong Meihe Expressway Company Limited	<b>665,638.50</b>	—
	Guangdong Shanfen Expressway Company Limited	<b>2,731,190.79</b>	—
	Guangdong Shanjie Expressway Company Limited	<b>4,059,999.96</b>	—
	Guangdong Western Shen-Shan expressway Company Limited	<b>1,129,726.72</b>	—
	Guangdong Provincial Freeway Company Limited	<b>16,553,987.60</b>	17,583,291.15
	Mechanical Material Company Limited	<b>19,759,300.98</b>	—
	Guangdong Province Expressway Construction Materials Supply Station	<b>7,059.11</b>	—
	Guangdong Provincial Highway Construction Company Limited	<b>1,625,000.00</b>	3,365,449.72
	Guangdong Provincial Chang Da Highway Engineering Company Limited	<b>4,894,524.01</b>	562,103.54
	Guangdong Yang-Mao Expressway Company Limited	<b>278,000.00</b>	—
	Guangdong Yu-Zhan Expressway Company Limited	<b>124,262.50</b>	—
	Guangdong Yue Dong Freeway Industry Development Company Limited	<b>3,385,811.02</b>	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December	
Related Party		2011	2010
Accounts payable (continued)	Guangdong Yue-Gan Expressway Company Limited	249,283.33	—
	Guangdong Yuejia Expressway Company Limited	98,835.86	—
	Guangdong Zhan-Xu Expressway Company Limited	4,333,333.33	—
	Guangdong Zhaoyang Expressway Company Limited	1,625,000.00	—
	Guang-Shen-Zhu Expressway Company Limited	433,000.00	—
	Guangzhou Newsoft Technology Company Limited	2,186,215.34	—
	Heyuan He-Long Expressway Company Limited	97,558.00	—
	Hui-Shen (Yantian) Expressway Huizhou Section Company Limited	65,374.47	—
	Jingzhu Expressway Guangzhu Section Company Limited	1,661,000.00	—
	Guangdong Taishan Coastal Expressway Company Limited	97,408.46	—
	Guangdong Coastal Expressway Xinhui Section Company Limited	96,149.30	—
	Guangdong Coastal Expressway Zhuhai Section Company Limited	94,963.38	—
	Xin Yue Company Limited	17,982.39	237,563,217.54
	Yunfu Guangyun Expressway Company Limited	610,793.56	341,221.96
	Zhaoqing Yuezhao Expressway Company Limited	1,200,000.00	—
	Guangdong Communication Enterprise Investment Company Limited	—	18,798,037.90

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December	
	Related Party	2011	2010
Accounts payable	Guangdong Provincial Expressway		
(continued)	Development Company Limited	—	336,311.69
	Guangdong Province Road & Bridge		
	Construction Development		
	Company Limited	<b>11,637,405.49</b>	13,797,549.96
		<b>84,046,483.11</b>	294,325,293.27

		As at 31 December	
	Related Party	2011	2010
Prepayments	Guangdong Gaintop Highway		
	Engineering Construction		
	Group Company Limited	—	1,491,558.00
	Guangdong Lulutong		
	Company Limited	<b>20,488.59</b>	—
	Guangdong Provincial Highway		
	Construction Company Limited	<b>146,119.85</b>	88,897.72
	Guangdong Jiangzhong Expressway		
	Company Limited	<b>259,000.00</b>	—
	Guangdong Provincial Traffic		
	Development Company Limited	<b>558,139.09</b>	—
	Guangdong Kai Yang Expressway		
	Company Limited	<b>1,653,928.40</b>	—
	Guangdong Provincial Motor		
	Transportation Group		
	Company Limited	<b>229,577.24</b>	250,150.95
	Xin Yue Company Limited	<b>31,089.62</b>	1,690,137.66
	Guangdong Foda Expressway		
	Economy Development		
	Company Limited	<b>415,406.77</b>	415,406.77
	Guangdong Provincial Freeway		
	Company Limited	—	2,212,067.49

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December	
	Related Party	2011	2010
Prepayments (continued)	Guangdong Communication Enterprise Investment Company Limited	—	2,524,098.88
	Communication Group Company Limited	—	31,560.00
	Guangdong Province Road & Bridge Construction Development Company Limited	—	906,112.04
		<b>3,313,749.56</b>	<b>9,609,989.51</b>
Receipts in advance	Guangdong Road Information Development Company Limited	<b>48,000.00</b>	—
	Guangdong Guanyue Highway & Bridge Company Limited	<b>165,495.00</b>	—
	Guangdong Guanghui Expressway Company Limited	<b>7,949.15</b>	—
	Guangdong Guangzhu Expressway West Section Company Limited	<b>119,100.00</b>	—
	Guangdong Humen Bridge Company Limited	<b>86,111.95</b>	—
	Guangdong western Shen-Shan expressway Company Limited	<b>17,635.53</b>	—
	Guangdong Jiangzhong Expressway Company Limited	<b>420,252.99</b>	—
	Guangdong Kai Yang Expressway Company Limited	<b>1,326,089.00</b>	—
	Guangdong Lulutong Company Limited	<b>81,000.00</b>	—
	Guangdong Maozhan Expressway Company Limited	<b>2,057,014.86</b>	—
	Guangdong Shanjie Expressway Company Limited	<b>107,242.47</b>	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties *(continued)*

