



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)

2012 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 motor vehicle transportation and auxiliary services, 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”).

Pursuant to a resolution duly passed by way of poll at the extraordinary general meeting and the H Shares class meeting of the Company held on 18 December 2012, the Company acquired from GCGC 100% of the equity interest in Guangdong Vehicles Transportation Group Company Limited (“Guangdong Vehicles Transportation Group”), at a consideration to be satisfied by (i) the disposal by the Company to GCGC of its 71% equity interest in Guangdong Xinyue Communications Investment Company Limited (“Guangdong Xinyue”), 51% equity interest in Guangdong Oriental Thought Technology Company Limited (“Guangdong Oriental Thought”) and 90% equity interest in Guangdong Nan Yue Logistics International Services Company Limited (“Guangdong Nan Yue Logistics International”); and (ii) the issue of perpetual subordinated convertible securities in a principal amount of RMB281,810,000 (the “Asset Swap”).

Upon completion of the Asset Swap on 31 December 2012, Guangdong Vehicles Transportation Group became a subsidiary of the Company, and Guangdong Xinyue, Guangdong Oriental Thought and Guangdong Nan Yue Logistics International ceased to be subsidiaries of the Company.

Currently, the principal businesses of the Group are: (1) motor vehicle transportation and auxiliary services, mainly including transportation services within Guangdong Province, interprovincial transportation services and cross-border transportation services between Hong Kong and Guangdong Province, as well as traffic rescue and operation of passenger and cargo terminals; (2) material logistics services, mainly including logistics management of construction materials for expressway and other sizable infrastructure projects; and (3) 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. The Group’s business also includes the toll collection and operation business at Tai Ping Interchange in Guangdong Province.

The goal of the Company is to establish itself as a modern transportation and logistics enterprise with international standards, delivering first-class services to customers and providing good returns to shareholders of the Company (the “Shareholders”). To achieve its business objectives, the Company will strive to continuously improve its management system and enhance its operational efficiency to meet the market demand and expand its market share.

LEGAL NAME OF THE COMPANY

Guangdong Nan Yue Logistics Company Limited

STOCK CODE

03399

REGISTERED OFFICE

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The PRC

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BOARD OF DIRECTORS

Executive Directors

Xuan Zongmin
Tang Yinghai
Yao Hanxiong
Guo Junfa

Non-Executive Directors

Liu Wei
Li Bin

Independent Non-Executive Directors

Gui Shouping
Liu Shaobo
Peng Xiaolei

JOINT COMPANY SECRETARIES

Zhang Li
Lim Yi Ping

AUTHORISED REPRESENTATIVES

Xuan Zongmin
Tang Yinghai

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PRINCIPAL BANKERS

Agricultural Bank of China
China CITIC Bank
Shanghai Pudong Development Bank
China Merchants Bank

LEGAL ADVISER

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MAJOR EVENTS

FEBRUARY 2012

- Guangdong Xinyue, a subsidiary of the Group, and Hunan Ningdao Expressway Construction and Development Company Limited (湖南省寧道高速公路建設開發有限公司) entered into the Hunan Ningdao Agreement of approximately RMB 72.96 million.
- Guangdong Xinyue and Hubei Guangsheng Han'e Expressway Co., Ltd. (湖北廣晟漢鄂高速公路有限公司) entered into a contract of approximately RMB 39.25 million in relation to the electrical and mechanical engineering project for the highway linking Zuoling in Wuhan and Huahu in Ezhou.
- Guangdong Xinyue and Guizhou Expressway Development Corporation (貴州高速公路開發總公司) entered into a contract of approximately RMB 57.89 million for the construction of safety facility at section 31 of the Zunyi-Bijie Highway in Guizhou.

APRIL 2012

- The People's Government of Guangzhou held the awarding ceremony for the first batch of enterprises with authorized headquarters and announced the proposed list of the first batch of enterprises with authorized headquarters in Guangzhou. The Company and Guangdong Vehicles Transportation Group were recognized as the first batch of enterprises with authorized headquarters in 2010.
- The Ministry of Transport of the People's Republic of China recognized Guangdong Vehicles Transportation Group as a key contact road transport enterprise of the Ministry of Transport for the years of 2011-2012.

MAY 2012

- Guangdong Top-E Expressway Service Zone Company Limited ("Top-E") obtained the operation rights of the Shaxi Service Zone of Guangzhou-Zhuhai West Highway and entered into a cooperative agreement with Guangdong Guangzhou-Zhuhai West Superhighway Company Limited for the construction and operation of the Shaxi Service Zone at Shaxi-Yuehuan section of the Pearl River Delta Ring Expressway in Zhongshan, Guangdong Province (《國家高速公路珠江三角洲環線廣東省中山沙溪至月環段沙溪服務區合作建設及承包經營協議》) of approximately RMB 90.18 million.

JUNE 2012

- The Company was recognized as a Trustworthy and Credible Enterprise (守合同重信用企業) in the annual selection campaign organized by Guangdong Province Administration for Commerce & Industry in 2011. The Company has been awarded with this honour for nine consecutive years.
- Guangdong Vehicles Transportation Group ranked the second in “Top 100 Trustworthy Road Transportation Enterprises in China (2012)” issued by China Road Transport Association.
- Guangdong Vehicles Transportation Group became one of the two enterprises designated by the Ministry of Transport to carry out LNG vehicle application trials.
- Guangdong Vehicles Transportation Group established a wholly-owned subsidiary, Guangdong Yueyun Traffic Rescue Co., Ltd. (廣東粵運交通拯救有限公司), to carry on the business of expressway traffic rescue.
- Guangdong Vehicles Transportation Group and Foshan City Sanshuiqu Transportation Development Co., Ltd. jointly established Foshan Sanshui Yueyun Transportation Company Limited to carry on the public transportation business in Sanshui District, Foshan.
- The Port Office under the People’s Government of Guangdong Province and the People’s Government of Guangdong Province approved the opening of the Guangdong Nanyue Logistics Storage Centre Wharf at the Shatian Port Zone of Humen Port in Dongguan as a new wharf, and “Ningbowan” became the first foreign asphalt ship that entered and successfully harboured in the wharf.
- Top-E and China Petroleum & Chemical Corporation Guangdong Oil Products Company entered into the Subcontracting Agreement for the Operation of Petrol Stations in the Yong’an Service Zone of Jiangzhao Expressway (《江肇高速公路永安服務區加油站經營權承包合同》) and the Subcontracting Agreement for the Operation of Petrol Stations in the Xiegang Service Zone of Boshen Expressway (S27) (《博深高速公路 (S27) 謝崗服務區加油站經營權承包合同》) of approximately RMB 183 million.
- Guangdong Xinyue and the Customer Service Centre of Guangdong Provincial Freeway Co., Ltd.(廣東省高速公路有限公司) entered into an electrical and mechanical engineering construction contract of approximately RMB 36.04 million in relation to the expressway monitoring (customer service) centre project of GCGC.

JULY 2012

- The Department of Environmental Protection of Guangdong Province issued an official written reply to Dongguan Nan Yue Jia Fu Logistics Company Limited (東莞市南粵佳富儲運有限公司) and approved in principle its application concerning its modified emulsified asphalt production project.

MAJOR EVENTS

AUGUST 2012

- Guangdong Xinyue and Guangdong Bo-Da Expressway Company Limited Boshen Branch entered into a contract of approximately RMB 117.67 million for the construction of the A section of the electrical and mechanical engineering project at the Boluo-Shenzhen section of the Guangdong-Hunan Expressway.
- Guangdong Xinyue and Zhuhai Communication Group (珠海交通集團有限公司) entered into a contract of approximately RMB79.62 million for the construction of traffic safety facilities and the electrical and mechanical project of the K35+650-K59+201.925 section of the first phase of the Gaolan Port Expressway in Zhuhai, Guangdong Province.
- Top-E and Shell Guangzhou Petroleum Co., Ltd. (廣州殼牌石油化工有限公司) entered into the Subcontracting Agreement for the Operation of Petrol Stations in the Shaxi Service Zone of the Guangzhou-Zhuhai West Highway of the Taiyuan-Macao Expressway (《太澳高速廣珠西高速公路沙溪服務區加油站經營權承包合同》) with a contract amount of approximately RMB 112 million.
- Top-E and China Petroleum & Chemical Corporation Guangdong Oil Products Company entered into the Subcontracting Agreement for the Operation of Petrol Stations in the Yayao Service Zone of the Chenhai Expressway (《沉海高速公路雅瑤服務區加油站經營權承包合同》) with a contract amount of approximately RMB 61.31 million.

SEPTEMBER 2012

- The Company entered into an asset swap agreement and a perpetual subordinated convertible securities agreement with GCGC, pursuant to which the Company acquired 100% of the equity interest in Guangdong Vehicles Transportation Group at a consideration of RMB448,110,000, to be satisfied by the Company by way of (i) transferring the Disposal Interest to GCGC at a consideration of RMB166,300,000 (i.e., the 71% equity interest in Guangdong Xinyue, 51% equity interest in Guangdong Oriental Thought and 90% equity interest in Guangdong Nan Yue Logistics International); and (ii) issuing to GCGC the perpetual subordinated convertible securities at a principal sum of RMB281,810,000 which are convertible into Conversion Shares at the initial Conversion Price of RMB2.74 (equivalent to approximately HK\$3.34) per Domestic Share pursuant to the perpetual subordinated convertible securities agreement between the Company and GCGC.
- Guangdong Xinyue won the tender for the electrical and mechanical engineering project at section DSJD-7 of the Daxing (Boundary of Hunan and Guizhou Province)-Sinan Expressway in Guizhou Province at approximately RMB 55.70 million.

OCTOBER 2012

- The Company was named as an Advanced Logistics Enterprise in China (全國先進物流企業).
- Xintang Passenger Terminal, a transportation hub in eastern Guangzhou, invested and constructed by Guangzhou City Zengcheng Automobile Passenger Traffic Station Co., Ltd., a subsidiary of Guangdong Vehicles Transportation Group, officially came into operation.
- Guangdong Xinyue and Guangdong Bo-Da Expressway Company Limited Boshen Branch entered into a contract of approximately RMB 34.45 million in relation to the construction of safety facilities at sub-section 2 of the Boluo-Shenzhen section of the Guangdong-Hunan Expressway.

NOVEMBER 2012

- Top-E won the Gold Award—Best Exemplary Brand for Public Satisfaction in Expressway Service Zones Nationwide (全國高速公路服務區公眾滿意最佳典範品牌).
- Guangdong Xinyue and Zhuhai Communication Group (珠海交通集團有限公司) entered into a contract of approximately RMB 148.97 million for the construction of safety facilities and the electrical and mechanical engineering project of the Zhuhai Airport Expressway (Zhuhai Airport to Huangyang Road) in Guangdong Province.

MAJOR EVENTS

DECEMBER 2012

- The Company held an extraordinary general meeting and an H Shares class meeting at which the Asset Swap was approved.
- Guangdong Vehicles Transportation Group, Guangdong Xinyue, Guangdong Oriental Thought and Guangdong Nan Yue Logistics International completed an approval registration with the relevant administration for industry and commerce for a change in equity in respect of the Asset Swap. As a result, Guangdong Vehicles Transportation Group became a subsidiary of the Company, and Guangdong Xinyue, Guangdong Oriental Thought and Guangdong Nan Yue Logistics International ceased to be subsidiaries of the Company.
- Guangdong Vehicles Transportation Group, Heyuan City Vehicles Transportation Group Co. Ltd. and Heyuan City Traffic Group Tongfa Transportation Co. Ltd. jointly established Heyuan City Yueyun Vehicles Transportation Co. Ltd. to carry on the business of road passenger transportation in Heyuan.
- Dashatou Station, the first station in Guangzhou with direct access to Hong Kong and Macau jointly established by the Motor Transport Group Company of Guangdong and Hong Kong Limited (粵港汽車運輸集團有限公司) (“GD-HK Company”), a subsidiary of the Group, and Guangzhou Port Group Passenger Transportation Service Co., Ltd. (廣州港集團客運服務有限公司), duly commenced operation.
- GD-HK Company was recognized by the Credit Evaluation Centre under the Ministry of Commerce as an “Exemplary Civilized and Trustworthy Enterprise in China (全國文明誠信示範企業)”.
- The Group won the tender for the modified asphalt project of Shenzhen Municipal Engineering Corp. at approximately RMB 103 million.
- Top-E completed the construction of Yayao Service Zone, which was put into operation simultaneously with the expansion section of the Fokai Expressway.
- Top-E completed the construction of Dinghu (Yong’an) Service Zone of the Jiangmen-Zhaoqing Expressway, which was put into operation simultaneously with the section where it is located.
- Guangdong New Way Advertising Company Limited, a subsidiary of the Group, was elected as the president unit of the Advertising Association of Guangdong Province (廣東省廣告協會).
- Guangdong Xinyue and Guangdong Er-Guang Expressway Company Limited entered into a construction contract of approximately RMB 33.90 million for the electrical and mechanical engineering project of the section from Huaijinan to Gangping of the Lianzhou (boundary of Hunan and Guangdong Province) - Huaiji Highway project in Guangdong Province.

FINANCIAL HIGHLIGHTS

	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)	Change
Results highlights			
Turnover			
Material logistics	3,170,794	3,620,937	-12%
Expressway service zones	553,300	534,016	4%
Transportation intelligence	639,014	569,099	12%
Motor transportation and auxiliary services	2,109,402	2,063,002	3%
Tai Ping Interchange	137,627	134,750	2%
Others	316	1,428	-78%
Total turnover	6,610,453	6,923,232	-5%
Gross profit			
Material logistics	117,361	193,675	-39%
Expressway service zones	118,670	116,601	2%
Transportation intelligence	85,392	52,775	62%
Motor transportation and auxiliary services	512,434	490,318	5%
Tai Ping Interchange	114,090	112,282	2%
Others	303	1,406	-78%
Total gross profit	948,250	967,057	-2%
Business tax and other surcharges	105,804	131,989	-20%
Selling and administrative expenses	664,248	613,213	8%
Finance costs	47,119	46,570	1%
Impairment loss on assets	-1,314	-9,848	-87%
Investment income	2,867	3,015	-5%
Operating profit	135,260	188,148	-28%
Non-operating income and expenses	88,078	63,936	38%
Total profit	223,338	252,084	-11%
Income tax expenses	77,927	79,787	-2%
Net profit	145,411	172,297	-16%
Minority interests	72,876	46,812	56%
Net profit attributable to the shareholders of the Company	72,535	125,485	-42%
Basic earnings per share (RMB)	0.17	0.30	-42%

FINANCIAL HIGHLIGHTS

	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)	Change
Results highlights			
Total assets	5,017,423	6,906,732	-27%
Total net assets	1,958,208	2,458,525	-20%
Equity attributable to the shareholders of the Company	1,380,106	1,880,119	-27%
Net assets per share attributable to shareholders of the Company (RMB)	3.30	4.50	-27%

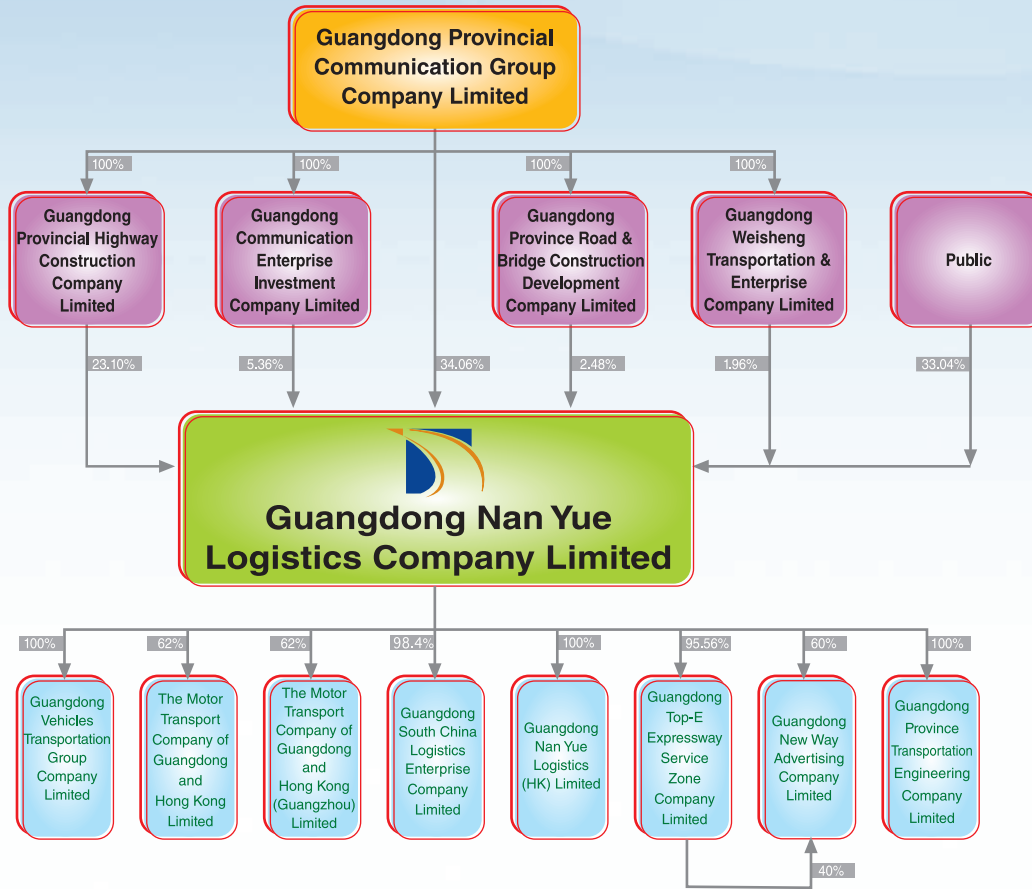
	2012	2011
Ratios		
Gross profit margin (%)	14.34%	13.97%
Interest coverage ratio (times)	4.63	5.45
Current ratio (times)	1.00	0.98

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



CHAIRMAN'S STATEMENT

I take this opportunity to present a review of the business activities of the Group in 2012 and an outlook of our future development.

RESULTS AND DIVIDENDS

For the year ended 31 December 2012, turnover of the Group amounted to RMB6,610 million (2011: RMB6,923 million), representing a decrease of 4.52% over the year 2011. Net profit attributable to the shareholders was RMB73 million (2011: RMB125 million). Basic earnings per share was RMB0.17 (2011: RMB0.30).

As at 31 December 2012, total assets and net current assets of the Group were RMB5,017 million (2011: RMB6,907 million) and RMB6 million (2011: RMB-105 million) respectively, representing a decrease of 27.36% and an increase of 105.71% respectively as compared to 31 December 2011.

As approved at the annual general meeting held on 6 June 2012, the Company paid the final dividend of 2011 of RMB0.06 per share (pre-tax), totaling RMB25,058,513.00.

On 19 March 2013, the Board recommended the payment of the final dividend of 2012 of RMB0.052 per share (pre-tax), totaling RMB21,717,377.00. Such dividend is subject to approval by the shareholders at the annual general meeting to be held on 30 May 2013.

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.

The Board of the Company has decided the dividend policy for the next three years, i.e., the dividend ratios for each of the three years from 2013 to 2015 will not be less than 30% of the net profit attributable to shareholders of the Company (excluding non-recurring items) for the respective years in principle.

BUSINESS REVIEW

In 2012, against a backdrop of slowly recovering world economy, China continued to implement its policies to stabilize economic growth, adjust economic structure and control commodity prices. With slowed economic growth and relieved inflation in the first half of the year, China loosened its monetary policies in the second half. As a result, money lending activities gradually increased, and the scale of investments continued to expand, though China's economic conditions remained challenging. Under such macroeconomic environment, the Group took the initiative to adjust its market strategies, continued to enhance its operational efficiency and enhanced sustainable development capability and core competitiveness by actively optimizing its business structure via asset reorganization and implementing various measures to mitigate the impacts of fierce competition, increasing labor costs and high oil prices on its operations.

In respect of material logistics, in 2012, the Group participated in the supply and management of materials such as steel bars, steel strands, cement and asphalt for GCGC expressway projects which included Guangzhou-Lechang Expressway, the expansion of Guangzhou-Qingyuan Expressway, Jiangmen-Zhaoqing Expressway (northern section), Zhaoqing-Huadu Expressway, the expansion of Foshan-Kaiping Expressway, Boluo-Shenzhen Expressway, Phase III of Guangzhou-Zhuhai Western Expressway and Phase III of Shantou-Jieyang Expressway, and for projects other than GCGC expressway projects, including Guangzhou-Gaoming Expressway, Zengcheng-Conghua Expressway, Guiyang-Guangzhou Expressway, Guangzhou Metro Route No. 5 and 6 and Guangzhou-Zhuhai Intercity Railway, supplying a total of approximately 490,200 tonnes of steel bars, 32,000 tonnes of steel strands, 2,168,700 tonnes of cement and 90,500 tonnes of asphalt. The Group continued to advance its asphalt storage and port business. In June 2012, the Dongguan Port was put into operation, paving the way for the construction of the biggest asphalt storage and transportation, research and development and processing facility in South China. The Group has successfully developed asphalt products covering full range of emulsified asphalt for expressways and emulsified asphalt for high-speed railways, and has actively facilitated the marketing of "Nan Yue" as a high-end asphalt brand in south China.

In respect of expressway service zone business, in 2012, the Group operated a total of 62 pairs of service zones, and entered into advertising agency contracts with owners of 38 expressway sections. The Group continued to facilitate the brand-building of its service zones and enhance its marketing planning to ensure the sustainable development of various operations in its service zones. Capitalizing on its development in 2011, the Group strengthened the promotion of its "Top-E" brand for service zones and further enhanced its "Le Relay" brand for convenience stores and "New Way" brand for advertising by establishing a framework for brand building and promotion in line with market conditions. It increased the overall effectiveness of its gas stations by exploring optimized operation models; it strengthened the planning and modification of commercial properties in its service zones to tap their operating potential and improve overall profitability. It intensified exploration and made full use of its expressway media advertising resources to actively secure advertising planning projects and expand new advertising business. And it sped up its motor vehicle repair business and actively expanded its greening projects.

In respect of motor vehicle transportation and auxiliary services, Guangdong Vehicles Transportation Group, which is engaged in motor vehicle transportation across Guangdong and between Guangdong and other provinces, went all out to expand its core business and facilitate the optimization and consolidation of the internal transportation business and resources of GCGC in 2012. It deeply explored the synergies of various transportation resources and actively cultivated innovative business models. Through its continuously fine-tuned internal governance and risk prevention, it continued to strengthen and consolidate its market position and competitive edges, reaching total passenger traffic of over 56 million and a total distance turnover of over 7.0 billion km in 2012. Approximately 22 million passengers were dispatched from terminals. GD-HK Company, a subsidiary of the Group, strived to maintain its market share and raise its operating revenues through reasonable allocation of resources, optimizing customer portfolio, unleashing full potentials of existing lines, strengthening marketing, and adopting a more flexible ticket pricing mechanism.

CHAIRMAN'S STATEMENT

In respect of transportation intelligence business, in 2012, the Group strengthened and maintained its existing market shares amid increasingly intense competition. In 2012, the Group had over 10 projects in relation to expressway transportation intelligence under construction, and has won the bid for 17 projects with a total contract value of approximately RMB567 million.

* Upon completion of the Asset Swap at the end of 2012, Guangdong Xinyue and Guangdong Oriental Thought, both of which engaged in transportation intelligence business, were transferred to GCGC and ceased to be the subsidiaries of the Group. Accordingly, in 2013, the Group will no longer engage in transportation intelligence services.

OUTLOOK AND STRATEGIES

In 2013, the domestic economy is expected to remain to center around stable growth, transformation, structure adjustment, accelerating industrial structure adjustment through reform of economic system, and promotion of urbanization, hence driving the sustained and healthy development of the economy. According to the 2013 Guangdong Provincial Transportation Work Conference (2013年廣東省交通運輸工作會議), Guangdong will invest RMB72 billion in improving transportation infrastructure, including RMB64.45 billion which is planned to invest in for highways and RMB550 million in highway terminals. Such investment plan is set to bring new opportunities to the business of the Group which is closely related to the construction of expressways and transportation.

The Group completed its strategical reorganization in late 2012 by disposing of its highly competitive and low-profit transportation intelligence business and consolidating Guangdong Vehicles Transportation Group, the leading enterprise in Guangdong's motor vehicle transportation industry. In 2013, the Group will further enhance its comprehensive capability by consolidating its logistics and motor vehicle transportation businesses to realize resource sharing and synergies, and will focus on its core business while further expanding market coverage to further ensure its sustainable and steady growth.

1. Motor vehicle transportation and auxiliary services

- Insist on the development strategy of “mergers and acquisitions — consolidation — growth”, integrate transportation resources and focus on expanding its corporate development scale: Develop the business model of “Yueyun” in an innovative way, strengthen internal management, reduce costs, ensure the subsequent consolidation of the Heyuan Motor Vehicle Transportation (河源汽運) project meets the expected target; actively promote and implement the mergers, acquisitions and cooperation of new projects, keep identifying and tracking potential cooperation projects, and actively develop and seek strategic partners.
- Capitalize on the integration of the Group's business to utilize its post-integration advantages in resources: Promote the synergy of service zone business and motor vehicle transportation business, gradually open and operate “Le Relay” convenience stores in passenger terminals under Guangdong Vehicles Transportation Group, and develop advertising business in carriers such as passenger terminals and coaches; explore setting up crossprovince and cross-border transportation transit bases in expressway service zones to improve the operating efficiencies of vehicles.
- Optimize and combine the resources of its road transportation business to continuously grow the motor vehicle transportation business. Based on market conditions, organize passengers, dispatch routes in a scientific way, further optimize its corporate structures in lines and networks, take the initiative to apply for special pilot lines, try to offer passenger carrying services for long haul lines such as Guangxi route so as to develop interest from cross-border passengers from other provinces; promote in an all-round way a “one stop” (一站式) servicing mode, endeavor to set up stations to Hong Kong and Macao in Meizhou, Heyuan and Zhaoqing in 2013; continuously improve the construction of online booking system, develop various marketing modes and further consolidate and increase the efficiencies of leading routes so as to improve the efficiencies of operations.

CHAIRMAN'S STATEMENT

- Extend the industry chain, actively expand new business areas and develop new business models and profit growth contributors: Improve the operations of expressway rescue projects, expand the insurance assessment business, achieve higher revenue from extension business; combine with service zone business to build maintenance platforms in service zones for active development of motor vehicle maintenance business; broaden cross-border transportation business, properly scale up cross-border cargo transportation and business lines; rely on its coach resources to continuously build touring routes characteristic of Guangdong and Hong Kong so as to improve its profitability; promote the utilization of LNG new energy and the investment in and the construction of gas stations, combine with its own advantages in motor vehicle transportation to enter the upstream new energy sector of the industry, implement the Ministry of Transport's LNG new energy coach application trial plan, actively strive for support from government authorities in terms of funding and policy.
- Further improve brand management by improving and revising the corporate image recognition system of Guangdong Vehicles Transportation Group and GD-HK Company, maintaining its brand image and further enhancing the influence and appeal of brands so as to improve corporate competitiveness.

2. Material logistics services

- In 2013, the Group will seize the opportunity arising from the construction of Guangdong provincial expressways to continuously improve its management servicing level in material logistics business to achieve real normalized, standardized and programmed project management.
- The Group will actively engage in major state investment projects and expand its material logistics business while ensuring safe recovery of fund, so as to further expand its market share in the material logistics market.
- The Group will improve its research and development capability in respect of high end asphalt, reinforce cost management, fully leverage on its processing capacity of asphalt and give full play to its warehousing advantage, so as to further increase its market share of asphalt.
- The Group will strive for completion of the works for phase II of the wharf of Dongguan Storage and Transportation Centre in 2013, promote the full operation of the wharf for the launch of its warehouse, transit, loading and unloading and sales port businesses, enhance the marketing of the wharf business and strengthen its logistics chain.
- The Group will adjust the mode of charging logistics management fees for the materials logistics business in GCGC in accordance with the existing requirements of the relevant documents of the government authorities to ensure the sustained and healthy development of the materials logistics business.

3. Expressway service zones

- The commercial transformation of service zones will be promoted steadily to improve the commercial value of service zones. The Group will implement step by step the commercial property redevelopment and commercial development of service zones as scheduled, optimize the trade mix of service zones, so as to improve the economic efficiencies and social image of service zones as a whole.
- The Group will strengthen marketing, further enhance the popularity of the “Top-E” and “Le Relay” brands, and establish its own marketing mode for the service zones, so as to improve operational efficiency.
- The Group will accelerate the increase in presence of “Le Relay” convenience stores at passenger terminals, and take advantage of the opportunity of the Group’s business integration to open “Le Relay” convenience stores on a trial basis at passenger terminals under Guangdong Vehicles Transportation Group.
- The Group will promote the planning and construction of gas stations to further standardize their management.
- The Group will continue to secure more expressway advertising resources from GCGC, while exploring other quality advertising resources, and enhancing the investment in and construction and maintenance of media resources to increase the profitability of resources.

Yours faithfully,

Liu Wei
Chairman

Guangzhou, the PRC
19 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31 December 2012, the four main businesses of the Group were as follows:

- (i) material logistics services;
- (ii) expressway service zones;
- (iii) transportation intelligence services; and
- (iv) motor vehicle transportation and auxiliary services.

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

Material logistics services

In 2012, the Group strengthened its management of material logistics projects to enhance its overall level of professional management of material logistics business, and formed strategic alliance with upstream suppliers to explore the market. Apart from projects with GCGC, the Group also actively participated in material logistics business for major state projects other than with GCGC. In 2012, the Group supplied a total of approximately 490,200 tonnes of steel bars, 32,000 tonnes of steel strands, 2,168,700 tonnes of cement and 90,500 tonnes of asphalt.

The Group successfully commenced operation of the wharf of Dongguan Storage and Transportation Centre. In June 2012, the wharf of Dongguan Storage and Transportation Centre formally opened as a newly built wharf in Humen Port. Meanwhile, the Company accelerated the construction of Phase II of the wharf and completed the projects such as power distribution and capacity expansion, basin desilting, procurement and installation of dock portal crane equipment. Currently, the tendering of design and construction contract for phase II of the wharf has completed, and joint design of the construction plan has passed internal inspection, while preparation prior to full swing construction are under progress in an orderly manner. The operation of the wharf of Dongguan Storage and Transportation Centre and the construction of Phase II will lay a solid foundation for the Group to build a multi-functional base combining asphalt storage and transportation, research and development and processing.

The Group actively nurtured and established the high-end asphalt brand of "Nanyue". Through cooperation with the South China University of Technology, Research Institute of Highway under Ministry of Transportation successively to constantly improve the research and development and production capability of modified asphalt, our successfully developed production lines have covered a full range of emulsified asphalt for highways and emulsified asphalt for high-speed rails. In 2012, the Group processed and supplied I-D modified asphalt of approximately 8,901 tonnes for Fokai Expressway extension, modified emulsified asphalt of approximately 900 tons for Inter-city Railway between Guangzhou and Zhuhai and Guangzhou-Shenzhen-Hong Kong High Speed Railway, high-viscosity modified asphalt of approximately 140 tonnes for Meilong Expressway extension, and high-viscosity modified asphalt (test section) of approximately 25 tonnes for Phase III of the Guangzhou-Zhuhai West Expressway.

Expressway service zones

In 2012, the Group focused on creating a good brand of service zone: It further strengthened promotion of the “Top-E” brand in service zones, and formulated the framework of brand building and promotion plan suitable for development requirement to further highlight the image of integrated management and operation; and also strengthened the building and management of the “Le Relay” convenient store brand and conducted market research and analysis in more than ten passenger terminals in cities including Zhaoqing and Yangjiang as well as several shopping malls in second-tier cities, so as to explore the operation mode for the “Le Relay” convenient stores to expand into passenger terminals.

The Group continued to invite various service providers to operate in its service zones and strengthen our efforts in introducing highly recognised quality brand names such as “McDonald’s”, which was introduced to Houmen Service Zone, Wayaogang and Yangjiang Service Zones successively, and “KFC” and “Zhengongfu”, which were successfully introduced to Liangjinshan and Wayaogang Service Zones. The Group also formed a strategic alliance with “Zhengongfu”.

The Group actively promoted its gas station business. In 2012, the Group received confirmation letters for the new construction plan of gas stations at Yongan (永安), Xiegang (North) 謝崗(北), Yayao (雅瑶) and Shaxi (沙溪) service zones and signed gas stations operating rights contracts with Sinopec and Shell.

The Group vigorously promotes commercial properties planning and reconstruction of service zones. In 2012, the Group modified the original planning on commercial properties of the service zones and prepared the “Planning Report on Commercial Properties and Implementation Rules of the Twelfth Five-year Plan (商業地產規劃報告及十二五規劃細則)”. It has identified business potentials of the service zones and improved the overall revenue of the service zones.

The Group focused on marketing, and gradually established a marketing system centering on regional self-marketing supplemented by general marketing of Top-E. In 2012, with successful marketing experience accumulated in 2011, the Group carried out overall marketing for non-integral contracting service zones. It also encouraged personalized marketing strategy to further explore market potential, which helped increase overall income of the service zones.

The Group also continued the development of automobile repair services and landscape engineering business. For automobile repair services, the Group has introduced a number of renowned large automotive chains and has formed a chain operation model. As for landscape engineering, the Group actively competed in the market and strived to expand businesses both within and outside the Guangdong province.

As at the end of 2012, the Group had entered into advertisement agency contracts for 38 expressway sections, 7 of which are newly signed in 2012. By signing those contracts, the Group effectively integrated advertisement media resources within GCGC and realized economies of scale for expressway advertisement business which drove the increase in advertisement income.

MANAGEMENT DISCUSSION AND ANALYSIS

Transportation intelligence services

In respect of transportation intelligence business, the Group participated in over 10 transportation intelligence projects in 2012, including Jiangzhao Expressway, Xingtu Expressway in Xinjiang, GCGC control centre, Ningdao Expressway in Hunan. In addition, the Group has won the tenders for 17 transportation intelligence projects with a total contract amount of RMB567 million.

Upon completion of the Asset Swap at the end of 2012, Guangdong Xinyue and Guangdong Oriental Thought, which are engaged in transportation intelligence businesses, were transferred to GCGC and ceased to be the subsidiaries of the Company. Accordingly, the Group will no longer engage in transportation intelligence services from 2013. For the details relating to the Asset Swap, please refer to the Company's announcements dated 23 September 2012 and the Company's circulars dated 5 November 2012.

Motor transportation and auxiliary services

On 18 December 2012, the Group held an extraordinary general meeting and an H shares class meeting to approve the asset swap. Pursuant to the resolutions passed by the shareholders, the Company acquired from GCGC 100% of the equity interest in Guangdong Vehicles Transportation Group which is engaged in bus transportation business within Guangdong Province and cross-provincial bus transportation business. At the end of 2012, Guangdong Vehicles Transportation Group became a subsidiary of the Company.

In 2012, in order to strengthen its competitive edges, Guangdong Vehicles Transportation Group deeply explored the synergies of its transportation resources, actively expanded into new projects and nurtured new business models while consolidating its existing market shares: (1) in December 2012, it entered into a joint venture agreement to establish Heyuan City Yueyun Vehicles Transportation Co. Ltd., so as to build a business platform in Heyuan region of eastern Guangdong and pave the way for constructing the Group's transportation network in north-eastern Guangdong in the future; (2) it initiated the expressway rescue project, pursuant to which Guangdong Yueyun Traffic Rescue Co., Ltd (廣東粵運交通拯救有限公司) under Guangdong Vehicles Transportation Group has undertaken the rescue of 22 expressway sections of GCGC totaling 2,330 km, which has good development prospects; (3) it jointly founded Foshan Sanshui Yueyun Transportation Company Limited (佛山市三水區粵運交通有限公司) to actively expand its public transportation business in Sanshui, Foshan. The implementation of Sanshui public transportation project has created synergies with Guangdong Vehicles Transportation Group's resources in Foshan passenger transportation market by connecting the routes to form the backbone of a network in Foshan passenger transportation market, which can effectively compete with Guangzhou-Foshan subway and lay a solid foundation for future development.

MANAGEMENT DISCUSSION AND ANALYSIS

In light of the changes in conditions of passenger transportation market, Guangdong Vehicles Transportation Group timely adjusted its operational policies in 2012. Firstly, it expanded its self-operated vehicle fleet to increase operating revenues. Secondly, it adjusted the allocation of its transportation capacity and optimized the deployment of routes and vehicles according to market conditions by adjusting the times and routes of vehicle departure, in an effort to raise the carriage rate and lower operating costs. Thirdly, it applied preferential pricing policies such as roundtrip ticketing of certain routes to secure customers and revenues.

Guangdong Vehicles Transportation Group is active in building an online ticket system platform to coordinate with Guangdong Transportation Bureau (廣東省交通運輸廳) in its implementation of online ticket system in various passenger terminals. With the employment of modern e-commerce business model, Guangdong Vehicles Transportation Group has boosted the innovation of operation management as well as development of the traditional transportation industry, driving transformation of the industry from a traditional industry into a modern service industry.

For cross-border transportation services, in 2012, GD-HK Company, 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 eight consecutive sessions (two years for each session). In 2012, Dashatou Station, the first station in Guangzhou for nonstop bus to Hong Kong and Macao, which was jointly developed by GD-HK Company and Guangzhou Port Group Passenger Transportation Service Co., Ltd. (廣州港集團客運服務有限公司), officially commenced operation. Dashatou Station has greatly enhanced the Group's competitiveness. GD-HK Company took various effective measures to increase the carriage rate and retained major customers through adjusting its supply structures. It formed alliance with counterparts to provide storage services, resulting in increasing revenue and profit of cross-border freight. The Group also attempted to introduce new businesses. With its own bus resources, the Group cooperated with CTS (港中旅) to launch Meizhou pilot tourist shuttle bus.

Tai Ping Interchange

The Group has the right of toll collection at Tai Ping Interchange and the revenue from toll collection increased by 2.22% in 2012 as compared with the same period of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Limited 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. Currently, the Group is proceeding with various works relating to the application and development of the project. The Company is maintaining proactive communications with the competent governmental authorities of the Baiyun District of Guangzhou where the land parcel is located regarding the planning adjustment and land consolidation matters relating to the development of the project, and has gained supports from the governmental authorities of the Baiyun District. Meanwhile, the Group has also reported to the municipal government of Guangzhou the existing problems in relation to the development of the project so as to strive for its support. 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) relating to the land parcel is under preparation and adjustment. The Group will pay close attention to the Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou to actively strive for support from the the Guangzhou Municipal Government for the development of the land parcel and accelerate the development progress in accordance with the “old towns, plants and villages” redevelopment policy.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (UNLESS OTHERWISE STATED, ALL AMOUNTS ARE SHOWN IN RMB AND FIGURES FOR 2011 HAVE BEEN RESTATED)

Turnover

The Group's turnover was mainly derived from revenues from its four business segments, including the provision of material logistic services, transportation intelligence services, the operation of expressway service zones as well as motor transportation and auxiliary services. Revenues from Tai Ping Interchange business were also included in the Group's turnover. Turnover for the year amounted to RMB6,610 million (2011: RMB6,923 million), representing a decrease of 4.52% 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 decrease in the price of steel.

Turnover by business segment:

	For the year ended of 31 December			
	2012		2011	
	RMB'000	Percentage	RMB'000 (Restated)	Percentage
Material logistics	3,170,794	47.97%	3,620,937	52.30%
Expressway service zones	553,300	8.37%	534,016	7.71%
Transportation intelligence services	639,014	9.67%	569,099	8.22%
Motor transportation and auxiliary services	2,109,402	31.90%	2,063,002	29.80%
Tai Ping Interchange	137,627	2.08%	134,750	1.95%
Others	316	0.01%	1,428	0.02%
Total	6,610,453	100%	6,923,232	100%

MATERIAL LOGISTICS SERVICES

Material logistics service is the Group's largest source of income. Turnover attained for the year was RMB3,171 million (2011: RMB3,621 million), representing a decrease of 12.43% and accounting for approximately 47.97% (2011: 52.3%) of the total turnover of the Group. The decrease in turnover was mainly attributable to (i) the increase in the number of projects undertaken during the year and the resulting drop in supply; (ii) the decrease in steel price; and (iii) the write-off made by government auditors following their audits on certain projects.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPRESSWAY SERVICE ZONES

As at 31 December 2012, the number of the Group's operating service zones amounted to 62 pairs (2011: 60 pairs). The turnover of expressway service zones amounted to RMB553 million (2011: RMB534 million), representing an increase of RMB19 million or approximately 4% as compared to last year and accounting for approximately 8% (2011: 8%) of the Group's total turnover. The increase in turnover was principally due to (i) the increase in the number of service zones; (ii) the increase in the revenue of convenience stores in the service zones resulting from the increase in customers due to the VI reconstruction and environmental improvement; and (iii) the increase in landscaping revenues due to the addition of the landscaping projects of Beijing-Hong Kong-Macau Expressway and Guizhou Huixing Expressway, which offset the decrease in revenues from the one-off admission fees.

TRANSPORTATION INTELLIGENCE SERVICES

Turnover of transportation intelligence services for the year amounted to RMB639 million (2011: RMB569 million), representing an increase of RMB70 million or approximately 12% from last year and accounting for approximately 10% (2011: 8%) of the Group's total turnover. The increase in turnover was mainly attributable to the increase in projects initiated and the increase in revenues from toll-by-weight projects during the year.

MOTOR TRANSPORTATION AND AUXILIARY SERVICES

Turnover of motor transportation and auxiliary services for the year amounted to RMB2,109 million (2011: RMB2,063 million), representing an increase of RMB46 million or 2.25% from last year, mainly due to the improved integration benefits of the M&A activities resulting from the increased efforts in the buyback of self-operated routes and the expansion of the operation scope by regional companies and the increase in passenger sources from new routes under the "M&A-integration-growth" development mode of domestic transportation, but the appropriation made by three companies such as Meizhou Yueyun in June 2012 narrowed the increase in revenue.

TAI PING INTERCHANGE

The revenue from Tai Ping Interchange for the year was RMB138 million (2011: RMB135 million), representing an increase of RMB3 million or 2.22% as compared to last year. Such increase was mainly attributable to the increase in turnover for the year due to the natural increase in traffic volume. However, the growth in toll revenues slowed down due to the "Toll-Free in Major Festivals and Holidays for Small Passenger Vehicles Policy (重大假日免收小型客車通行)".

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

The gross profit of the Company for the year was RMB948 million (2011: RMB967 million), slightly lower than last year. Gross profit margin was approximately 14.34% (2011: 13.97%), a slight increase over last year.

Gross profit by business segment:

	As at the end of 31 December			
	2012		2011	
	RMB'000	Percentage	RMB'000 (restated)	Percentage
Material logistics services	117,361	14%	193,675	20%
Expressway service zones	118,670	12%	116,601	12%
Transportation intelligence services	85,392	9%	52,775	5%
Motor transportation and auxiliary services	512,434	53%	490,318	51%
Tai Ping Interchange	114,090	12%	112,282	12%
Others	303	0.03%	1,406	0.15%
Total	948,250	100.00%	967,057	100.00%

MATERIAL LOGISTICS SERVICES

Gross profit of material logistics services was RMB117 million (2011: RMB194 million), decreased by RMB76 million or 39% as compared with last year. Gross profit margin was 3.70% (2011: 5.35%). The decrease was primarily due to (i) the decrease in turnover; (ii) the decrease in gross profit margin of some projects due to the drop in material prices; and (iii) the write-off made by government auditors following their audits on certain projects.

EXPRESSWAY SERVICE ZONES

Gross profit of expressway service zones for the year amounted to RMB119 million (2011: RMB117 million). Gross profit margin was 21.45% (2011: 21.83%). Gross profit margin decreased slightly as compared to last year, principally due to the decrease in revenue from one-off compensations of petrol stations.