CONSOLIDATED *(continued)*

		As at 31 December	
	Related Party	2011	2010
Receipts in advance	Guangdong Provincial Freeway		
<i>(continued)</i>	Company Limited	<b>29,742,032.11</b>	296,242,118.46
	Guangdong Provincial Highway		
	Construction Company Limited	<b>5,670,200.10</b>	34,626,763.61
	Guangdong Province Road &		
	Bridge Construction		
	Development Company Limited	<b>4,928,755.92</b>	6,500,813.86
	Guangdong Provincial Chang Da		
	Highway Engineering		
	Company Limited	<b>254,425.50</b>	—
	Guangdong Taishan Coastal		
	Expressway Company Limited	<b>128,809.34</b>	—
	Guangdong Coastal Expressway		
	Operation Company Limited	<b>334,658.25</b>	—
	Guangdong Coastal Expressway		
	Zhuhai Section Company Limited	<b>2,153,282.88</b>	—
	Guangdong Yang-Mao Expressway		
	Company Limited	<b>785,346.81</b>	—
	Guangdong Yue-Gan Expressway		
	Company Limited	<b>35,062.04</b>	—
	Guangdong Yuejia Expressway		
	Company Limited	<b>478,313.88</b>	—
	Guangdong Zhaoyang Expressway		
	Company Limited	<b>53,024,627.14</b>	—
	Guang-Shen-Zhu Expressway		
	Company Limited	<b>159,240.00</b>	—
	Heyuan He-Long Expressway		
	Company Limited	<b>628,364.03</b>	—
	Jingzhu Expressway Guangzhu		
	Section Company Limited	<b>5,720,615.51</b>	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

Item	Related Party	As at 31 December	
		2011	2010
Receipts in advance (continued)	Zhaoqing Yuezhao Expressway Company Limited	1,398,873.36	—
	Guangdong Communication Enterprise Investment Company Limited	—	645,923.86
		<b>109,878,497.82</b>	<b>338,015,619.79</b>

Item	Related Party	As at 31 December	
		2011	2010
Other receivables	Guangdong Feida Traffic Engineering Company Limited	595,843.44	95,243.44
	Guangdong Guanghui Expressway Company Limited	242,450.21	228,397.59
	Guangdong Guangle Expressway Company Limited	50,000.00	—
	Guangdong Guangzhu Expressway West Section Company Limited	4,613,393.77	—
	Guangdong Humen Bridge Company Limited	197,090.20	—
	Guangdong Jiangzhong Expressway Company Limited	75,036.54	—
	Guangdong Kai Yang Expressway Company Limited	167,257.00	—
	Guangdong Maozhan Expressway Company Limited	4,084,297.00	—
	Guangdong Shanjie Expressway Company Limited	421,181.15	—
	Guangdong Provincial Fokai Expressway Company Limited	2,135,053.70	—
	Guangdong Provincial Freeway Company Limited	7,873,078.03	10,371,947.62

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties *(continued)*

CONSOLIDATED *(continued)*

Item	Related Party	As at 31 December	
		2011	2010
Other receivables <i>(continued)</i>	Guangdong Provincial Highway Construction Company Limited	2,657,786.14	11,579,667.86
	Guangdong Province Road & Bridge Construction Development Company Limited	2,568,132.34	8,010,337.27
	Guangdong Provincial ChangDa Highway Engineering Company Limited	10,460,007.21	9,190,408.56
	Guangdong Weisheng Transportation Enterprise Company Limited	500,000.00	—
	Guangdong Coastal Expressway Zhuhai Section Company Limited	538,135.82	—
	Guangdong Yang-Mao Expressway Company Limited	524,480.00	—
	Guangdong Yu-Zhan Expressway Company Limited	1,231,880.00	—
	Guangdong Yue-Gan Expressway Company Limited	500,900.00	—
	Guangdong Yuejia Expressway Company Limited	98,678.00	—
	Guangdong Yun-Wu Expressway Company Limited	8,378,948.00	—
	Guangdong Zhan-Xu Expressway Company Limited	31,640.00	—
	Guangdong Zhaoyang Expressway Company Limited	1,209,084.00	—
	Guangdong western Shen-Shan expressway Company Limited	1,663,296.80	—
	Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	246,555.37	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December	
Related Party		2011	2010
Other receivables (continued)	Guangdong Meihe Expressway Company Limited	4,981,953.51	—
	Guangdong Shanfen Expressway Company Limited	61,951.00	—
	Guang- He Expressway Company Limited	6,736,863.00	—
	Jiangmen Jiang-He Expressway Company Limited	5,827.59	—
	Hui-Shen (Yantian) Expressway Huizhou Section Company Limited	16,167.40	—
	Guangdong Yue Dong Freeway Industry Development Company Limited	6,003.00	—
	Guangdong Coastal Expressway Xinhui Section Company Limited	1,553,570.18	—
	Guangdong Taishan Coastal Expressway Company Limited	6,780.10	—
	Guangfo Expressway Company Limited	1,011,779.97	—
	Guang-Shen-Zhu Expressway Company Limited	1,108,489.62	—
	Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	2,000,000.00	—
	Heyuan He-Long Expressway Company Limited	2,612,930.53	—
	Jingzhu Expressway Guangzhu Section Company Limited	223,483.00	—
	Yingde Yue-Ying Expressway Operation Company Limited	74,856.00	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December	
Related Party		2011	2010
Other receivables (continued)	Xin Yue Company Limited	—	532,437.64
	Yunfu Guangyun Expressway Company Limited	<b>102,518.00</b>	—
	Zhaoqing Yuezhao Expressway Company Limited	<b>10,000.00</b>	—
	Guangdong Communication Enterprise Investment Company Limited	—	7,232,586.63
	Guangdong Provincial Expressway Development Company Limited	—	1,463,370.94
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	—	691,136.82
	Lu Feng Shen Shan highway service Company Limited	<b>2,378,458.89</b>	—
		<b>73,955,836.51</b>	49,395,534.37

Note: The other receivables above include a loan of RMB 2 million from the subsidiary of the Group, Guangdong Top-E Expressway Service Zone Co., Ltd, to its joint venture, Top-E Ya Tu Expressway Tourism service Company Limited, of which annual interest rate is 5.4% and the maturity date is 7 April, 2012 (31 December 2010: RMB 2 Million, 5.4%, 7 April, 2011).