MANAGEMENT DISCUSSION AND ANALYSIS

TRANSPORTATION INTELLIGENCE SERVICES

Gross profit from transportation intelligence services for the year amounted to RMB85 million (2011: RMB53 million), representing an increase of RMB32 million or 61.80% as compared with last year. The gross profit margin was 13.36% (2011: 9.27%). The increase in gross profit margin was primarily due to the increased proportion of income from toll-by-weight projects in the expressway network with higher gross profit margins and the decreased proportion of income from projects outside Guangdong Province with lower gross profit margins.

MOTOR TRANSPORTATION AND AUXILIARY SERVICES

Gross profit of motor transportation and auxiliary services for the year amounted to RMB512 million (2011: RMB490 million), representing an increase of RMB22 million or 4.69% as compared with last year. Gross profit margin was 24.29% (2011: 23.77%). The increase in gross profit margin was mainly due to the fact that Guangdong Provincial Transportation Group promoted the “five unities” management concepts aiming at centralized the management of its internal and external resources and leveraging its economy of scale to carry out centralized procurement, centralized repair, standardized management and coordinated operations. Group companies effectively controlled their costs and expenses and improved their gross profit margins by achieving the lowest procurement cost in the industry.

TAI PING INTERCHANGE

Gross profit of Tai Ping Interchange for the year amounted to RMB114 million (2011: RMB112 million), representing an increase of 1.61%. Gross profit margin was 82.90% (2011: 83.33%), a slight decrease as compared with last year, mainly due to the “Toll-Free in Major Festivals and Holidays for Small Passenger Vehicles Policy”.

BUSINESS TAX AND OTHER SURCHARGES

Business taxes and other surcharges decreased to RMB106 million from RMB132 million for last year, representing a decrease of RMB26 million or 20%. The decrease was mainly attributable to the decrease in surcharges to value-added tax resulting from the decrease in income from material logistics services.

SELLING AND ADMINISTRATIVE EXPENSES

The Group's selling and administrative expenses for the year amounted to RMB644 million (2011: RMB613 million), representing an increase of RMB51 million or 8% compared to last year. The increase was mainly attributable to (i) the reorganization costs totaling RMB32 million incurred during the year; and (ii) increase in subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE COSTS

Finance costs incurred for the year amounted to RMB47 million, largely the same as last year.

LIQUIDITY AND CAPITAL STRUCTURE

Items	Unit: RMB'000	
	As at 31 December 2012	As at 31 December 2011 (restated)
Borrowings	416,450	253,258
Less: Cash and cash equivalents	1,253,888	2,226,152
Net debt	-837,438	-1,972,894
Total liabilities	3,059,214	4,448,206
Total equity attributable to owners	1,958,208	2,458,525
Total equity	1,120,770	485,631
Total assets	5,017,423	6,906,731
Gearing ratio	-74.72%	-406.25%
Asset to liability ratio	60.97%	64.40%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total

Asset to liability ratio = Total liabilities/Total assets

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 the year (after deducting the effect of exchange rate movement) were as follows:

	For the year ended 31 December		
	2012 RMB'000	2011 RMB'000 (restated)	Change
Cash generated from/ (used in)			
Operating activities	-214,367	1,145,599	-118.71%
Investing activities	-507,568	-473,841	-7.12%
Financing activities	-250,314	-140,777	-77.81%
Decrease in cash and cash equivalents	-972,264	526,129	-284.80%

OPERATING ACTIVITIES

The Company's net cash outflow from operating activities amounted to RMB214 million during the year (2011: net inflow of RMB1,146 million), representing a net increase of RMB1.36 million, which was mainly attributable to the increase in the Company's payment during the period for the bank acceptance bills which were issued but not accepted for the previous year and the domestic letters of credit as compared with the previous year.

INVESTING ACTIVITIES

Cash used in investing activities during the year was RMB508 million, which mainly comprised (i) RMB259 million for the acquisition of assets for its vehicle transportation and auxiliary services; (ii) RMB153 million of cash and cash equivalents balance of subsidiaries disposed; and (iii) RMB63 million for the construction of service zones.

FINANCING ACTIVITIES

The net cash outflow from financing activities during the year was RMB250 million (2011: RMB141 million), which was mainly used in repayment of long and short-term borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

BORROWINGS

As at 31 December 2012, outstanding borrowings of the Group was RMB416 million, comprising of (i) unsecured short-term loans of RMB5 million (2011: RMB90 million); (ii) secured short-term loans of RMB5 million (2011: RMB1 million); (iii) secured long-term loans of 104 million (2011: 96 million); (iv) finance lease payables of RMB5 million; and (v) bonds payable of RMB297 million (2011: nil).

ACQUISITIONS

As at 31 December 2012, the Group had no acquisitions pending completion.

SUBSEQUENT EVENTS

Nil.

PLEDGE OF ASSETS

As at 31 December 2012, the Group's fixed assets with a net value of RMB97 million (31 December 2011: RMB109 million) and land use rights with a net value of RMB22 million (31 December 2011: RMB1 million) were pledged as collateral against bank borrowings.

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 2012, 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. Currently, 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

In September 2010, a maximum amount guarantee contract was entered into between Guangdong Vehicles Transportation Group and Guangzhou Branch of Huaxia Bank Co., Ltd., pursuant to which Guangdong Vehicles Transportation Group provided guarantee at the maximum of RMB80 million for the bank borrowings granted to Meizhou Yueyun by Guangzhou Branch of Huaxia Bank Co., Ltd during 11 February 2010 and 11 February 2011 at no consideration. As of 31 December 2012, the borrowings balance of Meizhou Yueyun in Guangzhou Branch of Huaxia Bank Co., Ltd. was RMB65 million (31 December 2011: RMB65 million). On 25 February 2013, GCGC issued a letter in the effect that it agreed to bear the guarantee provided by Guangdong Vehicles Transportation Group to Meizhou Yueyun.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the Company has 9 directors and 7 supervisors as well as a group of senior management personnel. There is no family relationship between any of the directors of the Company (the “Directors”), the supervisors of the Company (the “Supervisors”) or senior management of the Group.

DIRECTORS

The Company has 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors.

Executive Directors

Mr. Xuan Zongmin (禰宗民), aged 52, is an executive Director and the general manager of the Company and has served as a Director since June 2012. Mr. Xuan obtained executive master degrees in business administration from Murdoch University in Australia and South China University of Technology (華南理工大學), respectively. Mr. Xuan has served as a director of Guangdong Vehicles Transportation Group since April 2004 and the general manager of Guangdong Vehicles Transportation Group since January 2013, he also served as the general manager of Guangdong Vehicles Transportation Group from April 2004 to October 2012. Mr. Xuan is currently a director and the chairman of the board of directors of the following subsidiaries of Guangdong Vehicles Transportation Group: Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd. (廣東廣江高速客運有限公司), Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd. (廣東省深汕高速客運有限公司) and Shenzhen Yueyun Investment Development Company Limited (深圳粵運投資發展有限公司). Mr. Xuan is also a director and the vice-chairman of Guangdong Province Guangyang High Speed Passenger Traffic Co., Ltd. (廣東省廣陽高速客運有限公司). Other major past positions of Mr. Xuan include serving as the deputy supervisor of secretary division and supervisor of information division of the Guangdong Transportation Bureau (廣東省交通廳) from 1983 to 1997, and successively the assistant to the general manager, the deputy general manager, a director and the general manager of Weisheng Transportation & Enterprises Company Limited (威盛運輸企業有限公司) from 1997 to 2004. From January 2001 to December 2004, Mr. Xuan was also a Director of the Company.

Mr. Tang Yinghai (湯英海), aged 44, is an executive Director and the deputy general manager of the Company and has served as a Director since June 2012. Mr. Tang graduated with a master degree in law from Renmin University of China (中國人民大學). He possesses professional qualifications as a senior accountant. Mr. Tang was appointed as the deputy general manager of Guangdong Vehicles Transportation Group since January 2013, he served as the deputy general manager and the chief accountant of Guangdong Vehicles Transportation Group from July 2005 to October 2012. Mr. Tang is currently serving as a director in the following subsidiaries of Guangdong Vehicles Transportation Group: Zhaoqing City Yueyun Motor Transportation Co., Ltd. (肇慶市粵運汽車運輸有限公司), Guangdong Yangjiang Vehicles Transportation Group Company Limited (廣東陽江汽車運輸集團有限公司) and Guangdong Yueyun Langri Co., Ltd. (廣東粵運朗日股份有限公司). Mr. Tang is also a director and the chairman of the board of Kwong Fat Transport Limited (廣發運輸有限公司). Other major past positions of Mr. Tang include working for the Highway Construction Office of the Guangdong Province (廣東省公路工程處) from 1989 to 1995, successively the accountant and deputy supervisor of the Guangdong Transportation Bureau (廣東省交通廳) from 1995 to 1998, and successively the deputy manager and the manager of accounting department, a director and the chief accountant of The Motor Transport Company of Guangdong and Hong Kong Limited (粵港汽車運輸聯營有限公司) from 1998 to 2005.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yao Hanxiong (姚漢雄), aged 47, is an executive Director and the deputy general manager of the Company. Mr. Yao graduated from Chongqing Jiaotong University (重慶交通學院) in 1989 with a bachelor degree in road and bridge engineering, and obtained an executive master degree in business administration from Jinan University (暨南大學) in 2009. He is also a senior engineer for roads and bridges with a specialized technical qualification certificate. Mr. Yao joined the Group in October 2007. From March 2005 to September 2007, Mr. Yao was appointed as a director and deputy general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建设集團有限公司). From 2002 to 2005, Mr. Yao was designated by the Organization Department of the Guangdong Provincial Party Committee to practise as the deputy chief executive (presiding over science and technology) of Deqing County, Zhaoqing City. Mr. Yao served as the deputy manager and the manager of the second branch office of Guangdong Changda Highway Engineering Company Limited (廣東省長大公路工程有限公司第二分公司) from 1989 to 2002.

Mr. Guo Junfa (郭俊發), aged 48, is an executive Director of the Company. Mr. Guo graduated from the Correspondence Institute of the Party School of the Communist Party of China (中央黨校函授學院) in December 1997 majoring in economics management. Mr. Guo graduated from the Provincial Academy of Social Sciences (省社科院) majoring in economics management in August 2002 and obtained an executive master degree in business administration from the South China University of Technology (華南理工大學) in June 2009. He was selected and sent overseas to the University of British Columbia of Canada by the relevant department of Guangdong Province in 2003 to study the MPA course for a year. Mr. Guo has served as the chairman of the board of The Motor Transport Company of Guangdong and Hong Kong Limited (粵港汽車運輸聯營有限公司) since August 2012 having joined them as a director and general manager in August 2005. He is also serving as the chairman of the boards of Guangdong Yue Li Jia Passenger Transport Co., Ltd. (廣東粵利佳客運有限公司) and Cross Border Express Co., Ltd. (跨境快綫管理有限公司). Other major past positions of Mr. Guo include serving as division chief of the Technology Education Department of Guangdong Transportation Bureau (廣東省交通廳科技教育處處長) from February 2002 to August 2005, and division chief of the Foreign Economic Department of Guangdong Transportation Bureau and the officer of the Loan Office of World Bank of the Guangdong Transportation Bureau (廣東省交通廳世界銀行貸款辦公室主任) from June 2000 to January 2002. He served as an executive Director of the Company from June 2007 to December 2007.

Non-executive Directors

Mr. Liu Wei (劉偉), aged 53, is a non-executive Director and has served as the Chairman of the Board of the Company since November 2012. He graduated with a master degree from International East-West University (國際東西方大學), majoring in business administration and possesses professional technical qualification as a senior economist. He is the deputy general manager and a member of the communist committee of GCGC, the controlling shareholder of the Company, and the secretary of the communist committee and the chairman of Guangdong Vehicles Transportation Group. Other major past positions of Mr. Liu include the deputy supervisor of information division and secretary division of the Guangdong Transportation Bureau (廣東省交通廳) from 1980 to 1989, the deputy manager of administration department, the office manager, a director and the deputy general manager of Weisheng Transportation & Enterprises Company Limited (威盛運輸企業有限公司) from 1989 to 1997, and the deputy general manager, the general manager, the deputy secretary, the secretary of the communist committee and the chairman of Guangdong Vehicles Transportation Group from 1997 to 2008. From October 2002 to June 2009, Mr. Liu was a Director of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Bin (李斌), aged 44, is a non-executive Director. Mr. Li graduated from South China Normal University (華南師範大學) with a bachelor degree in computer science in July 1990 and is a senior engineer and senior economist. He also graduated from the Guangdong University of Technology (廣東工業大學) in 1999, majoring in highway and road engineering. From 2000 to 2002, he studied the Business Administration Graduate Seminar Course offered by Jinan University. Mr. Li has served successively as the executive staff of the general affairs department and the investment management department, and as the deputy head of the strategic development department of GCGC since April 2004. From March to October 2005, Mr. Li was seconded to serve at the Guangdong State-owned Assets Supervision and Administration Commission. He has also served as a director of Guangdong Vehicles Transportation Group since December 2009. Mr. Li was the deputy manager of the operation department and chief of the information center department and the communist party working group for Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建設集團有限公司) from August 1995 to March 2004. Mr. Li served as a lecturer in computer science of the Guangdong Communications Polytechnic (廣東交通職業技術學院) from July 1990 to July 1995, and is currently a visiting professor of the polytechnic.

Independent Non-Executive Directors

Mr. Gui Shouping (桂壽平), aged 60, is an independent non-executive Director and has served as a Director of the Company since February 2004. 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 (華南理工大學). 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. Mr. Gui served as a vice president of Electronic Trade Faculty of South China University of Technology from 2004 to 2008 and as a vice president of the Economics and Trade Faculty of South China University of Technology from 2008 to January 2013. 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 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

Mr. Liu Shaobo (劉少波), aged 52, 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 strategic consultation expert of the Guangdong Provincial Government, strategic consultation expert of the Guangzhou Municipal Government, vice-president of the Society for Guangdong Economics, vice-chairman of Guangdong Provincial Society of Tertiary Industry and member of the Annual Council of Chinese Financial Society. Mr. Liu obtained the qualification of professor from Jinan University in 1995, a master 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 Group Incorporated (廣州發展集團股份有限公司), 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), Guangdong Taiantang Pharmaceutical Co., Ltd. (廣東太安堂藥業股份有限公司) (stock code: 002433) and Guangzhou Canudilo Fashion & Accessories Co., Ltd. (廣州卡奴迪路服飾股份有限公司) (stock code: 002656), companies listed on the Shenzhen Stock Exchange.

Mr. Peng Xiaolei (彭曉雷), aged 61, is an independent non-executive Director and has served as a Director of the Company since February 2004. Mr. Peng obtained his master degree in economics from Zhong Nan Finance University in 1996 and has obtained professional qualification of senior accountant. Mr. Peng was 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") from February 2002 to March 2013. 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. 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)》.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The Company has 7 Supervisors, with 2 of them being the independent Supervisors (namely, Ms Lu Zhenghua and Mr. Bai Hua) while 3 are Supervisors representing the staff of the Group (namely, Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li) and 2 are Supervisors appointed by shareholders of the Company (namely, Mr. You Xiacong and Ms. Li Haihong).

Mr. You Xiacong (游小聰), aged 45, is a Supervisor and the Chairman of the Supervisory Committee of the Company, and a senior accountant. Mr. You graduated from the Xi'an Highway University (西安公路學院) in July 1990 with a bachelor degree, majoring in transport and logistics financial accounting. He has served in the audit and supervisory department of GCGC since August 2008. Mr. You has also served as the chairman of the supervisory committee of Guangdong Communication Enterprise Investment Company Limited (廣東交通實業投資有限公司) and Guangdong Provincial Expressway Development Co., Ltd. (廣東省高速公路發展股份有限公司) since October 2012. Mr. You served as a supervisor and the chairman of the supervisory committee of both Guangdong Vehicles Transportation Group and Guangdong Highway Design Institute Co., Ltd. (廣東省公路勘察規劃設計院股份有限公司) from August 2008 to September 2012. From June 1997 to July 2008, Mr. You successively served as the finance manager and subsequently a director and chief accountant of Kee Kwan Motor Road Company Limited (岐關車路有限公司).

Ms. Li Haihong (李海虹), aged 41, is a Supervisor and a senior economist. Ms. Li graduated from the Beijing University of Aeronautics & Astronautics in January 2010, majoring in law. Ms. Li has served in the audit and supervisory department of GCGC since October 2008. She has also served as a supervisor of Guangdong Communication Enterprise Investment Company Limited (廣東交通實業投資有限公司) since October 2012. Prior to her current posts, Ms. Li was a supervisor of Guangdong Provincial Freeway Co., Ltd. (廣東省高速公路有限公司) from October 2008 to September 2012. She served as deputy head of the operation contract department and head of the audit and supervisory department of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建設集團有限公司) from January 2002 to September 2008.

Ms. Lu Zhenghua (陸正華), aged 50, is a Supervisor. Ms. Lu holds a master degree in Money and Banking from the Finance Department of Jinan University, and has obtained a Doctor of Philosophy degree in Business Management from the Faculty of Management and Administration of the Macau University of Science and Technology. Ms. Lu is a member of The Chinese Institute of Certified Public Accountants. She has also participated in formulating, and has provided advices and opinions on, the financial operation systems and listing financing plans of various companies. Ms. Lu has been an associate professor of the School of Business Administration of South China University of Technology since 2000. Ms. Lu's other major appointments include: an assistant professor and a lecturer of the Economics and Management Department of East China Jiaotong University from 1986 to 1993, and as a lecturer of School of Business Administration of South China University of Technology from 1993 to 2000. Ms. Lu is currently an independent director of Star Lake Bioscience Co., Inc. Zhaoqing Guangdong, a company listed on the Shanghai Stock Exchange (stock code: 600866), Guangzhou Mopark Department Co., Ltd, GMG International Tendering Co., Ltd. and Guangdong Gensho Logistics Co., Ltd. She is also a director of Guangdong Dazhi Environmental Protection Technology Co., Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Bai Hua (白華), aged 43, is a Supervisor and holds a master degree in Economics and a Doctor of Philosophy degree in Management from the Economics and Management School of Wuhan University. He is a member of The Chinese Institute of Certified Public Accountants (non-Practising) and the Accounting Society of China. Mr. Bai has been a teacher of the Department of Accounting under the School of Management in Jinan University since July 2003, an associate professor and tutor of master degree students in Jinan University since 2005. Mr. Bai is currently independent director of LuXiang Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 002192) and Guangdong Linkfair Group Co., Ltd. His other major appointments include being a director of Guangdong Institute of Auditors and a member of the Promotion Committee of Guangdong Institute of Certified Public Accountants.

Mr. Rao Fengsheng (饒鋒生), aged 49, has served as a Supervisor of the Company since June 2007 and is the vice secretary of the party committee 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, the manager of the human resources department of the Company from February 2003 to September 2006 and the vice secretary of the party committee, secretary of the disciplinary committee and the chairman of the labor union of the Company from September 2006 to January 2013.

Ms. Li Hui (李輝), aged 49, is a Supervisor and 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 Guangdong Feida Traffic Engineering Company Limited. 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.

Ms. Zhang Li (張莉), aged 41, is a Supervisor, one of the joint company secretaries of the Company and the manager of the Securities and Legal Department of the Company. She is a senior economist. 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), a subsidiary of the Company, and a director of Guangdong Xin Yue. 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Fei Dachuan (費大川), aged 55, is a deputy general manager of the Company and Guangdong Vehicles Transportation Group, and is a senior economist. Mr. Fei also holds the following positions at subsidiaries of Guangdong Vehicles Transportation Group: a director and the chairman of Guangdong Provincial Guangshen Expressway Bus Company Limited (廣東省廣深高速巴士有限公司), Guangdong Provincial Guangshan Expressway Passenger Transportation Company Limited (廣東省廣汕高速客運有限公司) and Guangdong Gangtong Motor Transportation Company Limited (廣東港通汽車運輸有限公司); a director and the vice chairman of Foshan Yueyun Public Transportation Company Limited (佛山市粵運公共交通有限公司) and Guangdong Provincial Shuntong Transportation Company Limited (廣東省順通運輸有限公司); an executive director and the general manager of Guangzhou Yueyun Investment Management Company Limited (廣州粵運投資管理有限公司); and a director of Guangzhou Xintianwei Transportation Development Company Limited (廣州新天威交通發展有限公司), Meizhou Yueyun Vehicles Transportation Company Limited (梅州市粵運汽車運輸有限公司), Shenzhen Yueyun Investment Development Company Limited (深圳粵運投資發展有限公司) and Foshan Sanshui Yueyun Transportation Company Limited (佛山市三水區粵運交通有限公司). Prior to joining Guangdong Vehicles Transportation Group in 2006, Mr. Fei served successively as a deputy manager and the manager of business department of Weisheng Transportation & Enterprises Company Limited, Guangdong branch, a deputy general manager of Weisheng Transportation & Enterprises Company Limited, Qigang branch, a director and deputy general manager of GD-HK Company, a deputy general manager of Weisheng Transportation & Enterprises Company Limited and concurrently a director of GD-HK Company.

Mr. Wei Hengdong (魏衡東), aged 43, is a deputy general manager of the Company and a Director and the Chairman of Guangdong Province Transportation Engineering Company Limited which is a subsidiary of the Company. Mr. Wei graduated from South China University of Technology in July 1989, majoring in architecture, and is a qualified construction engineer. Mr. Wei previously held the following positions: successively officer of Kwong Fat Transport Limited and Guangdong Provincial Motor Transportation Design House (廣東省汽車運輸建築設計室) under Guangdong Vehicles Transportation Group, the general manager of the properties management branch of Guangdong Vehicles Transportation Group, the chairman of Guangdong Yunxing Properties Management Company Limited (廣東運興物業管理公司), a director and deputy general manager of Guangdong Vehicles Transportation Group, and successively a deputy general manager and chairman and a deputy general manager of Weisheng Transportation & Enterprises Company Limited.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Ke Lin (柯琳), aged 44, is the secretary of discipline inspection committee of the CPC and chairman of labor union of the Company and Guangdong Vehicles Transportation Group, and a deputy general manager of Guangzhou Yueyun Investment Management Company Limited, a subsidiary of Guangdong Vehicles Transportation Group. Ms. Ke graduated from South China Normal University with a bachelor's degree in 1991, majoring in psychology. Ms. Ke joined Guangdong Vehicles Transportation Group as chairman of labor union in 2008. She has successively held various positions at Guangzhou University of Chinese Medicine, including clerk, deputy officer and officer of human resources section, and section chief and head of general office of discipline inspection committee of the CPC.

Mr. Luo Yongtao (羅永滔), aged 57, is the chief engineer of the Company and Guangdong Vehicles Transportation Group. Mr. Luo graduated from South China University of Technology with a bachelor's degree in 1978, majoring in motor vehicle design and manufacturing, and is a senior engineer. He previously held the following positions: successively a cadre and a deputy director of motor vehicle research department of Guangdong Provincial Transportation Science Research Institute (廣東省交通科學研究所汽車研究室) and concurrently a deputy officer and director of Guangdong Provincial Motor Vehicle Quality Supervision and Inspection Station (廣東省機動車輛質量監督檢驗站), director of Guangdong Motor Vehicle Quality Supervision and Inspection Station, and successively the manager of technology department, deputy chief engineer and head of vehicle repair plant and chief engineer of GD-HK Company.

Mr. Liu Zhiquan (劉志全), aged 47, has joined the Group since 2000 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 Yunbo Digital Synergy Group Limited (stock code: 08050), a company listed in Hong Kong, since February 2012.

DIRECTORS' REPORT

The Board presents the report of the Directors for the year ended 31 December 2012 together with the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

In 2012, the principal activities of the Company are the provision of motor vehicle transportation and auxiliary services, 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(9) to the financial statements. At the end of 2012, the Company completed asset restructuring by way of transferring the 71% equity interest in Guangdong Xinyue, 51% equity interest in Guangdong Oriental Thought and 90% equity interest in Guangdong Nan Yue Logistics International held by the Company to GCGC and acquiring 100% equity interest in Guangdong Vehicles Transportation Group from GCGC. After completion of the Asset Swap, Guangdong Vehicles Transportation Group became a subsidiary of the Company, and Guangdong Xinyue, Guangdong Oriental Thought and Guangdong Nan Yue Logistics International ceased to be subsidiaries of the Company. The original Guangdong-Hong Kong cross-border transportation services operated by the Company were expanded to cover operational services including domestic transportation services in Guangdong Province, cross-provincial transportation services, Guangdong-Hong Kong cross-border transportation services as well as passenger and cargo terminal management, and ceased to operate transportation intelligence services.

FINANCIAL RESULTS

The financial highlights of the year are set out on pages 9 to 10 of this annual report. The discussion and analysis of the Group's results and financial position of the year are set out on pages 18 to 29 of this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2012 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 79 of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the current year as well as the last five financial years are set out on page 285 of this annual report.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND DIVIDENDS

On 19 March 2013, the Board recommended the payment of final dividend for 2012 of RMB0.052 per share (before-tax), totalling RMB21,717,377.00. Such dividend is subject to approval by the shareholders at the AGM to be held on 30 May 2013.

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 on Tuesday, 11 June 2013.

According to the Law on Enterprise Income Tax Law of the People 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 2012 final dividend to non-resident enterprise shareholders of overseas H shares (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, or other entities and organisations) whose names appear on the Company's H share register of members on Tuesday, 11 June 2013.

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 H shares whose names appear on the Company's H share register of members on Tuesday, 11 June 2013 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 2012 final dividend to individual shareholders of H shares whose names appear on the Company's H share register of members on Tuesday, 11 June 2013 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.

DIRECTORS' REPORT

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.

The Board has decided the dividend policy for the next three years, i.e. the dividend ratios for each of the three years from 2013 to 2015 will not be less than 30% of the profit attributable to shareholders of the Company (excluding non-recurring items) for the respective years in principle.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Thursday, 30 May 2013 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 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 AGM:

Deadline for lodging transfer documents for registration	4:30 p.m. on Monday, 29 April 2013
Closure of register of members	Tuesday, 30 April 2013 to Thursday, 30 May 2013 (both days inclusive)
Date of record	Thursday, 30 May 2013

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

Deadline for lodging transfer documents for registration	4:30 p.m. on Tuesday, 4 June 2013
Closure of register of members	Wednesday, 5 June 2013 to Tuesday, 11 June 2013 (both days inclusive)
Date of record	Tuesday, 11 June 2013

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 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 Shops 1712-1716, 17th 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 2012, the Group's total purchases attributable to the Group's five largest suppliers were 27%, and the Group's aggregate sales attributable to the Group's five largest customers were 28%.

GCGC holds over 50% of the interest in one of the top five suppliers. The purchases attributable by the largest supplier of the Group were 7.78% for the year ended 31 December 2012.

GCGC holds over 50% of the interest in two of the top five customers. The sales attributable by the largest customer of the Group were 14.73% for the year ended 31 December 2012.

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2012 and details of the distributable reserves of the Company as at 31 December 2012 are set out in note 35 to the financial statements prepared in accordance with the CAS.

STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in note 36 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 2012 are set out in notes (VI)10 and 11 to the financial statements.

EMPLOYEES PENSION SCHEME

Details of the Company's employees' pension scheme are set out in note (IX)7 to the financial statements prepared in accordance with the CAS.

DIRECTORS' REPORT

DIRECTORS AND SUPERVISORS

The Directors who held office during the year ended 31 December 2012 and up to the date of this report are as follows:

Name	Date of Appointment as Director	Date of Resignation as Director
Executive Directors		
Mr. Xuan Zongmin (appointed as non-executive director on 6 June 2012 and redesignated as executive director on 18 December 2012)	6 June 2012	N/A
Mr. Tang Yinghai (appointed as non-executive director on 6 June 2012 and redesignated as executive director on 18 December 2012)	6 June 2012	N/A
Mr. Yao Hanxiong	18 December 2012	N/A
Mr. Guo Junfa	18 December 2012	N/A
Mr. Liu Hong	29 December 2009	1 November 2012
Mr. Wang Weibing	11 January 2001	1 November 2012
Mr. Deng Chongzheng	20 December 2007	1 November 2012
Mr. Lu Maohao	28 October 2002	6 June 2012
Mr. Zeng Gangqiang	17 June 2008	18 December 2012
Non-executive Directors		
Mr. Liu Wei	6 June 2012	N/A
Mr. Li Bin	18 December 2012	N/A
Mr. Cao Xiaofeng	19 June 2009	6 June 2012
Mr. Lu Yaxing	22 June 2006	1 November 2012
Mr. Zheng Renfa	19 June 2009	18 December 2012
Mr. Cai Xiaoju	20 December 2007	6 June 2012
Mr. Cai Conghua	25 June 2010	18 December 2012
Independent Non-executive Directors		
Mr. Gui Shouping	2 February 2004	N/A
Mr. Liu Shaobo	2 February 2004	N/A
Mr. Peng Xiaolei	2 February 2004	N/A

The Supervisors who held office during the year ended 31 December 2012 and up to the date of this report are as follows:

Name	Date of Appointment as Supervisor	Date of Resignation as Supervisor
Mr. You Xiaocong	18 December 2012	N/A
Ms. Li Haihong	18 December 2012	N/A
Ms. Lu Zhenghua	6 June 2012	N/A
Mr. Bai Hua	6 June 2012	N/A
Mr. Rao Fengsheng	12 June 2007	N/A
Ms. Li Hui	2 February 2004	N/A
Ms. Zhang Li	29 September 2009	N/A
Ms. Cheng Zhuo	2 February 2004	6 June 2012
Ms. Zhou Jiede	2 February 2004	6 June 2012
Mr. Chen Chuxuan	3 March 2009	18 December 2012
Ms. Xiao Li	3 March 2009	18 December 2012

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 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.

Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei have been served as an independent non-executive director of the Board of the Company for more than nine years. During the period of their holding office as an independent non-executive director, Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei provided the Board objective opinions and independent guidance, which indicated that they possesses the required experiences and independences to discharge their responsibilities. The Board of the Company has been evaluated and reviewed their annual independence confirmation pursuant to the independence criteria set out in Rule 3.13 of the Listing Rules, which confirmed that they still comply with the independence. Given the extensive experiences of Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei, and their depth understandings of the Group's operations and businesses, long-term service would not affect their exercise of judgments. Thus, the Directors believes that Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei serves as an independent non-executive directors is in the interests of the Company and shareholders as a whole.

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 30 to 37 of this report.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the following continuing connected transactions of the Group for the year ended 31 December 2012 are required to be disclosed in the annual report of the Company:

- (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 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 are RMB9,766,000, RMB600,000 and RMB1,575,000, respectively.

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 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 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. Expecting that the transaction amount for the financial year ending 31 December 2013 under the individual expressway services subcontracting agreements entered into by the Group pursuant to the first right of operation agreement would exceed its approved annual cap, the Directors therefore proposed to revise such annual cap. At the extraordinary general meeting of the Company held on 13 November 2012, independent Shareholders approved revision of the annual transaction amount for the year ending 31 December 2013 under the Individual Expressway Services Subcontracting Agreements to RMB116,117,100.

For further information relating to the above transactions, please refer to the Company's announcements dated 22 October 2010 and 5 September 2012 and the Company's circulars dated 9 November 2010 and 27 September 2012.

- (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 from the members of GCGC (the "Materials Purchase Master Agreement"). 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, respectively, were approved by independent Shareholders at the extraordinary general meeting held on 3 January 2011. Expecting that the transaction amount for the financial year ending 31 December 2012 in respect of the contractual sum under the individual agreements entered into by the Group pursuant to the Materials Purchase Master Agreement would exceed its approved annual cap, the Directors therefore proposed to revise such annual cap. At the extraordinary general meeting of the Company held on 13 November 2012, independent

Shareholders approved revision of the annual transaction amount for the year ending 31 December 2012 in respect of the non-exempt continuing connected transactions contemplated under the Materials Purchase Master Agreement to RMB1,012,780,000.

For further information relating to the above transactions, please refer to the Company's announcements dated 22 October 2010 and 5 September 2012 and the Company's circulars dated 9 November 2010 and 27 September 2012.

- (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 provides transportation intelligence services to the members of GCGC (the "Transportation Intelligence Services Master Agreement"). 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, respectively, were approved by independent Shareholders at the extraordinary general meeting held on 3 January 2011. Expecting that the transaction amount for the financial year ending 31 December 2013 in respect of the contractual sum under the individual Agreements entered into by the Group pursuant to the Transportation Intelligence Services Master Agreement would exceed its approved annual cap, the Directors therefore proposed to revise such annual cap. At the extraordinary general meeting of the Company held on 13 November 2013, independent Shareholders approved revision of the annual transaction amount for the year ending 31 December 2013 in respect of the non-exempt continuing connected transactions contemplated under the Transportation Intelligence Services Master Agreement to RMB494,957,100.

For further information relating to the above transactions, please refer to the Company's announcements dated 22 October 2010 and 5 September 2012 and the Company's circulars dated 9 November 2010 and 27 September 2012.

- (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 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, 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.

- (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 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, respectively, 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 22 October 2010 and the Company's circulars dated 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. Guangdong Xin Yue, a 71% subsidiary of the Company which was held as to more than 10% by GCGC. Guangdong Oriental Thought, a 51% subsidiary of the Company which was held as to more than 10% by GCGC. 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, 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.

Upon completion of the Asset Swap, Guangdong Xin Yue and Guangdong Oriental Thought ceased to be subsidiaries of the Company. And currently they are the subsidiaries of GCGC.

- (h) On 29 December 2011, the Company and Guangdong Humen Bridge Company Limited ("Humen Bridge Company") entered into the Entrusted Operation Management Contract, pursuant to which Humen Bridge Company was engaged to provide certain entrusted toll fee collection and other operation management services in relation to the operation of the Tai Ping Interchange for the period from 1 January 2012 to 31 December 2014 at an annual service fee of RMB4,200,000.

For further information relating to the above transactions, please refer to the Company's announcement dated 29 December 2011.

- (i) On 16 May 2012, the Company and Guangdong Litong Properties Investment Company Limited entered into the Lease Agreement in respect of the leasing of the Leased Premises by Guangdong Litong Properties Investment Company Limited to the Company for a term of 3 years from 16 May 2012 to 15 May 2015 for use as an office. The Leased Premises have total gross floor area of 4,655.22 square metres and common area of 1,238.84 square metres. The annual caps for the above-mentioned connected transactions amount to RMB5,167,298 for the period from 16 May 2012 to 31 December 2012, RMB8,267,676 and RMB8,267,676 for the two financial years ending 31 December 2013 and 31 December 2014, respectively, and RMB3,100,379 for the period from 1 January 2015 to 15 May 2015.

For further information relating to the above transactions, please refer to the Company's announcement dated 16 May 2012.

Upon completion of the Asset Swap on 31 December 2012, the arrangement of Leased Premises was adjusted and it was decided to terminate the above Lease Agreement. After negotiations with Guangdong Litong Properties Investment Company Limited and approved by resolution of the Board of Directors of the Company on 19 March 2013, both parties signed a Property Lease Termination Agreement on 19 March 2013 and agreed to stop rental payments for the lease with effect from 16 October 2012.

- (j) In light of the changes of Excluded Businesses and principal activities of the Group which would result from the Asset Swap Agreement, on 17 September 2012, GCGC and the Company entered into the Supplemental Non-competition Agreement to amend the 2005 Non-competition Agreement by revising the scope of the non-competing businesses to the new principal activities of the Group upon completion of the performance of the Asset Swap Agreement and amending the scope of the Excluded Businesses. The Supplemental Non-competition Agreement shall take effect upon completion of the performance of the Asset Swap Agreement and cease to have effect when (i) the Company failed to issue the PSCS in accordance with the PSCS Agreement, or (ii) the H Shares are no longer listed on the Stock Exchange, or (iii) GCGC ceases to be the controlling shareholder of the Company, except due to any suspension of trading in the Shares of the Company for any reason. Save and except for the above amendments under the Supplemental Non-competition Agreement, all other terms and conditions under the 2005 Non-competition Agreement (including, but not limited to, the allowance of the continuous operation by GCGC or its associate of the Excluded Businesses and the grant of a call option and right of first refusal) shall remain in full force and effect. The resolutions relating to the Supplemental Non-competition Agreement was approved by independent Shareholders and H Share Shareholders at the extraordinary general meeting and the H Shares Class Meeting of the Company held on 18 December 2012.

For further information relating to the above transactions, please refer to the Company's announcement dated 23 September 2012 and the circular dated 5 November 2012.

- (k) Upon completion of the performance of the Asset Swap Agreement, Guangdong Vehicles Transportation Group became a subsidiary of the Company, and the signing of the Lease Agreement by Guangzhou Yueyun Investment Management Company Limited ("Yueyun Investment Management", as landlord) with Guangdong Vehicles Transportation Group (as tenant) on 19 June 2012 constituted a continuing connected transaction of the Company. Pursuant to the Lease Agreement, Guangdong Vehicles Transportation Group leased from Yueyun Investment Management the premises located at 23rd, 24th, 25th and 26th floors of Yueyun Building, 3 Zhongshan Second Road, Yuexie District, Guangzhou, Guangdong Province, the PRC for office purpose, for a term from 1 June 2012 to 31 May 2013. The maximum transaction amount under this connected transaction shall be RMB364,000 during the period from 1 January 2013 to 31 May 2013.

For further information relating to the above transaction, please refer to the Company's announcement dated 31 December 2012.

- (l) On 19 June 2012, Yueyun Investment Management (as appointor) and Guangdong Yuehing Property Management Company Limited (as appointee) entered into the Property Management Entrustment Agreement relating to the provision of property management services in respect of Yueyun Building for a term from 1 June 2012 to 31 May 2014. The maximum transaction amount for the above-mentioned connected transactions were RMB10,500,000 for the year ending 31 December 2013 and RMB5,000,000 for the period from 1 January 2014 to 31 May 2014. Yueyun Investment Management is the wholly-owned subsidiary of GCGC and Guangdong Yuehing Property Management Company Limited is the wholly-owned subsidiary of Guangdong Vehicles Transportation Group.

For further information relating to the above transactions, please refer to the Company's announcement dated 31 December 2012.

DIRECTORS' REPORT

(m) Guangdong Vehicles Transportation Group and the Company entered into the following connected transactions in respect of the provision of entrustment and business operation services during the term of the Entrusted Management Agreements:

- (1) the Meizhou Yueyun, Shenzhen Yueyun and Yangjiang Transportation Entrusted Management Agreement dated 22 June 2012 entered into between Yueyun Investment Management (as appointor) and Guangdong Vehicles Transportation Group (as appointee) in respect of the entrustment of the ownership and the business operation of Meizhou Yueyun Vehicles Transportation Company Limited ("Meizhou Yueyun"), Shenzhen Yueyun Investment Development Company Limited ("Shenzhen Yueyun") and Guangdong Yangjiang Vehicles Transportation Group Company Limited ("Yangjiang Transportation"). The term of such entrustment shall commence on the date when the transfer registration of each of Meizhou Yueyun, Shenzhen Yueyun and Yangjiang Transportation to the name of Yueyun Investment Management with the relevant Administration for Industry and Commerce is completed and end on 31 December 2014.
- (2) The Gongbei Transportation Entrusted Management Agreement dated 17 September 2012 entered into among GCGC (as appointor), the Company (as appointee) and Guangdong Gongbei Vehicles Transportation Company Limited ("Gongbei Transportation", as the subject company) in respect of the entrustment of the ownership and the business operations of Gongbei Transportation. The term of such entrustment shall commence on the completion date of the performance of Asset Swap Agreement and end on 31 December 2014.
- (3) The Kee Kwan Entrusted Management Agreement dated 17 September 2012 entered into among GCGC (as appointor), the Company (as appointee) and Kee Kwan Motor Road Company Limited ("Kee Kwan", as the subject company) in respect of the entrustment of the ownership and the business operation of Kee Kwan for a term commencing on the completion date of the performance of Asset Swap Agreement and ending on 31 December 2014.
- (4) The Weicheng Entrusted Management Agreement dated 17 September 2012 entered into among GCGC (as appointor), the Company (as appointee), Weicheng Transportation & Enterprises Company Limited ("Weicheng", as the subject company) and Guangdong Vehicles Transportation Group (as joint appointors) in respect of the entrustment of the ownership and the business operation of Weicheng for a term commencing on the completion date of the performance of Asset Swap Agreement and ending on 31 December 2014.

Pursuant to Rule 14A.25 of the Listing Rules, all the Entrusted Management Agreements would have to be aggregated for the purpose of considering the compliance obligations of the Company. The maximum annual aggregate amounts receivable by the Company and Guangdong Vehicles Transportation Group in respect of the provision of entrustment and business operation services under the above-mentioned Entrusted Management Agreements shall be RMB8,262,000 and RMB8,262,000 respectively for the two years ending 31 December 2013 and 31 December 2014, respectively.

For further information relating to the above transactions, please refer to the Company's announcement dated 31 December 2012.

- (n) 21 Rescue Services Entrustment Agreements dated 1 April 2012 or 1 July 2012 were entered into between Guangdong Vehicles Transportation Group or its member (as service provider) and a member of the GCGC Group for a term commencing from the date of the Rescue Services Entrustment Agreement and ending on the date when the management period for the roads within the service area as stipulated under relevant agreements ends. The aggregate annual transactional amounts of the connected transactions for the first nine years during the term of this agreement shall be RMB22,804,837, and nil thereafter.

For further information relating to the above transactions, please refer to the Company's announcement dated 31 December 2012.

- (o) The Target Licenses Usage Agreement dated 1 January 2002 entered into between Guangdong Vehicles Transportation Group and Kwong Fat Transport Limited ("Kwong Fat Transport") pursuant to which Guangdong Vehicles Transportation Group agreed to allow vehicles operated by Kwong Fat Transport to use the target licenses obtained by Guangdong Vehicles Transportation Group from the relevant traffic authority for a term from 1 January 2002 to 31 December 2014. Annual caps for the years ending 31 December 2013 and 31 December 2014 are HK\$1,500,000 and HK\$1,500,000, respectively.

For further information relating to the above transactions, please refer to the Company's announcement dated 31 December 2012.

- (p) On 31 December 2012, Guangdong Province Transportation Engineering Company Limited ("Guangdong Transportation Engineering") a wholly-owned subsidiary of the Company (as the lessor) entered into two lease agreements with Guangdong Xinyue (as the lessee), and one lease agreement with Guangdong Xinyue Communications Investment Company Limited Intelligence Transportation Research Institute ("Guangdong Xinyue Research Institute"), as the lessee. Each of the lease agreements, under which the Leased Premises were leased mainly for office and storage uses, was signed for a term from 1 January 2013 to 31 December 2013. The annual cap under the Lease Agreements for the year ending 31 December 2013 is RMB 3,295,086.

For further information relating to the above transactions, please refer to the Company's announcement dated 31 December 2012.

CONNECTION TRANSACTIONS

On 17 September 2012, the Company entered into the Asset Swap Agreement and the PSCS Agreement with GCGC, pursuant to which the Company acquired the Acquired Interest (being the 100% equity interest in Guangdong Vehicles Transportation Group) at a consideration of RMB448,110,000, to be satisfied by the Company by way of (i) transferring the Disposal Interest (being the 71% equity interest in Guangdong Xinyue, 51% equity interest in Guangdong Oriental Thought and 90% equity interest in Guangdong Nan Yue Logistics International) together with all interests, benefits, rights and obligations to GCGC at a consideration of RMB166,300,000; and (ii) issuing to GCGC the PSCS at a principal sum of RMB281,810,000 which are convertible into Conversion Shares at the initial Conversion Price of RMB2.74 (equivalent to approximately HK\$3.34) per Domestic Share pursuant to the PSCS Agreement between the Company and GCGC. The resolutions relating to the Asset Swap Agreement and the PSCS Agreement was approved by independent Shareholders and H Share Shareholders at the extraordinary general meeting and the H Shares Class Meeting of the Company held on 18 December 2012. The performance of the Asset Swap Agreement was completed as of 31 December 2012.

For further information relating to the above transactions, please refer to the Company's announcement dated 23 September 2012 and the circular dated 5 November 2012.