		For the year ended 31 December	
Related Party		2011	2010
Other payables	Guangdong Guanyue Highway & Bridge Company Limited	<b>39,838.78</b>	39,838.78
	Guangdong He-hui Highway Company Limited	<b>43,000.00</b>	—
	Guangdong Humen Bridge Company Limited	<b>100,000.00</b>	—

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December	
Related Party		2011	2010
Other payables (continued)	Guangdong Communications Telecommunications Company Limited	941.10	—
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	100,000.00	290,556.98
	Guangdong Provincial Freeway Company Limited	2,000.00	20,000.00
	Guangdong Provincial Traffic Development Company Limited	60,000.00	—
	Guangdong Provincial Communication Group Company Limited	1,559,971.90	994,346.83
	Guangdong Provincial ChangDa Highway Engineering Company Limited	15,149.68	134,666.01
	Guangdong Yang-Mao Expressway Company Limited	100.00	—
	Guangzhou Newsoft Technology Company Limited	103,746.50	—
	Express Cross-Border Coach Management Company Limited	180,299.68	95,300.80
	Weisheng Transpotation & Enterprises Company Limited	710,917.15	710,917.15
	Xin Yue Company Limited	1,000.00	133,417.24
	Guangdong Yue Dong Freeway Industry Development Company Limited	29,670.74	—
	Guangdong Communication Enterprise Investment Company Limited	—	470,305.76
		<b>2,946,635.53</b>	<b>2,889,349.55</b>

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

CONSOLIDATED (continued)

		As at 31 December	
	Related Party	2011	2010
Dividends receivable	Guangdong Communications Telecommunications Company Limited	<b>94,792.23</b>	—
Long-term receivables	Shenzhen Yueyun Investment Development Company Limited	<b>22,349,501.66</b>	12,000,000.00

COMPANY

		As at 31 December	
	Related Party	2011	2010
Accounts receivable	Guangdong Xin Yue Communications Investment Company Limited	<b>4,525,550.82</b>	6,176,495.86
	Guangdong Southchina Logistics Enterprise Company Limited	<b>41,299,447.20</b>	32,429,609.61
	Dongguan Nan Yue Jia Fu Logistics Company Limited	<b>2,454,185.06</b>	—
	Guangdong Nan Yue Logistics (HK) Company Limited	<b>1,471,080.88</b>	834,991.33
		<b>49,750,263.96</b>	39,441,096.80

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties *(continued)*

COMPANY *(continued)*

		As at 31 December	
	Related Party	2011	2010
Accounts payable	Guangdong Xin Yue Communications Investment Company Limited	5,400,463.18	4,678,181.61
	Guangdong Oriental Thought Technology Company Limited	472,000.00	—
	Guangdong Province Transportation Engineering Company Limited	4,690.67	—
	Guangdong Southchina Logistics Enterprise Company Limited	26,536,551.87	15,939.57
	Guangdong Nanyue logistics International Services Company Limited	—	20,284,565.24
	Guangdong Tai Cheng Consulting Company Limited	—	6,504,692.37
		<b>32,413,705.72</b>	<b>31,483,378.79</b>
		<b>3,920,000.00</b>	—
		—	1,531,417.30
		<b>3,920,000.00</b>	<b>1,531,417.30</b>
Prepayments	Guangdong Southchina Logistics Enterprise Company Limited	3,920,000.00	—
	Guangdong Xin Yue Communications Investment Company Limited	—	1,531,417.30
	<b>3,920,000.00</b>	<b>1,531,417.30</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 6. Amounts due from/to related parties *(continued)*

COMPANY *(continued)*

		As at 31 December	
	Related Party	2011	2010
Other receivables	Guangdong Xin Yue Communications Investment Company Limited	116,014,135.05	88,673,569.63
	The Motor Transport Company of Guangdong and Hong Kong Limited	503,317.22	—
	Guangdong Top-E Expressway Service Zone Company Limited	65,000.00	—
	Guangdong Province Transportation Engineering Company Limited	44,950,015.00	—
	Guangdong Guantong Expressway Assets Management Company Limited	5,000.00	—
	Guangdong Jindaoda Expressway Economic Development Company Limited	5,000.00	—
	Guangdong Southchina Logistics Enterprise Company Limited	117,567,538.68	134,403,671.45
	Guangdong Nan Yue Logistics (HK) Company Limited	414,247.07	1,471,080.88
	Dongguan Nan Yue Jia Fu Logistics Company Limited	—	10,000.00
	Guangdong Nanyue logistics International Services Company Limited	—	7,567,292.20
	Guangdong Tai Cheng Consulting Company Limited	—	4,000.00
		<b>279,524,253.02</b>	<b>232,129,614.16</b>

Note: The other receivables above include loans to Guangdong Nanyue Logistics Enterprise Co., Ltd. and Guangdong Xin Yue Communications Investment Co., Ltd., which amounted to RMB95,733,425.76 and RMB110,000,000.00 respectively (31 December 2011: RMB107,733,425.76 and RMB80,000,000.00). The interests of the above loans are calculated based on the one-year bank loan interest rate of the same period and the contractual term is one year. If repayment is unable to be made during the lending period, the original contract should continue to be fulfilled.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from/to related parties (continued)

COMPANY (continued)