DIRECTORS' REPORT

Upon completion of the performance of the Asset Swap Agreement at the end of 2012, Guangdong Xinyue and Guangdong Oriental Thought ceased to be subsidiaries of the Company, and the provision of transportation intelligence services and other related auxiliary services by Guangdong Xinyue and Guangdong Oriental Thought to GCGC ceased to be 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 2012 in relation to the continuing connected transactions of the Company.

Transaction	For the year ended 31 December 2012	
	Annual Cap (RMB'000)	Actual Amount (RMB'000)
Discloseable continuing connected transactions exempt from independent shareholders' approval		
(1) Toll fees collection services for Tai Ping Interchange under the Toll Free Collection and Entrustment Agreement	4,200	4,200
(2) Leasing of the Leased Premises by the Company from Guangdong Litong as the office under the Lease Agreement	5,167	3,789
(3) Leasing of the Leased Premises by Guangdong Vehicles Transportation Group from Yueyun Investment Management as the office under the Lease Agreement	N/A	509
(4) Provision of property management services in respect of Yueyun Building by Guangdong Yuehing Property Management Company Limited to Yueyun Investment Management under the Property Management Entrustment Agreement	N/A	3,014
(5) Entrustment of its 100% equity interest in Meizhou Yueyun, 80% equity interest in Shenzhen Yueyun and 100% equity interest in Yangjiang Transportation and the business operation of these companies to Guangdong Vehicles Transportation Group by Yueyun Investment Management under various entrusted management agreements. Entrustment of GCGC's 100% equity interest in Gongbei Transportation and Kee Kwan, and GCGC and Guangdong Vehicles Transportation Group's 100% equity interest in Weicheng and the business operation of these companies to the Company by GCGC and Guangdong Vehicles Transportation Group, respectively.	N/A	3,831
(6) Provision of rescue services by Guangdong Vehicles Transportation Group or its member, Guangdong Yueyun Traffic Rescue Co., Ltd., to members of the GCGC under the Rescue Services Entrustment Agreement	N/A	14,938
(7) Agreement from Guangdong Vehicles Transportation Group to allow vehicles operated by Kwong Fat Transport to use the target licenses obtained by Guangdong Vehicles Transportation Group from the relevant traffic authority under The Target Licenses Usage Agreement	N/A	1,608
(8) Services in relation to major repairs and single item renovations under the Tai Ping Interchange Master Agreement	600	265

Transaction	For the year ended 31 December 2012	
	Annual Cap (RMB'000)	Actual Amount (RMB'000)
Non-exempt continuing connected transactions approved by independent shareholders		
(9) Provision of material logistics services under subsisting agreements and the Materials Logistics Services Master Agreement	4,655,950	1,669,430
(10) Provision of transportation intelligence services and other auxiliary services under subsisting agreements and the Transportation Intelligence Service Master Agreement	366,936	255,251
(11) Purchase of materials under subsisting agreements and the Materials Purchase Master Agreement	1,012,780	607,819
(12) Provision of financial assistance by the Company to Guangdong Xin Yue and Guangdong Oriental Thought	120,000	114,900
(13) Prior operating rights and contracting obligations for expressway service zones under subsisting agreements	109,448	91,614
(14) Subcontracting of certain work procedures in relation to expressway intelligence and outsourcing of construction labour under subsisting agreements and the relevant master agreement	82,832	25,222

The independent non-executive Directors, Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei, have reviewed the above continuing connected transactions as set out in (1) to (14) 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 pages 50 to 51 in this report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Material related party transactions of the Company occurring during the ordinary course of business of the Company are contained in notes to consolidated financial statements. Such related party transactions which also constitute “connected transactions” or “continuing connected transactions” under the Listing Rules have been set out in the sections headed “Connected Transactions” and “Continuing Connected Transactions” above, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MATERIAL LITIGATION OR ARBITRATION

As at 31 December 2012, the Board was aware of the following material litigation involving the Company:

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.

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 34 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 2012, 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		Percentage in relevant class of share capital	Percentage in total share capital
		of shares/ underlying shares held	Capacity		
GCGC (Note)	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
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	22,100,000	Beneficial owner	16.01	5.29
Pope Asset Management, LLC	H shares	22,064,462	Investment manager	15.99	5.28
Shah Capital Management	H shares	12,209,000	Beneficial owner	8.62	2.92
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 & Enterprises Company Limited ("Weisheng Transportation")	Domestic shares	8,181,245	Beneficial owner	2.93	1.96

Note:

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 2012, 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.

DIRECTORS' REPORT

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

As at 31 December 2012, 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 2012 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 2012, the interests of Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

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

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

Name of Associated corporation	Name of Director/ Supervisor	Nature of Interests	Number of shares held	Percentage in relevant class of share capital	Note
Guangdong Provincial Expressway Development Co. Ltd. ("Guangdong Expressway")	Rao Fengsheng	Personal	2,602	0.00029	(1)
Guangdong Expressway	Yao Hanxiong	Personal	2,393	0.00026	(2)

Notes:

- (1) Rao Fengsheng is deemed to be interested in 2,602 shares as a result of him being beneficially interested in the said shares of Guangdong Expressway.
- (2) Yao Hanxiong is deemed to be interested in 2,393 shares as a result of him being beneficially interested in the said shares of Guangdong Expressway.

Save as disclosed above, as at 31 December 2012, 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 2012 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, SENIOR MANAGEMENT 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 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 2012.

Pursuant to B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management by band for the year ended 31 December 2012 is set out below:

Remuneration bands (RMB)	Number of persons
450,000 to 550,000	2
550,000 to 650,000	2

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2012, 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 2012.

DIRECTORS' REPORT

BOARD COMMITTEES

The Company has established an audit and corporate governance committee, a remuneration committee and a nomination committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 60 to 71 of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had 13,118 employees and the staff costs (including remuneration of Directors) of the Group was RMB858 million for the year. The remuneration of the employees of the Group (including the executive Directors) comprises of basic salary, allowance and performance bonus. The basic salary is determined according to the position, work experience of the employees and with reference to the market salaries. The performance bonus is determined according to the performance assessment results of the employees.

The remuneration of the independent non-executive Directors is determined with reference to the remuneration standards in the capital market for independent non-executive directors of Companies with similar business scope and scale.

The Company has always attached great importance to the training and development of human resources. In 2012, trainings for middle and senior management were carried out on themes like "Business analysis and innovation" and "Leading with charm", and training activities were organized for ordinary employees in the forms of lectures and development trainings. In 2012, the focus was the training activity was "Advanced seminar for enhancing service quality management capabilities of training lecturers within the enterprise". Meanwhile, trainings for professional and technical personnel were also carried out.

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 2012.

DONATIONS

Donations of RMB622,394.90 was made by the Group during the year ended 31 December 2012.

AUDITOR

On 6 June 2012, with the approval of the annual general meeting, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP. (special general partnership) as the auditor of the Company. Deloitte Touche Tohmatsu Certified Public Accountants LLP. (special general partnership) has conducted the audit of the Group's financial statements which are prepared in accordance with the CAS. The Company will propose a resolution at the annual general meeting held on 30 May 2013 to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP. (special general partnership) as the auditor of the Company.

By order of the Board

Liu Wei

Chairman

Guangzhou, the PRC

19 March 2013

SUPERVISORS' REPORT

Dear shareholders:

In 2012, based on the principle of safeguarding the interests of all Shareholders, the Supervisory Committee of the Company lawfully performed its supervisory functions in strict accordance with the Company Law, the Articles of Association and the relevant requirements of the Hong Kong Stock Exchange. The Supervisory Committee monitored the Company's production and operation activities and financial position and the performance by the Directors and senior management members of their duties, providing strong support for the Company's standardized operations. We hereby present the tasks carried out by the Supervisory Committee of the Company during the year:

1. CONVENING SUPERVISORY COMMITTEE MEETINGS

In 2012, the Supervisory Committee convened a total of five Supervisory Committee meetings, namely the third to seventh meetings of the fourth session of the Supervisory Committee. 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. The following resolutions were considered and passed at these meetings:

- (1) Annual Report of the Supervisory Committee for 2011
- (2) Conclusion of Work for 2011 and Work Plan for 2012 of the Supervisory Committee
- (3) Resolution on the Change of An Independent Supervisor of the Company
- (4) 2012 Interim Report of the Company
- (5) Resolution on the Resignation of A Supervisor and the Nomination of A Supervisor Candidate
- (6) Resolution on the Election of the Chairman Candidate of the Supervisory Committee

2. MAJOR TASKS PERFORMED BY THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2012, members of the Supervisory Committee of the Company attended various 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. They also reviewed and monitored voting procedures for major decisions and resolutions, and examined the lawful operation of the Company.

Regarding the Company's major investments, significant capital flows, material litigation, financial condition and other significant events which require shareholder notification, the Supervisory Committee conducted four comprehensive reviews during the Reporting Period, involving the Company and its four subsidiaries.

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

(1) The operation of the Company according to laws

In 2012, 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 authorizations given at the general meetings. Directors and the management of the Company were able to perform their duties in accordance with the resolutions of the general meetings. The Supervisory Committee was not aware of any violation of the laws, regulations and the Articles of Association or other matters which will damage the interest of the Company and the shareholders.

(2) Financial audit of the Company

Deloitte Touche Tohmatsu Certified Public Accountants LLP. (special general partnership) has audited the 2012 Financial Report of the Company and issued standard unqualified audit reports. 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.

By order of the Supervisory Committee

You Xiacong

Chairman of the Supervisory Committee

Guangzhou, the PRC

20 March 2013

CORPORATE GOVERNANCE REPORT

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

The Stock Exchange of Hong Kong Limited made various amendments to the Code on Corporate Governance Practices (the “Old Code”) contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code (the “CG Code”), which took effect on 1 April 2012.

The Company had fully complied with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It had also fully complied with the CG Code during the period from 1 April 2012 to 31 December 2012 with the exception of the following deviations:

Resignations of Mr. Cao Xiaofeng, Mr. Lu Maohao and Mr. Cai Xiaoju as the Directors were approved at the annual general meeting of the Company held on 6 June 2012 (the “AGM”). The Company has not updated its list of Directors promptly after the AGM as provided in code provision A.3.2. This was because the Board took a few days after the AGM to decide a new member of the Audit and Corporate Governance Committee in replacement of Mr. Cao Xiaofeng, and an updated list of Directors identifying their role and function was only available after the relevant decision was made on 15 June 2012.

Not all of the non-executive Directors were able to attend the 2011 AGM, the extraordinary general meeting held on 13 November 2012, and the extraordinary general meeting and H shares class meeting held on 18 December 2012 as provided in code provision A.6.7 due to their other business engagements.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that corporate governance practices of the Company were in line with the Old Code and the CG Code for the year ended 31 December 2012.

The following gives a brief account of the corporate governance of the Company for the year ended 31 December 2012.

BOARD OF DIRECTORS

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

Chairman:	Mr. Liu Wei
Executive Directors:	Mr. Xuan Zongmin, Mr. Tang Yinghai, Mr. Yao Hanxiong and Mr. Guo Junfa
Non-executive Directors:	Mr. Liu Wei and Mr. Li Bin
Independent Non-executive Directors:	Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei

The Board considers that the composition of the Board of the Company of four executive Directors, two non-executive Directors and three independent non-executive Directors is reasonably balanced. The two 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 Wei and Mr. Xuan Zongmin respectively, Mr. Liu Wei is a non-executive Director and Mr. Xuan Zongmin is an executive Director.

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.

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 (including non-executive 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.

CORPORATE GOVERNANCE REPORT

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 2012, the Company held a total of ten Board meetings, with an average attendance rate of 92%. The Company kept detailed minutes for the business transacted in such meetings.

The attendance records of each member of the Board at the Board meetings, AGM and EGM for the year ended 31 December 2012 are set out below:

		Board Meetings		2012 AGM and EGM	
		attended/ held	Attendance Rate	attended/ held	Attendance Rate
Executive Directors					
Mr. Xuan Zongmin	Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012	7/8	88%	1/2	50%
Mr. Tang Yinghai	Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012	8/8	100%	2/2	100%
Mr. Yao Hanxiong	Appointed on 18 December 2012	2/2	100%	N/A	N/A
Mr. Guo Junfa	Appointed on 18 December 2012	2/2	100%	N/A	N/A
Mr. Liu Hong	Resigned on 1 November 2012	7/7	100%	1/1	100%
Mr. Wang Weibing	Resigned on 1 November 2012	7/7	100%	1/1	100%
Mr. Deng Chongzheng	Resigned on 1 November 2012	7/7	100%	0/1	0%
Mr. Lu Maohao	Resigned on 6 June 2012	1/2	50%	0/1	0%
Mr. Zeng Gangqiang	Resigned on 18 December 2012	8/8	100%	1/3	33%
Non-executive Directors					
Mr. Liu Wei (Chairman)	Appointed on 6 June 2012	7/8	88%	2/2	100%
Mr. Li Bin	Appointed on 18 December 2012	2/2	100%	N/A	N/A
Mr. Cao Xiaofeng	Resigned on 6 June 2012	2/2	100%	1/1	100%
Mr. Lu Yaxing	Resigned on 1 November 2012	2/7	29%	0/1	0%
Mr. Zheng Renfa	Resigned on 18 December 2012	8/8	100%	0/3	0%
Mr. Cai Xiaojun	Resigned on 6 June 2012	1/2	50%	0/1	0%
Mr. Cai Conghua	Resigned on 18 December 2012	7/8	88%	2/3	67%
Independent Non-executive Directors					
Mr. Gui Shouping		10/10	100%	1/3	33%
Mr. Liu Shaobo		10/10	100%	1/3	33%
Mr. Peng Xiaolei		10/10	100%	1/3	33%

CORPORATE GOVERNANCE REPORT

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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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.

In order to ensure the Directors of the Company have the comprehensive information, knowledge and skills required to perform the duties of directors, the Company has arranged lawyers to provide directors' training for newly appointed Directors upon approval of their appointments by shareholders. Meanwhile, the Company has also distributed relevant information to Directors from time to time for communicating the relevant requirements in the aspects of laws and regulations and listing rules to the Directors.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a Director of a listed company in compliance with the new requirement of the Corporate Governance Code on continuous professional development during the year:

Name of Director	Read materials	Received Training
Mr. Liu Wei	✓	✓
Mr. Xuan Zongmin	✓	✓
Mr. Tang Yinghai	✓	✓
Mr. Yao Hanxiong	✓	✓
Mr. Guo Junfa	✓	✓
Mr. Li Bin	✓	✓
Mr. Gui Shouping	✓	×
Mr. Liu Shaobo	✓	×
Mr. Peng Xiaolei	✓	×

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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 2012. 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 2012.

COMMITTEES OF THE BOARD

The Company has established a audit and corporate governance committee, a remuneration committee and a nomination committee.

The Company's audit and corporate governance committee, remuneration committee and nomination 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.

Audit and Corporate Governance Committee

The Company has established the Audit and Corporate Governance Committee in compliance with the Old Code and the CG Code. The Company has been in compliance with the requirements relating to the audit committee set out in Rule 3.21 of the Listing Rules for the year ended 31 December 2012. The primary duties of the Audit and Corporate Governance Committee are, among others, to appoint external auditors, review and supervise the Group's financial reporting process, review interim and annual results and internal control system of the Group and provide advice and comments to the Board, and monitor the corporate governance of the Company. As at 31 December 2012, the Audit and Corporate Governance Committee had a total of three members, including two independent non-executive Directors, namely Mr. Peng Xiaolei (chairman) and Mr. Liu Shaobo, and one non-executive Director, namely Mr. Li Bin. The members of Audit and Corporate Governance 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 and Corporate Governance Committee. The Company's auditor, Deloitte Touche Tohmatsu CPA LLP (special general partnership), also proposed management suggestions to the Audit and Corporate Governance Committee according to the audit result. The Audit and Corporate Governance Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2012, and recommended their adoption by the Board.

CORPORATE GOVERNANCE REPORT

The Audit and Corporate Governance Committee held two meetings in the year ended 31 December 2012 with an average attendance rate of 67%.

The Audit and Corporate Governance Committee members' attendance records of Audit and Corporate Governance Committee meetings for the year ended 31 December 2012 are set out below:

		Meetings	
		attended/held	Attendance rate
Mr. Peng Xiaolei (Chairman)		2/2	100%
Mr. Liu Shaobo		1/2	50%
Mr. Zheng Renfa	Appointed as a committee member on 15 June 2012, and resigned on 18 December 2012	1/1	100%
Mr. Cao Xiaofeng	Resigned as a committee member on 6 June 2012	0/1	0%
Mr. Li Bin	Appointed on 18 December 2012	N/A	N/A

Remuneration Committee

The Company has also established a remuneration committee ("Remuneration Committee") to advise the Board in respect of the 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. As at 31 December 2012, the Remuneration Committee consists of one executive Director, Mr. Xuan Zongmin, and two independent non-executive Directors, Mr. Gui Shouping and Mr. Liu Shaobo. Mr. Gui Shouping is the chairman of the Remuneration Committee. The Remuneration Committee held for two meetings in the year ended 31 December 2012 with an average attendance rate of 100%. The Remuneration Committee proposed recommendations on improving the Company's remuneration policy for 2012 and advised the remuneration of newly appointed directors and supervisors.

The Remuneration Committee members' attendance records of Remuneration Committee meetings in the year ended 31 December 2012 are set out below:

		Meetings	
		attended/held	Attendance rate
Mr. Gui Shouping (Chairman)	Re-designated as the Chairman on 15 March 2012	2/2	100%
Mr. Liu Shaobo		2/2	100%
Mr. Wang Weibing	Re-designated as a committee member from the chairman on 15 March 2012, and resigned as a committee member on 1 November 2012	2/2	100%
Mr. Xuan Zongmin	Appointed as a committee member on 1 November 2012	N/A	N/A

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Company has also established a nomination committee ("Nomination Committee"), which is mainly responsible for reviewing the structure and composition of the Board and making recommendations on the appointment of Directors and shall hold responsibilities for the Board. As at 31 December 2012, the Nomination Committee consists of one non-executive Director Mr. Liu Wei, and two independent non-executive Directors, Mr. Gui Shouping and Mr. Liu Shaobo. Mr. Liu Wei is the chairman of the Nomination Committee. During the year ended 31 December 2012, the Nomination Committee held one meeting with an average attendance rate of 100%. The Nomination Committee proposed to nominate the candidates of executive Directors and non-executive Directors in the nomination committee meeting.

The Nomination Committee nominates candidates for appointment as Directors. After considering the structure and personnel of the Board of Directors, provisions of the Articles of Association relevant to the Board, the education history, professional background and working experience of the proposed Director nominees, those who are considered to be suitable Director candidates will be recommended by members of the Nomination Committee to the Board of Directors for submission to the Shareholders' Meeting by the Board for approval of appointments.

The Nomination Committee members' attendance records of Nomination Committee meetings in the year ended 31 December 2012 are set out below:

		Meetings	
		attended/held	Attendance rate
Mr. Liu Wei (Chairman)	Appointed as the Chairman on 1 November 2012	N/A	N/A
Mr. Gui Shouping		1/1	100%
Mr. Liu Shaobo		1/1	100%
Mr. Liu Hong	Resigned as a committee member and the Chairman on 1 November 2012	1/1	100%

Supervisory Committee

The Supervisory Committee of the Company comprises seven members, two of whom are independent Supervisors (namely, Ms. Lu Zhenghua and Mr. Bai Hua), two are Supervisors appointed by Shareholders (namely, Mr. You Xiacong and Ms. Li Haihong), 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 2012, 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 2012, the Supervisory Committee held five 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's directors has conducted a review of the system of internal control of the Company. In the year ended 31 December 2012, the Company attached great importance to its internal control. Having considered the resources for and qualifications of staff of the Company's accounting and financial reporting function, the Directors considered that the Company could adopt a number of effective measures 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 2012, the "Professional Standards for Cashiers of Guangdong Nan Yue Logistics Company Limited" was compiled in order to enhance the professional level of cashier staff of the Company, strengthen the management of cash and bank balances and ensure the safety of funds. 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 and Corporate Governance 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 and Internal Audit

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. Meanwhile, the internal audit supervisory function has been strengthened continuously with improvements in the internal restraint mechanism. The Company has completed a total of 15 internal audit items in 2012, endeavoring to enhance the Company's operational management standard.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) 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 2012 amounted to RMB7,392,000, of which RMB4,851,000 was audit service fee, RMB506,000 was interim review fee and RMB1,981,000 was reorganization-related services charge.

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 page 72 of this annual report.

JOINT COMPANY SECRETARIES

Ms. Zhang Li and Ms. Lim Yi Ping have been appointed as joint company secretaries of the Company with effect from 9 November 2012. As Ms. Zhang does not possess the qualifications of company secretary under Rule 3.28 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company has made an application to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with such requirements for a period of three years from 9 November 2012 in relation to the appointment of Ms. Zhang as a joint company secretary of the Company on the condition that Ms. Lim will provide assistance to Ms. Zhang during the three-year period to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules). The waiver will be revoked if Ms. Lim ceases to be a joint company secretary of the Company. It is expected that, after the waiver period, the Company will be able to demonstrate that Ms. Zhang can satisfy Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Ms. Zhang has served as a supervisor and the manager of the Securities and Legal Department of the Company. She is a senior economist. 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), a subsidiary of the Company, and a director of Guangdong Xin Yue. Ms. Zhang Li joined the Group in March 2001 and worked as the vice manager of the securities department of the Company. 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.

Ms. Lim Yi Ping (林憶萍) was appointed an executive director of Boardroom Corporate Services (HK) Limited in June 2007. Ms. Lim has been a Hong Kong Certified Public Accountant since September 2006. She has also been a member of the Institute of Chartered Accountants in Australia and the Australia Institute of Certified Public Accountants since July 2006 and March 2006 respectively. Currently, Ms. Lim is the company secretary of each of VXL Capital Limited (stock code: 727), OTO Holdings Limited (stock code: 6880) and Far East Hotels And Entertainment Limited (stock code: 37), all of which are companies listed on the Stock Exchange. Ms. Lim graduated from the University of Queensland with a Bachelor of Commerce in December 1999.

During the year the joint company secretaries have complied with the Rule 3.29 of the Listing Rules for taking no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

GENERAL MEETINGS

The general meeting holds the highest authority of the Company. The Company held the 2011 Annual General Meeting on 6 June 2012 to consider and approve fifteen ordinary resolutions regarding, among others, the Directors Report for 2011, the payment of 2011 final dividend, appointment of Directors and appointment of auditors, as well as a special resolution for amendments to the Articles of Association. The Company held an extraordinary general meeting on 13 November 2012 to consider and approve the revision of annual caps for three non-exempt continuing connected transactions of the Company. The Company held an extraordinary general meeting on 18 December 2012 to consider and approve a special resolution regarding the Asset Swap Agreement and the perpetual subordinated convertible securities agreement, and eight ordinary resolutions regarding, among others, the Supplemental Non-competition Agreement, appointments of Directors and Supervisors and re-designation of Executive Directors. The Company held the H shares class meeting on 18 December 2012 to consider and approve a special resolution in respect of the Asset Swap Agreement and the perpetual subordinated convertible securities agreement. The general meetings of the Company 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.

Shareholders who request to convene an extraordinary general meeting or class general meeting shall comply with the following procedures:

- (1) Two or more shareholders who have 10% or above (including 10%) voting shares in aggregate at the proposed general meeting may sign a written request or sign on several duplicates with the same format and contents to request the Board of Directors to convene an extraordinary general meeting or class general meeting and provide explanation on the topics to be addressed at the meeting. Upon receipt of the aforesaid written request, the Board of Directors shall convene an extraordinary general meeting or class general meeting as soon as possible. The aforesaid number of shares required shall be calculated on the date when the written request was made by the shareholders.
- (2) If the Board of Directors has not issued any notice of general meeting within 30 days after receipt of the aforesaid written request, the shareholders who submit the request may convene a general meeting by themselves within four months after receipt of the request by the Board of Directors. The procedures of convening the general meeting shall be similar to the procedure of convening a shareholders' general meeting by the Board of Directors.

For shareholders who convene a general meeting by themselves due to the failure of the Board of Directors to hold a general meeting in response to the aforesaid request, all reasonable expenses incurred as a consequence will be borne by the Company and shall be deducted from the amount payable to the Director in default by the Company.

The Company attaches great importance to communication with shareholders. Shareholders may submit questions and opinions to the Board of Directors through the Joint Company Secretaries by way of telephone at 8620-22353923, fax at 8620-22353926, or email at nywl@southchina-logistics.com.

At the shareholders' general meeting convened by the Company, shareholders who have 5% or above of the total number of shares of the Company with voting rights are entitled to propose new motions in writing to the Company, and the Company should include proposed items within the terms of reference of a general meeting in the agenda of such meeting, however such proposal is required to be duly served on the Company within 30 days commencing from the issue date of the aforesaid notice of general meeting. Shareholders who submit the proposal shall comply with the following conditions: the content of the proposal must not violate any provisions of laws and regulations and within the scope of the operations of the Company and the terms of reference of the general meeting; contain explicit topics and specific resolutions; and submitted to or duly served on the Board of Directors in writing. Shareholders may submit the above proposal by way of telephone at 8620-22353923, fax at 8620-22353926 or email at nywl@southchina-logistics.com.

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.

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (13) No. P0240

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 2012, 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 2012, 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 LLP

Shanghai, China

Chinese Certified Public Accountants

Huang Xiaoxia

Chinese Certified Public Accountants

Yuan Feng

19 March 2013

CONSOLIDATED BALANCE SHEET

At 31 December 2012

ITEM	Notes	RMB	
		2012.12.31	2011.12.31 (Restated)
Current Assets:			
Cash and bank balances	(VI) 1	1,262,848,441.36	2,235,758,263.47
Notes receivable	(VI) 2	22,090,366.56	4,435,000.00
Accounts receivable	(VI) 3	731,119,119.17	975,080,453.39
Prepayments	(VI) 4	143,217,738.68	134,918,126.21
Dividends receivable	(VI) 5	—	94,792.23
Other receivables	(VI) 6	296,890,221.41	364,013,101.60
Inventories	(VI) 7	139,912,918.40	393,417,323.89
Other current assets		23,370,076.66	—
Total Current Assets		2,619,448,882.24	4,107,717,060.79
Non-current Assets:			
Long-term receivables		—	—
Long-term equity investments	(VI) 9	190,179,330.04	155,798,795.11
Investment properties	(VI) 10	42,540,117.76	174,046,745.92
Fixed assets	(VI) 11	1,201,230,256.06	1,401,878,066.97
Construction in progress	(VI) 12	126,354,825.87	107,011,311.41
Intangible assets	(VI) 13	567,928,835.67	668,575,899.27
Goodwill	(VI) 14	27,229,945.36	34,788,047.05
Long-term prepaid expenses	(VI) 15	30,777,739.82	22,219,692.35
Deferred tax assets	(VI) 16	158,132,240.10	160,111,614.84
Other non-current assets	(VI) 17	53,600,406.11	74,584,275.72
Total Non-current Assets		2,397,973,696.79	2,799,014,448.64
TOTAL ASSETS		5,017,422,579.03	6,906,731,509.43

CONSOLIDATED BALANCE SHEET

At 31 December 2012

ITEM	Notes	2012.12.31	2011.12.31 (Restated)
Current Liabilities:			
Short-term borrowings	(VI) 19	10,400,000.00	90,570,000.00
Notes payable	(VI) 20	848,060,316.34	628,370,313.87
Accounts payable	(VI) 21	824,154,984.10	1,552,385,384.03
Receipts in advance	(VI) 22	282,928,880.49	450,688,632.76
Employee benefits payable	(VI) 23	92,731,469.80	103,266,986.16
Taxes payable	(VI) 24	101,778,908.59	169,100,933.48
Interests payable	(VI) 25	1,450,000.00	10,558,229.21
Dividends payable	(VI) 26	36,495,530.40	1,186,902.30
Other payables	(VI) 27	364,942,281.13	605,602,599.76
Non current liabilities due within one year	(VI) 28	50,368,362.89	32,844,431.89
Other current liabilities		—	567,693,227.72
Total Current Liabilities		2,613,310,733.74	4,212,267,641.18
Non-current Liabilities:			
Long-term borrowings	(VI) 29	69,732,489.66	137,146,618.29
Bonds payable	(VI) 30	297,037,810.39	—
Long-term payables	(VI) 31	46,651,523.81	58,463,108.96
Provisions	(VI) 32	979,200.00	721,052.31
Deferred tax liabilities	(VI) 16	7,193,940.84	15,299,568.95
Other non-current liabilities	(VI) 33	24,308,797.84	24,308,417.90
Total Non-current Liabilities		445,903,762.54	235,938,766.41
TOTAL LIABILITIES		3,059,214,496.28	4,448,206,407.59

CONSOLIDATED BALANCE SHEET

At 31 December 2012

ITEM	Notes	2012.12.31	2011.12.31 (Restated)
Shareholders' Equity:			
Share capital	(VI) 34	417,641,867.00	417,641,867.00
Capital reserve	(VI) 35	453,534,816.70	915,688,310.06
Special reserve		9,771,609.17	7,594,487.89
Surplus reserve	(VI) 36	122,766,499.46	166,062,776.72
Retained profits	(VI) 37	411,164,608.79	407,932,077.47
Translation differences arising on translation of financial statements denominated in foreign currencies		(34,773,808.84)	(34,800,450.16)
Total shareholders' equity attributable to equity holders of the Company		1,380,105,592.28	1,880,119,068.98
Minority interests	(VI) 38	578,102,490.47	578,406,032.86
TOTAL SHAREHOLDERS' EQUITY		1,958,208,082.75	2,458,525,101.84
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,017,422,579.03	6,906,731,509.43

The accompanying notes form part of the financial statements.

The financial statements on pages 74 to 284 were signed by the following:

Liu Wei
Legal representative

Tang Yinghai
Principal in charge
of accounting body

Leng Xuelin
Head of accounting
department

BALANCE SHEET OF THE COMPANY

At 31 December 2012

ITEM	Notes	RMB	
		2012.12.31	2011.12.31
Current Assets:			
Cash and bank balances	(VI) 1	768,274,457.86	1,784,886,260.82
Notes receivable	(VI) 2	16,953,962.80	3,500,000.00
Accounts receivable	(VI) 3	544,769,717.95	621,148,173.72
Prepayments	(VI) 4	139,877,384.48	49,775,019.50
Dividends receivable	(VI) 5	—	27,961,854.12
Other receivables	(VI) 6	331,791,115.22	322,228,613.64
Inventories	(VI) 7	93,894,712.38	92,723,085.57
Other current Asset		4,626,815.68	—
Total Current Assets		1,900,188,166.37	2,902,223,007.37
Non-current Assets:			
Long-term equity investments	(VI) 9	796,333,925.02	489,256,478.41
Fixed assets	(VI) 11	4,941,768.41	7,171,954.74
Construction in progress	(VI) 12	2,480,000.00	191,564.80
Intangible assets	(VI) 13	207,322,623.42	223,342,304.98
Long-term prepaid expenses	(VI) 15	16,968,665.16	5,360,837.52
Deferred tax assets	(VI) 16	129,917,883.70	130,475,575.11
Total Non-current Assets		1,157,964,865.71	855,798,715.56
Total assets		3,058,153,032.08	3,758,021,722.93

BALANCE SHEET OF THE COMPANY

At 31 December 2012

ITEM	Notes	2012.12.31	2011.12.31
Current Liabilities:			
Short-term borrowings	(VI) 19	—	60,000,000.00
Notes payable	(VI) 20	848,060,316.34	621,558,443.87
Accounts payable	(VI) 21	534,550,344.49	995,668,998.19
Receipts in advance	(VI) 22	42,885,596.98	90,503,575.01
Employee benefits payable	(VI) 23	12,298,804.97	12,393,285.97
Taxes payable	(VI) 24	64,521,749.67	131,470,593.38
Interests payable	(VI) 25	—	10,536,095.95
Other payables	(VI) 27	302,574,984.17	319,198,756.22
Other current liabilities		—	567,693,227.72
Total Current Liabilities		1,804,891,796.62	2,809,022,976.31
TOTAL LIABILITIES		1,804,891,796.62	2,809,022,976.31
Shareholders' Equity:			
Share capital	(VI) 34	417,641,867.00	417,641,867.00
Capital reserve	(VI) 35	544,699,247.11	238,064,703.29
Surplus reserve	(VI) 36	120,288,410.60	118,019,764.80
Retained profits	(VI) 37	170,631,710.75	175,272,411.53
TOTAL SHAREHOLDERS' EQUITY		1,253,261,235.46	948,998,746.62
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,058,153,032.08	3,758,021,722.93

The accompanying notes form part of the financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

		RMB	
Item	Notes	2012	2011 (Restated)
I.	Total operating income	6,610,453,367.98	6,923,231,701.01
	Less: Operating costs	5,662,203,460.55	5,956,174,219.38
	Business taxes and levies	105,803,852.58	131,988,516.00
	Selling expenses	99,795,739.71	103,775,700.23
	Administrative expenses	564,452,414.01	509,437,251.87
	Financial expenses	47,118,623.88	46,570,446.91
	Impairment losses of assets	(1,313,515.97)	(9,847,538.48)
	Add: Investment income	2,867,331.38	3,014,506.05
	Including: Income from investments in associates and joint ventures	<u>5,086,924.08</u>	<u>7,146,648.70</u>
II.	Operating profit	135,260,124.60	188,147,611.15
	Add: Non-operating income	97,993,496.99	72,670,888.82
	Less: Non-operating expenses	9,915,342.60	8,734,601.05
	Including: Losses from disposal of non-current assets	<u>1,912,607.09</u>	<u>1,007,710.58</u>
III.	Total profit	223,338,278.99	252,083,898.92
	Less: Income tax expenses	77,926,961.67	79,786,614.84
IV.	Net profit	<u>145,411,317.32</u>	<u>172,297,284.08</u>
	Net profit attributable to shareholders of the Company	72,535,413.29	125,485,769.19
	Profit attributable to minority interests	<u>72,875,904.03</u>	<u>46,811,514.89</u>
V.	Earnings per share:		
	Basic earnings per share	0.17	0.30
	Diluted earnings per share	0.14	0.24
VI.	Other comprehensive income	(17,013.77)	(10,687,891.20)
VII.	Total comprehensive income:	<u>145,394,303.55</u>	<u>161,609,392.88</u>
	Total comprehensive income attributable to shareholders of the Company	72,562,054.61	120,055,779.63
	Total comprehensive income attributable to minority interests	<u>72,832,248.94</u>	<u>41,553,613.25</u>

For business combination involving entities under common control occurred during 2012, net profit of the acquiree generated before the business combination is RMB 118,751,165.61(2011: RMB102,115,829.55).

The accompanying notes form part of the financial statements.

INCOME STATEMENT OF THE COMPANY

For the year ended 31 December 2012

		RMB	
ITEM	Notes	2012	2011
I. Operating income	(VI) 39	3,216,237,251.83	3,685,527,589.60
Less: Operating costs	(VI) 39	3,010,245,948.99	3,400,572,986.64
Business taxes and levies	(VI) 40	8,462,903.06	23,323,240.30
Selling expenses		65,046,463.78	64,190,249.03
Administrative expenses		103,073,670.86	59,220,901.92
Financial expenses	(VI) 41	8,808,069.10	12,757,641.89
Impairment losses of assets	(VI) 42	(1,901,369.26)	(10,016,137.28)
Add: Investment income	(VI) 43	3,554,357.38	5,571,746.99
Including: Income from investments in associates and joint ventures		1,050,702.79	2,102,708.83
II. Operating profit		26,055,922.68	141,050,454.09
Add: Non-operating income	(VI) 44	4,564,146.58	158,246.92
Less: Non-operating expenses	(VI) 45	56,948.07	40,247.50
Including: Losses from disposal of non-current assets	(VI) 45	51,487.05	34,990.75
III. Total profit		30,563,121.19	141,168,453.51
Less: Income tax expenses	(VI) 46	7,876,663.17	37,931,928.86
IV. Net profit		22,686,458.02	103,236,524.65
V. Earnings per share:			
(I) Basic earnings per share		N/A	N/A
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income		—	—
VII. Total comprehensive income:		22,686,458.02	103,236,524.65

The accompanying notes form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

		RMB	
Item	Notes	2012	2011 (Restated)
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		7,029,365,440.52	7,004,877,170.08
Receipts of tax refunds		1,981,332.25	4,547,620.47
Other cash receipts relating to operating activities	(VI) 49(1)	338,306,789.20	317,714,930.33
Sub-total of cash inflows from operating activities		7,369,653,561.97	7,327,139,720.88
Cash payments for goods purchased and services received		6,137,503,623.36	4,776,053,741.09
Cash payments to and on behalf of employees		861,229,901.31	812,131,642.50
Payments of various types of taxes		331,298,175.61	309,922,282.51
Other cash payments relating to operating activities	(VI) 49(2)	253,988,832.29	283,432,939.85
Sub-total of cash outflows from operating activities		7,584,020,532.57	6,181,540,605.95
Net Cash Flow from Operating Activities		(214,366,970.60)	1,145,599,114.93
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		60,300,000.00	1,375,372.52
Cash receipts from investment income		13,850,356.20	4,740,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		19,507,702.84	10,805,800.18
Other cash received relating to investing activities	(VI) 49(3)	3,265,477.09	—
Sub-total of cash inflows from investing activities		96,923,536.13	16,921,172.70
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		356,470,922.54	413,396,919.53
Cash payments to acquire investments		81,700,000.00	7,800,000.00
Net cash payments for acquisitions of subsidiaries and other business units		—	69,564,856.62
Other cash payments relating to investing activities	(VI) 49(4)	166,320,564.79	—
Sub-total of cash outflows from investing activities		604,491,487.33	490,761,776.15
Net Cash Flow from Investing Activities		(507,567,951.20)	(473,840,603.45)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

Item	Notes	2012	2011 (Restated)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		20,700,000.00	12,933,496.00
Cash receipts from borrowings		448,052,741.41	971,954,800.00
Cash receipts from issue of bonds		297,300,000.00	—
Other cash received relating to financing activities	(VI) 49(5)	25,090,756.53	—
Sub-total of cash inflows from financing activities		791,143,497.94	984,888,296.00
Cash repayments of borrowings		737,072,658.78	997,685,236.48
Cash payments for distribution of dividends or settlement of interest expenses		119,422,832.96	118,238,963.65
Other cash payments relating to financing activities	(VI) 49(6)	184,962,484.71	9,740,768.80
Sub-total of cash outflows from financing activities		1,041,457,976.45	1,125,664,968.93
Net Cash Flow from Financing Activities		(250,314,478.51)	(140,776,672.93)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(14,181.46)	(4,852,625.96)
V. Net Increase (Decrease) in Cash and Cash Equivalents		(972,263,581.77)	526,129,212.59
Add: Opening balance of Cash and Cash Equivalents	(VI) 50(1)	2,226,151,619.32	1,700,022,406.73
VI. Closing Balance of Cash and Cash Equivalents	(VI) 50(1)	1,253,888,037.55	2,226,151,619.32

The accompanying notes form part of the financial statements.

CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2012

		RMB	
ITEM	Notes	2012	2011
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,771,581,781.84	3,278,843,674.98
Other cash receipts relating to operating activities	(VI) 49(1)	28,901,803.00	246,122,691.23
Sub-total of cash inflows from operating activities		3,800,483,584.84	3,524,966,366.21
Cash payments for goods purchased and services received		4,271,242,081.44	2,546,148,490.01
Cash payments to and on behalf of employees		33,523,238.23	37,061,566.92
Payments of various types of taxes		110,293,904.39	132,529,152.94
Other cash payments relating to operating activities	(VI) 49(2)	108,951,842.28	115,714,251.96
Sub-total of cash outflows from operating activities		4,524,011,066.34	2,831,453,461.83
Net Cash Flow from Operating Activities		(723,527,481.50)	693,512,904.38
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,218,622.57	—
Cash receipts from investment income		1,652,644.87	23,091,173.28
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		821,646.21	158,246.92
Other cash receipts relating to investing activities	(VI) 49(3)	25,815,741.91	12,069,413.40
Sub-total of cash inflows from investing activities		29,508,655.56	35,318,833.60
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		8,834,165.70	22,225,944.94
Net cash payments for acquisitions of subsidiaries and other business units		—	69,564,856.62
Other cash payments relating to investing activities	(VI) 49(4)	19,326,224.89	44,800,000.00
Sub-total of cash outflows from investing activities		28,160,390.59	136,590,801.56
Net Cash Flow from Investing Activities		1,348,264.97	(101,271,967.96)

CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2012

ITEM	Notes	2012	2011
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		180,000,000.00	405,000,000.00
Other cash receipts relating to financing activities	(VI) 49(5)	3,326,916.35	21,559,406.64
Sub-total of cash inflows from financing activities		183,326,916.35	426,559,406.64
Cash repayments of borrowings		240,000,000.00	345,000,000.00
Cash payments of dividends or settlement of interest expenses		65,530,821.86	46,815,011.50
Other cash payments relating to financing activities	(VI) 49(6)	172,195,520.56	3,121,107.62
Sub-total of cash outflows from financing activities		477,726,342.42	394,936,119.12
Net Cash Flow from Financing Activities		(294,399,426.07)	31,623,287.52
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(33,160.36)	374,432.39
V. Net Increase (Decrease) in Cash and Cash Equivalents		(1,016,611,802.96)	624,238,656.33
Add: Opening balance of Cash and Cash Equivalents	(VI) 50(1)	1,784,886,260.82	1,160,647,604.49
VI. Closing Balance of Cash and Cash Equivalents	(VI) 50(1)	768,274,457.86	1,784,886,260.82

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2012

RMB

ITEM	2012								Total shareholders' equity
	Attributable to shareholders of the Company							Minority interests	
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	Total		
I. 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
Add: Effect of business combination under common control	—	640,862,873.66	4,639,916.21	45,564,923.06	54,010,840.99	—	745,078,553.92	401,399,675.37	1,146,478,229.29
II. At 1 January 2012	417,641,867.00	915,688,310.06	7,594,487.89	166,062,776.72	407,932,077.47	(34,800,450.16)	1,880,119,068.98	578,406,032.86	2,458,525,101.84
III. Changes for the year	—	(462,153,493.36)	2,177,121.28	(43,296,277.26)	3,232,531.32	26,641.32	(500,013,476.70)	(303,542.39)	(500,317,019.09)
(I) Net profit	—	—	—	—	72,535,413.29	—	72,535,413.29	72,875,904.03	145,411,317.32
(II) Other comprehensive income	—	—	—	—	—	26,641.32	26,641.32	(43,655.09)	(17,013.77)
Subtotal of (I) and (II)	—	—	—	—	72,535,413.29	26,641.32	72,562,054.61	72,832,248.94	145,394,303.55
(III) Shareholders' contributions and reduction in capital	—	(462,153,493.36)	(1,105,248.22)	(45,564,923.06)	(41,975,723.17)	—	(550,799,387.81)	(74,287,522.27)	(625,086,910.08)
1. Capital contribution from shareholders	—	281,810,000.00	—	—	—	—	281,810,000.00	—	281,810,000.00
2. Share-based payment recognised in shareholders' equity	—	—	—	—	—	—	—	—	—
3. Free transfer of assets (Note (IX)2)	—	(336,914,603.66)	(856,054.28)	(45,564,923.06)	(41,975,723.17)	—	(425,311,304.17)	(47,636,927.83)	(472,948,232.00)
4. Effect of business combination under common control	—	(407,048,889.70)	(249,193.94)	—	—	—	(407,298,083.64)	(26,650,594.44)	(433,948,678.08)
(IV) Profit distribution	—	—	—	2,268,645.80	(27,327,158.80)	—	(25,058,513.00)	—	(25,058,513.00)
1. Transfer to surplus reserve	—	—	—	2,268,645.80	(2,268,645.80)	—	—	—	—
2. Distributions to shareholders	—	—	—	—	(25,058,513.00)	—	(25,058,513.00)	—	(25,058,513.00)
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	—	—	3,282,369.50	—	—	—	3,282,369.50	1,151,730.94	4,434,100.44
1. Transfer to special reserve in the year	—	—	8,200,528.48	—	—	—	8,200,528.48	4,349,518.70	12,550,047.18
2. Amount utilised in the year	—	—	(4,918,158.98)	—	—	—	(4,918,158.98)	(3,197,787.76)	(8,115,946.74)
(VII) Others	—	—	—	—	—	—	—	—	—
IV. At 31 December 2012	417,641,867.00	453,534,816.70	9,771,609.17	122,766,499.46	411,164,608.79	(34,773,808.84)	1,380,105,592.28	578,102,490.47	1,958,208,082.75

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2012

RMB

ITEM	2011							Total shareholders' equity	
	Attributable to shareholders of the Company								
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	Total		
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 combination under common control		687,002,275.21	2,023,808.31	48,043,011.92	(31,771,153.08)	—	705,297,942.36	350,801,800.73	1,056,099,743.09
II. At 1 January 2011	417,641,867.00	986,207,305.42	3,403,007.56	155,739,124.26	340,381,192.37	(29,370,460.60)	1,874,002,036.01	545,556,232.06	2,419,558,268.07
III. Changes for the year	—	(70,518,995.36)	4,191,480.33	10,323,652.46	67,550,885.10	(5,429,989.56)	6,117,032.97	32,849,800.80	38,966,833.77
(I) Net profit	—	—	—	—	125,485,769.19	—	125,485,769.19	46,811,514.89	172,297,284.08
(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)	—	—	—	—	125,485,769.19	(5,429,989.56)	120,055,779.63	41,553,613.25	161,609,392.88
(III) Shareholders' contributions and reduction in capital	—	(70,518,995.36)	2,616,107.90	—	(20,046,869.63)	—	(87,949,757.09)	(8,703,812.45)	(96,653,569.54)
1. Capital contribution from shareholders	—	—	—	—	—	—	—	—	—
2. Share-based payment recognised in shareholders' equity	—	—	—	—	—	—	—	—	—
3. Effect of business combination under common control	—	(70,518,995.36)	2,616,107.90	—	(20,046,869.63)	—	(87,949,757.09)	(8,703,812.45)	(96,653,569.54)
4. 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 year	—	—	2,820,431.09	—	—	—	2,820,431.09	—	2,820,431.09
2. Amount utilised in the year	—	—	(1,245,058.66)	—	—	—	(1,245,058.66)	—	(1,245,058.66)
(VII) Others	—	—	—	—	—	—	—	—	—
IV. At 31 December 2011	417,641,867.00	915,688,310.06	7,594,467.89	166,062,776.72	407,932,077.47	(34,800,450.16)	1,880,119,068.98	578,406,032.86	2,458,525,101.84

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2012

RMB

ITEM	2012				Total shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	
I. At 31 December 2011	<u>417,641,867.00</u>	<u>238,064,703.29</u>	<u>118,019,764.80</u>	<u>175,272,411.53</u>	<u>948,998,746.62</u>
II. At 1 January 2012	<u>417,641,867.00</u>	<u>238,064,703.29</u>	<u>118,019,764.80</u>	<u>175,272,411.53</u>	<u>948,998,746.62</u>
III. Changes for the year	—	306,634,543.82	2,268,645.80	(4,640,700.78)	304,262,488.84
(I) Net profit	—	—	—	22,686,458.02	22,686,458.02
(II) Other comprehensive income	—	—	—	—	—
Subtotal of (I) and (II)	—	—	—	22,686,458.02	22,686,458.02
(III) Shareholders' contributions and reduction in capital	—	306,634,543.82	—	—	306,634,543.82
1. Capital contribution from shareholders	—	281,810,000.00	—	—	281,810,000.00
2. Effect of business combination under common control	—	24,824,543.82	—	—	24,824,543.82
3. Others	—	—	—	—	—
(IV) Profit distribution	—	—	2,268,645.80	(27,327,158.80)	(25,058,513.00)
1. Transfer to surplus reserve	—	—	2,268,645.80	(2,268,645.80)	—
2. Distributions to shareholders	—	—	—	(25,058,513.00)	(25,058,513.00)
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	—	—	—	—	—
(VII) Others	—	—	—	—	—
IV. At 31 December 2012	<u>417,641,867.00</u>	<u>544,699,247.11</u>	<u>120,288,410.60</u>	<u>170,631,710.75</u>	<u>1,253,261,235.46</u>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2012

RMB

ITEM	2011					Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	
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
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 year	—	(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	—	(69,564,856.62)	—	—	—	(69,564,856.62)
1. Capital contribution from shareholders	—	—	—	—	—	—
2. Effect of business combination under common control	—	(69,564,856.62)	—	—	—	(69,564,856.62)
3. 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 year	—	—	—	—	—	—
2. Amount utilised in the year	—	—	(2,600.00)	—	—	(2,600.00)
(VII) Others	—	—	—	—	—	—
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

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 for 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.