		As at 31 December		
	Related Party	2011	2010	
Other payables	Guangdong New Way Advertising Company Limited	18,405,176.30	—	
	Guangdong Xin Yue Communications Investment Company Limited	365,651.93	24,081.57	
	Guangdong Oriental Thought Technology Company Limited	54,030.00	—	
	Guangdong Top-E Expressway Service Zone Company Limited	165,506,073.37	—	
	Guangdong Province Transportation Engineering Company Limited	136,676.57	—	
	Guangdong Guantong Expressway Assets Management Company Limited	13,115,179.80	—	
	Guangdong Jindaoda Expressway Economic Development Company Limited	37,769,607.81	—	
	Guangdong Nanyue logistics International Services Company Limited	14,631,947.02	—	
	Guangdong Southchina Logistics Enterprise Company Limited	268,700.00	16,500.00	
	Guangdong Tai Cheng Consulting Company Limited	1,280,330.21	156,831.20	
	Guangdong Nan Yue Logistics (HK) Limited	—	125,268.06	
			<b>251,533,373.01</b>	<b>322,680.83</b>
	Dividends receivable	Guangdong Southchina Logistics Enterprise Company Limited	27,961,854.12	27,961,854.12
Guangdong Nanyue Logistics International Services Company Limited		—	19,825,023.72	
		<b>27,961,854.12</b>	<b>47,786,877.84</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (VIII) COMMITMENTS

### 1. Capital commitments

	As at 31 December	
	2011	2010
Capital commitments that have been entered into but have not been recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	<b>12,607,101.52</b>	24,507,154.79
Total	<b>12,607,101.52</b>	24,507,154.79

### 2. Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

	As at 31 December	
	2011	2010
Subsequent to the balance sheet date:		
Within 1 year	<b>70,902,438.10</b>	66,936,476.04
1 year to 2 years	<b>68,148,017.23</b>	65,174,256.36
2 year to 3 years	<b>67,546,030.18</b>	62,753,539.32
Over 3 years	<b>892,250,692.93</b>	884,204,968.12
Total	<b>1,098,847,178.44</b>	1,079,069,239.84

# NOTES TO THE FINANCIAL STATEMENTS

*(All amounts in Renminbi Yuan unless otherwise stated)*

## (IX) OTHER SIGNIFICANT MATTERS

### 1. Business combination

During the current period, basic information about the Group's business combination involving enterprises under common control is as follows:

On 31 March 2011, the Company acquired 100% equity of Guangdong Province Transportation Engineering Company Limited from Guangdong Communication Enterprise Investment Company Limited. Guangdong Province Transportation Engineering Company Limited was registered at the Airport Road, Guangzhou, Guangdong province, PRC. Prior to September 2009, Guangdong Province Transportation Engineering was mainly engaged in engineering construction and installation such as construction of road signs, markings, guard rows, fences and anti-glare panels (with valid qualification certificate or operation license), manufacturing of road transport auxiliary facilities, manufacturing and maintaining of road construction machineries and equipments, and domestic trade and property lease, while limited its business to property lease and terminated other businesses after September 2009.

The acquisition consideration was settled by the Company by cash amounted to RMB69,564,856.62, and repayment of the debt with amount of RMB40,800,000.00 on behalf of Guangdong Province Transportation Engineering Company Limited to Guangdong Communication Enterprise Investment Company Limited. The consideration was due within 10 days from the effective date of the equity transfer agreement and was settled by the Company during the current period.

#### (1) Basic information of the acquiree:

Basis of judgement for business combination involving enterprises under common control: The ultimate holding company of the Company and Guangdong Province Transportation Engineering Company Limited before and after the business combination is Guangdong Provincial Communication Group Company Limited.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree, i.e. the date on which control over net assets and production and operating decisions of the acquiree is transferred to the acquirer.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 1. Business combination (continued)

(2) The financial position of acquiree at the acquisition date 31 March 2011 and 31 December 2010:

	Carrying amount at the acquisition date	Carrying amount at 31 December 2010
Identifiable assets:		
Cash and bank balances	362,779.39	1,328,282.44
Accounts receivable	412,918.35	983,608.71
Other receivables	339,040.14	244,611.78
Investment properties	26,010,575.02	26,359,099.84
Fixed assets	3,604,207.18	3,654,389.48
Long-term prepaid expenses	1,214,340.18	1,286,304.42
	<hr/>	<hr/>
Sub-total	31,943,860.26	33,856,296.67
	<hr/>	<hr/>
Identifiable liabilities:		
Receipts in advance	304,272.73	304,272.73
Employee benefits payable	59,540.95	54,391.48
Taxes payable	7,727.50	21,341.54
Other payables	48,695,210.89	49,018,516.56
	<hr/>	<hr/>
Sub-total	49,066,752.07	49,398,522.31
	<hr/>	<hr/>
Total net assets	(17,122,891.81)	(15,542,225.64)
	<hr/> <hr/>	<hr/> <hr/>
Equity attributable to shareholders of the Company (Note1)	—	
Less: Acquisition consideration	69,564,856.62	
	<hr/>	
The carrying amount of the proportional equity share of net assets in excess of initial investment cost	(69,564,856.62)	
	<hr/> <hr/>	

Note1: The equity attributable to owners of the Company is limited to zero, as the acquiree is a limited company.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 1. Business combination (continued)

- (2) The financial position of acquiree at the acquisition date 31 March 2010 and 31 December 2010:  
(continued)

The acquisition consideration is satisfied by cash, transfer of non-cash assets and assumption of liabilities. The carrying amounts of the consideration paid as of the acquisition date are:

Acquisition consideration:

Cash and cash equivalents	69,564,856.62
---------------------------	---------------

Acquisition consideration in cash and cash equivalents	69,564,856.62
--	---------------

Less: Cash and cash equivalents of the acquired subsidiaries	362,779.39
--	------------

Net outflow of cash and cash equivalents paid upon acquisition of subsidiaries	69,202,077.23
---	---------------

- (3) Operating results and net cash flows of the acquiree from the beginning of the year in which the acquisition took place to the acquisition date:

	<b>From the beginning of the year in which the acquisition took place to the acquisition date</b>
Operating income	291,060.18
Operating costs and expenses	1,871,726.35
Total profit	(1,580,666.17)
Net profit	(1,580,666.17)
Net cash flow from operating activities	(965,503.05)
Net cash flow from investing activities	—
Net cash flow from financing activities	—
Net increase in cash and cash equivalents	(965,503.05)

- (4) The accounting policies of the acquiree are consistent with that of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

*(All amounts in Renminbi Yuan unless otherwise stated)*

## **(IX) OTHER SIGNIFICANT MATTERS** *(continued)*

### **2. Segment reporting**

Based on the Group's internal organisation structure, management requirement and internal reporting policy, the operations of the Group are classified into five segments: material logistics services, expressway service zones, transportation intelligence services, cross-border transportation services and Tai Ping Interchange. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

Inter-segment transfers are measured on the basis of actual transaction prices. Segment revenue and segment expenses are determined on the basis of actual revenue and expenses of each segment. Segment assets and liabilities are allocated according to the attributable assets employed by a segment in its operating activities and the attributable liabilities resulting from the operating activities of a segment.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 2. Segment reporting (continued)

#### (1) Segment reporting

2011

	Material logistics service	Expressway service zone	Transportation intelligence service	Cross broader transportation service	Tai Ping Interchange	Unallocated	Inter-segment eliminations	Total
I Operating income	3,819,252,187.52	534,332,036.01	580,984,501.22	284,941,361.75	134,750,253.87	8,171,443.53	(217,260,953.60)	5,145,170,830.30
Including: External revenue	3,620,936,421.15	534,016,240.61	589,098,723.59	284,941,361.75	134,750,253.87	1,427,829.33	—	5,145,170,830.30
Inter-segment revenue	198,315,766.37	315,795.40	11,885,777.63	—	—	6,743,614.20	(217,260,953.60)	—
II Operating costs	3,609,072,056.30	417,415,541.77	525,409,043.97	246,696,593.26	22,468,167.47	1,420,724.59	(192,295,279.36)	4,630,166,848.00
III Income from investments in associates and joint ventures	—	—	—	—	—	5,286,687.13	(16,699.41)	5,269,987.72
IV Impairment (reversal) loss of assets	(10,054,511.94)	(720,000.00)	867,023.13	—	—	—	—	(9,907,488.81)
V Depreciation and amortisation	12,613,722.42	18,362,690.74	2,677,666.97	28,875,633.69	16,936,059.01	1,946,097.72	(2,016,342.43)	79,393,790.12
VI Total profit (loss)	80,204,794.12	28,597,480.25	(47,060,297.45)	7,706,520.08	44,831,657.54	7,301,284.63	(2,154,042.32)	119,427,396.85
VII Income tax expenses	27,441,722.51	8,418,887.62	464,374.86	950,494.13	12,146,002.66	—	(368,395.53)	49,055,086.25
VIII Net profit (loss)	52,763,071.61	20,178,592.63	(47,524,672.31)	6,756,025.95	32,685,654.88	7,301,284.63	(1,785,646.79)	70,372,310.60
IX Total assets	2,843,774,922.95	634,954,953.09	832,807,528.87	333,075,797.99	791,777,182.52	615,429,777.30	(1,244,368,183.03)	4,807,451,979.69
X Total liabilities	2,906,945,046.44	395,673,484.51	665,253,074.74	91,283,378.86	132,196,621.81	51,158,980.27	(747,107,479.49)	3,495,405,107.14

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 2. Segment reporting (continued)

#### (1) Segment reporting (continued)

2010

	Material logistics service	Expressway service zone	Transportation intelligence service	Cross broader transportation service	Tai Ping Interchange	Unallocated	Inter-segment eliminations	Total
I	Operating income	4,874,059,571.88	764,712,682.79	264,364,173.25	129,264,641.06	1,164,240.72	(365,249,242.62)	6,124,218,789.39
	Including: External revenue	455,154,456.21	754,546,289.00	264,185,032.57	129,264,641.06	1,164,240.72	—	6,124,218,789.39
	Inter-segment revenue	354,155,442.05	10,166,393.79	179,140.68	—	—	(365,249,242.62)	—
II	Operating costs	4,680,856,209.05	654,756,490.04	218,351,806.43	22,969,418.23	1,394,099.28	(358,190,306.32)	5,568,140,137.20
III	Income from investments in associates and joint ventures	—	—	—	—	4,028,725.89	(917,251.55)	3,111,474.34
IV	Impairment (reversal) loss of assets	19,539,237.88	4,373,075.35	100,037.28	—	—	—	21,330,350.51
V	Depreciation and amortisation	11,650,570.63	4,022,263.03	35,634,232.82	15,656,894.34	1,749,278.94	(845,058.65)	94,649,266.47
VI	Total profit (loss)	73,390,348.21	2,435,133.48	13,541,306.15	32,143,435.06	3,185,016.69	(5,095,130.20)	156,454,533.99
VIII	Income tax expenses	17,908,090.28	1,860,496.18	1,085,797.96	13,192,908.53	—	(935,926.41)	44,557,901.11
VIII	Net profit (loss)	55,482,257.93	574,637.30	12,455,508.19	18,950,526.53	3,185,016.69	(4,159,203.79)	111,896,632.88
IX	Total assets	2,428,475,923.03	809,611,697.76	322,066,656.12	728,160,157.97	592,829,144.76	(1,159,578,662.34)	4,305,146,725.66
X	Total liabilities	2,544,778,227.78	594,346,624.20	57,580,342.85	7,605,071.68	49,398,522.31	(660,320,564.15)	2,957,230,426.32