On 31 December 2012, the Company completed business combination involving enterprises under common control of Guangdong Vehicles Transportation Group Company Limited ("GVTG"). For details of this combination, please refer to Note (IX) 1 "Business combination involving enterprises under common control" of "Other significant matters".

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 leasing service; (3) transportation intelligence services, including safety facilities installation and maintenance and toll collection; (4) transportation and related service, including interprovincial passenger and freight transportation, multi-modal logistics, passenger and freight station, storage, lightering, automobile leasing and repair, and 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 ("GCGC"). 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 Wei.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 (“MoF”) 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.

On 5 November 2012, MoF issued CAS Interpretation No.5 (“Interpretation”) which will be effective with prospective method on 1 January 2013. The Group has not early applied Interpretation, and the directors of the Group anticipate that the application of Interpretation won’t have significant influence of the financial statements of the Group.

2. Statement of compliance with CAS

The financial statements of the Company have been prepared in accordance with CAS, and present truly and completely, the Company’s and consolidated financial position as of 31 December 2012, 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. Except for certain financial instruments which are measured at fair value, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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

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 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 earnings.

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

6.2 *Business combinations not involving enterprises under common control and goodwill*

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 and goodwill (Continued)*

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.

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

For the year ended 31 December 2012

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

7. Preparation of consolidated financial statements *(Continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Translation of transactions and financial statements denominated in foreign currencies - continued *(Continued)*

9.1 *Transactions denominated in foreign currencies (Continued)*

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.

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

For the year ended 31 December 2012

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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

For the year ended 31 December 2012

(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

For the year ended 31 December 2012

(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

For the year ended 31 December 2012

(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.

- Impairment of available-for-sale financial asset

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 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.

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

For the year ended 31 December 2012

(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

For the year ended 31 December 2012

(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.

10.6.3 Financial guarantee contracts

Financial guarantee contracts represent those contracts in which the guarantor and the creditor agrees that the guarantor will settle debts or assume liabilities in accordance with terms therein if the debtor fails to make payment. Financial guarantee contracts other than those designated as financial liabilities at fair value through profit or loss or loan commitments that are not designated at fair value through profit or loss and granted at a rate below market rates are initially recognised at fair value less directly attributable transaction fees, and shall be subsequently measured at the higher of the following: the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 “Contingencies” and the amount initially recognised less cumulative amortisation recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 “Revenue”.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

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.

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.

11.1. Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	The Group considers accounts receivable above RMB10 million (including RMB 10 million) and other receivables above RMB2 million (including RMB 2 million) as receivables that are individually significant.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	The Group assesses the receivables individually for impairment. The bad debt is provided when the group will not receive the debt bases on the original terms, and the amount for provision is the difference between the present value of expected future cash flows and the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Receivables *(Continued)*

11.2. *Receivables that are not individually significant but for which bad debt provision is individually assessed*

If there is objective evidence that receivables that are not individually significant has been impaired, the Group will individually assesses them and made bad debt provision based on the difference between its present value of expected future cash flows and carrying amounts.

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

For the year ended 31 December 2012

(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

For the year ended 31 December 2012

(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

For the year ended 31 December 2012

(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 recognized 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

For the year ended 31 December 2012

(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 of CAS, 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 Basis for determining joint control and significant influence over investee

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

For the year ended 31 December 2012

(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

For the year ended 31 December 2012

(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	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	10 - 50	0 - 5	1.9 - 10
Building improvement	3 - 5	0	20 - 33.33
Transportation vehicle	5 - 8	0 - 5	11.88 - 20
Machinery and equipment	5 - 12	0 - 5	7.92 - 20
Office equipment and others	3 - 10	0 - 5	9.5 - 33.33
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

For the year ended 31 December 2012

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. 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.

18. Intangible Assets

18.1 Intangible assets

Intangible assets include land use rights, toll bridge franchise operating rights, line license use rights and line operation rights, computer software, trademark rights, passenger service licences, etc.

Intangible assets, other than toll bridge franchise operating rights 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible Assets (Continued)

18.1 Intangible assets (Continued)

Estimated useful life of intangible assets are as follows:

Items	Estimated useful lives (year)
Land use right	20-68
Computer software	5-10
Coastline use right	48
Passenger service licences	Indefinite
Toll bridge franchise operating rights	30
Trademark rights	10
Line license use rights and line operation rights	3-8

The Group assesses at each balance sheet date estimated useful lives and amortization method of intangible assets with a finite useful life, such as land use rights, computer software, coastline use right, toll bridge franchise operating rights, trademark rights and line license use rights and line operation rights, and makes adjustments when necessary. Passenger service licences with indefinite useful life are tested for impairment annually.

18.2 Research and development expenditure

Expenditure during the research phase is recognized 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 recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized 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;
- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

18. Intangible Assets *(Continued)*

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 recognized 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 recognized, 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.

20. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, 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 recognized 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.

When all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that the reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Revenue recognition

21.1 Revenue from sale of goods

Revenue from sale of goods is recognized 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 recognized 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 recognized 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 recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 recognized 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 recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the period in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized. 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 recognized using the percentage of completion method.

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

The cumulative costs incurred and cumulative gross profits (or losses) recognized 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) recognized 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) recognized, the surplus is shown as receipts in advance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 recognized 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 recognized immediately in profit or loss for the period.

A government grant related to an asset is recognized 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 recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Operating leases and finance leases *(Continued)*

24.3 The Group as lessee under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

25. Other 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. The benefit scheme to be offered to the retired staff and the internal retirees in future is recognized as a liability by the Group.

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

For the year ended 31 December 2012

(III) SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND CRITICAL ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of accounting policies described in Note II, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if such change affects that period only; or recognised in the period of the change and future periods, if such change affects both.

– Significant judgments made in applying accounting policies

The following are the significant judgments that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognised in the financial statements.

Perpetual Subordinated Convertible Securities ("PSCS")

On 17 September 2012, the Company entered into an asset swap agreement (the "Asset Swap Agreement") and the PSCS agreement. In accordance with the above agreements, the Company acquired 100% equity interest in GVTG held by GCGC and transferred 51%, 71% and 90% equity interests respectively in Guangdong Oriental Thought Technology Company Limited (Oriental Thought), Guangdong Xinyue Communications Investment Company Limited (Xinyue Communications) and Guangdong Nan Yue Logistics International Services Company Limited (Logistic International) (together the "Disposal Group"), all held by the Company, to GCGC and the excess of consideration for the acquisition of GVTG over the consideration for the disposal of the Disposal Group will be settled by the Company through the issue of PSCS to GCGC.

For the PSCS issued by the Company on 31 December 2012, the Company made an adjustment, based on the terms related to the rights and duties of PSCS in the PSCS agreement, that the Company neither has a contract obligation to transfer cash or other financial assets to other entities, nor to exchange a financial asset or a financial liability in potential adverse conditions with other entities, and the Company will transfer a fixed number of the Company's own equity instrument (except for adjustment of special diluted issue), thus PSCS was treated as an equity instrument and record as "capital reserve".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(III) SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND CRITICAL ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES *(Continued)*

– Key assumptions and uncertainties in accounting estimates

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

Bad debt

The Group recognizes bad debt provision based on judgement of recoverable amount of receivables. When there are signs that receivables can't be retrieved, bad debt provision will be made. Assessment of bad debt provision needs to use judgment and estimation. If there is difference between the re-assessment and current estimated result, the difference will influence carry amount of accounts receivable and the profits and losses for the estimated change period.

Useful lives and net estimated residual values of fixed assets

The Group determines the useful life and net residual value of a fixed asset. Such estimates are based on experience on actual useful life and residual value of certain fixed assets of similar nature and function, and may be adjusted for major changes due to technology evolution and the severe business environment. The Group will review the useful life, estimated net residual value of fixed assets at least once at every year end. Any changes will be treated as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(III) SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND CRITICAL ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (Continued)

– Key assumptions and uncertainties in accounting estimates (Continued)

Deferred tax assets

The realization of deferred tax assets is mainly determined by actual future taxable income and actual tax rate of temporary difference in future utilization year. If the actual future taxable income is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred tax assets shall be reversed, and be recognized in profit and loss for the period in which the reversal is incurred. In addition, as it is unable to determine whether the deductible tax losses and deductible temporary differences in future can obtain the amount of taxable income to be used to deduct, the Group did not recognize deferred tax assets in respect of the deductible tax losses and deductible temporary differences amounted to RMB 270,324,686.46 (31 December 2011: RMB 267,676,108.16). If the actual future taxable income is more than estimates, or the actual tax rate is higher than estimates, deferred tax assets shall be adjusted accordingly and recognized in the profit and loss in the period in which they are incurred.

Impairment of goodwill

Performing impairment test for goodwill requires a calculation of the present value of estimated future cash flows of the asset group or a set of asset group related to goodwill, and an estimation of the future cash flows expected to arise from such asset group or such set of asset group. It also requires determining a suitable interest rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset.

Liabilities of retirement benefits

The benefit scheme to be offered to the retired staff and the internal retirees in future is recognized as a liability by the Group. The amount of these benefits expenses and liabilities is calculated and paid based on various assumptions, which include the discount rate, the wage growth rate during retirement, the growth rate of medical expenses and other factors. Although management considers these assumptions to be reasonable, actual experience and changes in the assumptions will affect the expense and liability balances related to employee retirement benefits expenses of the Group.

(IV) TAXES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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	13%, 17%
Value-added tax	Transportation income (Note)	0%, 3%, 11%
Value-added tax	Income from rendering of service (Note)	6%
Business tax	Income from highway facilities and other auxiliary facilities, and income from rendering of service	5%
Business tax	Income from construction contracts and toll income	3%
Business tax	Transportation income (Note)	0%, 3%
City maintenance and construction tax	Value-added tax and business tax payables	5%, 7%
Educational surtax and surcharges	Value-added tax and business tax payables	3%, 2%
Embankment protection fee	Taxable operating income	0.05%, 0.1%, 0.13%
Enterprise income tax	Taxable profit	15%, 25%
Hong Kong profits tax	Assessable profit	16.5%

Note: In accordance with the Announcement 2012-No. 6, the Announcement on the Pilot of Changing from Business Tax to Value-added Tax for Transportation Industry and Certain Modern Service Industries in Guangdong Province issued by the State Administration of Taxation of Guangdong Province, since 1 November 2012, organizations and individuals in the transportation industry and certain modern service industries shall pay value-added tax (VAT) instead of business tax (BT) (hereinafter referred to as "levying VAT instead of BT") according to relevant requirements. Since 1 November 2012, the Company and its subsidiaries that meet the conditions of levying VAT instead of BT pilot shall apply the VAT rate stipulated by the Implementation Measures of the Pilot of Changing from Business Tax into Value-added Tax for Transportation Industry and Certain Modern Service Industries (Cai Shui [2011] No. 111). Accordingly, transportation revenues of the Group arising from cross-border transportation would apply zero VAT rate, and part of the subsidiaries would use the simplified tax levy rate of 3% to account for value-added taxes.

2. Tax incentive and approval

Except for three subsidiaries mentioned below, all the other group companies established in Mainland China are subject to enterprise income tax rate of 25%. Oriental Thought and Xinyue Communications 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 25% in 2012 (2011: 24%).

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% (2011: 16.5%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Sequence number	Full name of the subsidiary	Type	Place of incorporation	Nature of business	Registered capital	Actual capital contribution at the end of the period	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 City Nan Yue 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 Nan Yue Logistics (HK) Limited	Overseas subsidiary	Hongkong China	Material Logistics Services	HKD1,500,000.00	RMB 1,323,750,000.00	100.00	100.00	Established
4	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
5	Guangdong Guangdong 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
6	Guangdong Jingdeoda Expressway Economic Development Company Limited	Domestic and non-financial	Guangdong China	Expressway Services	RMB 10,000,000.00	RMN 10,277,412.45	100.00	100.00	Business combinations involving enterprises under common control
7	Guangdong Southchina Logistics Enterprise Company Limited	Domestic and non-financial	Guangdong China	Material Logistics Services	RMB 100,000,000.00	RMB 124,457,237.80	98.40	98.40	Business combinations involving enterprises under common control
8	The Motor Transport Company Of Guangdong and Hong Kong Limited	Overseas subsidiary	Hongkong China	Cross-border Transportation Services	HKD9,000,000.00	RMB 120,198,428.59	62.00	62.00	Business combinations involving enterprises under common control
9	Gang Tong (HK) Motor Transport Company Limited	Overseas subsidiary	Hongkong China	Cross-border Transportation Services	HKD500,000.00	HKD500,000.00	100.00	100.00	Business combinations involving enterprises under common control
10	Yue Kong Shipping Company Limited	Overseas subsidiary	Hongkong China	Cross-border Transportation Services	HKD20,000.00	HKD20,000.00	100.00	100.00	Business combinations involving enterprises under common control
11	Man Kam To Coach Management Company Limited	Overseas subsidiary	Hongkong China	Cross-border Transportation Services	HKD100,000.00	HKD 69,000.00	69.00	69.00	Business combinations involving enterprises under common control
12	Carson Development Limited	Overseas subsidiary	Hongkong China	Cross-border Transportation Services	HKD10,000.00	HKD 8,888,920.00	100.00	100.00	Business combinations involving enterprises under common control
13	Guangdong Yue Li Jia Passenger Transport Company (Hong Kong)	Overseas subsidiary	Hongkong China	Cross-border Transportation Services	HKD10,000.00	HKD 7,000.00	70.00	70.00	Business combinations involving enterprises under common control
14	The Motor Transport Company Of Guangdong and Hong Kong (Guangzhou) Limited	Domestic and non-financial	Guangdong China	Cross-border Transportation Services	HKD25,000,000.00	RMB 25,319,234.10	62.00	62.00	Business combinations involving enterprises under common control
15	Shenzhen Yuegang 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 period	Proportion of ownership interest (%)	Proportion of voting power (%)	Established or acquired
16	Guangdong Yue Li Lia Passenger Transport Company (Guangzhou)	Domestic and non-financial	Guangdong China	Cross-border Transportation Services	HKD3,300,000.00	RMB 2,310,000.00	70.00	70.00	Business combinations involving enterprises under common control
17	Guangdong Province Transportation Engineering Company Limited	Domestic and non-financial	Guangdong China	Rental Services	RMB 17,040,000.00	RMB 69,564,856.82	100.00	100.00	Business combinations involving enterprises under common control
18	Guangdong Vehicles Transportation Group Company Limited	Domestic and non-financial	Guangdong China	Investment & Transportation	RMB300,000,000.00	RMB 448,110,000.00	100.00	100.00	Business combinations involving enterprises under common control
19	Guangdong Province Guangyang High Speed Passenger Traffic Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB3,000,000.00	RMB2,010,000.00	67.00	67.00	Business combinations involving enterprises under common control
20	Guangdong Province Yangjiang City Guangyang High-Speed Railway Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB500,000.00	RMB335,000.00	67.00	67.00	Business combinations involving enterprises under common control
21	Guangdong Yunxing Property Management Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Property Management	RMB500,000.00	RMB500,000.00	100.00	100.00	Business combinations involving enterprises under common control
22	Chaozhou City Yueyun High Speed Passenger Traffic Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB500,000.00	RMB255,000.00	51.00	51.00	Business combinations involving enterprises under common control
23	Guangdong Yueyun Number Two Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB5,000,000.00	RMB2,550,000.00	51.00	51.00	Business combinations involving enterprises under common control
24	Foshan City Yueyun Public Transportation Co., Ltd. (Foshan Public Transportation) (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB20,000,000.00	RMB 28,000,000.00	51.00	51.00	Business combinations involving enterprises under common control
25	Zhaoqing City Yueyun Motor Transportation Co., Ltd. ("Zhaoqing Yueyun") (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB100,000,000.00	RMB68,212,500.00	51.00	51.00	Business combinations involving enterprises under common control
26	Deqing County Yueyun Bus Terminal Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB19,778,320.00	RMB13,844,824.00	70.00	70.00	Business combinations involving enterprises under common control
27	Zhaoqing City Yueyun Logistics Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Logistics Services	RMB2,000,000.00	RMB2,000,000.00	100.00	100.00	Business combinations involving enterprises under common control
28	Foshan City Sanshuo Yueyun Traffic Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB 20,000,000.00	RMB 102,000,000.00	51.00	51.00	Business combinations involving enterprises under common control
29	Guangdong Yueyun Traffic Rescue Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Traffic rescue	RMB50,000,000.00	RMB30,000,000.00	100.00	100.00	Business combinations involving enterprises under common control

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 period	Proportion of ownership interest (%)	Proportion of voting power (%)	Established or acquired
30	Guangdong Province Guangshen High Speed Coach Co., Ltd.(Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB6,000,000.00	RMB3,060,000.00	51.00	51.00	Business combinations involving enterprises under common control
31	Shenzhen City Shenwei Lighter Transportation Co., Ltd.(Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB12,000,000.00	RMB6,600,000.00	55.00	55.00	Business combinations involving enterprises under common control
32	Guangdong Yueyun Langri Co., Ltd. (the "Guangdong Yueyun Langri")(Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB55,000,000.00	RMB78,580,656.61	51.00	51.00	Business combinations involving enterprises under common control
33	Yangjiang City Xinme Management Consultancy Co., Ltd.(Note 1)(Note 2)	Domestic and non-financial	Guangdong China	Transportation	RMB300,000.00	RMB180,000.00	60.00	60.00	Business combinations involving enterprises under common control
34	Yangdong Bus Terminal Co., Ltd.(Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB1,000,000.00	RMB16,969,900.00	100.00	100.00	Business combinations involving enterprises under common control
35	Yangchun Langri Fuels Co., Ltd.(Note 1)	Domestic and non-financial	Guangdong China	Fuel Supply	RMB1,000,000.00	RMB1,609,540.00	100.00	100.00	Business combinations involving enterprises under common control
36	Yangchun City Yueyun Langri City-Village Railway Station Service Co., Ltd.(Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB500,000.00	RMB300,000.00	60.00	60.00	Business combinations involving enterprises under common control
37	Yangjiang City Yueyun Langri Public Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB2,000,000.00	RMB1,300,000.00	65.00	65.00	Business combinations involving enterprises under common control
38	Yangchun City's Third Motor Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB580,000.00	RMB580,000.00	70.00	70.00	Business combinations involving enterprises under common control
39	Yangdong County Yongtong Motor Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB1,000,000.00	RMB1,794,686.61	100.00	100.00	Business combinations involving enterprises under common control
40	Yangchun City Yueyun Langri Public Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB150,000.00	RMB150,000.00	100.00	100.00	Business combinations involving enterprises under common control
41	Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB1,000,000.00	RMB1,000,000.00	100.00	100.00	Business combinations involving enterprises under common control
42	Yangxi County Yueyun Langri City-Village Passenger Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB1,000,000.00	RMB1,000,000.00	100.00	100.00	Business combinations involving enterprises under common control
43	Zhongshan City Yueyun Tongxing Transportation Co., Ltd. (the "Zhongshan Yueyun")(Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB1,682,600.00	RMB2,146,740.93	51.00	51.00	Business combinations involving enterprises under common control

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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 period	Proportion of ownership interest (%)	Proportion of voting power (%)	Established or acquired
44	Zhongshan City Eastern Station Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB 630,000.00	RMB 630,000.00	100.00	100.00	Business combinations involving enterprises under common control
45	Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB 1,000,000.00	RMB 3,700,000.00	70.00	70.00	Business combinations involving enterprises under common control
46	Guangzhou City Yueyun Motor Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB 3,653,222.62	RMB 3,653,222.62	51.00	51.00	Business combinations involving enterprises under common control
47	Guangzhou City Yueyun Public Bus Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB 900,000.00	RMB 900,000.00	100.00	100.00	Business combinations involving enterprises under common control
48	Guangzhou City Yueyun Auto Maintenance Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Repair	RMB 40,000.00	RMB 40,000.00	100.00	100.00	Business combinations involving enterprises under common control
49	Guangzhou City Zhengcheng Automobile Passenger Traffic Station Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Station reconstruction	RMB 30,000,000.00	RMB 36,000,000.00	60.00	60.00	Business combinations involving enterprises under common control
50	Guangdong Yuntong Passenger Traffic Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB 1,000,000.00	RMB 1,296,513.20	100.00	100.00	Business combinations involving enterprises under common control
51	Heyuan City Yueyun Motor Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Transportation	RMB 10,000,000.00	RMB 5,100,000.00	51.00	51.00	Business combinations involving enterprises under common control
52	Foshan City Yueyun Hexing Transportation Co., Ltd. (Note 1)(Note 3)	Domestic and non-financial	Guangdong China	Transportation	RMB 1,020,408.00	RMB 5,247,896.42	51.00	73.00	Business combinations involving enterprises under common control
53	Zhaoqing High-tech Zone Yueyun Development Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Station reconstruction	RMB 1,000,000.00	RMB 5,247,896.42	51.00	51.00	Business combinations involving enterprises under common control

Note 1: The Company completed acquisition of GVTG on 31 December 2012 by business combination involving entities under common control, and the investee is subsidiary of GVTG.

Note 2: Yangjiang Xinhe Management Consultant Company applied for unregister during the year, and the unregister is still under progress up to 31 December 2012.

Note 3: GVTG has entered an agreement with Foshan City Transportation Development Co., Ltd and Foshan City Rail Port Management Centre. Foshan City Transportation Development Co., Ltd and Foshan City Rail Port Management Centre entrusts their voting rights in board meeting and shareholders' meeting in Foshan Yueyun Hexing Transportation Co., Ltd ("Yueyun Hexing") to GVTG from 31 December 2012. So the Group could control Yueyun Hexing from 31 December 2012, and Yueyun Hexing is combined in the consolidated financial statement from that date on.

Note 4: As of 2012.12.31, the Company and its subsidiaries did not issue any debt securities, except for the bond payable issued by GVTG as disclosed in Note (VI)30.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year

(1) *New entity that has been consolidated in the year*

RMB

Name	Net assets	
	as at 2012.12.31	Net profit for 2012
GVTG and its subsidiaries (note)	821,921,401.97	118,751,165.57

Note: GVTG was newly acquired during the year through a business combination involving enterprises under common control, because its ultimate controlling party before and after the combination is GCGC. 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. Information of GVTG subsidiaries has been stated in note (V)1 "Information of subsidiaries". Its financial position at the beginning of the year and the combining date, and its operating result and cash flows for the period from the beginning of the year to the combination date has been stated in Note (IX) 1 "Business combination involving enterprises under common control" of "Other significant matters".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(1) New entity that has been consolidated in the year (Continued)

The effect of business combination involving enterprises under common control to the consolidated balance sheet as at 31 December 2011 is as follows:

RMB

Item	2011.12.31 (Before restated)	Effectuated of business combination involving enterprises under comment control	
		2011.12.31 (After restated)	
Cash and bank balances	2,092,231,222.60	143,527,040.87	2,235,758,263.47
Notes receivable	4,435,000.00	—	4,435,000.00
Accounts receivables	898,769,092.76	76,311,360.63	975,080,453.39
Prepayments	98,474,416.62	36,443,709.59	134,918,126.21
Dividends receivable	94,792.23	—	94,792.23
Other receivables	245,282,907.29	118,730,194.31	364,013,101.60
Inventories	379,812,174.60	13,605,149.29	393,417,323.89
Total Current Assets	3,719,099,606.10	388,617,454.69	4,107,717,060.79
Long-term receivables	22,349,501.66	(22,349,501.66)	—
long-term equity investment	93,064,332.82	62,734,462.29	155,798,795.11
Investment properties	11,439,275.14	162,607,470.78	174,046,745.92
Fixed assets	422,895,591.09	978,982,475.88	1,401,878,066.97
Construction in progress	16,492,341.79	90,518,969.62	107,011,311.41
Intangible assets	356,932,310.99	311,643,588.28	668,575,899.27
Goodwill	—	34,788,047.05	34,788,047.05
Long-term prepaid expenses	7,667,377.15	14,552,315.20	22,219,692.35
Deferred tax assets	157,511,642.95	2,599,971.89	160,111,614.84
Other non - current assets	—	74,584,275.72	74,584,275.72
Total Non-current Assets	1,088,352,373.59	1,710,662,075.05	2,799,014,448.64
Total Assets	4,807,451,979.69	2,099,279,529.74	6,906,731,509.43

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(1) New entity that has been consolidated in the year (Continued)

The effect of business combination involving enterprises under common control to the consolidated balance sheet as at 31 December 2011 is as follows: (Continued)

RMB

Item	2011.12.31 (Before restated)	Effect of business combination involving enterprises under common control	
		2011.12.31 (After restated)	2011.12.31 (After restated)
Short-term borrowing	60,000,000.00	30,570,000.00	90,570,000.00
Notes payable	621,558,443.87	6,811,870.00	628,370,313.87
Accounts payable	1,438,110,353.08	114,275,030.95	1,552,385,384.03
Receipts in advance	442,492,499.55	8,196,133.21	450,688,632.76
Employee benefits payable	60,667,664.93	42,599,321.23	103,266,986.16
Taxes payable	138,164,981.99	30,935,951.49	169,100,933.48
Interests payable	10,536,095.95	22,133.26	10,558,229.21
Dividends payable	1,176,000.00	10,902.30	1,186,902.30
Other payables	149,561,112.61	456,041,487.15	605,602,599.76
Non-current liabilities			
due within one year	—	32,844,431.89	32,844,431.89
Other current liabilities	567,693,227.72	—	567,693,227.72
Total current liabilities	3,489,960,379.70	722,307,261.48	4,212,267,641.18
Long-term borrowings	—	137,146,618.29	137,146,618.29
Long-term payables	—	58,463,108.96	58,463,108.96
Provisions	—	721,052.31	721,052.31
Deferred tax liabilities	989,134.34	14,310,434.61	15,299,568.95
Other non-current liabilities	4,455,593.10	19,852,824.80	24,308,417.90
Non-current liabilities total	5,444,727.44	230,494,038.97	235,938,766.41
Total liabilities	3,495,405,107.14	952,801,300.45	4,448,206,407.59

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(1) New entity that has been consolidated in the year (Continued)

Item	2011.12.31 (Before restated)	Effected of	2011.12.31 (After restated)
		business combination involving enterprises under comment control	
Share capital	417,641,867.00	—	417,641,867.00
Capital reserve	274,825,436.40	640,862,873.66	915,688,310.06
Special reserve	2,954,571.68	4,639,916.21	7,594,487.89
Surplus reserve	120,497,853.66	45,564,923.06	166,062,776.72
Retained profits	353,921,236.48	54,010,840.99	407,932,077.47
Translation differences arising on translation of financial statements denominated in foreign currencies	(34,800,450.16)	—	(34,800,450.16)
Total shareholders' equity attributable to equity holders of the Company	1,135,040,515.06	745,078,553.92	1,880,119,068.98
Minority interests	177,006,357.49	401,399,675.37	578,406,032.86
Total shareholders' equity	1,312,046,872.55	1,146,478,229.29	2,458,525,101.84
Total liabilities and shareholders' equity	4,807,451,979.69	2,099,279,529.74	6,906,731,509.43

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(1) New entity that has been consolidated in the year (Continued)

The effect of business combination involving enterprises under common control to the consolidated income statement for the year ended 31 December 2011 is as follows:

Item	2011 (Before restated)	Effected of business combination involving enterprises under common control	2011 (After restated)
Operating income	5,145,170,830.30	1,778,060,870.71	6,923,231,701.01
Less: Operating costs	4,630,186,848.00	1,325,987,371.38	5,956,174,219.38
Business taxes and levies	68,310,569.81	63,677,946.19	131,988,516.00
Selling expenses	102,620,432.83	1,155,267.40	103,775,700.23
Administrative expenses	227,770,639.17	281,666,612.70	509,437,251.87
Financial expenses	19,483,004.90	27,087,442.01	46,570,446.91
Impairment losses of assets	(9,907,488.81)	59,950.33	(9,847,538.48)
Add: Investment income	5,085,360.25	(2,070,854.20)	3,014,506.05
Operating profit	<u>111,792,184.65</u>	<u>76,355,426.50</u>	<u>188,147,611.15</u>
Add: Non-operating income	10,509,895.96	62,160,992.86	72,670,888.82
Less: Non-operating expenses	2,874,683.76	5,859,917.29	8,734,601.05
Total profit	<u>119,427,396.85</u>	<u>132,656,502.07</u>	<u>252,083,898.92</u>
Less: Income tax expenses	49,055,086.25	30,731,528.59	79,786,614.84
Net profit	<u>70,372,310.60</u>	<u>101,924,973.48</u>	<u>172,297,284.08</u>
Net profit attributable to shareholders of the Company	82,862,482.80	42,623,286.39	125,485,769.19
Profit or loss attributable to minority interests	(12,490,172.20)	59,301,687.09	46,811,514.89
Other comprehensive income	(10,687,891.20)	—	(10,687,891.20)
Total comprehensive income	<u>59,684,419.40</u>	<u>101,924,973.48</u>	<u>161,609,392.88</u>
Total comprehensive income attributable to shareholders of the Company	<u>77,432,493.24</u>	<u>42,623,286.39</u>	<u>120,055,779.63</u>
Total comprehensive income attributable to minority interests	<u>(17,748,073.84)</u>	<u>59,301,687.09</u>	<u>41,553,613.25</u>

RMB

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(1) New entity that has been consolidated in the year (Continued)

The effect of business combination involving enterprises under common control to the consolidated cash flow statement for the year ended 31 December 2011 is as follows: (Continued)

RMB

Item	2011 (Before restated)	Effect of business combination involving enterprises under common control	2011 (After restated)
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services	5,240,130,681.83	1,764,746,488.25	7,004,877,170.08
Receipts of tax refunds	4,547,620.47	—	4,547,620.47
Other cash receipts relating to operating activities	199,388,790.56	118,326,139.77	317,714,930.33
Sub-total of cash inflows from operating activities	<u>5,444,067,092.86</u>	<u>1,883,072,628.02</u>	<u>7,327,139,720.88</u>
Cash payments for goods purchased and services received	3,889,365,681.46	886,688,059.63	4,776,053,741.09
Cash payments to and on behalf of employees	338,093,539.50	474,038,103.00	812,131,642.50
Payments of various types of taxes	216,762,100.21	93,160,182.30	309,922,282.51
Other cash payments relating to operating activities	176,273,798.85	107,159,141.00	283,432,939.85
Sub-total of cash outflows from operating activities	<u>4,620,495,120.02</u>	<u>1,561,045,485.93</u>	<u>6,181,540,605.95</u>
Net Cash Flow from Operating Activities	<u>823,571,972.84</u>	<u>322,027,142.09</u>	<u>1,145,599,114.93</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(1) New entity that has been consolidated in the year (Continued)

The effect of business combination involving enterprises under common control to the consolidated cash flow statement for the year ended 31 December 2011 is as follows: (Continued)

RMB

Item	2011 (Before restated)	Effected of business combination involving enterprises under common control	2011 (After restated)
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments	15,372.52	1,360,000.00	1,375,372.52
Cash receipts from investment income	—	4,740,000.00	4,740,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	1,538,611.80	9,267,188.38	10,805,800.18
Other cash received relating to investing activities	—	—	—
Sub-total of cash inflows from investing activities	<u>1,553,984.32</u>	<u>15,367,188.38</u>	<u>16,921,172.70</u>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	105,128,327.45	308,268,592.08	413,396,919.53
Cash payments to acquire investments	26,860,500.00	(19,060,500.00)	7,800,000.00
Net cash payments for acquisitions of subsidiaries and other business units	<u>69,564,856.62</u>	<u>—</u>	<u>69,564,856.62</u>
Sub-total of cash outflows from investing activities	<u>201,553,684.07</u>	<u>289,208,092.08</u>	<u>490,761,776.15</u>
Net Cash Flow from Investing Activities	<u>(199,999,699.75)</u>	<u>(273,840,903.70)</u>	<u>(473,840,603.45)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(1) New entity that has been consolidated in the year (Continued)

The effect of business combination involving enterprises under common control to the consolidated cash flow statement for the year ended 31 December 2011 is as follows: (Continued)

Item	2011 (Before restated)	Effected of business combination involving enterprises under common control	2011 (After restated)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions	—	12,933,496.00	12,933,496.00
Cash receipts from borrowings	405,000,000.00	566,954,800.00	971,954,800.00
Sub-total of cash inflows from financing activities	405,000,000.00	579,888,296.00	984,888,296.00
Cash repayments of borrowings	385,800,000.00	611,885,236.48	997,685,236.48
Cash payments for distribution of dividends or settlement of interest expenses	47,053,471.48	71,185,492.17	118,238,963.65
Other cash payments relating to financing activities	—	9,740,768.80	9,740,768.80
Sub-total of cash outflows from financing activities	432,853,471.48	692,811,497.45	1,125,664,968.93
Net Cash Flow from Financing Activities	(27,853,471.48)	(112,923,201.45)	(140,776,672.93)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(4,852,625.96)	—	(4,852,625.96)
V. Net Increase in Cash and Cash Equivalents	590,866,175.65	(64,736,963.06)	526,129,212.59
Add: Opening balance of Cash and Cash Equivalents	1,499,809,372.26	200,213,034.47	1,700,022,406.73
VI. Closing Balance of Cash and Cash Equivalents	2,090,675,547.91	135,476,071.41	2,226,151,619.32

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(2) Entities that are excluded from consolidation in the year

a. Subsidiaries of the Group before combination date

Name	Net Assets at the date of disposal	Net Profit from the beginning of the current period to the date of disposal
Guangdong Tai Cheng Consulting Company Limited (Note 1)	—	30,980.14
Logistics International (Note 2)	13,861,964.52	(3,838,177.83)
Oriental Thought and its subsidiaries: (Note 2)		
Chongqing Aoteng Technology Development Co., Ltd.		
Oriental Thought (Henan) Technology Co. Ltd.	12,884,837.33	(13,918,948.62)
Xinyue Communications and its associates: (Note 2)		
Guangdong Xin Yue E&M Engineering Co.,Ltd		
Guangdong Bridge Electronic Toll Collection Co.,Ltd	<u>157,224,940.20</u>	<u>4,457,150.63</u>

RMB

Note1: Guangdong Tai Cheng Consulting Company Limited has completed unregistor in 2012, and its oprating results and cash flows before unregistor have been included in the consolidated financial statements.

Note 2: These entities are disposed as consideration of business comination involving enterpises under common control, their operating results and cash flows before disposal have been included in the consolidated financial statements. Details please refer to Note (IX)1.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(2) Entities that are excluded from consolidation in the year (Continued)

- b. Subsidiaries transferred by GVTG before combination date

Before acquisition of GVTG by the Company, GVTG transferred its equity interest in Shenzhen Yueyun Investment Development Company Limited (Shenzhen Yueyun), Guangdong Yangjiang Vehicles Transportation Group Co., Ltd. (Yangjiang Transportation) and Meizhou Yueyun Vehicles Transportation Company Limited (Meizhou Yueyun) to Guangzhou Yueyun Investment Management Co., Ltd. (Guangzhou Yueyun Investment) freely, and then transferred its equity interest in Guangzhou Yueyun Investment to GCGC freely. The operating results and cash flows of above entities have been included in the consolidated financial statements. Details of assets free transfer and the operating results and cash flows of above entities please refer to Note (IX) 2.

RMB

Name	Net Assets at the date of disposal	Net Profit from the beginning of the current period to the date of disposal
Shenzhen Yueyun and its associates:		
Shenzhen Yueyun Property management Co., Ltd.	238,167,042.33	207,096.69
Yangjiang Transportation and its associates:		
Yangjiang City Motor Transportation Head Office Fuels Supply Company		
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.		
Yangchun City Urban Gas Station		
Yangchun City No. 2 Motor Transportation Head Office		
Yangchun City Passenger & Cargo Transportation Co., Ltd.		
Yangchun City Taiyun Industrial Development Co., Ltd.	23,714,963.51	36,074.48

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(V) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. New entities that have been consolidated in the year and entities that are excluded from consolidation in the year (Continued)

(2) Entities that are excluded from consolidation in the year (Continued)

b. Subsidiaries transferred by GVTG before combination date (Continued)

Name	Net Assets at the date of disposal	Net Profit from the beginning of the current period to the date of disposal
Meizhou Yueyun and its associates:	86,277,249.43	1,893,793.57
Meizhou Automobile Passenger Traffic Co., Ltd.		
Xingning Motor Transportation Co., Ltd.		
Dapu Motor Transportation Co., Ltd.		
Wuhua Motor Transportation Co., Ltd.		
Pingyuan Motor Transportation Co., Ltd.		
Jiaoling Motor Transportation Co., Ltd.		
Meizhou Jiangnan Motor Transportation Co., Ltd.		
Meizhou Automotive Materials Supply Co., Ltd.		
Meizhou Motor Freight Co., Ltd.		
Fengshun Motor Transportation Co., Ltd.		
Guangzhou Yueyun Investment (Note)	<u>369,095,570.09</u>	<u>(243,434.92)</u>

Note: Net assets at disposal date and net profit from the beginning of the current period to the date of disposal of Guangzhou Yueyun Investment exclude financial position and operating results of other three companies.

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 0.8108 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 0.8108 of HKD to RMB.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and bank balances

CONSOLIDATED

Item	2012.12.31		2011.12.31 (Restated)	
	Original currency	RMB	Original currency	RMB
Cash:				
RMB	14,114,316.76	14,114,316.76	9,687,859.27	9,687,859.27
HKD	63,377.35	51,386.35	74,767.14	60,613.72
Bank balances:				
RMB	1,180,528,591.34	1,180,528,591.34	2,177,560,214.55	2,177,560,214.55
USD	75,899.07	477,061.02	202,689.84	1,276,583.17
HKD	72,416,743.41	58,716,682.08	46,337,430.82	37,566,348.61
Other currency funds (Note)				
RMB	8,228,348.70	8,228,348.70	8,874,679.33	8,874,679.33
HKD	902,880.01	732,055.11	902,880.00	731,964.82
Total		<u>1,262,848,441.36</u>		<u>2,235,758,263.47</u>

Note: The other currency funds at the end of this year are customs deposit, security deposit for bank acceptance bills, letter of guarantee and performance bonds, and special fund for sale of house with total amount of RMB 8,960,403.81 (2011.12.31 : RMB 9,606,644.15).

COMPANY

Item	2012.12.31		2011.12.31	
	Original currency	RMB	Original currency	RMB
Cash:				
RMB	12,602.12	12,602.12	8,324.96	8,324.96
Bank balances:				
RMB	768,261,855.74	768,261,855.74	1,784,877,935.86	1,784,877,935.86
Total		<u>768,274,457.86</u>		<u>1,784,886,260.82</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

2. Notes receivable

(1) Categories of notes receivable:

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31	2012.12.31	2011.12.31
Bank acceptances	<u>22,090,366.56</u>	<u>4,435,000.00</u>	<u>16,953,962.80</u>	<u>3,500,000.00</u>

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

3. Accounts receivable

CONSOLIDATED

(1) Disclosure of accounts receivable by categories:

RMB

Category	2012.12.31				2011.12.31 (Restated)			
	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	565,312,262.13	74.82	14,564,922.29	2.58	597,052,614.65	59.02	14,264,922.29	2.39
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	190,259,130.46	25.18	9,887,351.13	5.20	414,563,751.75	40.98	22,270,990.72	5.37
Total	<u>755,571,392.59</u>	<u>100.00</u>	<u>24,452,273.42</u>	<u>3.24</u>	<u>1,011,616,366.40</u>	<u>100.00</u>	<u>36,535,913.01</u>	<u>3.61</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

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

CONSOLIDATED (Continued)

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

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

Aging	2012.12.31				2011.12.31			
	Amount	Proportion (%)	Bad debt		Amount	Proportion (%)	Bad debt	
			provision	Carring amount			provision	Carring amount
within 3 months	482,666,420.42	63.88	—	482,666,420.42	598,058,554.31	59.12	—	598,058,554.31
Over 3 months and within 6 months	31,848,936.82	4.22	—	31,848,936.82	117,815,223.40	11.65	—	117,815,223.40
Over 6 months and within 1 year	18,615,408.71	2.46	—	18,615,408.71	49,600,155.07	4.90	706,810.11	48,893,344.96
Over 1 year and within 2 years	120,684,107.56	15.97	17,454.15	120,666,653.41	169,088,447.36	16.71	4,517,551.74	164,570,895.62
Over 2 years and within 3 years	51,380,508.00	6.80	124,490.37	51,256,017.63	27,027,813.79	2.67	636,422.05	26,391,391.74
Over 3 years	50,376,011.08	6.67	24,310,328.90	26,065,682.18	50,026,172.47	4.95	30,675,129.11	19,351,043.36
Total	755,571,392.59	100.00	24,452,273.42	731,119,119.17	1,011,616,366.40	100.00	36,535,913.01	975,080,453.39

The Group, considering the past receipts record and the debtors' financial ability, assessed the accounts receivable past due are not impaired. For the details of the decrease of bad debt provision due to change of consolidation scope, please refer to Note (XI) 18.

(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	1,901,369.60	1,901,369.60
Company 2	Receivable collected	Specific identification, since the project team has been evacuated, the owner cannot be contacted, it is difficult to	624,934.30	624,934.30
Others	Receivable collected	reconciled.	39,161.12	39,161.12
Total			2,565,465.02	2,565,465.02

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

CONSOLIDATED (Continued)

(3) Accounts receivable written off during this year

During this year, the Group wrote off trade receivables from 3 customers, as these customers have been dissolved and such trade receivables become uncollectible. The total amount written off was RMB 34,258.13.

COMPANY

(1) Disclosure of accounts receivable by categories:

RMB

Category	2012.12.31				2011.12.31			
	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	525,061,299.09	92.48	14,264,922.29	2.72	578,287,231.70	89.51	14,264,922.29	2.47
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	42,689,996.72	7.52	8,716,655.57	20.42	67,743,889.48	10.49	10,618,025.17	15.67
Total	567,751,295.81	100.00	22,981,577.86	4.05	646,031,121.18	100.00	24,882,947.46	3.85

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

Before accepting new clients, the Company 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, the Company sets different credit policies for different clients. Credit period is generally 3 months, while the credit period of major clients can be extended to 6 months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

COMPANY (Continued)

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

Aging analysis of accounts receivable is as follows:

Aging	2012.12.31				2011.12.31			
	Amount	Proportion (%)	Bad debt		Amount	Proportion (%)	Bad debt	
			provision	Carring amount			provision	Carring amount
Within 3 months	337,640,680.99	59.47	—	337,640,680.99	383,414,866.97	59.35	—	383,414,866.97
Over 3 months and within 6 months	25,947,319.46	4.57	—	25,947,319.46	48,306,147.03	7.48	—	48,306,147.03
Over 6 months and within 1 year	2,303,694.43	0.41	—	2,303,694.43	9,066,179.57	1.40	—	9,066,179.57
Over 1 year and within 2 years	78,302,972.01	13.79	—	78,302,972.01	162,071,923.54	25.08	—	162,071,923.54
Over 2 years and within 3 years	91,808,556.00	16.17	—	91,808,556.00	10,251,801.10	1.59	336,807.17	9,914,993.93
Over 3 years	31,748,072.92	5.59	22,981,577.86	8,766,495.06	32,920,202.97	5.10	24,546,140.29	8,374,062.68
Total	567,751,295.81	100.00	22,981,577.86	544,769,717.95	646,031,121.18	100.00	24,882,947.46	621,148,173.72

The Company, considering the past receipts record and the debtors' financial ability, assessed the account receivable past due are not impaired.

(2) Reversals or collections during the current period

Debtor	Reasons for reversals or collections	Basis of determining the original bad dept provision	Accumulated bad dept provision	
			prior to reversals or collections	Amount reversed or collected
Company 1	Receivable collected	Provide based on the recoverability	1,901,369.60	1,901,369.60
Total			1,901,369.60	1,901,369.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

4. Prepayments

CONSOLIDATED

(1) Aging analysis of prepayments is as follows:

RMB

Aging	2012.12.31				2011.12.31 (Restated)			
	Amount	Proportion(%)	Bed debt provision	Carrying amount	Amount	Proportion(%)	Bed debt provision	Carrying amount
within 1 year	127,664,891.11	21.03	—	127,664,891.11	91,297,550.44	15.25	—	91,297,550.44
Over 1 year and within 2 years	1,255,138.65	0.21	—	1,255,138.65	22,265,080.44	3.72	346,823.20	21,918,257.24
Over 2 years and within 3 years	6,379,757.60	1.05	346,823.20	6,032,934.40	185,251,480.24	30.94	168,918,486.93	16,332,993.31
Over 3 years	471,651,046.20	77.71	463,386,271.68	8,264,774.52	299,837,109.97	50.09	294,467,784.75	5,369,325.22
Total	606,950,833.56	100.00	463,733,094.88	143,217,738.68	598,651,221.09	100.00	463,733,094.88	134,918,126.21

(2) Prepayments aged over 1 year:

RMB

Debtors	Creditors	Amount	Aging	Reasons fro not settled
	Company A	346,823.20	2-3 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
		202,000,072.50	over 3 year	
The company	Company B	5,848,118.40	2-3 year	
		170,204,007.95	over 3 year	
	Company C	99,091,241.20	over 3 year	
Total		477,490,263.25		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

4. Prepayments (Continued)

COMPANY

(1) Aging analysis of prepayments is as follows:

RMB

Aging	2012.12.31				2011.12.31			
	Amount	Proportion(%)	Bed debt provision	Carrying amount	Amount	Proportion(%)	Bed debt provision	Carrying amount
within 1 year	122,166,216.11	20.24	—	122,166,216.11	33,085,857.91	6.44	—	33,085,857.91
Over 1 year and within 2 years	3,945,500.00	0.65	—	3,945,500.00	9,126,934.76	1.78	346,823.20	8,780,111.56
Over 2 years and within 3 years	6,203,441.60	1.03	346,823.20	5,856,618.40	176,827,536.96	34.44	168,918,486.93	7,909,050.03
Over 3 years	471,295,321.65	78.08	463,386,271.68	7,909,049.97	294,467,784.75	57.34	294,467,784.75	—
Total	603,610,479.36	100.00	463,733,094.88	139,877,384.48	513,508,114.38	100.00	463,733,094.88	49,775,019.50

(2) Prepayments aged over 1 year:

RMB

Debtors	Creditors	Amount	Aging	Reasons fro not settled
	Company A	346,823.20	2-3 year	Long-term outstanding, the Company won the lawsuit, while the execution is under progress.
		202,000,072.50	over 3 year	
The company	Company B	5,848,118.40	2-3 year	
		170,204,007.95	over 3 year	
	Company C	99,091,241.20	over 3 year	
Total		477,490,263.25		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

5. Dividends receivable

CONSOLIDATED

RMB

Investee	2011.12.31	Increase	Decrease	2012.12.31	Reasons for uncollected amounts
Dividends receivable aged within 1 year	—	—	—	—	N/A
Dividends receivable aged over 1 year	94,792.23	—	94,792.23	—	N/A
including: Guangdong Communications Telecommunications Company Limited	94,792.23	—	94,792.23	—	N/A
Total	94,792.23	—	94,792.23	—	

COMPANY

RMB

Item	2011.12.31	Increase	Decrease	2012.12.31	Reasons for uncollected amounts
Dividends receivable aged within 1 year	—	1,652,644.87	1,652,644.87	—	N/A
Including: The Motor Transport Company of Guangdong and Hong Kong Limited	—	1,652,644.87	1,652,644.87	—	N/A
Dividends receivable aged over 1 year	27,961,854.12	—	27,961,854.12	—	N/A
including: Guangdong Southchina Logistics Enterprise Company Limited (Note)	27,961,854.12	—	27,961,854.12	—	N/A
Total	27,961,854.12	1,652,644.87	29,614,498.99	—	

Note: During this year, the company entered into an agreement with its subsidiary Guangdong South China Logistics Enterprises Company Ltd.. Pursuant to the agreement, dividend receivable was changed into the Company's other receivable and accrued interest according to bank loan interest rate over the same period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

6. Other receivables

CONSOLIDATED

(1) Disclosure of other receivables by categories:

RMB

Category	2012.12.31				2011.12.31 (Restated)			
	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	218,176,132.50	64.44	34,771,111.41	15.94	145,389,375.41	33.80	35,008,046.56	24.08
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	120,371,448.77	35.56	6,886,248.45	5.72	284,784,363.90	66.20	31,152,591.15	10.94
Total	338,547,581.27	100.00	41,657,359.86	12.30	430,173,739.31	100.00	66,160,637.71	15.38

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

Aging analysis of other receivables is as follows:

RMB

Aging	2012.12.31				2011.12.31 (Restated)			
	Amount	Proportion(%)	Bed debt provision	Carrying amount	Amount	Proportion(%)	Bed debt provision	Carrying amount
within 1 year	83,518,168.34	24.67	50,776.40	83,467,391.94	136,654,727.18	31.77	138,000.00	136,516,727.18
Over 1 year and within 2 years	133,983,422.43	39.58	17,978.95	133,965,443.48	100,877,478.20	23.45	534,277.24	100,343,200.96
Over 2 years and within 3 years	24,264,350.38	7.17	601,364.98	23,662,985.40	71,357,378.90	16.59	4,250,360.77	67,107,018.13
Over 3 years	96,781,640.12	28.58	40,987,239.53	55,794,400.59	121,284,155.03	28.19	61,237,999.70	60,046,155.33
Total	338,547,581.27	100.00	41,657,359.86	296,890,221.41	430,173,739.31	100.00	66,160,637.71	364,013,101.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

CONSOLIDATED (Continued)

(2) Reversals and collections during the current period:

RMB

Debtors	Reasons for reversals of collections	Basis of determining the original bad debt provision	Accumulated bad	Amount of reversals
			debt provision prior to reversals or collections	or collections
Company I	Received cash	Provide based on the recoverability	500,000.00	500,000.00
Company II	Received cash	Provide based on the recoverability	634,087.64	634,087.64
Company III	Received cash	Provide based on the recoverability	245,000.00	245,000.00
Company IV	Received cash	Provide based on the recoverability	1,080,000.00	1,080,000.00
Others	Received cash	Provide based on the recoverability	17,239.35	17,239.35
Total	Received cash	Provide based on the recoverability	<u>2,476,326.99</u>	<u>2,476,326.99</u>

COMPANY

(1) Disclosure of other receivables by categories:

RMB

Category	2012.12.31				2011.12.31 (Restated)			
	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	355,694,910.92	97.53	32,384,587.67	9.10	343,550,840.66	96.74	32,384,587.67	9.43
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	9,008,213.17	2.47	527,421.20	5.85	11,589,781.85	3.26	527,421.20	4.55
Total	<u>364,703,124.09</u>	<u>100.00</u>	<u>32,912,008.87</u>	<u>9.02</u>	<u>355,140,622.51</u>	<u>100.00</u>	<u>32,912,008.87</u>	<u>9.27</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

COMPANY (Continued)

Aging analysis of other receivables is as follows:

RMB

Aging	2012.12.31				2011.12.31 (Restated)			
	Amount	Proportion(%)	Bed debt provision	Carrying amount	Amount	Proportion(%)	Bed debt provision	Carrying amount
within 1 year	61,496,282.22	16.86	—	61,496,282.22	184,521,974.97	51.95	—	184,521,974.97
Over 1 year and within 2 years	163,346,566.46	44.79	—	163,346,566.46	92,609,104.43	26.08	527,421.20	92,081,683.23
Over 2 years and within 3 years	71,776,428.01	19.68	527,421.20	71,249,006.81	35,856,267.82	10.10	4,209,578.67	31,646,689.15
Over 3 years	68,083,847.40	18.67	32,384,587.67	35,699,259.73	42,153,275.29	11.87	28,175,009.00	13,978,266.29
Total	364,703,124.09	100.00	32,912,008.87	331,791,115.22	355,140,622.51	100.00	32,912,008.87	322,228,613.64

7. Inventories

CONSOLIDATED

(1) Categories of inventories:

RMB

Item	2012.12.31			2011.12.31 (Restated)		
	Gross carrying amount	Provision for impair losses	Carrying amount	Gross carrying amount	Provision for impair losses	Carrying amount
Raw materials	14,991,819.54	—	14,991,819.54	22,399,961.07	1,402,122.99	20,997,838.08
Merchandise (Finished goods)	121,595,597.04	—	121,595,597.04	124,639,608.25	—	124,639,608.25
Reusable materials	35,505.00	—	35,505.00	776,172.00	—	776,172.00
Construction contracts cost (the cumulative cost incurred and cumulative gross profits (or losses) recognized offset against the progress billings)	3,289,996.82	—	3,289,996.82	253,142,558.83	6,621,083.61	246,521,475.22
Others	—	—	—	594,453.70	112,223.36	482,230.34
Total	139,912,918.40	—	139,912,918.40	401,552,753.85	8,135,429.96	393,417,323.89

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

7. Inventories (Continued)

CONSOLIDATED (Continued)

(2) Provision for impairment loss of inventories:

Category of inventories	2011.12.31 (Restated)	Increase	Reversals	Decrease		2012.12.31
				Write-off	Decrease due to change of consolidated scope	
Construction contracts cost (the cumulative cost incurred and cumulative gross profits (or losses) recognized offset against the progress billings)	6,621,083.61	—	—	4,108,596.66	2,512,486.95	—
The raw materials	1,402,122.99	—	—	—	1,402,122.99	—
Others	112,223.36	—	—	—	112,223.36	—
Total	8,135,429.96	—	—	4,108,596.66	4,026,833.30	—

COMPANY

(1) Categories of inventories

Item	2012.12.31			2011.12.31		
	Gross carrying amount	Provision for impaire losses	Carrying amount	Gross carrying amount	Provision for impaire losses	Carrying amount
Merchandise (Finished goods)	93,894,712.38	—	93,894,712.38	92,723,085.57	—	92,723,085.57

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

8. Joint Ventures and Associates of the Group

CONSOLIDATED

Name of investee	Place of incorporation	Nature of business	Proportion of ownership interest held by the Group (%)	Proportion of voting power in the investee held by the Group (%)	Total assets as at 2012.12.31	RMB		
						Total net assets attributable to the shareholder as at 2012.12.31	Net profit attributable to the shareholder for 2012	
					Total operating income for 2012			
Joint ventures (Note 1)								
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	Guangdong, China	Wholesale of oil and its manufacture	50.00	50.00	47,431,718.97	46,458,141.00	129,251,513.92	4,619,451.33
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	Guangdong, China	Tourism consulting	50.00	50.00	8,557,221.79	1,986,826.57	6,558,188.69	800,384.36
Guangdong Province Bus Terminal Co., Ltd. (Note 2)	Guangdong, China	Passenger terminal	50.00	50.00	1,040,595.59	1,030,925.59	—	1,511.71
Associates (Note 1)								
Guangdong Feida Traffic Engineering Company Limited	Guangdong, China	Building installation	30.00	30.00	161,446,548.99	26,417,913.65	115,941,749.34	3,874,110.36
Southern United Assets and Equity Exchange Company Limited	Guangdong, China	State-owned property exchange business	20.00	20.00	137,110,000.00	96,380,000.00	27,310,000.00	(1,620,000.00)
Guangdong Foda Expressway Economy Development Company Limited	Guangdong, China	Service	49.00	49.00	5,650,861.56	3,640,940.53	—	(359,904.60)
Lufeng Shenshan Expressway Company Limited	Guangdong, China	Others	45.00	45.00	7,339,451.99	3,139,638.51	3,634,455.96	1,386,448.30
Shenzhen Yueyun Express Cross-Border Coach Management Company Limited	Guangdong, China	Transportation	20.00	20.00	296,639,634.08	239,847,680.83	27,912,421.05	852,596.04
	Hongkong, China	Transportation	23.86	23.86	7,886,623.34	(2,538,708.11)	16,660,223.97	1,879,397.36
Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd. (Note 2)	Guangdong, China	Transportation	42.00	42.00	8,472,325.49	3,279,239.01	6,909,234.42	400,404.92
Jiangmen Guangjiang High Speed Passenger Traffic Co., Ltd. (Note 2)	Guangdong, China	Transportation	42.00	42.00	7,183,082.44	2,413,405.39	7,239,996.18	315,412.65
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd. (Note 2)	Guangdong, China	Transportation	40.00	40.00	4,841,945.48	(560,729.29)	11,991,141.42	(137,965.00)
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd. (Note 2)	Guangdong, China	Transportation	40.00	40.00	14,958,788.88	2,881,755.63	19,077,142.24	915,172.71
Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd. (Note 2)	Guangdong, China	Transportation	37.00	37.00	21,322,613.89	15,765,654.71	25,107,040.42	305,933.70
Shantou Office of Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd. (Note 2)	Guangdong, China	Transportation	37.00	37.00	5,406,337.67	5,246,124.32	6,588,722.79	(1,928,771.35)
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd. (Note 2)	Guangdong, China	Transportation	48.00	48.00	40,866,252.47	36,176,886.56	43,002,596.29	937,074.11
Guangzhou Tianhe Automobile Passenger Traffic Station Co., Ltd. (Note 2)	Guangdong, China	Passenger terminal	20.00	20.00	137,969,311.98	52,657,727.87	—	15,843,915.01
Shantou City Automobile Passenger Traffic Center Co., Ltd. (Note 2)	Guangdong, China	Passenger terminal	35.00	35.00	90,700,407.38	69,026,091.34	9,648,950.81	(45,590.19)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

8. Joint Ventures and Associates of the Group (Continued)

CONSOLIDATED (Continued)

Name of investee	Place of incorporation	Nature of business	Proportion of ownership interest held by the Group (%)	Proportion of voting power in the investee held by the Group (%)	Total assets as at 2012.12.31	Total net assets	Total operating income for 2012	Net profit
						attributable to the shareholder		attributable to the shareholder
Yangjiang City Jincheng Compact Car Rental Co., Ltd. (Note 2)	Guangdong, China	Car rental	35.00	35.00	1,928,665.70	(1,646,222.61)	1,720,659.00	(493,147.94)
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd. (Note 2)	Guangdong, China	Vehicle Maintenance	49.00	49.00	983,791.40	746,177.59	1,979,716.70	5,986.20
Guangdong Guangye Shentong Natural Gas Co., Ltd. (Note 2)	Guangdong, China	Gas station	30.00	30.00	19,319,729.16	18,173,974.75	3,398,103.48	(1,697,060.05)
CNPC Yueyun Natural Gas Co. Ltd. (Note 2)	Guangdong, China	Gas station	24.00	24.00	33,971,669.36	31,930,535.48	15,033,412.17	(520,484.57)

Note1: All the associates and joint ventures of the Group are non- listed companies.

Note 2: Investees are invested by GVTG which was acquired by the Company through business combination involving enterprises under common control.

9. Long-term equity investments

CONSOLIDATED

(1) Categories of investment:

Item	2011.12.31 (Restated)	2012.12.31
Investment accounted for using cost method	11,171,516.97	2,899,016.97
Investment accounted for using equity method	152,248,207.23	188,628,789.36
Less : impairment of investment	7,620,929.09	1,348,476.29
Carrying amount	<u>155,798,795.11</u>	<u>190,179,330.04</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments (Continued)

CONSOLIDATED (Continued)

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

Investee (Note 1)	Investment cost	2011.12.31 (Restated)	Decrease due to change of consolidation scope (Note 4)	2012.12.31	Cash dividend	RMB
						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
Shell Xin Yue(Foshan)Company Limited	3,158,500.00	3,158,500.00	(3,158,500.00)	—	—	N/A
Guangdong Southern Container Transportation Joint Company (Note 2)	1,268,476.29	1,268,476.29	—	1,268,476.29	—	N/A
Meizhou Passenger Traffic Economic Development Company (Note 2)	5,114,000.00	5,114,000.00	(5,114,000.00)	—	—	N/A
Puning City Yueyun Development Co., Ltd. (Note 2)	255,000.00	255,000.00	—	255,000.00	—	Note3
Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. (Note 2)	308,228.22	308,228.22	—	308,228.22	—	
Yangjiang City Yangzha New Image Public Transportation Co., Ltd. (Note 2)	987,312.46	987,312.46	—	987,312.46	—	
Total		11,171,516.97	(8,272,500.00)	2,899,016.97	—	

Note 1: Investee that long-term equity investments accounted for using the cost method are non-listed companies.

Note 2: Investees are invested by GVTG which was acquired by the Company through business combination involving enterprises under common control.

Note 3: GVTG holds 51% equity interest of Puning City Yueyun Development Co., Ltd. Guangdong Yueyun Langri Co., Ltd. holds 30% and 35% equity interest of Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. and Yangjiang City Yangzha New Image Public Transportation Co., Ltd. respectively. As these investees are operated by individual shareholder or other entities, GVTG and Guangdong Yueyun Langri Co., Ltd. does not have any control, joint-control or significant influence over these companies, therefore the cost method was used to account for this long-term equity investment.

Note 4: Decrease due to change of consolidation scope is transfer out investments held by those entities excluded from consolidation scope.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments (Continued)

CONSOLIDATED (Continued)

(3) Long-term equity investment accounted for using the equity method are as follows:

Investee (Note1)	Inception amount	2011.12.31		Investment profit or loss	Dividends received	Increase (decrease) due to change of consolidation scope (Note2)	2012.12.31	RMB	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
		(Restated)	Increase/ decrease						
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	15,000,000.00	20,917,473.92	—	2,352,206.90	—	—	23,269,680.82	N/A	
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	1,500,000.00	454,734.40	—	400,192.18	—	—	854,926.58	N/A	
Guangdong Fei Da Traffic Engineering Company Limited	11,200,000.00	10,143,816.04	—	279,565.27	—	—	10,423,381.31	N/A	
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	19,546,840.91	—	(233,575.42)	—	—	19,313,265.49	N/A	
Guangdong Foda Expressway Economic Development Company Limited	490,000.00	1,498,262.77	—	(138,809.18)	—	—	1,359,453.59	N/A	
Lufeng Shenshan Expressway Company Limited	450,000.00	1,133,936.56	—	623,901.74	—	—	1,757,838.30	N/A	
Express Cross-Border Coach Management Company Limited	41,350.80	—	—	—	—	—	—	N/A	
Shenzhen Yueyun	48,590,601.78	—	—	(622,448.18)	—	48,590,601.78	47,968,153.60	N/A	
Guangdong Communications Elecommunications Company Limited	1,009,400.00	3,921,088.29	—	290,373.66	—	(4,211,461.95)	—	N/A	
Guangdong Province Bus Terminal Co.,Ltd	500,000.00	514,706.95	—	755.86	—	—	515,462.81	N/A	
Guangdong Guangjiang High Speed Passenger Traffic Co.,Ltd	420,000.00	1,419,110.32	—	168,170.07	210,000.00	—	1,377,280.39	N/A	
Jiangmen Guangjiang High Speed Passenger Traffic Co.,Ltd	420,000.00	1,091,156.95	—	132,473.31	210,000.00	—	1,013,630.26	N/A	
Shantou City Chaoyang Yueyun Sky Island Transportation Co.,Ltd	200,000.00	—	—	—	—	—	—	N/A	
Shantou City Chaonan Yueyun Sky Island Transportation Co.,Ltd	800,000.00	796,750.75	—	366,069.08	—	—	1,162,819.83	N/A	
Guangdong Province Guangshan High Speed Passenger Traffic Co.Ltd.	1,110,000.00	5,720,096.78	—	113,195.47	—	—	5,833,292.25	N/A	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments (Continued)

CONSOLIDATED (Continued)

(3) Long-term equity investment accounted for using the equity method are as follows: (Continued)

Investee (Note1)	Inception amount	2011.12.31		Profit and loss movement Investment profit or loss	Adjustment Dividends received	Increase (decrease) due to change of consolidation scope (Note2)	2012.12.31	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
		(Restated)	Increase/ decrease					
Shantou Office of Guangdong Province Guangshan High Speed Passenger Traffic Co.Ltd.	740,000.00	2,654,711.40	—	(713,645.40)	—	—	1,941,066.00	N/A
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	17,019,116.69	17,258,769.60	—	388,042.00	—	—	17,646,811.60	N/A
Guangzhou Tianhe Automobile Passenger Traffic Station Co., Ltd.	2,000,000.00	20,543,041.61	—	3,168,783.00	13,180,279.14	—	10,531,545.47	N/A
Shantou City Automobile Passenger Traffic Center Co., Ltd.	25,206,264.17	32,774,028.47	—	(1,363,560.15)	—	—	31,410,468.32	N/A
Yangjiang City Jincheng Compact Car Rental Co., Ltd.	1,050,000.00	—	—	—	—	—	—	N/A
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.	490,000.00	—	—	2,933.24	—	362,693.78	365,627.02	N/A
Guangdong Guangye Shentong Natural Gas Co., Ltd.	6,000,000.00	2,861,310.44	3,000,000.00	(509,118.02)	—	—	5,452,192.42	N/A
CNPC Yueyun Natural Gas Co., Ltd.	7,200,000.00	4,212,244.81	2,400,000.00	(180,351.51)	—	—	6,431,893.30	N/A
Yueyun Hexing	4,416,885.84	4,686,126.26	—	561,770.16	—	(5,247,896.42)	—	Please refer to Note (V) 1
Total		<u>152,248,207.23</u>	<u>5,400,000.00</u>	<u>5,086,924.08</u>	<u>13,600,279.14</u>	<u>39,493,937.19</u>	<u>188,628,789.36</u>	

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

Note 2: Increase (decrease) due to change of consolidation scope is transfer in (out) investments held by those entities included in (excluded from) consolidation scope.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments (Continued)

CONSOLIDATED (Continued)

(4) Provisions for impairment losses of long-term equity investments

Investee	2011.12.31 (Restated)	Increase	Decrease		2012.12.31
			Amount	Reasons	
Huadu Jindaoda Expressway Economic Development Company Limited	80,000.00	—	—	N/A	80,000.00
Guangdong Communications Telecommunications Company Limited	1,158,452.80	—	1,158,452.80	Decrease due to change of consolidation scope	—
Guangdong Southern Container Transportation Joint Company	1,268,476.29	—	—	N/A	1,268,476.29
Meizhou Passenger Traffic Economic Development Company	5,114,000.00	—	5,114,000.00	Decrease due to change of consolidation scope	—
Total	<u>7,620,929.09</u>	<u>—</u>	<u>6,272,452.80</u>		<u>1,348,476.29</u>

As at 31 December 2012, the investee's ability to transfer funds to the Company is not restricted.

COMPANY

(1) Categories of investment:

Item	2011.12.31	2012.12.31
Investment accounted for using cost method	450,850,841.99	756,877,585.81
Investment accounted for using equity method	38,405,636.42	39,456,339.21
Less: impairment of investment	—	—
Carrying amount	<u>489,256,478.41</u>	<u>796,333,925.02</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments (Continued)

COMPANY (Continued)

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

Investee	investment cost	2011.12.31	Increase/ decrease	2012.12.31	Cash dividend	RMB
						Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power
Guangdong Top-E Expressway Service Zone Company Limited	98,831,192.00	98,831,192.00	—	98,831,192.00	—	N/A
Guangdong Southchina Logistics Enterprise Company Limited	124,457,237.80	124,457,237.80	—	124,457,237.80	—	N/A
Guangdong New Way advertising Company Limited	19,800,000.00	19,800,000.00	—	19,800,000.00	—	N/A
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	25,319,234.10	25,319,234.10	—	25,319,234.10	1,652,644.87	N/A
The Motor Transport Company of Guangdong and Hong Kong Limited	120,196,428.59	120,196,428.59	—	120,196,428.59	—	N/A
Guangdong Nan Yue Logistics(HK) Limited	1,323,750.00	1,323,750.00	—	1,323,750.00	—	N/A
Guangdong Jindaoda Expressway Economic Development Company Limited	777,412.45	777,412.45	—	777,412.45	—	N/A
Guangdong Province Transportation Engineering Compan Limited	—	—	—	—	—	N/A
GVTG	366,172,330.87	—	366,172,330.87	366,172,330.87	—	N/A
Guangdong Nanyue logistics International Services Company Limited	4,609,854.00	4,609,854.00	(4,609,854.00)	—	—	N/A
Guangdong Tai Cheng Consulting Company Limited	614,528.80	614,528.80	(614,528.80)	—	—	N/A
Xinyue Communications	43,465,324.00	43,465,324.00	(43,465,324.00)	—	—	N/A
Oriental Thought	11,455,880.25	11,455,880.25	(11,455,880.25)	—	—	N/A
Total	<u>817,023,172.86</u>	<u>450,850,841.99</u>	<u>306,026,743.82</u>	<u>756,877,585.81</u>	<u>1,652,644.87</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments (Continued)

COMPANY (Continued)

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

Investee	Inception amount	2011.12.31	Increase/decrease	Adjustment for changes		2012.12.31	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	8,714,979.47	—	1,004,712.94	—	9,719,692.41	N/A
Guangdong Feida Traffic Engineering Company Limited	11,200,000.00	10,143,816.04	—	279,565.27	—	10,423,381.31	N/A
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	19,546,840.91	—	(233,575.42)	—	19,313,265.49	N/A
Total	37,450,000.00	38,405,636.42	—	1,050,702.79	—	39,456,339.21	

RMB

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

10. Investment properties

CONSOLIDATED

ITEMS				RMB
	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
I. Total original amount	201,123,416.11	28,832,345.35	176,868,270.30	53,087,491.16
1. Buildings	188,075,589.74	27,003,153.30	176,868,270.30	38,210,472.74
2. Land use rights	13,047,826.37	1,829,192.05	—	14,877,018.42
II. Total accumulated depreciation and mortisation	27,076,670.19	6,144,928.80	22,674,225.59	10,547,373.40
1. Buildings	25,386,633.54	5,803,173.78	22,674,225.59	8,515,581.73
2. Land use rights	1,690,036.65	341,755.02	—	2,031,791.67
III. Total net book value	174,046,745.92			42,540,117.76
1. Buildings	162,688,956.20			29,694,891.01
2. Land use rights	11,357,789.72			12,845,226.75
IV. Total accumulated provision for impairment losses	—	—	—	—
1. Buildings	—	—	—	—
2. Land use rights	—	—	—	—
V. Total carrying amounts	174,046,745.92			42,540,117.76
1. Buildings	162,688,956.20			29,694,891.01
2. Land use rights	11,357,789.72			12,845,226.75

Note1: The increase in the original amount for the year consists of an increase of RMB28,830,500.49 on the transfer from owner-occupied properties and land use rights to investment properties, and an increase of RMB1,844.86 on foreign currency translation differences.

Note2: The decrease in the original amount for the year consists of a decrease of RMB176,868,270.30 due to change of consolidation scope.

Note3: The increase in accumulated depreciation and amortisation for the year consists of charge for the year an increase of RMB2,060,888.63, an increase of RMB4,082,494.20 on the transfer from owner-occupied properties and land use rights to investment properties, and an increase of RMB1,545.97 on foreign currency translation differences.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

10. Investment properties (Continued)

CONSOLIDATED (Continued)

Note4: The decrease in accumulated depreciation and amortisation for the year consists of a decrease of RMB22,672,164.46 due to change of consolidation scope, and a decrease of RMB2,061.13 on foreign currency translation differences.

Note5: The remaining years of amortization in land use rights is 24 to 70 years.

Note6: Among the carrying amount of land use rights

Useful Life	2012.12.31	2011.12.31 (Restated)
Long-term leases of over 50 years (50 years included)	12,845,226.75	11,357,789.72

Note7: Property held for sale

Name/Location	Type	Lease term
Room 1, Building 1, Weijing Tower, No. 65-75, Weiqing Street, Kowloon	Commercial	Short-term lease (within 10 years)
Room 2, Building 1, Weijing Tower, No. 65-75, Weiqing Street, Kowloon	Commercial	Short-term lease (within 10 years)
Underground Shop, A He An Building, North of Xiyangcai Street	Commercial	Short-term lease (within 10 years)
Room D, 24 Level, Tower 3, Hongdu Building	Commercial	Short-term lease (within 10 years)
Level 2 of Comprehensive Building	Commercial	Short-term lease (within 10 years)
Printing Workshop	Commercial	Short-term lease (within 10 years)
Crash Barrier Workshop	Commercial	Short-term lease (within 10 years)
Anchor Workshop	Commercial	Short-term lease (within 10 years)
No. 29 and No. 30 of Yangchun Passenger Station Nanxin Road and Control Building of Foshan Railway Station	Commercial	Short-term lease (within 10 years)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

11. Fixed Assets

CONSOLIDATED

(1) Fixed Assets:

RMB

ITEM	2011.12.31(Restated)	Increase	Decrease	2012.12.31
I. Total original amount	2,503,446,174.50	421,611,579.18	627,300,382.99	2,297,757,370.69
Including: Buildings	760,000,973.65	103,422,538.16	360,504,945.44	502,918,566.37
Building improvement	95,865,675.32	17,326,374.18	9,111,748.00	104,080,301.50
Transportation vehicle	1,304,417,319.13	262,108,778.52	186,048,784.42	1,380,477,313.23
Machinery and equipment	139,571,066.47	7,100,603.02	35,931,916.24	110,739,753.25
Office equipment and other	148,285,275.66	26,730,208.38	35,702,988.89	139,312,495.15
Pier	55,305,864.27	4,923,076.92	—	60,228,941.19
II. Total Accumulated depreciation	1,099,787,413.42	219,074,314.85	223,210,465.64	1,095,651,262.63
Including: Buildings	156,377,511.68	23,347,805.87	62,261,948.50	117,463,369.05
Building improvement	70,325,677.11	7,668,013.37	8,838,395.56	69,155,294.92
Transportation vehicle	733,066,060.59	155,115,244.66	104,458,947.74	783,722,357.51
Machinery and equipment	48,740,473.17	9,492,457.95	21,804,511.93	36,428,419.19
Office equipment and other	90,226,391.99	22,337,130.09	25,846,661.91	86,716,860.17
Pier	1,051,298.88	1,113,662.91	—	2,164,961.79
III. Total net book value	1,403,658,761.08			1,202,106,108.06
Including: Buildings	603,623,461.97			385,455,197.32
Building improvement	25,539,998.21			34,925,006.58
Transportation vehicle	571,351,258.54			596,754,955.72
Machinery and equipment	90,830,593.30			74,311,334.06
Office equipment and other	58,058,883.67			52,595,634.98
Pier	54,254,565.39			58,063,979.40
IV. Total provision for impairment losses	1,780,694.11	1,004,596.63	1,909,438.74	875,852.00
Including: Buildings	—	—	—	—
Building improvement	—	—	—	—
Transportation vehicle	426,500.74	48,111.20	474,611.94	—
Machinery and equipment	—	875,852.00	—	875,852.00
Office equipment and other	1,354,193.37	80,633.43	1,434,826.80	—
Pier	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

11. Fixed Assets (Continued)

CONSOLIDATED (Continued)

(1) Fixed Assets: (Continued)

ITEM	2011.12.31(Restated)	Increase	Decrease	2012.12.31
V. Total carrying amount	1,401,878,066.97			1,201,230,256.06
Including: Buildings	603,623,461.97			385,455,197.32
Building improvement	25,539,998.21			34,925,006.58
Transportation vehicle	570,924,757.80			596,754,955.72
Machinery and equipment	90,830,593.30			73,435,482.06
Office equipment and other	56,704,690.30			52,595,634.98
Pier	54,254,565.39			58,063,979.40

Note1: The increase in the original amount for the year consists of acquisitions of RMB187,584,227.12, an increase of RMB204,713,163.25 transferred from construction in progress, an increase of RMB10,411,836.00 from finance lease, an increase of RMB8,742,620.76 due to change of consolidation scope, and an increase of RMB10,159,732.05 from investment of minority shareholder.

Note2: The decrease in the original amount for the year consists of a decrease of RMB97,765,709.03 on disposals, a decrease of RMB27,002,842.51 on the transfer from owner-occupied properties and land use rights to investment properties, a decrease of RMB502,531,831.45 due to change of consolidation scope.

Note3: The increase in accumulated depreciation for the year consists of charge for the year of RMB217,419,316.56, an increase of RMB1,634,760.57 due to change of consolidation scope, and RMB20,237.72 from others.

Note4: The decrease in accumulated depreciation for the year consists of a decrease of RMB83,939,247.09 on disposals, a decrease of RMB135,384,484.90 due to change of consolidation scope, and a decrease of RMB3,886,733.65 on the transferring from owner-occupied properties to investment properties.

Note5: The remaining years of amortization of land use rights is 1.92 to 42.34 years.

Note6: As at 31 December 2012, the original amount of fixed assets that fully depreciated but are still in use is RMB209,035,831.17. (31 December 2011:RMB350,649,837.42)

Note7: As at 31 December 2012, fixed assets with carrying amount of RMB96,675,028.21 (31 December 2011:RMB108,656,704.07) were pledged for bank loans.

Note8: As at 31 December 2012, there are not restricted fixed assets except for pledged for bank loans.

(2) As at 31 December 2012, carrying amount of buildings without certificate of title for the Group were RMB65,688,092.44.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

11. Fixed Assets (Continued)

COMPANY

	RMB			
ITEM	2011.12.31	Increase	Decrease	2012.12.31
I. Total original amount	33,661,163.86	106,172.50	9,249,537.96	24,517,798.40
Including: Transportation vehicle	20,447,570.16	—	4,422,140.50	16,025,429.66
Office equipment and other	13,213,593.70	106,172.50	4,827,397.46	8,492,368.74
II. Total Accumulated depreciation	25,135,015.75	1,849,820.27	7,408,806.03	19,576,029.99
Including: Transportation vehicle	17,649,067.22	963,834.69	4,176,971.82	14,435,930.09
Office equipment and other	7,485,948.53	885,985.58	3,231,834.21	5,140,099.90
III. Total net book value	8,526,148.11			4,941,768.41
Including: Transportation vehicle	2,798,502.94			1,589,499.57
Office equipment and other	5,727,645.17			3,352,268.84
IV. Total provision for impairment losses	1,354,193.37	—	1,354,193.37	—
Including: Transportation vehicle	—	—	—	—
Office equipment and other	1,354,193.37	—	1,354,193.37	—
V. Total carrying amount	7,171,954.74			4,941,768.41
Including: Transportation vehicle	2,798,502.94			1,589,499.57
Office equipment and other	4,373,451.80			3,352,268.84

Note1: The increase in the original amount for the year consists of acquisitions of RMB106,172.50.

Note2: The decrease in the original amount for the year consists of a decrease of RMB9,249,537.96 on disposals.

Note3: The increase in accumulated depreciation for the year consists of charge for the year of RMB1,849,820.27.

Note4: The decrease in accumulated depreciation for the year consists of a decrease of RMB7,408,806.03 on disposals.

Note5: As at 31 December 2012, the original amount of fixed assets that fully depreciated but are still in use was RMB12,881,441.82.(31 December 2011:RMB 12,875,168.14).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

12. Construction in progress

CONSOLIDATED

(1) Construction in progress:

RMB

Item	2012.12.31			2011.12.31 (Restated)		
	Gross amount	Provision for impairment		Gross amount	Provision for impairment	
		losses	Carrying amount		losses	Carrying amount
Design cost of LiTong Square	—	—	—	191,564.80	—	191,564.80
Construction project of Yang-Mao column	—	—	—	43,254.55	—	43,254.55
Reconnaissance on Jing-Zhu north column	—	—	—	275,727.30	—	275,727.30
Design construction on Jing-Zhu north column	—	—	—	36,771.00	—	36,771.00
Design project on Kaiyang, Jiangzhong, Mao-Zhan, Yang-Mao column	—	—	—	18,530.00	—	18,530.00
RMS system	—	—	—	284,550.00	—	284,550.00
Simple Facilities Construction Projects in 20 Service Zone	—	—	—	2,621,304.95	—	2,621,304.95
Kitchen Project	—	—	—	58,651.70	—	58,651.70
Building construction cost in the 12 Service Zones	—	—	—	3,121,477.08	—	3,121,477.08
Service building improvement in the 26 Service Zone	—	—	—	7,339,627.12	—	7,339,627.12
2nd construction project of wharf	—	—	—	632,109.70	—	632,109.70
Three old reconstruction project	6,385,133.69	—	6,385,133.69	1,868,773.59	—	1,868,773.59
Xintang Passenger Traffic Station	—	—	—	45,838,985.05	—	45,838,985.05
Zengcheng Passenger Traffic Station	10,188,238.85	—	10,188,238.85	9,673,151.07	—	9,673,151.07
Civil work of Yangxi Terminal	12,307,864.65	—	12,307,864.65	4,805,903.91	—	4,805,903.91
Update of the Logistics management platform function	2,480,000.00	—	2,480,000.00	—	—	—
Shaxi Project	17,890,696.00	—	17,890,696.00	—	—	—
Sanjia Project	4,257,161.59	—	4,257,161.59	—	—	—
Vehicle purchase	54,714,099.70	—	54,714,099.70	13,121,720.83	—	13,121,720.83
Others	18,583,588.49	451,957.10	18,131,631.39	17,531,165.86	451,957.10	17,079,208.76
Total	126,806,782.97	451,957.10	126,354,825.87	107,463,268.51	451,957.10	107,011,311.41

Note: The decrease in this year consists of a decrease of RMB204,713,163.25 transfer from construction in progress to fixed assets, a decrease of RMB1,215,216.00 transfer from construction in progress to intangible assets, a decrease of RMB191,564.80 transfer from construction in progress to long-term expenses, and a decrease of RMB3,478,477.34 due to change of consolidation scope.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

12. Construction in progress (Continued)

CONSOLIDATED (Continued)

(2) Change in major construction in progress

As at 31 December 2012, individual projects amounted over RMB3,000,000.00 under construction are outlined below:

						RMB
	2011.12.31 (Restated)	Increase	Transfer to fixed assets	Decrease Due to change of consolidation scope	Other decrease	2012.12.31
Civil work of Yangxi Terminal	4,805,903.91	7,501,960.74	—	—	—	12,307,864.65
Three old reconstruction project	1,868,773.59	4,516,360.10	—	—	—	6,385,133.69
Zengcheng Passenger Traffic Station	9,673,151.07	515,087.78	—	—	—	10,188,238.85
Shaxi Project	—	17,890,696.00	—	—	—	17,890,696.00
Vehicle purchase	13,121,720.83	100,788,721.30	59,196,342.43	—	—	54,714,099.70
Sanjia Project	—	4,257,161.59	—	—	—	4,257,161.59
Total	29,469,549.40	135,469,987.51	59,196,342.43	—	—	105,743,194.48

COMPANY

(1) Construction in progress:

	2012.12.31			2011.12.31		
Item	Gross amount	Provision for impairment		Gross amount	Provision for impairment	
		losses	Carrying amount		losses	Carrying amount
Logistics management platform function	2,480,000.00	—	2,480,000.00	191,564.80	—	191,564.80
total	2,480,000.00	—	2,480,000.00	191,564.80	—	191,564.80

Note: The decrease for the year consists of RMB 191,564.80 transfer to long-term expenses.