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS *(continued)*

### 2. Segment reporting *(continued)*

#### (2) External revenue by geographical area of source and non-current assets by geographical location

	For the year ended 31 December	
	2011	2010
<b>External revenue</b>		
Mainland China	<b>4,912,522,510.78</b>	5,912,963,918.88
Hong Kong	<b>232,648,319.52</b>	211,254,870.51
Total	<b>5,145,170,830.30</b>	6,124,218,789.39

	As at 31 December	
	2011	2010
<b>Non-current assets</b>		
Mainland China	<b>799,877,404.52</b>	754,390,994.56
Hong Kong	<b>108,613,824.46</b>	119,603,216.78
Subtotal	<b>908,491,228.98</b>	873,994,211.34
Long-term receivables	<b>22,349,501.66</b>	12,000,000.00
Deferred tax assets	<b>157,511,642.95</b>	158,555,976.74
Total	<b>1,088,352,373.59</b>	1,045,550,188.08

#### (3) Degree of reliance on major customers

Major customers revenue from whom accounts for 10% or more of the total revenue:

	For the year ended 31 December	
	2011	2010
Guangdong Provincial Chang Da Highway Engineering Company Limited	<b>895,714,558.16</b>	945,176,848.49

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 3. Financial instruments and risk management

The Group's major financial instruments include notes receivable, account receivable, equity investments, borrowings, notes payable, and account payables. Details of these financial instruments are disclosed in relevant note. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

#### 3.1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

#### 3.1.1 Market risk

##### 3.1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with HKD. The Group's Hongkong registered subsidiaries have sales denominated in HKD while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2011, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in foreign currency. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

Item	As at 31 December	
	2011	2010
Cash and cash equivalents-USD	202,689.84	362,821.33
Cash and cash equivalents-HKD	46,412,197.96	33,362,624.77
Accounts receivable-HKD	24,062,783.16	25,765,961.28
Accounts payable-HKD	15,518,551.07	12,722,140.46
Other receivables-HKD	5,208,473.30	3,521,594.74
Other payables-HKD	3,179,830.84	3,918,024.74

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 3. Financial instruments and risk management (continued)

#### 3.1. Risk management objectives and policies (continued)

##### 3.1.1 Market risk (continued)

###### 3.1.1.2 Interest rate risk - risk of changes in fair value

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate bank borrowings. The Group's borrowing is short-term so as to minimize the risk of changes in fair value.

##### 3.1.2. Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to collect accounts receivable.

In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has adopted necessary policies to ensure that all clients of sales transactions have good creditworthiness. At the end of the year, except for receivables arising from the top five major clients with aggregate amounts of RMB308,009,700.94 (at the beginning of the year: RMB174,927,477.16), which accounts for 34.27% (at the beginning of the year: 28.00%) of the Group's receivables, the Group has no other significant risk of credit concentration.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 3. Financial instruments and risk management (continued)

#### 3.1. Risk management objectives and policies (continued)

##### 3.1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2011, the Group has available unutilised bank loan facilities of RMB 2,484,591,509.44 (2010: RMB 2,034,923,699.35).

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

item	As at 31 December 2011			Total
	Less than 1 year	1-5 years	Over 5 years	
Cash and bank balances	2,092,231,222.60	—	—	2,092,231,222.60
Notes receivable	4,435,000.00	—	—	4,435,000.00
Accounts receivable	892,394,748.83	6,374,343.93	—	898,769,092.76
Dividends receivable	94,792.23	—	—	94,792.23
Other receivables	160,104,212.93	80,794,038.93	—	240,898,251.86
Long-term receivables	6,000,000.00	6,400,000.00	26,460,500.00	38,860,500.00
Short-term borrowings	61,000,648.61	—	—	61,000,648.61
Notes payable	621,558,443.87	—	—	621,558,443.87
Accounts payable	1,381,576,811.91	56,533,541.17	—	1,438,110,353.08
Interest payable	10,536,095.95	—	—	10,536,095.95
Dividends payable	1,176,000.00	—	—	1,176,000.00
Other payables	112,529,409.69	10,033,324.85	—	122,562,734.54
Other current liabilities	581,735,124.19	—	—	581,735,124.19

#### 3.2. Fair value

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 3. Financial instruments and risk management (continued)

#### 3.3. Sensitivity analysis

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

#### 3.3.1. Currency risk:

On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

	Change in exchange rate	Current year		Pior year	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
All foreign currencies	5% increase against RMB	2,373,746.33	2,373,746.33	2,077,638.95	2,077,638.95
All foreign currencies	5% decrease against RMB	(2,373,746.33)	(2,373,746.33)	(2,077,638.95)	(2,077,638.95)

#### 3.3.2. Interest rate risk:

Possible changes in the interest rate may have no effect on the profit or loss for the period and shareholders' equity, as the interest rate of borrowing of the Group is fixed

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 4. Material Litigation and Arbitration

In previous years, the Group had filed lawsuits against Tangshanshi Shuihou Zhagangyichang, Tangshan Xingye Gongmao Jituan Company Limited, and Tangshanshi Kaipingqu Xingye Zhazhichang at the Guangzhou Intermediate People's Court in order to recover the advance payment totaling RMB472,397,000.00 made by the Company on purchasing steels defaulted by the above companies. The Guangzhou Intermediate People's Court entered a judgment on June 7, 2011, deciding that the defendants should repay the advance payments made by the Company and at the same time pay a breach penalty. The Guangzhou Intermediate People's Court issued a Legal Effect Proof of the Written Judgment on 12 July 2011 verifying that the above judgment would be effective as of 30 June 2011. In accordance with the ruling, the Group would follow up the relevant subsequent works.