(2) As at 31 December 2012, there is no individual project amounted over RMB3,000,000.00 under construction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

13. Intangible Assets

CONSOLIDATED

Intangible Assets

RMB

Items	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
I. Total original amount	869,892,685.36	10,357,505.57	90,808,813.91	789,441,377.02
Land use right	405,024,393.74	5,861,566.93	89,649,944.49	321,236,016.18
Computer software	14,103,910.28	2,578,657.43	828,869.42	15,853,698.29
Coastline use rights	7,110,000.00	—	—	7,110,000.00
Passenger service Licences	5,682,325.99	700.92	—	5,683,026.91
Toll bridge franchise operating rights	327,269,975.27	209,584.21	—	327,479,559.48
Trademark rights	45,900.00	—	—	45,900.00
Line license use rights and line operation rights	110,656,180.08	1,706,996.08	330,000.00	112,033,176.16
II. Total Accumulated Amortization	201,316,786.09	28,265,998.62	8,070,243.36	221,512,541.35
Land use right	46,535,932.91	7,158,145.20	7,114,299.70	46,579,778.41
Computer software	9,455,717.84	1,206,149.63	625,943.66	10,035,923.81
Coastline use rights	1,206,947.61	148,124.99	—	1,355,072.60
Passenger service Licences	—	—	—	—
Toll bridge franchise operating rights	117,661,670.60	13,519,477.34	—	131,181,147.94
Trademark rights	25,627.50	4,590.00	—	30,217.50
Line license use rights and line operation rights	26,430,889.63	6,229,511.46	330,000.00	32,330,401.09
III. Total net book value	668,575,899.27			567,928,835.67
Land use right	358,488,460.83			274,656,237.77
Computer software	4,648,192.44			5,817,774.48
Coastline use rights	5,903,052.39			5,754,927.40
Passenger service Licences	5,682,325.99			5,683,026.91
Toll bridge franchise operating rights	209,608,304.67			196,298,411.54
Trademark rights	20,272.50			15,682.50
Line license use rights and line operation rights	84,225,290.45			79,702,775.07

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

13. Intangible Assets (Continued)

CONSOLIDATED (Continued)

Intangible Assets (Continued)

				RMB
Items	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
IV. Total provision for impairment	—	—	—	—
Land use right	—	—	—	—
Computer software	—	—	—	—
Coastline use rights	—	—	—	—
Passenger service Licences	—	—	—	—
Toll bridge franchise operating rights	—	—	—	—
Trademark rights	—	—	—	—
Line license use rights and line operation rights	—	—	—	—
V. Total carrying amount	668,575,899.27			567,928,835.67
Land use right	358,488,460.83			274,656,237.77
Computer software	4,648,192.44			5,817,774.48
Coastline use rights	5,903,052.39			5,754,927.40
Passenger service Licences	5,682,325.99			5,683,026.91
Toll bridge franchise operating rights	209,608,304.67			196,298,411.54
Trademark rights	20,272.50			15,682.50
Line license use rights and line operation rights	84,225,290.45			79,702,775.07

Note1: The increase in the original amount for the year consists of an increase of RMB 9,137,175.71 on acquisition of land use right, line license use rights and line operation rights and software, an increase of RMB1,215,216.00 transfer from construction in progress, and an increase of RMB 5,113.86 on foreign currency translation differences.

Note2: The decrease in the original amount for the year consists a decrease of RMB 1,827,657.98 on the transfer from land usage right to investment property, a decrease of RMB 88,530,795.06 due to change of consolidation scope, and a decrease of RMB 450,360.87 on disposals.

Note3: The increase in accumulated amortization for the year is due to the accrual amount RMB28,265,998.62.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

13. Intangible Assets (Continued)

CONSOLIDATED (Continued)

Intangible Assets (Continued)

Note4: The decrease in accumulated amortization for the year consists a decrease of RMB195,760.55 on the transfer from land usage right to investment property, a decrease of RMB7,823,918.33 due to change of consolidation scope, and a decrease of RMB50,564.48 on disposals.

Note5: Among the carrying amount of intangible assets

		RMB
Useful life	2012.12.31	2011.12.31 (Restated)
Short-term leases within 10 years	37,222.00	52,576.00
Medium-term leases of 10 (10 years included) to 50 years	252,217,217.40	307,171,984.46
Long-term leases over 50 years (50 years included)	22,401,798.37	51,263,900.37
Total	274,656,237.77	358,488,460.83

Note6: As at 31 December 2012, intangible assets with carrying amount of RMB21,715,916.71 (31 December 2011:RMB1,025,674.00) were pledged for bank loans.

Note7: As at 31 December, 2012, carrying amount of land use rights without certificate of title for the Group were RMB16,011,965.43 (31 December 2011:RMB6,594,900.00).

Note8: As at 31 December 2012, land use rights with gross amount of RMB7,219,377.27 were obtained through allocation. As the certificate of title did not stipulate useful life, these land use rights had not been amortized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

13. Intangible Assets (Continued)

COMPANY

Intangible Assets

RMB

Items	2011.12.31	Increase	Decrease	2012.12.31
I. Total original amount	353,551,937.48	300,209.21	131,390.00	353,720,756.69
Computer software	19,658,079.55	90,625.00	131,390.00	19,617,314.55
Toll bridge franchise operating rights	333,893,857.93	209,584.21	—	334,103,442.14
II. Total Accumulated Amortization	130,209,632.50	16,188,500.77	—	146,398,133.27
Computer software	11,476,283.09	2,310,816.73	—	13,787,099.82
Toll bridge franchise operating rights	118,733,349.41	13,877,684.04	—	132,611,033.45
III. Total net book value	223,342,304.98			207,322,623.42
Computer software	8,181,796.46			5,830,214.73
Toll bridge franchise operating rights	215,160,508.52			201,492,408.69
IV. Total Provision for Impairment	—	—	—	—
Computer software	—	—	—	—
Toll bridge franchise operating rights	—	—	—	—
V. Total carrying amount of intangible assets	223,342,304.98			207,322,623.42
Computer software	8,181,796.46			5,830,214.73
Toll bridge franchise operating rights	215,160,508.52			201,492,408.69

Note1: The increase in the original amount for the year consists of an increase of RMB 300,209.21 on acquisition of software and Toll bridge franchise operating rights.

Note2: The increase in accumulated amortization for the year consists of charge for the year of RMB 16,188,500.77.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

14. Goodwill

	RMB			
Items	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
Yangjiang Transportation (Note 1)	7,558,101.69	—	7,558,101.69	—
Zhongshan Yueyun	528,466.69	—	—	528,466.69
Zhaoqing Yueyun	1,402,500.00	—	—	1,402,500.00
Zhongshan City Yueyun Airport Express Passenger Traffic Co.,Ltd.	2,100,000.00	—	—	2,100,000.00
Yueyun Langri	23,198,978.67	—	—	23,198,978.67
Total	<u>34,788,047.05</u>	<u>—</u>	<u>7,558,101.69</u>	<u>27,229,945.36</u>

Note1: Before the Company acquired GVTG, GVTG transferred its equity interest in Yangjiang Transportation to GCGC at nil consideration, which resulted in the decrease in goodwill. Please refer to Note (IX) 2 for details of such transfer.

Note2: For the purpose of impairment testing, the Group, taking above 4 subsidiaries as a separate asset group, allocates the goodwill to such asset group for impairment testing. The Group estimates the recoverable amount of each asset group individually based on the present value of expected future cash flow of such asset group on the basic assumption of going concern in light of the operating characteristics of such asset group. Future cash flow is determined based on future financial budget confirmed by the management and discounted at a rate of 10.5%. Other key assumptions used in estimating future cash flow include the past performance of such asset group and the management's expectation of market development. The management considers that none of the reasonable changes in above assumptions would result in the total book value of such asset group exceeding its recoverable amount, therefore there is no impairment on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

15. Long-term prepaid expenses

CONSOLIDATED

Item				RMB
	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
Lease holding improvement	1,341,438.09	388,270.27	1,312,743.69	416,964.67
Insurance expenses of Taiping	116,162.00	120,277.00	116,162.04	120,276.96
Land use right rental for TaiPing Interchange	4,847,670.06	—	302,979.00	4,544,691.06
Improvements of office building and dormitories at Qingyuan section, Guangle Project	121,603.62	—	60,801.84	60,801.78
Improvements of office building and dormitories at Shaoguan section, Guangle Project	178,730.96	28,306.67	89,365.56	117,672.07
Improvement for office and billboards	34,999.87	—	20,000.00	14,999.87
Improvement on Guangshen Advertising column	531,945.43	7,584.00	115,497.89	424,031.54
Reformation of billboard on the top of Humen Bridge Station	51,152.42	—	31,828.60	19,323.82
Office renovation project	110,372.71	—	45,671.52	64,701.19
Improvement of owned fixed assets	24,762.18	—	24,762.18	—
Kitchen decoration	211,868.93	—	47,082.00	164,786.93
Renovation of station site auxiliary facilities	10,893,315.96	779,257.28	4,916,871.68	6,755,701.56
Litong building office decoration	—	12,060,869.01	—	12,060,869.01
Monitor system of Guangle transfer warehouse	—	558,728.00	279,364.00	279,364.00
Others	3,755,670.12	7,287,449.98	5,309,564.74	5,733,555.36
Total	22,219,692.35	21,230,742.21	12,672,694.74	30,777,739.82

Note: The decrease of long-term expenses for the year consists of charge for the year of RMB7,802,401.26, a decrease of RMB2,926,640.66 due to change of consolidation scope, and other decrease of RMB1,943,652.82.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

15. Long-term prepaid expenses (Continued)

COMPANY

Item	2011.12.31	Increase	Decrease	RMB
				2012.12.31
Insurance of TaiPing Interchange	116,162.00	120,277.00	116,162.04	120,276.96
Land use right rental for TaiPing Interchange	4,847,670.06	—	302,979.00	4,544,691.06
Improvements of office building and dormitories at Qingyuan section, Guangle Project	121,603.62	—	60,801.84	60,801.78
Improvements of office building and dormitories at Shaoguan section, Guangle Project	178,730.96	28,306.67	89,365.56	117,672.07
Litong building office decoration	—	12,060,869.01	—	12,060,869.01
Others	96,670.88	—	32,316.60	64,354.28
Total	5,360,837.52	12,209,452.68	601,625.04	16,968,665.16

Note: The decrease in the year consists of charge for the year of RMB601,625.04.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets and deferred tax liabilities

(1) Recognized deferred tax assets and deferred tax liabilities

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Deferred tax assets:				
Bad debt provision:	127,847,198.12	130,591,659.36	126,843,182.46	127,318,524.86
Including: Accounts receivable	5,322,926.29	6,961,451.67	5,322,926.29	5,768,670.05
Prepayments	114,476,503.92	114,671,503.92	114,476,503.92	114,476,503.92
Other receivables	7,723,153.19	8,958,703.77	7,043,752.25	7,073,350.89
Long term receivable	324,614.72	—	—	—
Impairment provision of inventories	—	993,162.54	—	—
Impairment provision of fixed assets	—	338,548.34	—	338,548.34
Investment losses of investments	—	140,904.30	—	—
Fixed assets depreciation	515,976.04	774,041.05	—	—
Intangible assets amortisation	250,684.05	252,850.00	—	—
Employee benefits payable	6,101,938.81	6,772,435.08	3,074,701.24	2,818,501.91
Accounts payable	17,786,265.93	12,793,890.04	—	—
Unrealized profit through internal transaction	3,693,823.49	3,348,721.97	—	—
Deductible losses	—	3,804,204.04	—	—
Other payables	867,239.08	211,529.50	—	—
Pending litigations	—	89,668.62	—	—
Deferred income	1,069,114.58	—	—	—
Total	158,132,240.10	160,111,614.84	129,917,883.70	130,475,575.11
Deferral tax liabilities				
Fixed assets depreciation	660,458.22	282,942.41	—	—
Investment income	1,365,442.01	706,191.93	—	—
Asset valuation increment arising from business combination	5,168,040.61	14,310,434.61	—	—
Total	7,193,940.84	15,299,568.95	—	—

Note: According to the Group'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

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets and deferred tax liabilities (Continued)

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

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Deferred tax assets:				
Bad debt provision:	511,388,792.47	527,718,341.10	507,372,729.82	509,274,099.42
Including: Accounts receivable	21,291,705.16	30,826,557.70	21,291,705.14	23,074,680.18
Prepayments	457,906,015.68	459,206,015.68	457,906,015.68	457,906,015.68
Other receivables	30,892,612.74	37,685,767.72	28,175,009.00	28,293,403.56
Long term receivable	1,298,458.89	—	—	—
Impairment provision of inventories	—	6,621,083.61	—	—
Impairment provision of fixed assets	—	1,354,193.37	—	1,354,193.37
Investment losses of investments	—	939,362.00	—	—
Fixed assets depreciation	2,063,904.16	3,096,164.20	—	—
Intangible assets amortisation	1,002,736.20	1,011,400.04	—	—
Employee benefits payable	24,407,755.22	27,089,740.29	12,298,804.97	11,274,007.64
Accounts payable	71,145,063.72	51,175,560.15	—	—
Unrealized profit through internal transaction	14,775,293.96	13,394,887.88	—	—
Deductible losses	—	15,216,816.15	—	—
Other payables	3,468,956.36	846,118.00	—	—
Pending litigations	—	358,674.49	—	—
Deferred income	4,276,458.32	—	—	—
Total	632,528,960.41	648,822,341.28	519,671,534.79	521,902,300.43
Deferral tax liabilities				
Fixed assets depreciation	4,002,777.09	1,714,802.48	—	—
Investment income	5,461,768.04	2,824,767.72	—	—
Asset valuation increment arising from business combination	20,672,162.45	57,241,738.44	—	—
Total	30,136,707.58	61,781,308.64	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets and deferred tax liabilities (Continued)

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

Consolidated

RMB

Item	2012.12.31		2011.12.31 (Restated)	
	Amount	Expiry date	Amount	Maturity date
Deductible losses	159,511,398.31	Before 2017.12.31	149,786,121.04	Before 2016.12.31
	44,643,394.56	Indefinite	30,888,132.91	Indefinite
Deductible temporary differences	66,169,893.59	N/A	87,001,854.21	N/A
Total	270,324,686.46		267,676,108.16	

Note: The Group can't ensure 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 aren't recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

17. Other non-current assets

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Asset valuation increment of YueyunLangri (Note)	20,672,162.45	21,131,543.85	—	—
Asset valuation increment of Yangjiang Transportation (Note)	—	6,920,470.79	—	—
Asset valuation increment of Meizhou Yueyun (Note)	—	29,189,723.80	—	—
Prepayment for vehicles	7,699,275.89	17,342,537.28	—	—
Prepayment for transfer fee of land	11,695,500.00	—	—	—
Prepayment for house-purchase	2,263,150.00	—	—	—
Debit balance of tax payable	10,639,534.73	—	—	—
Other	630,783.04	—	—	—
Total	53,600,406.11	74,584,275.72	—	—

Note: These other non-current assets represent the asset valuation increment of Yangjiang Transportation, Yueyun Langri and Meizhou Yueyun as at the date on which GVTG acquired their equity interests. Pursuant to the provision of the Expert view on implementation issues of CAS in relation to the treatment on the balance of the debit difference of long-term equity investments in subsidiaries arising from combination of companies held by the acquirer which are not under a business combination involving enterprises under common control, if the acquirer can determine the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date, the balance of the differences between the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date and their carrying amounts, net of amortisation, as at the initial implementation date, shall be allocated to each of identifiable assets and liabilities of the acquire in a reasonable method, and shall be depreciated and amortised over the remaining useful life of identifiable assets of the acquire. Such depreciation and amortisation is included under the investment income item in the consolidated income statements; in case such balance could not be allocated to each of identifiable assets and liabilities of the acquire, it shall be amortised evenly over the remaining amortisation period of differences of original equity investments and shall be included under the investment income item in the consolidated income statements. Balance that is not amortised completely shall be included in the consolidated balance sheet as other non-current asset. Since GVTG could not allocate the balance of such valuation increment to identifiable assets and liabilities of Yangjiang Transportation, Yueyun Langri and Meizhou Yueyun, thus GVTG accounts for the balance of such valuation increment as other non-current assets.

Decrease in 2012 was due to free transfer of GVTG's equity interest of Yangjiang Transportation and Meizhou Yueyun. Details of such transfer please refer to Note (IX) 2.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

18. Impairment loss on assets

CONSOLIDATED

RMB

Item	2011.12.31 (Restated)	Increase	Reversals	Decrease		2012.12.31	
				Write-off	Change due to consolidated Other reasons to reduce		
Bad debt provision	566,429,645.60	7,122,498.12	5,041,792.01	40,191.75	33,659,824.39	3,669,148.52	531,141,187.05
Provision for impairment losses of inventories	8,135,429.96	—	—	4,108,596.66	4,026,833.30	—	—
Provision for impairment losses of long-term equity investment	7,620,929.09	—	—	—	6,272,452.80	—	1,348,476.29
Provision for impairment losses of fixed asset	1,780,694.11	1,004,596.63	—	1,354,193.37	555,245.37	—	875,852.00
Provision for impairment losses of construction in process	451,957.10	—	—	—	—	—	451,957.10
Total	584,418,655.86	8,127,094.75	5,041,792.01	5,502,981.78	44,514,355.86	3,669,148.52	533,817,472.44

Note: As at 31 December 2013, bad debt provision consists of full impairment loss of long-term receivables amounted to RMB1,298,458.89.

COMPANY

RMB

Item	2011.12.31	Increase	Decrease		2011.12.31
			Reversals	Write-off	
Bad debt provision	521,528,051.21	0.34	1,901,369.60	0.34	519,626,681.61
Provision for impairment losses of fixed asset	1,354,193.37	—	—	1,354,193.37	—
Total	522,882,244.58	0.34	1,901,369.60	1,354,193.71	519,626,681.61

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

19. Short-term borrowings

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Unsecured and non-guaranteed loans	5,400,000.00	90,000,000.00	—	60,000,000.00
Secured loans	5,000,000.00	570,000.00	—	—
Total	<u>10,400,000.00</u>	<u>90,570,000.00</u>	<u>—</u>	<u>60,000,000.00</u>

Note: The Group and the Company have no short-term borrowings that expired but not repaid. For the details of pledged assets and their amount, please refer to Note (VI) 11 and (VI) 13.

20. Notes payable

Details of notes payable:

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Bank acceptances	<u>848,060,316.34</u>	<u>628,370,313.87</u>	<u>848,060,316.34</u>	<u>621,558,443.87</u>

The Group and the Company's notes payable as at 31 December 2012 will all become due before 17 April 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

21. Accounts payable

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

RMB

Aging	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Within 3 month	671,852,022.50	1,090,271,839.19	506,493,482.48	701,937,588.93
Over 3 months and within 6 months	35,012,871.81	222,820,320.43	—	201,759,918.82
Over 6 months and within 1 year	28,924,131.40	112,385,415.57	299,540.51	62,089,100.90
Over 1 year and within 2 years	48,323,978.62	61,480,674.59	11,846,643.74	6,858,853.74
Over 2 years and within 3 years	12,790,847.56	26,702,764.06	2,939,956.29	17,192,139.96
Over 3 years	27,251,132.21	38,724,370.19	12,970,721.47	5,831,395.84
Total	<u>824,154,984.10</u>	<u>1,552,385,384.03</u>	<u>534,550,344.49</u>	<u>995,668,998.19</u>

As at 31 December 2012, the Group's accounts payable aged over one year are mainly the guarantees for purchasing construction materials and other raw materials and return for cooperated projects.

(2) As at 31 December 2012, the Group has no account payable individually more than RMB10 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

22. Receipts in advance

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

RMB

Aging	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Within 1 year	102,605,931.07	203,528,816.87	29,889,727.34	70,755,682.97
Over 1 year and within 2 years	10,404,571.95	80,165,434.44	697,978.00	566,069.79
Over 2 years and within 3 years	42,494,497.10	14,958,112.71	566,069.47	9,904,664.47
Over 3 years	127,423,880.37	152,036,268.74	11,731,822.17	9,277,157.78
Total	<u>282,928,880.49</u>	<u>450,688,632.76</u>	<u>42,885,596.98</u>	<u>90,503,575.01</u>

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

COSOLIDATED

RMB

Creditors	Amount	Reasons
China Petroleum and Chemical Corporation Guangdong Jiangmen Branch	165,144,850.80	contract revenue of gas stations on the express highway received in advance
Total	<u>165,144,850.80</u>	

COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

23. Employee benefits payable

CONSOLIDATED

RMB

Item	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
Wages or salaries, bonuses, allowances and subsidies	69,578,878.70	637,999,695.71	640,413,691.69	67,164,882.72
Staff welfare	960,411.27	33,063,887.50	33,978,439.01	45,859.76
Social security contributions	6,667,325.39	112,280,563.57	113,201,247.19	5,746,641.77
Including: Medical insurance	92,419.55	34,295,105.53	34,313,916.47	73,608.61
Basic pensions	80,545.04	55,040,451.71	55,092,663.04	28,333.71
Supplementary medical insurance	1,448,472.19	2,533,017.32	2,533,017.32	1,448,472.19
Supplementary pensions	5,008,588.53	6,016,014.25	6,832,457.50	4,192,145.28
Unemployment insurance	22,965.94	7,043,837.74	7,067,325.62	(521.94)
Employment injury insurance	9,170.83	5,701,545.20	5,707,641.21	3,074.82
Maternity insurance	5,163.31	1,650,591.82	1,654,226.03	1,529.10
Housing funds	438,587.24	52,479,939.27	52,567,719.11	350,807.40
Union fee and employee education cost	8,859,768.51	13,320,893.72	16,560,243.70	5,620,418.53
Non-monetary benefits	—	492,472.89	488,910.21	3,562.68
Termination benefits and internal retirement compensation	16,289,028.28	1,068,848.79	3,629,895.39	13,727,981.68
Including: Compensation for termination of employment relationship	7,025,075.77	(503,249.12)	1,880,343.78	4,641,482.87
Expected internal retirement compensation	9,263,952.51	1,572,097.91	1,749,551.61	9,086,498.81
Others	472,986.77	2,377,711.34	2,779,382.85	71,315.26
Total	<u>103,266,986.16</u>	<u>853,084,012.79</u>	<u>863,619,529.15</u>	<u>92,731,469.80</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

23. Employee benefits payable (Continued)

COMPANY

RMB

Item	2011.12.31	Increase	Decrease	2012.12.31
Wages or salaries, bonuses, allowances and subsidies	7,733,619.73	19,232,285.04	19,232,285.04	7,733,619.73
Staff welfare	—	1,376,010.30	1,376,010.30	—
Social security contributions	1,510,640.70	4,386,707.60	4,386,707.60	1,510,640.70
Including: Medical insurance	15,840.51	1,045,545.68	1,045,545.68	15,840.51
Basic pensions	36,683.71	1,924,212.06	1,924,212.06	36,683.71
Supplementary medical insurance	1,448,472.19	42,884.21	42,884.21	1,448,472.19
Supplementary pensions	(30.00)	1,007,027.16	1,007,027.16	(30.00)
Unemployment insurance	8,837.67	261,386.42	261,386.42	8,837.67
Employment injury insurance	487.58	62,888.71	62,888.71	487.58
Maternity insurance	349.04	42,763.36	42,763.36	349.04
Housing funds	249,335.00	3,250,303.00	3,250,303.00	249,335.00
Union fee and employee education cost	379,194.41	2,640,051.36	2,734,532.36	284,713.41
Termination benefits and internal retirement compensation	2,479,883.04	—	—	2,479,883.04
Including: Compensation for termination of employment relationship	2,479,883.04	—	—	2,479,883.04
Others	40,613.09	1,898,242.00	1,898,242.00	40,613.09
Total	<u>12,393,285.97</u>	<u>32,783,599.30</u>	<u>32,878,080.30</u>	<u>12,298,804.97</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

24. Taxes payable

CONSOLIDATED

RMB

Item	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
Value added tax	110,676,727.63	45,507,705.93	91,275,379.33	64,909,054.23
Business tax	2,008,156.29	97,910,028.21	96,774,859.91	3,143,324.59
Enterprise income tax	35,249,777.63	81,853,654.84	93,862,842.62	23,240,589.85
City construction and maintenance tax	4,828,670.19	9,620,624.76	12,492,630.18	1,956,664.77
Property tax	2,619,004.24	7,275,972.38	8,773,486.43	1,121,490.19
Land use right tax	1,299,020.59	5,843,004.39	6,958,227.62	183,797.36
Individual income tax	5,969,641.87	18,993,791.32	22,717,560.38	2,245,872.81
Educational surtax and surcharges	3,441,744.89	6,414,771.75	8,486,348.70	1,370,167.94
Other taxes	3,008,190.15	13,890,572.15	13,290,815.45	3,607,946.85
Total	169,100,933.48	287,310,125.73	354,632,150.62	101,778,908.59

COMPANY

RMB

Item	2011.12.31	Increase	Decrease	2012.12.31
Value added tax	109,267,576.48	20,520,751.10	70,657,944.60	59,130,382.98
Business tax	460,287.55	4,889,695.73	4,866,394.12	483,589.16
Enterprise income tax	10,872,179.57	11,945,787.44	22,817,967.01	—
City construction and maintenance tax	4,635,905.05	1,969,704.71	5,204,314.12	1,401,295.64
Individual income tax	708,043.47	2,494,633.78	3,139,791.71	62,885.54
Educational surtax and surcharges	3,311,745.50	1,465,903.11	3,776,216.92	1,001,431.69
Other taxes	2,214,855.76	3,198,376.52	2,971,067.62	2,442,164.66
Total	131,470,593.38	46,484,852.39	113,433,696.10	64,521,749.67

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

25. Interest payable

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Interest of short/long-term borrowings	—	134,379.09	—	112,245.83
Interest of enterprise bond	1,450,000.00	—	—	—
Interest under the letter of credits arrangement	—	10,423,850.12	—	10,423,850.12
Total	<u>1,450,000.00</u>	<u>10,558,229.21</u>	<u>—</u>	<u>10,536,095.95</u>

26. Dividends payable

CONSOLIDATED

Creditor	2012.12.31	2011.12.31 (Restated)
Zhaoqing Communications Group Company Limited	25,010,134.73	—
Labor Union Committee of Zhaoqing Yueyun	3,987,122.93	—
Individuals	6,535,285.27	10,902.30
Shenzhen Transportation Company limited	510,250.63	—
Xinyue Communications	452,736.84	—
Chongqing Aoteng Technical Development Company Limited	—	1,176,000.00
Total	<u>36,495,530.40</u>	<u>1,186,902.30</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

27. Other payables

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

RMB

Aging	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
Within 1 year	272,281,601.03	420,265,395.60	297,318,951.11	304,206,801.87
Over 1 year and within 2 years	20,445,619.84	127,936,189.45	—	1,623,985.27
Over 2 years and within 3 years	28,492,232.52	21,797,448.14	954,030.00	532,871.32
Over 3 years	43,722,827.74	35,603,566.57	4,302,003.06	12,835,097.76
Total	<u>364,942,281.13</u>	<u>605,602,599.76</u>	<u>302,574,984.17</u>	<u>319,198,756.22</u>

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

CONSOLIDATED AND COMPANY

RMB

Creditors	Amount	Reasons
China Petroleum and Chemical Corporation Guangdong Jiangmen Branch	13,913,458.71	The contract has not completed
GCGC	6,000,000.00	The contract has not completed
China Petroleum and Chemical Corporation Guangdong Branch	5,000,000.00	Guarantee deposit
Jiaxing Tonghui Expressway Service Zone Company Limited	4,410,000.00	Guarantee deposit
Guarantee from Drivers and conductors	2,865,084.60	The contract has not completed
Foshan Chancheng Public Transport Management Co., Ltd.	2,837,980.00	The contract has not completed
PetroChina Guangzhou branch	2,000,000.00	Guarantee deposit
Chaozhou Hongxing Group Raoping Healthy Products Company	2,000,000.00	The contract has not completed
Total	<u>39,026,523.31</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

28. Non-current liabilities due within one year

CONSOLIDATED

	RMB	
Item	2012.12.31	2011.12.31 (Restated)
Long-term borrowings	34,619,309.88	25,541,380.19
Long-term payables	12,314,587.28	6,476,209.29
Government grant	3,434,465.73	826,842.41
Total	<u>50,368,362.89</u>	<u>32,844,431.89</u>

29. Long-term borrowings

CONSOLIDATED

	RMB	
Item	2012.12.31	2011.12.31 (Restated)
Unsecured and non-guaranteed loans	—	1,315,300.00
Secured loans	104,351,799.54	96,172,698.48
Guaranteed loans	—	65,200,000.00
Total	<u>104,351,799.54</u>	<u>162,687,998.48</u>
Less: Long-term borrowings due within one year	34,619,309.88	25,541,380.19
Including: Secured loans	34,619,309.88	25,541,380.19
Long-term borrowings due after one year	69,732,489.66	137,146,618.29
Including: due after one year but within two years	63,536,745.27	100,086,731.81
due after two years but within five years	<u>6,195,744.39</u>	<u>37,059,886.48</u>

The Group have no borrowings that expired but not repaid.

For the details of pledged assets and their amount, please refer to Note (VI) 11 and (VI) 13.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

30. Bonds payable

						RMB
Item	Term	Issue date	Book value	Discount amount	amortised	2012.12.31
Non-public directional debt financing	3 years	2012/11/30	300,000,000.00	(3,041,667.00)	79,477.39	297,037,810.39

In 2012, According to “GVTG non-public directional debt financing issuance agreement” and “GVTG underwriting of non-financial corporate debt financing instruments of inter-bank bond market agreement”, GVTG entrusted the Bank of HuaXia as the underwriter to issue the non-public directional debt financing instrument for the first phase. The issued amount of first phase is RMB 300 million with a term of three years. The interest of principal is paid annually with coupon rate of 5.8%. On the maturity, the principal and interest are returned. GCGC provides the principal and interest in full unconditional and irrevocable joint guarantee for the bond.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

31. Long-term payables

CONSOLIDATED

Item	2012.12.31	RMB
		2011.12.31 (Restated)
Deposits	9,859,819.80	10,327,518.12
Unemployment and retirement benefits	32,818,899.87	50,470,421.26
Finance lease (Note)	4,660,523.00	—
Others	11,626,868.42	4,141,378.87
Total	58,966,111.09	64,939,318.25
Less: Long-term payables due within one year	12,314,587.28	6,476,209.29
Including: Deposits	1,054,031.36	501,492.16
Unemployment and retirement benefits	3,674,091.92	3,817,442.53
Finance lease	3,306,334.00	—
Others	4,280,130.00	2,157,274.60
Long-term payables due after one year	46,651,523.81	58,463,108.96

Note: The minimum lease payment of finance lease for car is as follows:

	2012.12.31	RMB
		2011.12.31 (Restated)
Minimum lease payment		
Within 1 year	3,468,000.00	—
Over 1 year and within 2 years	1,068,000.00	—
Over 2 years and within 3 years	397,500.00	—
Over 3 years	—	—
Total minimum lease payables	4,933,500.00	—
Less: unrecognized finance cost	272,977.00	—
Finance lease payables	4,660,523.00	—
Including: due within 1 year	3,306,334.00	—
After 1 year	1,354,189.00	—

Note: According to the finance lease, there is no assets pledged for finance lease of the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

32. Provisions

CONSOLIDATED

RMB

Item	2012.12.31	2011.12.31 (Restated)
Pending litigations	<u>979,200.00</u>	<u>721,052.31</u>

33. Other non-current liabilities

CONSOLIDATED

RMB

Item	2012.12.31	2011.12.31 (Restated)
Government Grant	<u>27,743,263.57</u>	<u>25,135,260.31</u>
Less: due within one year	<u>3,434,465.73</u>	<u>826,842.41</u>
	<u>24,308,797.84</u>	<u>24,308,417.90</u>

34. Share capital

CONSOLIDATED AND COMPANY

RMB

	2011.12.31	Changes for the year				Subtotal	2012.12.31
		New issue of shares	Bonus issue	Capitalisation of surplus reserve	Others		
2012 and 2011:							
I.Restricted tradable shares							
1.State-owned shares	—	—	—	—	—	—	—
2.State-owned legal person shares	—	—	—	—	—	—	—
3.Other domestic-owned shares	—	—	—	—	—	—	—
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	<u>417,641,867.00</u>	—	—	—	—	—	<u>417,641,867.00</u>
Total shares	<u>417,641,867.00</u>	—	—	—	—	—	<u>417,641,867.00</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

35. Capital reserve

CONSOLIDATED

RMB

Item	2011.12.31	Increase	Decrease	2012.12.31
2012				
Capital premium	896,887,818.56	281,810,000.00	743,963,493.36	434,734,325.20
Including: Capital contributed by investors	667,842,590.50	281,810,000.00 (Note1)	336,914,603.66 (Note2)	612,737,986.84
Effect of acquisition of minority interests	(435,776.58)	—	—	(435,776.58)
Differences arising from business combination involving enterprises under common control	229,481,004.64	—	407,048,889.70 (Note 3)	(177,567,885.06)
Other capital reserve	18,800,491.50	—	—	18,800,491.50
Including: Transfer from capital reserves under the previous standards	2,170,000.00	—	—	2,170,000.00
Others	16,630,491.50	—	—	16,630,491.50
Total	915,688,310.06	281,810,000.00	743,963,493.36	453,534,816.70
2011				
Capital premium	967,406,813.92	—	70,518,995.36	896,887,818.56
Including: Capital contributed by investors	667,842,590.50	—	—	667,842,590.50
Effect of acquisition of minority interests	(435,776.58)	—	—	(435,776.58)
Differences arising from business combination involving enterprises under common control	300,000,000.00	—	70,518,995.36	229,481,004.64
Other capital reserve	18,800,491.50	—	—	18,800,491.50
Including: Transfer from capital reserves under the previous standards	2,170,000.00	—	—	2,170,000.00
Others	16,630,491.50	—	—	16,630,491.50
Total	986,207,305.42	—	70,518,995.36	915,688,310.06

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS *(Continued)*

35. Capital reserve *(Continued)*

CONSOLIDATED *(Continued)*

Note 1: It was increased due to issuance of PSCS, and principal terms of PSCS are as follows:

- (1) There is no maturity date of PSCS;
- (2) On the conditions that the conversion would comply with all applicable laws and regulations and relevant terms as provided for in the PSCS Agreement, conversion of the PSCS into Conversion Shares may take place at any time from the date of issue of the PSCS;
- (3) The Company may, at its sole discretion, elect to defer a distribution. And the election by the Company to defer a distribution will not trigger any additional payment obligations on the Company. The number of optional deferrals of distributions by the Company is not restricted;
- (4) If GCGC converts all or part of the PSCS into Conversion Shares, in respect of the PSCS for such Conversion Shares, the Company may elect not to make any distribution, including any deferred distribution prior to conversion into Conversion Shares;
- (5) Initially conversion price is RMB2.74 per conversion share (subject to adjustment pursuant to the PSCS Agreement);
- (6) On or at any time 12 months after the date of issue of the PSCS, the Company may, at its sole discretion and pursuant to the terms of the PSCS Agreement, elect to convert the PSCS in whole or part into conversion shares, subject to the provisions of restriction on conversion set out in the PSCS Agreement.

Note 2: It was decreased due to freely assets transfer by GVTG before acquisition of GVTG by the Company. Detail information of such transfer please refers to Note (IX) 2.

Note 3: It was decreased due to difference between consideration paid for acquisition and carrying amount of net assets acquired under business combination involving enterprises under comment control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

35. Capital reserve (Continued)

COMPANY

RMB

Item	2011.12.31	Increase	Decrease	2012.12.31
2012:				
Capital premium	216,675,548.03	315,393,623.27	—	532,069,171.30
Including: Capital contributed by investors	286,240,404.65	281,810,000.00	—	568,050,404.65
Differences arising from business combination involving enterprises under common control	(69,564,856.62)	33,583,623.27(Note)	—	(35,981,233.35)
Other capital reserve	21,389,155.26	—	8,759,079.45	12,630,075.81
Total	<u>238,064,703.29</u>	<u>315,393,623.27</u>	<u>8,759,079.45</u>	<u>544,699,247.11</u>
2011:				
Capital premium	286,240,404.65	—	69,564,856.62	216,675,548.03
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	<u>307,629,559.91</u>	<u>—</u>	<u>69,564,856.62</u>	<u>238,064,703.29</u>

Note: It was increased due to difference between consideration paid for acquisition and carrying amount of net assets acquired under business combination involving enterprises under common control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

36. Surplus reserve

CONSOLIDATED

RMB

Item	2011.12.31 (Restated)	Increase	Decrease	2012.12.31
2012:				
Statutory surplus reserve	<u>166,062,776.72</u>	<u>2,268,645.80</u>	<u>45,564,923.06(Note)</u>	<u>122,766,499.46</u>
2011:				
Statutory surplus reserve	<u>155,739,124.26</u>	<u>10,323,652.46</u>	<u>—</u>	<u>166,062,776.72</u>

Note: It was decreased due to freely assets transfer by GVTG before acquisition of GVTG by the Company. Detail information of such transfer please refers to Note (IX) 2.

COMPANY

RMB

Item	2011.12.31	Increase	Decrease	2012.12.31
2012:				
Statutory surplus reserve	<u>118,019,764.80</u>	<u>2,268,645.80</u>	<u>—</u>	<u>120,288,410.60</u>
2011:				
Statutory surplus reserve	<u>107,696,112.34</u>	<u>10,323,652.46</u>	<u>—</u>	<u>118,019,764.80</u>

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) 37 for the provision of statutory surplus reserve for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

37. Retained profits

CONSOLIDATED

Item	2012	2011 (Restated)
Retained profits at the end of prior year (Before adjustment)	353,921,236.48	372,152,345.45
Add: Effect on business combination involving enterprises under common control (Note 1)	54,010,840.99	(31,771,153.08)
Retained profits at beginning of year (After adjustment)	407,932,077.47	340,381,192.37
Add: Net profit attributable to shareholders of the Company	72,535,413.29	125,485,769.19
Less: Appropriation to statutory surplus reserve	2,268,645.80	10,323,652.46
Declaration of dividends on ordinary shares	25,058,513.00	27,564,362.00
Freely assets transfer (Note 1)	41,975,723.17	20,046,869.63
Retained profits at the end of the year	411,164,608.79	407,932,077.47
Including: Profit distribution decided after the balance sheet date	21,717,377.00	25,058,513.00

Note 1: It was decreased due to freely assets transfer by GVTG before acquisition of GVTG by the Company. Detail information of such transfer please refers to Note (IX) 2.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

37. Retained profits (Continued)

COMPANY

Item	RMB	
	2012	2011
Retained profits at the end of prior year	175,272,411.53	109,923,901.34
Add: Net profit attributable to owners of the Company for the period	22,686,458.02	103,236,524.65
Less: Appropriation to statutory surplus reserve	2,268,645.80	10,323,652.46
Declaration of dividends on ordinary shares	25,058,513.00	27,564,362.00
Conversion of ordinary share's dividends into share capital	—	—
Retained profits at the end of the year	170,631,710.75	175,272,411.53
Including: Profit distribution decided after the balance sheet date	21,717,377.00	25,058,513.00

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 2,268,645.80 in the year (2011: RMB 10,323,652.46).

Note 2: A final dividend of RMB 0.06 (tax included) per share amounted to RMB 25,058,513.00 was approved by shareholders in annual general meeting held on 6 June 2012 (2011: RMB0.066 (tax included) per share amounted to RMB27,564,362.00).

According to the solution of board of directors on 19 March 2013, the proposal dividend for 2012 is RMB0.052 (tax included) per share, giving a total of RMB21,717,377.00.

Note 3: Appropriation to surplus reserve by subsidiaries

As at 31 December 2012, the balance of the Group's retained profits includes appropriation to surplus reserve by subsidiaries amounted to RMB 46,487,796.85 (2011.12.31: RMB 170,014,984.85).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

38. Minority interest

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

Name of Subsidiary	2012.12.31	RMB
		2011.12.31 (Restated)
Guangzhou Top-E Expressway Service Zone Company Limited	11,157,833.94	10,429,748.33
Xinyue Communications	—	48,443,350.11
Guangdong South China Enterprise Company Limited	1,790,572.15	—
Oriental Thought	—	13,615,193.57
The Motor Transport Company Of Guangdong and Hong Kong Limited	89,851,677.10	86,774,831.68
The Motor Transport Company Of Guangdong and Hong Kong (Guangzhou) Limited	19,553,336.18	17,743,233.80
Zhongshan City Yueyun Tongxing Transportation Company Limited	2,996,871.58	3,252,602.35
Chaozhou City Yueyun High Speed Passenger Traffic Company Limited	880,865.35	894,618.68
Guangdong Yueyun Number Two Transportation Traffic Company Limited	7,349,122.66	6,779,154.80
Guangdong Province Guangshen High Speed Coach Company Limited	10,502,253.68	9,947,686.55
Shenzhen City Shenwei Lighter Transportation Company Limited	10,401,243.50	10,394,148.01
Zhaoqing City Yueyun Motor Transportation Company Limited	106,261,526.15	126,459,133.27
Guangdong Province Guangyang High Speed Passenger Traffic Company Limited	4,501,032.32	3,992,251.11
Guangdong Province Yangjiang City Guangyang High-Speed Railway Company Limited	4,059,329.21	4,422,802.77
Foshan City Yueyun Public Transportation Company Limited	147,901,151.65	136,392,260.53
Zhongshan City Yueyun Airport Express Passenger Traffic Company Limited	154,202.79	327,817.35
Guangzhou City Yueyun Motor Transportation Company Limited	17,214,785.77	12,499,013.38
Guangzhou City Zengcheng Automobile Passenger Traffic Station Company Limited	23,816,797.13	19,000,000.00
Guangdong Yueyun Langri Company Limited	93,182,293.78	66,084,047.83
Yangjiang Transportation	—	954,138.74
Foshan City Sanshuiqu Yueyun Traffic Company Limited	17,029,010.72	—
Heyuan City Yueyun Motor Transportation Company Limited	4,456,488.26	—
Yueyun Hexing	5,042,096.55	—
Total	578,102,490.47	578,406,032.86

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

39. Operating income and operating costs

CONSOLIDATED

RMB

Item	2012		2011 (Restated)	
	Operating income	Operating cost	Operating income	Operating cost
1. Principal operating income				
Construction materials sales	3,117,512,761.66	3,027,772,674.71	3,564,744,502.29	3,408,638,546.32
TaiPing Interchange service	136,040,857.37	21,618,951.94	134,750,253.87	22,468,167.47
Construction contracts income	553,802,123.23	487,302,538.43	477,903,788.79	412,969,309.71
Expressway service zones income	532,048,787.27	421,748,185.59	513,258,793.09	406,008,610.98
Cross-border transportation	271,706,847.72	245,318,495.89	276,070,034.07	246,696,425.76
Domestic Transportation service (Note 1)	1,596,589,268.32	1,210,008,719.61	1,520,620,768.96	1,171,245,764.02
Station operations	92,388,805.02	68,683,400.93	110,398,842.83	77,715,489.15
Others	243,226,367.47	163,975,306.77	266,323,681.15	198,030,843.89
Subtotal	6,543,315,818.06	5,646,428,273.87	6,864,070,665.05	5,943,773,157.30
2. Other operating income				
Lease and other services (Note 2)	67,137,549.92	15,775,186.68	59,161,035.96	12,401,062.08
Total	6,610,453,367.98	5,662,203,460.55	6,923,231,701.01	5,956,174,219.38

Note1: Operating income of Foshan City Yueyun Public Transportation Company Limited includes income derived from its operation of public traffic community business (hereinafter referred to as "TC Business"). Pursuant to the Public Traffic Service Contract signed between Foshan City Yueyun Public Transportation Company and Foshan Chancheng Public Transport Management Ltd. (hereinafter referred to as "Public Transport Management Company"), Foshan City Yueyun Public Transportation Company shall operate certain bus lines in Chancheng District, Foshan City, and all fare income derived from routes operation shall be enjoyed by Public Transport Management Company, while Foshan City Yueyun Public Transportation Company shall settle operating income with Public Transport Management Company monthly based on actual operating mileages of each operating route under price per kilometre of each route method as agreed in the Public Traffic Service Contract. During the year, income derived from Public Transport Management Company was RMB302,387,851.23, and 4.57% of total operating income, (2011: RMB271,781,242.13, 3.93% of total operating income).