### 5. Employees pension scheme

	Consolidated	
	For the year ended 31 December	
	2011	2010
Employees pension scheme	<b>28,156,799.97</b>	21,147,577.94
Total	<b>28,156,799.97</b>	21,147,577.94

In compliance with laws and regulations in Mainland China, the Group pays retirement pension insurance for employees in Mainland China at a percentage of 18% of their basic salaries of the previous year; all the retirement pension insured employees can receive a pension by installment provided the government upon retirement. Other than the above retirement pension insurance paid in a fixed-proportion, the Group needs not assume any other liability for the pension payment. In accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong, the Group pays the Mandatory Provident Fund Scheme for all Hong Kong employees at the lower of 5% of the total monthly income or HKD1,000.

### 6. Contingent liabilities

As at 31 December 2011, the Group had no significant contingent liabilities (31 December 2010: no significant contingent liability).

# NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Renminbi Yuan unless otherwise stated)

## (IX) OTHER SIGNIFICANT MATTERS (continued)

### 7. Other financial information

Unit:RMB

	Consolidated		Company	
	As at 31 December		As at 31 December	
	2011	2010	2011	2010
Net current assets	<b>229,139,226.40</b>	314,765,954.71	<b>93,200,031.06</b>	92,018,543.27
Total assets less current liabilities	<b><u>1,317,491,599.99</u></b>	<u>1,360,316,142.79</u>	<b><u>948,998,746.62</u></b>	<u>945,373,923.63</u>

	Consolidated		Company	
	For the year ended 31 December		For the year ended 31 December	
	2011	2010	2011	2010
Depreciation	<b>59,457,844.22</b>	73,977,760.75	<b>2,325,797.75</b>	2,530,800.64
Amortisation	<b>19,935,885.90</b>	20,671,505.72	<b>15,932,789.21</b>	15,677,636.67
Audit fee	<b><u>2,833,043.79</u></b>	<u>3,618,652.12</u>	<b><u>2,349,408.71</u></b>	<u>3,369,903.02</u>

## (X) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorised for issue on 15 March 2012.

# SUPPLEMENTARY INFORMATION

(All amounts in Renminbi Yuan unless otherwise stated)

## RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENTS AND THE CONSOLIDATED BALANCE SHEET FROM HKGAAP TO CAS

1. Reconciliation of the consolidated balance sheet as at 31 December 2010

	Under HKGAAP (note 1) RMB'000	Prior period adjustments (note 2) RMB'000	Under HKGAAP (restated) RMB'000	Note	Differences RMB'000	Under CAS RMB'000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	1,681,773	1,328	1,683,101		—	1,683,101
Notes receivable	32,384	—	32,384		—	32,384
Accounts receivable	623,822	984	624,806		—	624,806
Prepayments	137,972	—	137,972		—	137,972
Other receivables	213,151	245	213,396	(5)	(2,586)	210,810
Dividends receivable	—	—	—		—	—
Inventories	570,522	—	570,522		—	570,522
Other current assets	—	—	—		—	—
<b>Total Current Assets</b>	<b>3,259,624</b>	<b>2,557</b>	<b>3,262,181</b>		<b>(2,586)</b>	<b>3,259,595</b>
<b>Non-current Assets</b>						
Long-term receivables	12,000	—	12,000		—	12,000
Long-term equity investments	74,065	—	74,065	(4)	(3,365)	70,700
Investment properties	18,577	—	18,577	(3)	(11,144)	7,433
Fixed assets	384,974	22,102	407,076		—	407,076
Construction in progress	17,499	—	17,499		—	17,499
Intangible assets	351,546	7,911	359,457		—	359,457
Development expenditure	111	—	111		—	111
Long-term prepaid expenses	10,432	1,286	11,718		—	11,718
Deferred tax assets	158,519	—	158,519	(5)	1,038	159,557
<b>Total Non-current Assets</b>	<b>1,027,723</b>	<b>31,299</b>	<b>1,059,022</b>		<b>(13,471)</b>	<b>1,045,551</b>
<b>TOTAL ASSETS</b>	<b>4,287,347</b>	<b>33,856</b>	<b>4,321,203</b>		<b>(16,057)</b>	<b>4,305,146</b>

# SUPPLEMENTARY INFORMATION

(All amounts in Renminbi Yuan unless otherwise stated)

## RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENTS AND THE CONSOLIDATED BALANCE SHEET FROM HKGAAP TO CAS (continued)

1. Reconciliation of the consolidated balance sheet as at 31 December 2010

	Under HKGAAP (note 1) RMB'000	Prior period adjustments (note 2) RMB'000	Under HKGAAP (restated) RMB'000	Note	Differences RMB'000	Under CAS RMB'000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
Short-term borrowings	—	—	—		—	—
Notes payable	705,783	—	705,783		—	705,783
Accounts payable	1,110,411	—	1,110,411		—	1,110,411
Receipts in advance	756,760	304	757,064		—	757,064
Employee benefits payable	46,198	54	46,252		—	46,252
Taxes payable	154,237	21	154,258		—	154,258
Interests payable	—	—	—		—	—
Dividends payable	—	—	—		—	—
Other payables	122,043	49,019	171,062		—	171,062
<b>Total Current Liabilities</b>	<b>2,895,432</b>	<b>49,398</b>	<b>2,944,830</b>		<b>—</b>	<b>2,944,830</b>
<b>Non-current Liabilities</b>						
Long-term payables	6,955	—	6,955		—	6,955
Deferred tax liabilities	995	—	995		—	995
Other non-current liabilities	4,450	—	4,450		—	4,450
<b>Total Non-current Liabilities</b>	<b>12,400</b>	<b>—</b>	<b>12,400</b>		<b>—</b>	<b>12,400</b>
<b>TOTAL LIABILITIES</b>	<b>2,907,832</b>	<b>49,398</b>	<b>2,957,230</b>		<b>—</b>	<b>2,957,230</b>
<b>Shareholders' Equity</b>						
Share capital	417,642	—	417,642		—	417,642
Capital reserve	304,804	45,185	349,989	(6)	(5,599)	344,390
Special reserve	1,379	—	1,379		—	1,379
Surplus reserve	107,696	2,478	110,174		—	110,174
Retained profits	382,544	(63,205)	319,339	(6)	(10,392)	308,947
Exchange difference arising on translation	(29,370)	—	(29,370)		—	(29,370)
Equity attributable to owners of the Company	1,184,695	(15,542)	1,169,153		(15,991)	1,153,162
Equity attributable to minority interests	194,820	—	194,820		(66)	194,754
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,379,515</b>	<b>(15,542)</b>	<b>1,363,973</b>		<b>(16,057)</b>	<b>1,347,916</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,287,347</b>	<b>33,856</b>	<b>4,321,203</b>		<b>(16,057)</b>	<b>4,305,146</b>