Note 2: Other operating income includes lease income except for property lease, line licence management fee income and index fee income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

39. Operating income and operating costs (Continued)

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

Item	Total contract revenue	Accumulated costs incurred	Accumulated gross profits	RMB	
				Recognized operating income revenue in the year	Recognized operating cost in the year
Sinkiang Lianyungang to Kuerguoduan road security facility XTJA-3	44,443,724.00	42,646,140.27	1,667,968.53	44,314,108.80	42,646,140.27
Hunan Ningdao Project	72,494,445.65	40,844,502.04	(578,974.04)	40,265,528.00	40,844,502.04
Guangdong Province Zhuhai city Gaolangang expressway transportation security facility and Mechatronics Engineering	76,168,377.70	37,481,189.42	720,425.58	38,201,615.00	36,607,911.92
Lanzhou to haikou expressway & guangyuan to nanchong transportation security facility JA5	42,058,486.14	35,358,973.73	210,055.27	35,569,029.00	35,358,973.73
Guangdong Province Zhuhai expressway	148,966,393.00	29,927,012.42	332,858.58	30,259,871.00	29,093,730.56
Expressway of Changchun to Shenzhen & Fujian to jianou	45,142,799.35	25,731,413.46	920,748.84	26,652,162.30	25,731,413.46
Guangwu Mechatronics Engineering (Second)-JD1	118,886,362.00	123,269,571.01	(1,093,672.11)	26,408,182.00	26,192,644.53
Guangwu Mechatronics Engineering (Second)	70,310,000.04	70,251,516.65	20,364,989.35	25,513,871.00	20,287,259.80
Guangdong province highway traffic group monitoring (service center) Project	31,769,083.31	22,838,814.15	2,144,843.13	24,983,657.28	22,838,814.15
Guizhou Province Zhunyi to bijie transportation project	27,901,990.75	20,648,450.61	690,174.43	21,338,625.04	20,648,450.61
Total	678,141,661.94	448,997,583.76	25,379,417.56	313,506,649.42	300,249,841.07

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

39. Operating income and operating costs (Continued)

COMPANY

Operating income

RMB

Item	2012		2011	
	Operating income	Operating cost	Operating income	Operating cost
1. Principal operating income				
Construction Materials sales	3,078,610,706.83	2,986,708,653.52	3,550,777,335.73	3,378,104,819.17
TaiPing Interchange service	137,626,545.00	23,537,295.47	134,750,253.87	22,468,167.47
Total	<u>3,216,237,251.83</u>	<u>3,010,245,948.99</u>	<u>3,685,527,589.60</u>	<u>3,400,572,986.64</u>

40. Business taxes and levies

CONSOLIDATED

RMB

Item	2012	2011 (Restated)
Business Tax	88,132,107.15	97,120,348.81
City construction and maintenance Tax	8,687,809.19	17,946,925.23
Education surtax and surcharges	4,186,911.84	12,682,928.95
Anti-flood and maintenance fee	693,228.52	—
Cultural construction fee	37,119.17	492,851.16
Others	4,066,676.71	3,745,461.85
Total	<u>105,803,852.58</u>	<u>131,988,516.00</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

40. Business taxes and levies (Continued)

COMPANY

Item	RMB	
	2012	2011
Business Tax	4,889,695.73	4,584,242.78
City construction and maintenance Tax	1,969,704.70	10,821,220.82
Education surtax and surcharges	1,465,903.10	7,787,179.53
Others	137,599.53	130,597.17
Total	<u>8,462,903.06</u>	<u>23,323,240.30</u>

41. Financial expenses

CONSOLIDATED

Item	RMB	
	2012	2011 (Restated)
Interest expense (Note)	61,559,445.37	56,693,303.98
Less: Capitalised interest expense	—	—
Less: Interest income	19,620,759.79	16,900,132.53
Exchange differences	(2,589,173.20)	(3,140,619.74)
Less: Capitalised exchange differences	—	—
Amortisation of unrecognised financial cost	1,359,670.11	1,876,445.07
Bank surcharges	4,325,648.79	6,689,897.33
Others	2,083,792.60	1,351,552.80
Total	<u>47,118,623.88</u>	<u>46,570,446.91</u>

Note: Interest expense related to bank borrowings due within 5 year was RMB47,740,270.27(2011: RMB40,894,598.71), and interest expense related to other borrowings was RMB13,819,175.10 (2011: RMB15,798,705.27).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

41. Financial expenses (Continued)

COMPANY

	RMB	
Item	2012	2011
Interest expense	29,936,212.92	29,786,745.45
Less: Capitalised interest expense	—	—
Less: Interest income	25,009,579.18	24,950,700.49
Exchange differences	33,160.36	(374,432.39)
Less: Capitalised exchange differences	—	—
Bank surcharges	2,622,899.05	7,911,820.32
Others	1,225,375.95	384,209.00
Total	8,808,069.10	12,757,641.89

Note: Interest expense is related to bank borrowings due within 5 year.

42. Impairment loss on assets

CONSOLIDATED

	RMB	
Item	2012	2011 (Restated)
Bad debt losses	(2,318,112.60)	(9,195,395.70)
Written-down of inventories	—	(1,810,595.58)
Impairment on Fixed asset	1,004,596.63	—
Impairment on long-term equity investments	—	1,158,452.80
Total	(1,313,515.97)	(9,847,538.48)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

42. Impairment loss on assets (Continued)

COMPANY

		RMB
Item	2012	2011
Bad debt losses	(1,901,369.26)	(8,208,341.70)
Written-down of inventories	<u>—</u>	<u>(1,807,795.58)</u>
Total	<u>(1,901,369.26)</u>	<u>(10,016,137.28)</u>

43. Investment income

CONSOLIDATED

(1) Details of investment income

		RMB
Item	2012	2011 (Restated)
Income from long-term equity investments under equity method	5,086,924.08	7,146,648.70
Income from disposal of long-term equity investments	(71,892.00)	204,031.47
Income on entrusted investment	250,077.05	—
Amortization of other non-current assets	<u>(2,397,777.75)</u>	<u>(4,336,174.12)</u>
Total	<u>2,867,331.38</u>	<u>3,014,506.05</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

43. Investment income (Continued)

CONSOLIDATED (Continued)

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

Investee	2012	2011 (Restated)
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	2,352,206.90	1,219,837.78
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	400,192.18	(33,178.51)
Guangdong Fei Da Traffic Engineering Company Limited	279,565.27	275,951.91
Southern United Assets and Equity Exchange Company Limited	(233,575.42)	1,317,793.07
Guangdong Foda Expressway Economic Development Company Limited	(138,809.18)	(176,353.25)
Lufeng Shenshan Expressway Company Limited	623,901.74	526,212.95
Shenzhen Yueyun	(622,448.18)	—
Guangdong Communications Elecommunications Company Limited	290,373.66	1,978,976.03
Guangdong Province Bus Terminal Co.,Ltd	755.86	(741.44)
Guangdong Guangjiang High Speed Passenger Traffic Co.,Ltd	168,170.07	290,844.40
Jiangmen Guangjiang High Speed Passenger Traffic Co.,Ltd	132,473.31	214,418.95
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	366,069.08	369,118.72
Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	113,195.47	(184,012.92)
Shantou Office of Guangdong Province Guangshan High Speed Passenger Traffic Co. Ltd.	(713,645.40)	(116,423.43)
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	388,042.00	259,880.97
Guangzhou Tianhe Automobile Passenger Traffic Station Co., Ltd.	3,168,783.00	3,036,830.86
Shantou City Automobile Passenger Traffic Center Co., Ltd.	(1,363,560.15)	(1,395,300.97)
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.	2,933.24	—
Yangjiang City Jincheng Compact Car Rental Co., Ltd.	—	(93,225.19)
Guangdong Guangye Shentong Natural Gas Co., Ltd.	(509,118.02)	(38,689.56)
CNPC Yueyun Natural Gas Co., Ltd.	(180,351.51)	(587,755.19)
Yueyun Hexing	561,770.16	282,463.52
Total	5,086,924.08	7,146,648.70

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

43. Investment income (Continued)

COMPANY

(1) Details of investment income

		RMB
Item	2012	2011
Income from long-term equity investments under cost method	1,652,644.87	3,266,149.56
Income from long-term equity investments under equity method	1,050,702.79	2,102,708.83
Income from disposal of long-term equity investments	610,822.57	—
Income on entrusted investment	240,187.15	202,888.60
Total	<u>3,554,357.38</u>	<u>5,571,746.99</u>

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

		RMB
Investee	2012	2011
The Motor Transport Company of Guangdong and Hongkong Limited	1,652,644.87	2,577,853.35
The Motor Transport Company of Guangdong and Hongkong(Guangzhou) Limited	—	688,296.21
Total	<u>1,652,644.87</u>	<u>3,266,149.56</u>

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

		RMB
Investee	2012	2011
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	1,004,712.94	508,963.85
Guangdong Feida Traffic Engineering Company Limited	279,565.27	275,951.91
Southern United Assets and Equity Exchange Company Limited	(233,575.42)	1,317,793.07
Total	<u>1,050,702.79</u>	<u>2,102,708.83</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

44. Non-operating income

CONSOLIDATED

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

Item	RMB	
	2012	2011 (Restated)
Total gains on disposal of non-current assets	8,625,226.62	2,029,500.03
Including: Gains on disposal of fixed assets	4,186,118.01	1,992,280.03
Gains on disposal of intangible assets	4,439,108.61	37,220.00
Donations received	—	773,844.66
Liability written off	5,345,276.67	—
Government grants	75,880,299.01	61,545,605.45
Others	8,142,694.69	8,321,938.68
Total	97,993,496.99	72,670,888.82

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

44. Non-operating income (Continued)

CONSOLIDATED

(2) Details of government grants

RMB

Terms	2012	2011 (Restated)	Explanation
Subsidy for replacing Euro II diesel vehicles	—	893,940.80	Subsidy from the Government of the HKSAR of the People's Republic of China
The pearl river delta Expressway traffic information sharing and induction management system	—	100,000.00	Project funds from Guangdong Communications Department
Refund of Value-added tax	1,981,332.25	4,547,620.47	Refund of value-added tax levied from sales of software
Expressway traffic monitoring and operation project fund	—	300,000.00	Guangdong Communications Department subsidies
Multi-mode intelligent video identification and trial production project fund	—	200,000.00	Guangdong Communications Department subsidies
Funds to high-tech corporation	—	34,400.00	Tianhe District Economic and Trade Bureau subsidies
Subsidies for vehicles replacement	970,842.42	503,163.62	Subsidies for old vehicles replacement
Subsidies for operation	15,173,915.00	6,499,490.00	subsidies to support rural passenger transport and public transportation operation
Fuels subsidies	33,412,613.49	25,647,996.72	Special Funds for Refined Oil Prices Subsidies for Urban and Rural Road Passenger Transport

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

44. Non-operating income (Continued)

CONSOLIDATED (Continued)

(2) Details of government grants (Continued)

Terms	2012	2011 (Restated)	Explanation
Financial subsidies	—	13,677,004.84	Special Funds for Development and Reform to First Batch of Provincial Enterprises
Subsidies for transporting special passengers in Asia Games	—	375,300.00	Subsidies for transporting special passengers in Asia Games
Subsidies for operating expenses of Foshan Public Transportation	—	8,343,900.00	Subsidies from Foshan City Chancheng District nvironment, Transport and Urban Administration Bureau
Subsidies for station Decoration	2,117,937.22	—	Allowance of station decoration for Sihui and Fengkai satation
Subsidies for oil cost	20,242,792.64	—	Oil allowance from central government for transportation industry
Others	1,980,865.99	422,789.00	
Total	75,880,299.01	61,545,605.45	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

44. Non-operating income (Continued)

COMPANY

Details of non-operating income are as follows:

Item	RMB	
	2012	2011
Gains on disposal of fixed assets	386,594.70	158,246.92
Compensation of material	3,797,516.58	—
Others	380,035.30	—
Total	<u>4,564,146.58</u>	<u>158,246.92</u>

45. Non-operating expenses

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Losses on disposal of fixed assets	1,912,607.09	1,007,710.58	51,487.05	34,990.75
Compensation (Note)	4,683,937.50	—	—	—
Donations to third parties	622,394.90	762,217.00	—	—
Penalty expenses	106,567.55	323,940.54	5,461.01	—
Road accident losses	507,063.79	1,717,295.69	—	—
Others	2,082,771.77	4,923,437.24	0.01	5,256.75
Total	<u>9,915,342.60</u>	<u>8,734,601.05</u>	<u>56,948.07</u>	<u>40,247.50</u>

Note: The Group paid compensation to minority interest of Yangjiang Xinhe Management Consultant Company after its cease in 2012 in accordance with related agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

46. Income tax expense

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Current tax expense calculated according to tax laws and relevant requirements	79,514,805.43	78,751,143.89	7,241,362.15	33,788,032.38
Including: Enterprise income tax	79,401,166.66	78,484,305.90	7,241,362.15	33,788,032.38
HK profits tax	113,638.77	266,837.99	—	—
Adjustments to income tax of last year	(1,168,661.55)	803,130.15	77,609.61	550,984.87
Adjustments to deferred tax	(419,182.21)	232,340.80	557,691.41	3,592,911.61
Total	<u>77,926,961.67</u>	<u>79,786,614.84</u>	<u>7,876,663.17</u>	<u>37,931,928.86</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

46. Income tax expense (Continued)

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

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Accounting profit	223,338,278.99	252,083,898.92	30,563,121.19	141,168,453.51
Income tax expense calculated at 25% (2011: 25%)	55,834,569.75	63,020,974.74	7,640,780.28	35,292,113.38
Effect of expenses that are not deductible for tax purposes	6,784,805.08	12,827,127.76	421,926.20	2,816,395.25
Effect of tax-free income	(1,767,036.53)	(3,599,146.22)	(263,652.92)	(727,564.64)
R&D expense additional deduction	(197,259.39)	(161,347.93)	—	—
Effect of unrecognized deductible losses and deductible temporary differences	20,363,846.76	21,583,479.45	—	—
Effect of using previously unrecognized deductible losses and deductible temporary differences	(2,030,198.81)	(5,774,535.19)	—	—
Effect of different tax rates of subsidiaries	106,896.36	1,297,617.11	—	—
Effect of tax incentive on income tax(Note)	—	(10,210,685.03)	—	—
Adjustment to income tax of prior year	(1,168,661.55)	803,130.15	77,609.61	550,984.87
Total	<u>77,926,961.67</u>	<u>79,786,614.84</u>	<u>7,876,663.17</u>	<u>37,931,928.86</u>

Note: Tax incentive represents incentive of income tax credit of investments in domestically manufactured equipment entitled to enjoy under the Notice on Recognition of Income Tax Credit of Investments in Domestically Manufactured Equipment for Technological Transformation Projects(Guo Jing Mao Tou Zi [2000] No.297) and the Notice on Printing and Distributing the Interim Measures for Income Tax Credit of Investments in Domestically Manufactured Equipment for Technological Transformation Projects(Cai Shui Zi [1999] No.290).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

47. 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 is as follows:

Item	RMB	
	2012	2011 (Restated)
Net profit for year attributable to shareholders of the Company	72,535,413.29	125,485,769.19
Including: Net profit from continuing operations	85,729,731.77	168,647,118.79
Net profit from discontinuing operations	(13,194,318.48)	(43,161,349.60)

- (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:

Item	Unit: Share	
	2012	2011
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	417,641,867	417,641,867

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

Item	Unit: Share	
	2012	2011 (Restated)
Weighted average number of outstanding ordinary shares of basic earnings per share	417,641,867	417,641,867
Add: Increase of weighted average number of outstanding ordinary shares under the conversion of PSCS	102,850,365	102,850,365
Weighted average number of outstanding ordinary shares of diluted earnings per share	520,492,232	520,492,232

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

47. Calculation process of basic earnings per share and diluted earnings per share (Continued)

(4) Earnings per share

Item	2012	2011 (Restated)
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.17	0.30
Diluted earnings per share	0.14	0.24
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	0.21	0.40
Diluted earnings per share	0.16	0.32
Calculated based on net profit from discontinuing operations attributable to shareholders of the Company:		
Basic earnings per share	(0.04)	(0.10)
Diluted earnings per share	(0.02)	(0.08)

48. Other comprehensive income

CONSOLIDATED

Item	2012	2011
Translation differences of financial statements denominated in foreign currencies	(17,013.77)	(10,687,891.20)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

49. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Interest income	19,620,759.79	16,900,132.53	12,888,770.39	13,084,175.69
Non-operating cash income	7,588,876.53	6,891,743.21	4,177,551.88	—
Receipts of other receivable	43,791,025.35	30,420,803.16	11,835,480.73	41,830,173.84
Temporary receipts of				
other payables	193,052,801.03	—	—	—
Government subsidies	73,898,966.76	72,311,486.69	—	—
Previously restricted bank				
deposit unfrozen	354,359.74	191,190,764.74	—	183,000,000.00
Others	—	—	—	8,208,341.70
Total	338,306,789.20	317,714,930.33	28,901,803.00	246,122,691.23

(2) Other cash payments relating to operating activities

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Expenditures settled by cash	205,813,870.27	222,012,281.14	96,129,441.85	102,095,504.64
Financial expenses excluded				
interest expenditure	4,822,960.39	2,869,989.22	4,674,314.73	5,174,921.70
Non-operating cash expenditures	8,002,735.51	7,286,668.12	5,461.02	40,247.50
Temporary payments of				
other receivable	—	51,264,001.37	—	8,383,777.60
Payments of other payables	35,349,266.12	—	8,142,624.68	—
Others	—	—	—	19,800.52
Total	253,988,832.29	283,432,939.85	108,951,842.28	115,714,251.96

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

49. Notes to items in the cash flow statement (Continued)

(3) Other cash received relating to investing activities

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Inter-Group cash pool receipts	—	—	25,815,741.91	12,069,413.40
Net cash receipts from acquisition of subsidiaries	3,265,477.09	—	—	—
Total	3,265,477.09	—	25,815,741.91	12,069,413.40

(4) Other cash payments relating to investing activities

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Net cash payments for disposal of subsidiaries	152,880,337.07	—	14,426,224.89	—
Inter-Group cash payments	—	—	4,900,000.00	44,800,000.00
Payments for intermediary expenses related to common control	13,440,227.72	—	—	—
Total	166,320,564.79	—	19,326,224.89	44,800,000.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

49. Notes to items in the cash flow statement (Continued)

(5) Other cash received relating to financing activities

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Inter-Group cash pool payments	—	—	3,326,916.35	21,559,406.64
Receipts related to credit under the letter of arrangement	25,090,756.53	—	—	—
Total	25,090,756.53	—	3,326,916.35	21,559,406.64

(6) Other cash payments relating to financing activities

RMB

Item	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Cash payments within group or with associate	—	5,211,009.13	—	—
GCGC cash pool payments	8,180,485.59	4,529,759.67	—	—
Interest expense of inter-Group cash pool	—	—	1,164,834.44	3,121,107.62
Payments related to credit under the letter of arrangement	171,030,686.12	—	171,030,686.12	—
Finance lease	5,751,313.00	—	—	—
Total	184,962,484.71	9,740,768.80	172,195,520.56	3,121,107.62

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

50. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
(1) Reconciliation of net profit to cash flow from operating activities:				
Net profit	145,411,317.32	172,297,284.08	22,686,458.02	103,236,524.65
Add: Provision for impairment losses of assets	(1,313,515.97)	(9,847,538.48)	(1,901,369.26)	(10,016,137.28)
Depreciation of fixed assets	217,419,316.56	217,210,857.91	1,849,820.27	2,325,797.75
Depreciation of Investment Property	2,060,888.63	3,900,553.03	—	—
Amortisation of intangible assets	28,265,998.62	29,768,323.83	16,188,500.77	15,377,868.20
Amortisation of long-term prepaid expenses	7,802,401.26	6,612,000.97	601,625.04	554,921.01
Losses on disposal of fixed assets. Intangible assets and other long term assets (gains)	(6,712,619.53)	(2,172,017.47)	(335,107.65)	(123,256.17)
Financial expenses	61,555,600.71	58,389,768.66	17,022,524.76	20,666,895.88
Losses (gains) arising from investments	(2,867,331.38)	(3,014,506.05)	(3,554,357.38)	(5,571,746.99)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

50. Supplementary information to the cash flow statement (Continued)

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

Supplementary information	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Decrease(increase)				
in deferred tax				
assets	(865,487.43)	1,310,945.38	557,691.41	3,592,911.61
Increase				
(decrease) in				
deferred tax				
liabilities	437,321.46	(1,090,098.66)	—	—
Decrease				
(increase) in				
inventories	(23,101,729.47)	189,003,177.62	(1,171,626.81)	123,446,382.24
Decrease				
(increase) in				
receivables from				
operating				
Activities	(249,427,088.13)	(93,669,024.73)	(17,856,002.15)	2,175,173.70
Increase(decrease)				
in payables from				
operating				
Activities	(415,950,563.25)	562,616,275.50	(789,556,114.96)	437,850,169.78
Intermediary				
expenses related				
to common				
control (Note)	31,940,476.44	—	31,940,476.44	—
Increase(decrease)				
in special				
reserve	2,177,121.28	5,930,747.69	—	(2,600.00)
Changes in				
restricted				
monetary funds	354,359.74	9,454,859.32	—	—

RMB

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

50. Supplementary information to the cash flow statement (Continued)

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

Supplementary information	Consolidated		Company	
	2012	2011 (Restated)	2012	2011
Increase(decrease) in provisions and long-term payables	(11,553,437.46)	(1,102,493.67)	—	—
(2) Net cash flow from operating activities	(214,366,970.60)	1,145,599,114.93	(723,527,481.50)	693,512,904.38
Net increase in cash and cash equivalents				
Closing balance of cash	1,253,888,037.55	2,226,151,619.32	768,274,457.86	1,784,886,260.82
Less: Opening balance of cash	2,226,151,619.32	1,700,022,406.73	1,784,886,260.82	1,160,647,604.49
Net increase in cash and cash equivalents	(972,263,581.77)	526,129,212.59	(1,016,611,802.96)	624,238,656.33

Note: Intermediary expenses are paid for business combination involving enterprises under common control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS (Continued)

50. Supplementary information to the cash flow statement (Continued)

(2) Composition of cash and cash equivalents

RMB

Supplementary information	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31
I. Cash				
Including: Cash on hand	14,165,703.11	9,748,472.99	12,602.12	8,324.96
Bank deposits	1,239,722,334.44	2,216,403,146.33	768,261,855.74	1,784,877,935.86
Other monetary funds				
II. Closing balance of cash and cash equivalents	1,253,888,037.55	2,226,151,619.32	768,274,457.86	1,784,886,260.82
Restricted other monetary funds	8,960,403.81	9,606,644.15	—	—
III. Closing balance of cash and cash equivalents	<u>1,262,848,441.36</u>	<u>2,235,758,263.47</u>	<u>768,274,457.86</u>	<u>1,784,886,260.82</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

CONSOLIDATED

1. Parent(s) of the Company

						RMB
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(%)
GCGC	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 (8).

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 Communications Telecommunications Company Limited	Associates (Before 2012.12.31) Associates of ultimate holding company's subsidiary (From 2012.12.31)
Shenzhen Yueyun	Associates(From2012.06.30) Under control of ultimate holding company (From 2012.06.30)
Yueyun Hexing	Associates(Before 2012.12.31) Subsidiary (From 2012.12.31)
Meizhou Yueyun	Under control of ultimate holding company (From 2012.06.30)
Meizhou Passenger Traffic Economic Development Company	Under control of ultimate holding company (From 2012.06.30)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Other related parties of the Group *(Continued)*

	Related party relationships
Yangjiang Transportation	Under control of ultimate holding company (From 2012.06.30)
Guangzhou Yueyun Investment	Under control of ultimate holding company (From 2012.06.30)
Oriental Thought	Subsidiary (Before 2012.12.31) Under control of ultimate holding company (From 2012.12.31)
Logistics International	Subsidiary of the Company (Before 2012.12.31) Under control of ultimate holding company (From 2012.12.31)
Xinyue Communications	Subsidiary of the Company (Before 2012.12.31) Under control of ultimate holding company (From 2012.12.31)
Guangdong Bo-Da 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
Guangdong Litong Properties 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
Guangdong Province Expressway Construction Materials Supply Station	Under control of ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Other related parties of the Group *(Continued)*

	Related party relationships
Guangdong Provincial Traffic Development Company Limited	Under control of ultimate holding company
Guangdong Provincial ChangDa Highway Engineering Company Limited	Under control of ultimate holding company
Guangdong Taishan Coastal Expressway Company Limited	Under control of ultimate holding company
Guangdong Western 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
XinYue Company Limited	Under control of ultimate holding company
Yunfu City 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 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 Gao-Da Property Development Company Limited	Under control of ultimate holding company
Guangdong Province Gongbei Vehicles Transportation Company Limited	Under control of ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Other related parties of the Group *(Continued)*

	Related party relationships
Kwong Fat Transport Company Limited	Under control of ultimate holding company
Kee Kwan Motor Road Company Limited	Under control of ultimate holding company
Guangdong Hualu Communication Technology Company Limited	Under control of ultimate holding company
Guangdong Provincial Coastal Expressway Xinhu Section Company Limited	Under control of ultimate holding company
Guangdong Humen Bridge Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Province Expressway Mechanical Materials Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Province Guangshan High Speed Passenger Traffic Company Limited	Associates of ultimate holding company's subsidiary
Weisheng Freight Company Limited	Under control of ultimate holding company
Guangdong Gaintop Highway Engineering Construction Group Company Limited	Associates of ultimate holding company
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	Associates of ultimate holding company
Guangdong Province ShenShan High Speed Passenger Traffic 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 Yuejia Expressway Company Limited	Joint venture of ultimate holding company's subsidiary
Hui-Shen(Yantian) Expressway Huizhou Section 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
Zhaoqing City Guang-He Expressway Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Guangjiang High Speed Passenger Traffic Company Limited	Associates of ultimate holding company's subsidiary
Jiangmen City Jiang-He Expressway Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Guangzhu Expressway West Section Company Limited	Joint venture of ultimate holding company's subsidiary

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions

CONSOLIDATED

- (1) Sales and purchases 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:

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Material logistics service income		
Guangdong Provincial Changda Highway Engineering Company Limited	971,925,158.85	891,831,105.36
Guangdong Guanyue Highway & Bridge Company Limited	538,339,005.46	455,027,382.96
Guangdong Gaintop Highway Engineering Construction Group Company Limited	98,816,687.08	166,376,043.24
Guangdong Province Expressway Mechanical Material Company Limited	27,699,333.93	—
Guangzhou Xinyue Asphalt Company Limited	31,154,579.14	59,079,695.12
Guangdong Zhan-Xu Expressway Company Limited	1,493,226.62	—
Others	2,300.00	—
	<u>1,699,430,291.08</u>	<u>1,572,314,226.68</u>

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 GCGC on 27 September 2005. The Group supplied materials to GCGC and its subsidiaries, acted as the owners' construction projects, and the selling price was determined by cost of materials plus a certain margin. While agreed with all the related parties, GCGC and its subsidiaries, acted as owners, withheld contractors' payment for material purchase and remitted to the Group directly when they paid for project contracting to contractors. During the process of the material logistics service, the transaction with related parties as contractors are disclosed as above, the amount due from GCGC and its subsidiaries generated from the above withholding transactions for the Group refer Note VII (6).

In 2012, the audit department under China Government concluded that Guangdong Provincial Highway Construction Company Limited, a subsidiary of GCGC, overpaid RMB 12,541,400.00 to the Group in material supplies to Nan Erhuan Project in its audit to Nan Erhuan Project of Guangdong Provincial Highway Construction Company Limited, and the Group reversed the operating income for the current year accordingly. The Group does not consider such situation is applicable to other projects with GCGC and its subsidiaries as owners, and thus no further processing is in need.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Transportation intelligence service income		
Foshan Guang-San Expressway Company Limited	414,757.00	—
Guangdong Bo-Da Expressway Company Limited	19,874,135.70	1,970,034.07
Guangdong Feida Traffic Engineering Company Limited	3,016,780.90	4,248,290.36
Guangdong Expressway Technology Investment Co., Ltd	845,964.00	—
Guangdong Guanyue Highway & Bridge Company Limited	1,158,142.00	2,530,142.00
Guangdong Guanghui Expressway Company Limited	3,585,994.00	(6,740,729.19)
Guangdong Guangle Expressway Company Limited	618,807.69	2,680,248.36
Guangdong Guangzhu Expressway West Section Company Limited	18,395,828.09	12,420,533.00
Guangdong He-hui Highway Company Limited	1,749,698.00	—
Guangdong Humen Bridge Company Limited	451,751.00	965,182.48
Guangdong Jiangzhong Expressway Company Limited	423,313.00	957,866.00
Guangdong Communication Enterprise Investment Company Limited	—	1,444,444.45
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	105,000.00	(562,271.61)
Guangdong Gaintop Highway Engineering Construction Group Company Limited	174,957.26	630,795.65
Guangdong Kai Yang Expressway Company Limited	3,488,579.89	459,811.00
Guangdong Lulutong Company Limited	172,883.00	—
Guangdong Luoyang Expressway Company Limited	136,752.14	1,948,750.42
Guangdong Maozhan Expressway Company Limited	—	125,229.51
Guangdong Meihe Expressway Company Limited	19,000.00	8,696,828.00
Guangdong Shanfen Expressway Company Limited	1,699,522.30	3,126,709.55
Guangdong Shanjie Expressway Company Limited	2,058,629.19	1,467,466.33
Guangdong Shenzhen-Shantou Expressway (Eastern Section) Co., Ltd	1,160,424.03	1,816,030.04
Guangdong western Shen-Shan Expressway Company Limited	2,688,213.28	6,557,423.18

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Transportation intelligence service income <i>(Continued)</i>		
Guangdong Provincial Fokai Expressway Company Limited	3,289,290.62	3,647,529.00
Guangdong Provincial Freeway Company Limited	43,432,843.94	30,752,097.07
Guangdong Provincial Highway Construction Company Limited	12,925,710.64	19,496,488.51
GCGC	12,356,502.58	200,000.00
Guangdong Province Road & Bridge Construction Development Company Limited	11,997,764.10	23,217,461.80
Guangdong Provincial Changda Highway Engineering Company Limited	1,392,244.65	3,562,111.00
Guangdong Provincial 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	80,220.00	884,980.00
Guangdong Yang-Mao Expressway Company Limited	625,471.70	263,562.00
Guangdong Yue Dong Freeway Industry Development Company Limited	728,223.71	3,894,256.00
Guangdong Yue-Gan Expressway Company Limited	706,959.00	5,251,263.00
Guangdong Yuejia Expressway Company Limited	726,798.09	1,198,432.00
Guangdong Yun-Wu Expressway Company Limited	54,075,874.92	8,321,453.10
Guangdong Zhan-Xu Expressway Company Limited	510,604.08	—
Guangdong Zhaoyang Expressway Company Limited	19,897,814.89	716,202.03
Guangfo Expressway Company Limited	2,263,387.33	2,220,814.00
Guang-Shen-Zhu Expressway Company Limited	7,155,315.44	385,000.00
Heyuan He-Long Expressway Company Limited	245,940.74	6,626,794.63
Hui-Shen (Yantian) Expressway Huizhou section Company Limited	1,471,359.15	1,416,857.96
Jiangmen City Jiang-He Expressway Company Limited	169,890.00	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Transportation intelligence service income <i>(Continued)</i>		
Jingzhu Expressway Guangzhu Section Company Limited	13,884,555.45	1,123,069.10
Shenzhen Huiyan Expressway Company Limited	927,261.00	68,900.00
Yunfu City Guangyun Expressway Company Limited	942,120.00	(1,145,439.60)
Zhaoqing City Guang-He Expressway Company Limited	120,000.00	11,297,566.42
Zhaoqing Yuezhao Expressway Company Limited	3,001,411.90	3,312,450.50
Others	84,146.10	197,470.08
	255,250,842.50	173,149,851.69

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

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Expressway service zones operation income		
Guangdong Bo-Da Expressway Company Limited	2,113,796.00	—
Guangdong Humen Bridge Company Limited	—	482,362.86
Guangdong Jiangzhong Expressway Company Limited	784,253.38	956,684.62
Guangdong Provincial Fokai Expressway Company Limited	244,316.00	—
Guangdong Provincial Freeway Company Limited	4,813,740.42	17,304.00
GCGC	964,887.00	518,052.00
Guangdong Province Road & Bridge Construction Development Company Limited	8,350,593.00	788,215.62
Guangdong Provincial Changda Highway Engineering Company Limited	452,640.00	321,341.80
Guangdong Coastal Expressway Operation Company Limited	110,200.00	—
Guangdong Yun-Wu Expressway Company Limited	244,316.00	—
Guangfo Expressway Company Limited	244,316.00	—
Guang-Shen-Zhu Expressway Company Limited	—	500,600.00
Jingzhu Expressway Guangzhu Section Company Limited	244,316.00	—
Heyuan He-Long Expressway Company Limited	—	124,276.94
Others	146,988.82	216,400.00
	18,714,362.62	3,925,237.84
Cross-border transportation services income		
Express Cross-Border Coach Management Company Limited	22,503,712.56	20,130,658.19
Rendering of services income		
Guangdong Humen Bridge Company Limited	716,427.70	—
Guangdong Province Road & Bridge Construction Development Company Limited	80,000.00	1,427,829.33
	796,427.70	1,427,829.33

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

CONSOLIDATED (Continued)

(1) Sales and purchases of goods, provision and receipt of services (Continued)

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Repairing income		
*Weisheng Transportation Enterprise Company Limited	—	78,889.16
* Guangdong Province Guangshan High Speed Passenger Traffic Company Limited	691,223.43	294,295.52
* Guangdong Guangjiang High Speed Passenger Traffic Company Limited	156,889.64	259,854.66
*Shantou City Chaonan Yueyun Sky Island Transportation Co.,Ltd.	78,609.65	90,583.23
*Meizhou Yueyun	62,071.00	—
*Guangzhou Yueyun Investment	66,065.52	—
Weisheng Freight Company Limited	131,691.59	—
*Guangdong Province Gongbei Motorcar Transportation Company Limited	163,901.20	—
Others	21,617.20	14,013.00
	<u>1,372,069.23</u>	<u>737,635.57</u>
Income from line quota fee		
Kwong Fat Transport Company Limited	1,608,710.70	2,281,505.02
	<u>1,608,710.70</u>	<u>2,281,505.02</u>
Entrusted management income		
*Guangzhou Xinyue Asphalt Co., Ltd.	120,000.00	—
*Guangzhou Yueyun Investment	3,831,000.00	—
	<u>3,951,000.00</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Rescue service income		
*Guangdong Western Shen-Shan Expressway Company Limited	1,858,617.77	—
*Guangdong Province Road & Bridge Construction Development Company Limited	1,438,728.49	—
*Guangdong Meihe Expressway Company Limited	1,190,227.50	—
*Guangdong Provincial Freeway Company Limited	1,176,340.01	—
*Guangdong Yue-Gan Expressway Company Limited	1,122,000.00	—
*Guangdong Kai Yang Expressway Company Limited	1,039,500.00	—
*Guangdong Zhan-Xu Expressway Company Limited	942,991.50	—
*Guangdong Maozhan Expressway Company Limited	871,142.25	—
*Guangdong Yue Dong Freeway Industry Development Company Limited	713,187.75	—
*Guangdong Yang-Mao Expressway Company Limited	658,020.00	—
*Guangdong He-hui Highway Company Limited	664,125.00	—
*Guangdong Coastal Expressway Operation Company Limited	645,895.01	—
*Guangdong Yu-Zhan Expressway Company Limited	568,103.25	—
*Guangdong Shanfen Expressway Company Limited	543,287.25	—
*Guangdong Taishan Coastal Expressway Company Limited	467,626.26	—
*Guangdong Zhaoyang Expressway Company Limited	455,218.50	—
*Heyuan He-Long Expressway Company Limited	347,242.50	—
*Guangdong Yun-Wu Expressway Company Limited	181,500.00	—
*Others	54,180.50	—
	14,937,933.54	—

Note: The above related party transactions marked* belongs to the GVTG and its subsidiaries, which occurred before they become under the common control of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Purchase of materials		
Guangdong Lulutong Company Limited	—	755,007.65
Guangzhou Newsoft Technology Company Limited	—	9,177,000.00
Guangzhou Xinyue Asphalt Co., Ltd.	440,598,737.90	34,935,902.74
Guangdong Province Expressway Mechanical Material Company Limited	142,600,222.28	7,475,227.67
Guangdong Provincial Highway Construction material supply station	—	17,517,948.72
Xinyue Company Limited	24,620,280.94	—
	607,819,241.12	69,861,086.78

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

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Expressway service zones operation expenses		
Foshan Guang-San Expressway Company Limited	512,039.75	482,652.90
Guangdong Guangzhu Expressway West Section Company Limited	2,050,000.00	1,450,000.00
Guangdong He-hui Highway Company Limited	1,170,930.31	1,224,653.79
Guangdong Humen Bridge Company Limited	405,756.84	392,013.76
Guangdong Jiangzhong Expressway Company Limited	2,814,000.00	3,083,750.00
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	339,200.04	231,537.36
Guangdong Kai Yang Expressway Company Limited	7,365,376.98	5,270,699.00
Guangdong Maozhan Expressway Company Limited	2,616,500.00	2,449,740.96
Guangdong Meihe Expressway Company Limited	3,678,571.10	3,674,738.50
Guangdong Shanfen Expressway Company Limited	1,986,220.00	2,003,110.00
Guangdong Shanjie Expressway Company Limited	1,000,000.00	1,081,800.82
Guangdong Western Shen-Shan Expressway Company Limited	2,304,328.88	2,595,898.00
Guangdong Provincial Freeway Company Limited	7,898,346.50	5,515,464.26
Guangdong Provincial Highway Construction Company Limited	2,759,609.66	3,021,159.98
Guangdong Taishan Coastal Expressway Company Limited	514,400.00	611,808.46
Guangdong Coastal Expressway Zhuhai Section Company Limited	1,135,200.00	1,230,163.38
Guangdong Yang-Mao Expressway Company Limited	3,803,140.01	3,772,900.00
Guangdong Yu-Zhan Expressway Company Limited	2,491,676.00	2,586,638.50
Guangdong Yue Dong Freeway Industry Development Company Limited	746,612.50	1,045,811.02
Guangdong Yue-Gan Expressway Company Limited	8,536,110.00	8,529,283.33
Guangdong Yuejia Expressway Company Limited	228,900.00	327,735.86
Guangdong Yun-Wu Expressway Company Limited	3,300,000.00	1,155,000.00
Guangdong Zhan-Xu Expressway Company Limited	4,000,000.00	4,000,000.00
Guangdong Zhaoyang Expressway Company Limited	1,500,000.00	1,500,000.00
Guangfo Expressway Company Limited	1,601,912.19	1,446,627.77

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(1) Sales and purchases of goods, provision and receipt of services *(Continued)*

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Expressway service zones operation expenses		
<i>(Continued)</i>		
Guang-Shen-Zhu Expressway Company Limited	14,178,582.98	12,565,297.38
Heyuan He-Long Expressway Company Limited	1,416,591.00	1,514,149.00
Jingzhu Expressway Guangzhu Section Company Limited	1,722,231.94	1,661,000.00
Guangdong Provincial Coastal Expressway Xinhui Section Company Limited	—	96,149.30
Yunfu City Guangyun Expressway Company Limited	1,121,846.00	1,122,401.56
Zhaoqing Yuezhao Expressway Company Limited	1,200,000.00	1,200,000.00
Guangdong Province Road & Bridge Construction Development Company Limited	7,095,720.00	6,949,585.50
Others	120,181.44	85,539.13
	91,613,984.12	83,877,309.52

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

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

CONSOLIDATED (Continued)

(1) Sales and purchases of goods, provision and receipt of services (Continued)

	Amount for 2012 RMB	Amount for 2011 RMB (Restated)
Rental expenses		
Guang-Shen-Zhu Expressway Company Limited	—	615,613.92
Guangdong Gaoda Property Development Company Limited	1,591,206.17	—
Guangdong Litong Properties Investment Company Limited(Note)	3,789,351.50	—
Guangzhou Yueyun Investment	509,600.00	—
	5,890,157.67	615,613.92
Repair Maintenance		
Guangdong Humen Bridge Company Limited	600,000.00	600,000.00
Service expenses		
Guangdong Feida Traffic Engineering Company Limited	21,794,174.88	4,302,520.13
Guangdong Humen Bridge Company Limited	4,200,000.00	4,200,000.00
Guangdong Gaintop Highway Engineering Construction Group Company Limited	—	8,411,561.63
Guangzhou Newsoft Technology Company Limited	1,471,076.00	—
Guangdong CommunicationsTelecommunications Co., Ltd.	1,956,569.11	—
Guangdong Provincial High Way Construction material supply station	108,710.77	—
Others	11,740.97	952,971.39
	29,542,271.73	17,867,053.15

Note: On 16 May 2012, the Company and Guangdong Litong Properties Investment Company Limited entered into the Lease Agreement in respect of the leasing of the Leased Premises by Guangdong Litong Properties Investment Company Limited to the Company for a term of 3 years from 16 May 2012 to 15 May 2015 for use as an office. The Company decided to terminate the Lease Agreement after accomplishing the major assets swap arrangement. Negotiated with Guangdong Litong Properties Investment Company Limited, the Company entered into the Lease Termination Agreement with Guangdong Litong Properties Investment Company Limited on 19 March 2013 and agreed to stop paying the lease rental from 16 October 2012. The termination agreement was approved by the board of directors on 19 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

CONSOLIDATED (Continued)

(2) Cash pool transaction

Zhaoqing Yueyun, a subsidiary of GVTG, entered into a cash pool arrangement with GCGC on 28 September 2012. The Group credited above balances in cash pool to the item of "Other receivables". Zhaoqing Yueyun only charges the deposit interest on the funds deposited in the cash pool of GCGC without other gains.

(3) Loans with related parties

RMB

Related parties	Annual interest rate	Opening balance	Borrowed/lent amount for the period	Repayment during the period	Balance at the end of the period	Term
Lending						
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	5.91%	2,600,000.00	—	—	2,600,000.00	N/A
Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited	5.40%	2,000,000.00	—	—	2,000,000.00	08/4/2012-07/04/2013
Xinyue Communication	6.00-6.56%	110,000,000.00	—	3000,000.00	107,000,000.00	N/A
Borrowing						
GCGC	4.13-5.85%	281,000,000.00	—	255,000,000.00	26,000,000.00	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

CONSOLIDATED (Continued)

(4) Interest income and interest expense with related parties

	2012 RMB	2011 RMB (Restated)
Interest income		
*Shantou City chaonan Yueyun Sky Island Transportation Co., Ltd.	54,732.05	117,409.23
Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited	108,000.00	—
Shenzhen Yueyun	792,967.39	—
*Meizhou Yueyun	479,608.89	—
	<u>1,435,308.33</u>	<u>117,409.23</u>
Interest expense		
*GCGC	11,494,489.14	14,324,247.62
Guangzhou Xinyue Asphalt Co., Ltd.	24,640.91	—
*GVTG cash pool (Note 1)	49,604.51	35,737.40
	<u>11,568,734.56</u>	<u>14,359,985.02</u>

Note 1: Pursuant to the relevant agreement, GVTG collected funds from the relevant bank accounts (the "Cash Pool Accounts") of some associates and joint ventures with a view to centralize the management. GVTG was entitled to allocate the above collected funds at any time. The current available balances in the Cash Pool Accounts of these associates and joint ventures as well as in the relevant bank accounts of GVTG can be paid through their Cash Pool Accounts. The above funds were credited to "Other payables" of the GVTG and bore interest based on the bank's demand deposit rate. Please refer to Note (VII) 6 "Other payables – Cash pool balances" regarding related parties' cash pool accounts information.