# SUPPLEMENTARY INFORMATION

(All amounts in Renminbi Yuan unless otherwise stated)

## RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENTS AND THE CONSOLIDATED BALANCE SHEET FROM HKGAAP TO CAS (continued)

2. Reconciliation of the consolidated income statement for the year ended 31 December 2010

	Under HKGAAP (note 1) RMB'000	Prior period adjustments (note 2) RMB'000	Under HKGAAP (restated) RMB'000	Note	Differences RMB'000	Under CAS RMB'000
Operating income	6,123,054	1,164	6,124,218		—	6,124,218
Less: Operating costs	5,566,746	1,394	5,568,140		—	5,568,140
Business taxes and levies	45,553	205	45,758		—	45,758
Selling expenses	98,706	—	98,706		—	98,706
Administrative expenses	215,937	3,751	219,688		—	219,688
Financial expenses	26,292	(6)	26,286		—	26,286
Impairment losses of assets	21,330	—	21,330		—	21,330
Add: Investment income(loss)	2,966	—	2,966	(4)	(1,249)	1,717
Operating profit	151,456	(4,180)	147,276		(1,249)	146,027
Add: Non-operating income	14,654	—	14,654	(3)	(3,002)	11,652
Less: Non-operating expenses	2,557	—	2,557	(5)	(1,333)	1,224
Total profit	163,553	(4,180)	159,373		(2,918)	156,455
Less: Income tax expenses	45,017	—	45,017	(5)	(459)	44,558
Net profit	118,536	(4,180)	114,356		(2,459)	111,897
Attributable to shareholders of the Company	112,002	(4,180)	107,822		(2,408)	105,414
Minority interests	6,534	—	6,534		(51)	6,483
Other comprehensive income	(5,170)	—	(5,170)	(3)	(2,474)	(7,644)
Total comprehensive income	113,366	(4,180)	109,186		(4,933)	104,253
Attributable to shareholders of the Company	108,842	(4,180)	104,662		(3,992)	100,670
Minority interests	4,524	—	4,524		(940)	3,583
Earnings per share						
Basic earnings per share (RMB)	0.27	(0.01)	0.26		(0.01)	0.25

## SUPPLEMENTARY INFORMATION

*(All amounts in Renminbi Yuan unless otherwise stated)*

- Note (1): The financial statements prepared in accordance with HKGAAP have been reclassified to conform with the presentation of this year.
- Note (2): According to the accounting policy adopted for preparing financial statements under HKGAAP and CAS, subsidiary acquired through a business combination involving enterprise under common control is included in the Group's scope of consolidation as if it had been included in the scope of consolidation from the date when it first came under the common control of the ultimate controlling party. The details are set out in Note (IX)1 to the financial statements.
- Note (3): According to the accounting policy adopted in preparing financial statements under HKGAAP, investment property is measured initially at its cost and then it is carried at fair value subsequently. Fair value is based on active market price. Changes in fair values are charged to the profit or loss for the period in which they arise. However, under the accounting policy adopted under CAS, the Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights. When a fixed asset has been changed its use and becomes an investment property, the difference resulting between the carrying amount and the fair value at the date of transfer is recognised in other comprehensive income and revaluation surplus with the equity.
- Note (4): According to the accounting policy adopted in preparing financial statements under HKGAAP, the excess amount of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated company at the date of acquisition is tested annually for impairment. Besides, such amount is subjected to impairment test, it is also amortised and charge to the current year profit and loss account in accordance with the accounting policy adopted in preparing financial statements under CAS pursuant to Interpretation of CAS No.1 issued by Ministry of Finance.
- Note (5): Other insignificant differences.
- Note (6): Impact of Note (3) to (5) to Shareholders' equity.

# FIVE-YEAR FINANCIAL SUMMARY

(All amounts in RMB'000)

<b>Year ended 31 December</b>	<b>2011</b>	2010 (restated)	2009 (restated)	2008 (restated)	2007 (restated)
Turnover	<b>5,145,171</b>	6,124,219	6,210,522	7,678,103	6,803,255
Total profit/(loss)	<b>119,427</b>	156,455	(251,052)	224,517	251,343
Income tax (expenses)/benefits	<b>(49,055)</b>	(44,558)	58,559	(56,910)	(73,930)
Net profit	<b>70,372</b>	111,897	(192,493)	167,607	177,413
Net profit/(loss) attributable to shareholders of the Company	<b>82,862</b>	105,414	(206,016)	149,628	156,182
Minority interests	<b>(12,490)</b>	6,483	13,523	17,979	21,231

## ASSETS AND LIABILITIES

<b>As at 31 December</b>	<b>2011</b>	2010 (restated)	2009 (restated)	2008 (restated)	2007 (restated)
Total assets	<b>4,807,452</b>	4,305,147	4,517,086	4,922,217	4,579,659
Total liabilities	<b>3,495,405</b>	2,957,230	3,225,423	3,384,442	3,142,429
	<b>1,312,047</b>	1,347,917	1,291,663	1,537,775	1,437,230