Note 2: The above related party transactions marked * belong to GVTG and its subsidiaries, which occurred before they became under the common control of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED *(Continued)*

(5) Free transfer of assets

In June 2012, prior to the acquisition of GVTG by the Company, GVTG transferred its ownership of assets, (e.g. Guangzhou Yueyun Building) and its equity interest in Shenzhen Yueyun, Meizhou Yueyun and Yangjiang Transportation to Guangzhou Yueyun Investment at nil consideration. In the same month, GVTG transferred its equity interest in Guangzhou Yueyun Investment to GCGC at nil consideration. The above transferring resulted in decrease in owners' interest attributable to shareholders of GVTG of RMB425,311,304.17 and decrease in minority interest of RMB47,636,927.93. The details of the above transferring please refers to II" Free transfer of assets" in "Note (IX) "Other Significant Matters".

(6) Entrusted Management

According to the Entrusted Management Contract entered into between GVTG and Guangzhou Yueyun Investment and Shenzhen Yueyun, Shenzhen Yuegang Transport Company Limited, Yangjiang Transportation and Meizhou Yueyun, respectively, in June 2012, prior to the acquisition of GVTG by the Company, Guangzhou Yueyun Investment fully entrusted GVTG to manage its equity interest in Shenzhen Yueyun, Yangjiang Transportation and Meizhou Yueyun and to operate such three companies. The entrusted management period commenced from the date on which the change of business registration for the transfer of such companies' equity interest to Guangzhou Yueyun Investment was completed to 31 December 2014. The annual entrustment fees for the entrustment of the Shenzhen Yueyun, Yangjiang Transportation and Meizhou Yueyun are RMB7,662,000.00 in total. If the number of days of the entrustment period in the year is less than 365 days, the entrustment fees will be determined based on the actual number of days for entrustment.

On 17 Sep 2012, GCGC entrusted its 100% equity interest in each of Guangdong Province Gongbei Vehicles Transportation Company Limited and Kee Kwan Motor Road Company Limited, and GCGC and GVTG entrusted their 100% interest in Weisheng Transportation Enterprise Company Limited, and the business operation of such companies to the Company by entering the Entrusted Management Agreement. The entrusted management period commenced from 31 December 2012.

(7) Trademark and line licenses

During current and prior period, GVTG transferred the use rights of trademark "Yueyun" and the use rights of certain line licenses to Shenzhen Yueyun, Yangjiang Transportation, Meizhou Yueyun and some associates at nil consideration.

(8) Road and bridge tolls

The Group's subsidiaries providing transportation services paid road and bridge tolls to those road and bridge companies held by GCGC when providing transportation services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

CONSOLIDATED (Continued)

(9) Entrusted Property Management Services

After the transferring of Yueyun Building from GVTG to Guangzhou Yueyun Investment at nil consideration, Guangdong Yunxing Property Management Co., Ltd continued to provide property management services in accordance with The Agreement of Entrusted Property Management entered in June 2012, and get the service fee from the tenants of the building.

(10) Related parties guarantees

In September 2010, a maximum amount guarantee contract was entered into between GVTG and Guangzhou Branch of Huaxia Bank Co., Ltd., pursuant to which the GVTG provided guarantee at the maximum of RMB80,000,000.00 for the bank borrowings obtained by Meizhou Yueyun from Guangzhou Branch of Huaxia Bank Co., Ltd at nil consideration during the period from 11 February 2010 to 11 February 2011. As at 31 December 2012, the balance of borrowings of Meizhou Yueyun in Guangzhou Branch of Huaxia Bank Co., Ltd. was RMB65,000,000.00 (31 December 2011: RMB65,000,000.00).

GVTG entrusted Huaxia Bank Co.,Ltd as the lead underwriter and issued the first phase of 3-year non-public directional debt financing tools of RMB3 hundred million with an annual interest rate of 5.8%. GCGC provides an unconditional and irrevocable joint liability guarantee of the total amount of principal and interest for the issuing of the bonds.

(11) Consolidation of GVTG and its subsidiary

The details of the consolidations of GVTG and its subsidiary by the Company please refer to the I “Business combination involving enterprises under common control” in Note (IX) “Other Significant Matters”.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

COMPANY

The related parties transactions between the Company and the subsidiaries is as follows, and the other significant related party transactions refers to Note VII 5

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

	Amount for 2012 RMB	Amount for 2011 RMB
Material logistics service income		
Dongguan City Nanyue Jiafu Logistics Co., Ltd.	754,440.12	1,781,149.46
Guangdong South China Logistics Enterprise Co., Ltd.	2,528,008.12	—
	3,282,448.24	1,781,149.46
Purchase of materials expenses		
Logistics International	—	6,103,781.61
Guangdong South China Logistics Enterprise Co., Ltd.	242,035,995.84	12,151,541.34
Dongguan City Nanyue Jiafu Logistics Co., Ltd.	7,389,718.84	7,280,000.00
Guangdong Nan Yue Logistics (HK) Limited	65,528,535.65	91,801,184.17
Xinyue Communications	1,585,687.63	1,985,388.09
	316,539,937.96	119,321,895.21
Service expenses		
Guangdong Guantong Expressway Assets management Company Limited	—	37,331.62
Guangdong Province Transportation Engineering Company Limited	—	178,867.20
Guangdong South China Logistics Enterprise Co., Ltd.	45,000,000.00	39,610,000.00
Guangdong New Way advertising Co., Ltd.	293,320.00	181,798.40
Logistics International	133,095.87	—
Oriental Thought	2,869,000.00	—
Guangdong Nan Yue Logistics (HK) Limited	5,000,000.00	—
	53,295,415.87	40,007,997.22

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

COMPANY (Continued)

(2) Leases with related parties

	Amount for 2012 RMB	Amount for 2011 RMB
Guangdong Province Transportation Engineering Company Limited	1,818,518.4	1,639,651.20

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 2012 to 31 December 2012. The annual rental, negotiated with reference to the market price, was RMB1,818,518.40. Rental expenses for this year amounted to RMB 1,818,518.40 (2011: RMB 1,639,651.20) was recognized in profit or loss for the current period.

(3) Interest income and interest expense with related parties

	Amount for 2012 RMB	Amount for 2011 RMB
Interest income		
Guangdong South China Logistics Co., Ltd.	7,293,359.69	5,660,974.19
Oriental Thought Enterprise	240,187.15	202,888.60
Xinyue Communications	6,818,323.26	6,205,537.04
	14,351,870.10	12,069,399.83
Interest expense		
Guangdong Guantong Expressway Assets Management Company Limited	59,096.78	61,710.37
Guangdong Jindaoda Expressway Economic Development Company Limited	198,941.02	158,670.71
Logistics International	31,961.81	50,016.76
Guangdong Top-E Expressway Service Zone Company Limited	721,113.22	991,167.75
Guangdong New Way advertising Co., Ltd	83,731.00	86,600.43
Others	69,990.61	39,214.13
	1,164,834.44	1,387,380.15

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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	RMB	
				Amount for the current period	Amount for the prior period
Xinyue Communications	Taiping Interchange bridge improvement	Assets purchase	Agreement pricing	—	6,538,619.48
Oriental Thought	Purchase of software	Assets purchase	Agreement pricing	2,480,000.00	2,012,991.46
Oriental Thought	Purchase of other long-term asset	Assets purchase	Agreement pricing	594,772.20	194,700.86
Total				3,074,772.20	8,746,311.80

(5) Compensation for key management personnel

The total compensation for the key management personnel this year is RMB7,136,892.59 (2011: RMB7,316,907.79).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

COMPANY (Continued)

(5) Compensation for key management personnel (Continued)

The compensation for the directors and supervisors is as follows:

RMB

	Chairman of the Board	Director, general manager	Executive director					Deng Chongzheng
	Liu Wei	Xuan Zongmin	Tang Yinghai	Yao Hanxiong	Guo Junfa	Liu Hong	Wang Weibing	
2012								
Board expenses	—	—	—	—	—	—	—	—
Basic salaries and other allowances	—	347,942.88	268,567.68	17,981.16	43,499.92	567,244.29	555,772.05	708,290.00
Retirement plan contributions	—	17,856.18	17,856.18	2,351.32	459.77	65,673.72	65,241.60	8,000.00
Total	—	365,799.06	286,423.86	20,332.48	43,959.69	632,918.01	621,013.65	716,290.00
2011								
Board expenses	—	—	—	—	—	—	—	—
Basic salaries and other allowances	—	—	—	—	—	589,257.60	583,798.62	854,147.85
Retirement plan contributions	—	—	—	—	—	20,566.98	20,566.98	9,800.00
Total	—	—	—	—	—	609,824.58	604,365.60	863,947.85

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

COMPANY (Continued)

(5) Compensation for key management personnel (Continued)

	Executive director		Independent non-executive director			Supervisor	
	Lu	Zeng	Gui	Liu	Peng	Rao	Zhang Li
	Maohao	Gangqiang	Shouping	Shaobo	Xiaolei	Fengsheng	
2012							
Board expenses	—	—	—	—	—	—	—
Basic salaries and other allowances	—	480,902.82	60,000.00	60,000.00	60,000.00	457,252.58	289,082.56
Retirement plan contributions	—	45,712.33	—	—	—	60,488.64	48,943.80
Total	—	526,615.15	60,000.00	60,000.00	60,000.00	517,741.22	338,026.36
2011							
Board expenses	—	—	—	—	—	—	—
Basic salaries and other allowances	217,778.65	491,737.52	60,000.00	60,000.00	60,000.00	472,425.97	326,595.87
Retirement plan contributions	—	20,566.98	—	—	—	20,566.98	20,566.98
Total	217,778.65	512,304.50	60,000.00	60,000.00	60,000.00	492,992.95	347,162.85

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

COMPANY (Continued)

(5) Compensation for key management personnel (Continued)

	Supervisor		Independent supervisor		
	Li Hui	Cheng Zhuo	Zhou Jiede	Lu Zhenghua	Bai Hua
2012					
Board expenses	—	—	—	—	—
Basic salaries and other allowances	263,683.81	20,800.00	20,800.00	24,000.00	24,000.00
Retirement plan contributions	45,576.72	—	—	—	—
Total	<u>309,260.53</u>	<u>20,800.00</u>	<u>20,800.00</u>	<u>24,000.00</u>	<u>24,000.00</u>
2011					
Board expenses	—	—	—	—	—
Basic salaries and other allowances	284,065.26	48,000.00	48,000.00	—	—
Retirement plan contributions	20,566.98	—	—	—	—
Total	<u>304,632.24</u>	<u>48,000.00</u>	<u>48,000.00</u>	<u>—</u>	<u>—</u>

Apart from the above directors and supervisors, the compensation for other key management personnel is as follows:

Item	Amount for the current period	Amount for the prior period
Other Key Management Personnel	<u>2,488,912.58</u>	<u>3,087,898.57</u>
Total	<u>2,488,912.58</u>	<u>3,087,898.57</u>

Note1: 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 director, vice general managers taking charge of each business unit, and personnel who perform similar strategic functions.

Note2: 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

Note3: The director and general manager for the current year is Mr Wang Wei Bing changed for Mr Xuan Zong Ming this year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

COMPANY *(Continued)*

(5) Compensation for key management personnel *(Continued)*

The three of the Group's top five highest paid people are directors. The compensation for the remaining two is as follows:

		RMB
Item	Amount for the current period	Amount for the prior period
Basic salaries and other allowances	1,306,728.49	1,480,140.08
Retirement plan contributions	61,867.68	30,556.26
Total	<u>1,368,596.17</u>	<u>1,510,696.34</u>

The individual emolument of the five individuals whose emoluments were the highest in the group was below HKD 1,000,000.00.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties

CONSOLIDATED

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Accounts receivable	Guangdong Bo-Da Expressway Company Limited	69,019,087.86	66,103,109.38
	Guangdong Feida Traffic Engineering Company Limited	—	12,665,274.26
	Guangdong Guanyue Highway & Bridge Company Limited	14,496,117.62	26,450,080.42
	Guangdong Guanghui Expressway Company Limited	—	4,576,498.32
	Guangdong Guangle Expressway Company Limited	86,407,083.78	39,128,004.74
	Guangdong Guangshan Expressway Huizhou Section Company Limited	—	321,121.02
	Guangdong Guangzhu Expressway West Section Company Limited	36,888,064.83	96,941,875.76
	Guangdong He-hui Expressway Company Limited	—	4,918,337.47
	Guangdong Humen Bridge Company Limited	3,222,177.48	1,605,878.60
	Guangdong Jiangzhong Expressway Company Limited	—	577,425.69
	Guangdong Communication Enterprise Investment Company Limited	—	900,000.00
	Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	—	284,602.30
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	2,515,670.80	7,694,382.81
	Guangdong Kai Yang Expressway Company Limited	—	138,600.00
	Guangdong Litong Properties Investment Company Limited	—	186,500.80
	Guangdong Luoyang Expressway Company Limited	—	1,197,392.00
	Guangdong Meihe Expressway Company Limited	6,636,077.33	16,627,204.74

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Accounts receivable (Continued)	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 Western Shen-Shan Expressway Company Limited	145,530.00	4,827,520.01
	Guangdong Provincial Fokai Expressway Company Limited	—	818,375.46
	Guangdong Provincial Freeway Company Limited	22,118,706.27	43,143,742.05
	Guangdong Province Expressway Mechanical Material Company Limited	5,085,607.79	—
	Guangdong Provincial Highway Construction Company Limited	668,745.49	219,942.84
	Guangdong Province Road & Bridge Construction Development Company Limited	4,224,226.91	12,560,047.58
	Guangdong Provincial Chang Da Highway Engineering Company Limited	14,655,997.82	11,138,397.74
	Guangdong Provincial Coastal Expressway Xinhui Section Company Limited	—	1,604,224.62
	Guangdong Coastal Expressway Zhuhai Section Company Limited	—	802,836.49
	Guangdong Yu-Zhan Expressway Company Limited	590,348.86	2,360,742.86
	Guangdong Yue Dong Freeway Industry Development Company Limited	—	3,246,909.20
	Guangdong Yue-Gan Expressway Company Limited	—	5,445,253.09
	Guangdong Yun-Wu Expressway Company Limited	34,475,727.49	39,685,810.81

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Accounts receivable (Continued)	Guangdong Zhan-Xu Expressway Company Limited	—	2,074,686.29
	Guangfo Expressway Company Limited	—	1,455,703.59
	Guangdong Zhaoyang Expressway Company Limited	42,649,369.00	63,468.05
	Guang-Shen-Zhu Expressway Company Limited	—	2,289,715.18
	Guangzhou Xin Yue Asphalt Company Limited	1,049,130.80	1,724,359.01
	Hui-Shen (Yantian) Expressway Huizhou Section Company Limited	—	560,970.87
	Jingzhu Expressway Guangzhu Section Company Limited	309,117.00	526,753.00
	Shenzhen Huiyan Expressway Company Limited	—	203,627.19
	Yunfu City Guangyun Expressway Company Limited	—	348,711.35
	Guang-He Expressway Company Limited	46,119,523.86	51,798,168.76
	Zhaoqing Yuezhao Expressway Company Limited	834,743.62	840,328.49
	Guangdong Provincial Traffic Development Company Limited	1,091,560.59	1,534,072.93
	Express Cross-Border Coach Management Company Limited	754,630.46	1,140,073.83
	Guangzhou City Tianhe Automobile Passenger Traffic Station Co., Ltd.	979,617.85	1,670,680.46
	Guangdong Province Guangshan High Speed Passenger Traffic Company Limited	62,185.15	172,222.45
	Guangdong Province Gongbei Vehicles Transportation Company limited	216,117.24	156,127.58
	Guangdong Province Bus Terminal Co.,Ltd	1,064,304.16	—
	Xinyue Communications	59,923,627.76	—
	Others	255,460.42	330,764.51
		456,458,558.24	499,968,981.10

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Accounts payable	Guangdong Guangshan Expressway Huizhou Section Company Limited	—	320,236.62
	Guangdong He-Hui Highway Company Limited	1,180,191.52	1,150,534.85
	Guangdong Humen Bridge Company Limited	—	350,000.00
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	397,580.00	2,217,603.07
	Guangdong Kai Yang Expressway Company Limited	424,749.58	—
	Guangdong Maozhan Expressway Company Limited	422,341.91	119,999.95
	Guangdong Meihe Expressway Company Limited	960,371.10	665,638.50
	Guangdong Shanfen Expressway Company Limited	3,365,879.96	2,731,190.79
	Guangdong Shanjie Expressway Company Limited	5,002,549.96	4,059,999.96
	Guangdong Western Shen-Shan Expressway Company Limited	1,403,275.24	1,129,726.72
	Guangdong Provincial Freeway Company Limited	17,929,397.12	16,553,987.60
	Guangdong Province Expressway Mechanical Material Company Limited	31,171,685.03	19,759,300.98
	Guangdong Provincial Highway Construction Company Limited	3,467,209.66	1,625,000.00
	Guangdong Provincial Chang Da Highway Engineering Company Limited	4,839,791.85	4,894,524.01
	Guangdong Yang-Mao Expressway Company Limited	308,240.01	278,000.00
	Guangdong Yu-Zhan Expressway Company Limited	34,400.00	124,262.50
	Guangdong Yue Dong Freeway Industry Development Company Limited	3,416,632.50	3,385,811.02

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Accounts payable (Continued)	Guangdong Yue-Gan Expressway Company Limited	—	249,283.33
	Guangdong Zhan-Xu Expressway Company Limited	8,333,333.33	4,333,333.33
	Guangdong Zhaoyang Expressway Company Limited	3,125,000.00	1,625,000.00
	Guangfo Expressway Company Limited	1,097,279.61	—
	Guang-Shen-Zhu Expressway Company Limited	4,252,113.78	433,000.00
	Guangzhou Newsoft Technology Company Limited	—	2,186,215.34
	Guangzhou Xinyue Asphalt Co., Ltd.	80,595,107.28	—
	Jingzhu Expressway Guangzhu Section Company Limited	1,722,231.94	1,661,000.00
	Yunfu City Guangyun Expressway Company Limited	592,398.00	610,793.56
	Zhaoqing Yuezhao Expressway Company Limited	1,200,000.00	1,200,000.00
	Guangdong Province Gongbei Veichles Transportation Company Limited	858,352.78	154,760.40
	Xinyue Communications	6,952,651.81	—
	Oriental Thought	1,127,400.00	—
	Guangdong Province Road & Bridge Construction Development Company Limited	15,063,750.00	11,637,405.49
	Kee Kwan Motor Road Co., Ltd.	773,012.37	683,580.00
	Weisheng Transportation Enterprise Company Limited	—	521,646.60
	Others	204,901.41	745,626.59
		200,221,827.75	85,407,461.21

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Prepayments	Guangdong Gaintop Highway Engineering Construction Group Company Limited	867,836.00	—
	Guangdong Shanjie Expressway Company Limited	3,000,000.00	—
	Guangdong Province Road & Bridge Construction Development Co., Ltd	3,000,000.00	—
	Guangdong Hualu Communication Technology Co., Ltd.	140,000.00	—
	Guangzhou Xinyue Asphalt Co., Ltd.	7,961,042.90	—
	Guangdong Jiangzhong Expressway Company Limited	—	259,000.00
	Guangdong Provincial Traffic Development Compay Limited	—	558,139.09
	Xin Yue Company Limited	—	31,089.62
	Guangdong Foda Expressway Economy Development Company Limited	—	415,406.77
	Others	89,241.06	1,820,536.84
	15,058,119.96	3,084,172.32	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Receipts in advance	Guangdong Guanyue Highway & Bridge Company Limited	—	165,495.00
	Guangdong Bo-Da Expressway Company Limited	627,350.00	—
	Guangdong Guangzhu Expressway West Section Company Limited	—	119,100.00
	Guangdong western Shen-Shan Expressway Company Limited	242,778.01	17,635.53
	Guangdong Jiangzhong Expressway Company Limited	—	420,252.99
	Guangdong Kai Yang Expressway Company Limited	207,900.00	1,326,089.00
	Guangdong Maozhan Expressway Company Limited	174,228.45	2,057,014.86
	Guangdong Shanjie Expressway Company Limited	—	107,242.47
	Guangdong Provincial Freeway Company Limited	114,345.00	29,742,032.11
	Guangdong Province Road & Bridge Construction Development Company Limited	246,932.64	4,928,755.92
	Guangdong Provincial Chang Da Highway Engineering Company Limited	—	254,425.50
	Guangdong Taishan Coastal Expressway Company Limited	—	128,809.34
	Guangdong Coastal Expressway Operation Company Limited	—	334,658.25
	Guangdong Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	2,153,282.88
	Guangdong Yue-Gan Expressway Company Limited	224,400.00	35,062.04

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Receipts in advance (Continued)	Guangdong Yuejia Expressway Company Limited	—	478,313.88
	Guangdong Zhaoyang Expressway Company Limited	—	53,024,627.14
	Guang-Shen-Zhu Expressway Company Limited	—	159,240.00
	Heyuan He-Long Expressway Company Limited	69,448.50	628,364.03
	Jingzhu Expressway Guangzhu Section Company Limited	—	5,720,615.51
	Zhaoqing Yuezhao Expressway Company Limited	—	1,398,873.36
	Guangdong He-hui Highway Company Limited	132,825.00	—
	Guangdong Shanfen Expressway Company Limited	108,657.45	—
	Guangdong Yu-Zhan Expressway Company Limited	113,620.65	—
	Guangdong Yue Dong Freeway Industry Development Company Limited	142,638.25	—
	Guangdong Zhan-Xu Expressway Company Limited	188,598.30	—
	Xinyue Communications	515,639.57	—
	Others	3,760.45	6,679,608.01
		5,266,405.15	109,879,497.82

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Other receivables	Guangdong Feida Traffic Engineering Company Limited	95,843.44	595,843.44
	Guangdong Bo-Da Expressway Company Limited	302,602.52	—
	Guangdong Foda Expressway economy development Co., Ltd.	415,406.77	—
	Guangdong Guanghui Expressway Company Limited	—	242,450.21
	Guangdong Guangzhu Expressway West Section Company Limited	1,000,000.00	4,613,393.77
	Guangdong Litong Properties Investment Company Limited	1,377,946.00	—
	Guangdong Maozhan Expressway Company Limited	1,000,000.00	4,084,297.00
	Guangdong Meihe Expressway Company Limited	597,177.30	—
	Guangdong Shanjie Expressway Company Limited	—	421,181.15
	Guangdong Provincial Fokai Expressway Company Limited	—	2,135,053.70
	Guangdong Provincial Freeway Company Limited	1,201,177.14	7,873,078.03
	Guangdong Provincial Highway Construction material supply station	181,005.24	—
	Guangdong Provincial Highway Construction Company Limited	300,000.00	2,657,786.14
	Guangdong Province Road & Bridge Construction Development Company Limited	2,452,411.80	2,568,132.34
	Guangdong Provincial Changda Highway Engineering Company Limited	4,146,197.70	10,460,007.21
	Guangdong Weisheng Transportation Enterprise Co., Ltd.	—	500,000.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

6. Amounts due from/to related parties *(Continued)*

CONSOLIDATED *(Continued)*

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Other receivables <i>(Continued)</i>	Guangdong Coastal Expressway Zhuhai Section Company Limited	300,000.00	538,135.82
	Guangdong Yang-Mao Expressway Company Limited	500,000.00	524,480.00
	Guangdong Yu-Zhan Expressway Company Limited	500,000.00	1,231,880.00
	Guangdong Yue-Gan Expressway Company Limited	500,000.00	500,900.00
	Guangdong Yun-Wu Expressway Company Limited	—	8,378,948.00
	Guangdong Zhaoyang Expressway Company Limited	—	1,209,084.00
	Yangjiang City Jincheng Compact Car Rental Company Limited	945,760.15	—
	Xinyue Communications	114,308,301.31	—
	Oriental Thought	151,390.00	—
	Guangdong western Shen-Shan Expressway Company Limited	—	1,663,296.80
	Guangdong Meihe Expressway Company Limited	—	4,981,953.51
	Zhaoqing City Guang-He Expressway Company Limited	—	6,736,863.00
	Guangdong Provincial Coastal Expressway Xinhui Section Company Limited	—	1,553,570.18
	Guang-Shen-Zhu Expressway Company Limited	821,400.00	1,108,489.62
	Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited	2,000,000.00	2,000,000.00
	Heyuan He-Long Expressway Company Limited	171,870.58	2,612,930.53
	Yunfu City Guangyun Expressway Company Limited	102,518.00	102,518.00
	Lufeng Shenshan Expressway Service Company Limited	—	2,378,458.89
	GCGC	—	8,088,594.87
	Kee Kwan Motor Road Company Ltd.	13,516,864.55	13,890,662.02

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

6. Amounts due from/to related parties *(Continued)*

CONSOLIDATED *(Continued)*

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Other receivables <i>(Continued)</i>	Guangzhou City Tianhe Automobile Passenger Traffic Station Co., Ltd	9,675,090.00	9,673,090.00
	Shantou City Automobile Passenger Traffic Center Company Limited	5,785,853.74	6,555,435.95
	Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd	3,227,904.84	2,999,976.09
	Jiangmen Guangjiang High Speed Passenger Traffic Co., Ltd	1,869,000.00	2,289,000.00
	Guangdong Weisheng Transportation Enterprise Company Limited	6,499,246.36	6,117,785.70
	Meizhou Passenger Traffic economic development Company	—	2,109,726.15
	Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd	1,008,000.00	1,429,680.00
	Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd	1,114,303.65	1,114,603.65
	Guangdong Province Gongbei Vehicles Transportation Company Limited	—	1,115,033.63
	Guangdong Jingzhu Expressway Guangzhou North Section Company Limited	—	246,555.37
	Guangdong Province guangshan High Speed Passenger Traffic Company Limited	—	224,153.09
	Yangjiang Transportation	11,650,571.52	—
	Guangzhou Yueyun investment	1,941,940.55	—
	Others	329,923.11	2,240,031.67
		189,989,706.27	129,767,059.53

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

6. Amounts due from/to related parties *(Continued)*

CONSOLIDATED (Continued)

Note: The above account receivable included:

- (1) Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the company, provided a loan of of RMB2,000,000, with an annual interest of 5.4%, expiring on 7 April 2013, for Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited, the joint venture. (2011.12.31: RMB2,000,000, 5.4%, 7 April 2013).
- (2) The company provided a loan of RMB107,000,000, with an interest of 6%, for Xinyue Communications (2011.12.31: RMB110,000,000, 6.56%). The company provided a loan of 4,900,000.00 with an annual interest of 6.56% for Oriental Thought in 2012, which has been recovered by the company in Dec. 2012.
- (3) GCGC and its subsidiary provided a loan of RMB2,600,000 with an annual interest of 5.91%, for Shantou City ChaonanYueyun Sky Island Transportation Company Limited, the associates. (Before year: RMB2,600,000, 5.91%)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Other payables	Guangdong Provincial Highway Construction Company Limited	12,541,400.00	—
	Guangdong Humen Bridge Company Limited	—	100,000.00
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	—	100,000.00
	Guangdong Litong Properties Investment Company Limited	1,377,946.00	—
	Guangdong Province Expressway Construction Materials supply station	108,710.77	—
	GCGC	27,894,540.82	282,559,971.90
	Guangzhou Newsoft Technology Company Limited	—	103,746.50
	Express Cross-Border Coach Management Company Limited	206,591.84	180,299.68
	Weisheng Transportation Enterprise Company Limited	2,174,826.32	2,477,799.10
	Logistics International	11,297,004.70	—
	Yangjiang Transportation	972,006.68	—
	Yangjiang City Jiqiang Automobile Sales & Maintenance Company Limited	210,394.29	—
	Xinyue Communications	1,517,111.92	—
	Yueyun Hexing	—	158,439.26
	Others	224,652.81	191,700.30
	Other payables— Cash pool	Guangdong Province Guangshan High Speed Passenger Traffic Company Limited	8,996,185.77
Guangdong Guangjiang High Speed Passenger Traffic Company Limited		1,395,256.37	2,496,286.68
Guangdong Province Bus Terminal Co.,Ltd		1,039,104.64	1,033,880.08
Guangdong shenshan High Speed Passenger Traffic Co.Ltd		13,261,584.52	10,899,583.82
Shenzhen Yueyun		48,913,183.82	—
Meizhou Yueyun		4,506,341.02	—
Other		1981.50	1,977.88
		136,638,823.79	305,939,741.80

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

CONSOLIDATED (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB (Restated)
Dividends receivable	Guangdong Communications Telecommunications Co., Ltd.	—	94,792.23
Long-term Accounts receivable	Lufeng Shenshan Expressway Service Co., Ltd.	1,298,458.89	—
Notes payable	Guangdong Province Expressway Mechanical Material Company Limited	20,247,147.50	—
	Guangzhou Xinyue Asphalt Co., Ltd.	133,821,046.83	—
		154,068,194.33	—
Dividend payable	Xinyue Communications	452,736.84	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

COMPANY

The balance between the company and the subsidiaries are as follows. The balance with other significant related party refer to NoteVII 6 “Amounts due from/to related parties”

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB
Account receivable	Guangdong South China Logistics Enterprise Co., Ltd.	44,256,716.70	41,299,447.20
	Dongguan City Nanyue Jiafu Logistics Co., Ltd.	1,336,880.00	2,454,185.06
	Guangdong Nan Yue Logistics (HK) Limited	1,471,080.88	1,471,080.88
		47,064,677.58	45,224,713.14
Accounts payable	Guangdong Province Transportation Engineering Company Limited	—	4,690.67
	Guangdong South China Logistics Enterprise Co., Ltd.	12,307,434.35	26,536,551.87
		12,307,434.35	26,541,242.54
Prepayment	Guangdong South China Logistics Enterprise Co., Ltd.	35,644,640.72	3,920,000.00
	Dongguan City Nanyue Jiafu Logistics Co., Ltd.	20,992,000.00	—
		56,636,640.72	3,920,000.00
Other receivable	The Motor Transport Company of Guangdong and Hong Kong Limited	423,413.04	503,317.22
	Guangdong Top-E Expressway Service Zone Company Limited	60,000.00	65,000.00
	Guangdong Province Transportation Engineering Company Limited	48,470,015.00	44,950,015.00
	Guangdong South China Logistics Enterprise Co., Ltd.	142,616,214.95	117,567,538.68
	Xinyue Communications	116,014,135.05	
	Guangdong Nan Yue Logistics (HK) Limited	814,488.39	414,247.07
	Guangdong Yuelijia Passenger Transport Co.Ltd (HK)	123,000.20	10,000.00
		192,507,131.58	279,524,253.02

Note: The above other receivable includes lending to Guangdong South China Logistics Enterprise Co., Ltd, with an amount of RMB124,361,220.07 (2011: RMB95,733,425.76). The loan interest is calculated by the one-year loan interest rate stipulated by the bank for the corresponding period. The contract lasts for one year and continues during the period without repayment. Amount due to related parties is subject to short-term bank loan interest rate. If the amount passes due, the one-year contract continues automatically.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

COMPANY (Continued)

Item	Related Party	2012.12.31 RMB	2011.12.31 RMB
Other payable	Guangdong New Way Advertising Co., Ltd	24,488,547.30	18,405,176.30
	Guangdong Top-E Expressway Service Zone Company Limited	146,224,846.59	165,506,073.37
	Guangdong Province Transportation Engineering Company Limited	—	136,676.57
	Guangdong Guantong Expressway Assets management Company Limited	13,173,676.58	13,115,179.80
	Guangdong Jindaoda Expressway Economy Development Company Limited	51,968,188.83	37,769,607.81
	Guangdong South China Logistics Enterprise Co., Ltd.	7,150,960.55	268,700.00
	Guangdong Tai Cheng Consulting Company Limited	—	1,280,330.21
		<u>243,006,219.85</u>	<u>236,481,744.06</u>
Dividend receivable	Guangdong South China Logistics Enterprise Co., Ltd.	—	27,961,854.12
Notes Payable	Guangdong South China Logistics Enterprise Co., Ltd.	<u>115,480,000.00</u>	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VIII) COMMITMENTS

1. Capital commitments

CONSOLIDATED

	2012.12.31	2011.12.31 (Restated)
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	296,445,928.68	97,718,773.58
Capital commitments that have been approved but have not been entered into	<u>8,000,000.00</u>	<u>—</u>
Total	<u><u>304,445,928.68</u></u>	<u><u>97,718,773.58</u></u>

COMPANY

	2012.12.31	2011.12.31
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	1,199,282.95	—
Capital commitments that have been approved but have not been entered into	<u>—</u>	<u>—</u>
Total	<u><u>1,199,282.95</u></u>	<u><u>—</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(VIII) COMMITMENTS (Continued)

2. Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

CONSOLIDATED

	2012.12.31	2011.12.31 (Restated)
		RMB
Subsequent to the balance sheet date:		
Within 1 year	77,246,946.86	77,877,086.39
1 to 2 years	74,928,369.16	75,720,842.21
2 to 3 years	70,584,553.61	74,748,073.71
Over 3 years	997,213,217.13	1,030,891,735.85
Total	1,219,973,086.76	1,259,237,738.16

COMPANY

	2012.12.31	2011.12.31
		RMB
Subsequent to the balance sheet date:		
Within 1 year	615,615.00	615,615.00
1 to 2 years	615,615.00	615,615.00
2 to 3 years	615,615.00	615,615.00
Over 3 years	5,489,233.75	6,104,848.75
Total	7,336,078.75	7,951,693.75

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS

1. Business combination involving enterprises under common control

During the year, basic information about the Group's business combination involving enterprises under common control is as follows:

On 17 September 2012, the Company entered into an asset swap agreement (the "Asset Swap Agreement") and the PSCS agreement with GCGC. Pursuant to these agreements, the Company acquired 100% equity interest in the GVTG held by GCGC and transferred 51%, 71% and 90% equity interests respectively in Oriental Thought, Xinyue Communications and Logistics International (together the "Disposal Group"), all held by the Company, to GCGC, and the excess of consideration for the acquisition of GVTG over the disposal consideration of the Disposal Group was settled by the Company through the issue of PSCS to GCGC. Pursuant to the Asset Swap Agreement, the acquisition consideration of GVTG is RMB 448,110,000.00 and the disposal consideration for the Disposal Group is RMB 166,300,000.00. The excess part, which is the principal of the PSCS, is RMB 281,810,000.00.

GVTG and its subsidiaries are principally engaged in the following businesses: interprovincial passenger and freight transportation by highway, multi-modal logistics, shipping agency, passenger and freight station, storage, lightering, cargo handling and loading/unloading, automobile leasing and repair, property management and leasing.

(1) Information of acquiree

Basis of judgement for business combination involving enterprises under common control: The ultimate holding company of the Company and GVTG before and after the business combination is GCGC.

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. According to the above agreements, the acquisition date is the date on which (i) both parties completed transfer of Injected Assets and Disposal Group and the transfer registration in Administration of Industry of Commerce of the PRC, and (ii) GVTG issued PSCS to GCGC, i.e. 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

1. Business combination involving enterprises under common control (Continued)

(2) The consolidated financial positions on acquisition date and 31 December 2011 are as follows:

	Acquisition date	31/12/2011
	Carrying amount	Carrying amount
	RMB	RMB
Assets:		
Cash and bank balance	260,728,634.38	143,527,040.87
Accounts receivables	77,410,556.96	76,311,360.63
Prepayment	40,942,582.43	36,443,709.59
Other receivables	118,904,359.94	118,730,194.31
Inventories	10,448,552.89	13,605,149.29
Long-term equity investment	85,232,630.35	96,182,595.02
Investment properties	28,525,119.32	162,607,470.78
Fixed assets	774,584,810.16	978,982,475.88
Construction in process	91,529,271.85	90,518,969.62
Intangible asset	232,455,026.76	311,643,588.28
Good will	27,229,945.36	34,788,047.05
Long-term prepaid expenses	12,761,034.92	14,552,315.20
Deferred tax assets	3,047,733.17	2,599,971.89
Other non-current asset	40,089,721.38	74,584,275.72
	<hr/>	<hr/>
Total assets	<u>1,803,889,979.87</u>	<u>2,155,077,164.13</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

1. Business combination involving enterprises under common control (Continued)

(2) The consolidated financial positions on acquisition date and 31 December 2011 are as follows: (Continued)

	Acquisition date Carrying amount RMB	31/12/2011 Carrying amount RMB
Liabilities:		
Short- term borrowings	10,400,000.00	30,570,000.00
Notes payable	—	6,811,870.00
Accounts payable	161,493,019.19	114,275,030.95
Receipts in advance	11,123,047.60	8,196,133.21
Employee benefits payable	37,211,860.65	42,599,321.23
Tax payable	22,058,675.48	30,935,951.49
Interests payable	1,450,000.00	22,133.26
Dividends payable	35,532,542.93	10,902.30
Other payables	210,388,897.10	495,107,639.53
Other current liabilities	50,368,362.89	32,844,431.89
Long- term borrowings	69,732,489.66	137,146,618.29
Bonds payable	297,037,810.39	—
Long-term payables	46,651,523.81	58,463,108.96
Provisions	979,200.00	721,052.31
Deferred tax liabilities	5,168,040.61	14,310,434.61
Other non-current liabilities	22,373,107.59	19,852,824.80
Total liabilities	<u>981,968,577.90</u>	<u>991,867,452.83</u>
Total net assets	<u>821,921,401.97</u>	<u>1,163,209,711.30</u>
Less:Equity attributable to minority interests	<u>455,749,071.10</u>	
Equity attributable to shareholders of the Company	<u>366,172,330.87</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

1. Business combination involving enterprises under common control (Continued)

- (2) The consolidated financial positions on acquisition date and 31 December 2011 are as follows: (Continued)
The acquisition consideration is 51%, 71% and 90% equity interests respectively in Oriental Thought, Xinyue Communications and Logistics International and the value of PSCS. The carrying amount of consideration on acquisition date is as follow.

	Equity	Amount
	%	RMB
Consideration:		
Oriental Thought	51	6,554,706.93
Xinyue Communications	71	109,656,507.72
Logistics International	90	12,475,768.07
PSCS		<u>281,810,000.00</u>
Total	<u>--</u>	<u>410,496,982.72</u>

The consideration is partly settled by the issuance of PSCS to GCGC by the Company with the principal of RMB 281,810,000.00.

	Amount
	RMB
Acquisition consideration in cash and cash equivalents	137,018,259.30
Less: Cash and cash equivalents of the acquired subsidiaries and other business units	<u>254,151,212.54</u>
Net cash payments for acquisitions of subsidiaries and other business units	<u>(117,132,953.24)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

1. Business combination involving enterprises under common control (Continued)

(3) Operation result and cash flow of the acquiree from beginning of the year to acquisition date

	Amount
	RMB
Revenue	1,827,547,362.47
Cost and expense	1,675,125,258.42
Gross margin	175,038,400.87
Net profit	118,751,165.61
Net cash flow from operating activities	358,087,979.43
Net cash flow from investing activities	(232,980,716.30)
Net cash flow from financing activities	(6,432,122.00)
Net increasing of Cash and cash equivalents	118,675,141.13

(4) The accounting policies of the acquiree are consistent with that of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

1. Business combination involving enterprises under common control (Continued)

(5) Financial position, operating result and cash flow information of Disposal Group

Pursuant to the Asset Swap Agreement entered into between the Company and GCGC, the Company transferred 51%, 71% and 90% equity interests respectively in Oriental Thought, Xinyue Communications and Logistics International to GCGC on 31 December 2012.

The total assets and net assets as at 31 December 2012 and 2011, and revenue, net profit and net cash flow from operating activities for the year then ended are as follows:

RMB

Company	Total assets	Net assets	revenue	Net profit	Net cash flow from operating activities
	2012.12.31		2012		
Oriental Thought	30,157,733.82	12,884,837.33	31,311,421.29	(13,918,948.62)	(5,385,678.46)
Xinyue Communications	899,063,991.70	157,224,940.20	616,825,386.95	4,457,150.63	37,853,603.54
Logistics International	14,249,046.12	13,861,964.52	143,895.87	(3,838,177.83)	(4,461,304.31)
	2011.12.31		2011		
Oriental Thought	41,634,189.65	26,784,156.74	52,003,174.08	(10,512,237.37)	5,040,883.33
Xinyue Communications	795,021,216.62	148,309,032.88	436,470,063.26	(32,040,149.54)	(31,274,206.48)
Logistics International	18,178,568.62	17,700,142.35	6,605,635.64	1,380,045.52	22,917,991.61

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS *(Continued)*

2. Free transfer of assets

Before acquisition of GVTG, GVTG freely transfer assets as follow:

Under the Agreement on Free Transfer of the Equity Interest in Yangjiang Transportation, the Agreement on Free Transfer of the Equity Interest in Meizhou Yueyun, the Agreement on Free Transfer of the Equity Interest in Shenzhen Yueyun, the Agreement on Free Transfer of Guangzhou Yueyun Building and the Free Transfer Agreement entered between GVTG and Guangzhou Yueyun Investment, GVTG transferred its equity interest in Yangjiang Transportation, Meizhou Yueyun and Shenzhen Yueyun and its ownership of assets (e.g. Guangzhou Yueyun Building) to Guangzhou Yueyun Investment at nil consideration in June 2012. Approval on Free Transfer of Equity (Yue Jiao Ji Tou No. [2012]59) and Approval on Free Transfer of Ownership of Assets (e.g. Guangzhou Yueyun Building) (Yue Jiao Ji No. [2012]2) have been obtained from the GCGC.

Pursuant to the Agreement on Free Transfer of Equity Interest in Guangzhou Yueyun Investment entered between GVTG and GCGC, GVTG transferred its equity interest in Guangzhou Yueyun Investment to GCGC at nil consideration in June 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

2. Free transfer of assets (Continued)

The total assets and net assets as at 30 June 2012 and 31 December 2011, and revenue, net profit and net cash flow from operating activities for the periods then ended are as follows:

RMB

Company	Total assets	Net assets	Revenue	Net profit	Net cash flow from operating activities
	30/06/2012			2012.1-6	
Yangjiang					
Transportation	40,624,624.31	23,714,963.51	2,056,426.50	36,074.48	217,745.54
Meizhou Yueyun	295,014,647.06	86,277,249.43	98,959,888.76	1,893,793.57	8,180,809.72
Shenzhen Yueyun	295,501,563.02	238,167,042.33	13,466,770.98	207,096.69	18,811,121.50
Guangzhou Yueyun Investment (parent company)	369,095,570.09	369,095,570.09	—	(243,434.92)	6,231.33
		31/12/2011		2011	
Yangjiang					
Transportation	42,229,775.01	23,675,369.56	3,042,271.98	2,176,842.94	(8,279,413.24)
Meizhou Yueyun	287,311,857.08	82,608,876.18	171,139,298.12	11,389,200.86	38,152,155.83
Shenzhen Yueyun	333,530,840.33	83,657,410.07	25,532,076.34	954,280.33	(4,425,660.67)
Guangzhou Yueyun Investment (parent company)	3,001,833.51	3,001,833.51	—	1,833.51	1,833.51

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

2. Free transfer of assets (Continued)

The impact of free transfer of subsidiaries on cash flows was as follows:

	RMB
	Amount
Cash and cash equivalents received from transfer of subsidiaries	—
Less: Cash and cash equivalents held by transferred subsidiaries	15,862,077.77
Net cash paid from transfer of subsidiaries	(15,862,077.77)

The above transaction was completed before acquisition of GVTG by the Company.

Above free transfer of assets resulted in a total decrease in owners' interest attributable to the shareholders of GVTG by RMB 425,311,304.17, which reduced the capital reserve, special reserve, surplus reserve and retained profits by RMB336,914,603.66, RMB856,054.28, RMB45,564,923.06 and RMB41,975,723.17, respectively, and resulted in decrease in minority interests of RMB 47,636,927.93 accordingly.

3. 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, motor transportation and auxiliary service 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

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

3. Segment reporting (Continued)

(1) Segment report

2012

RMB

	Material logistics service	Expressway service zone	Transportation		Motor		Inter-segment eliminations	Total
			intelligence service	Taiping interchange	transporting and auxiliary services	Unlocated items		
I. Operating income	3,565,226,901.04	553,946,886.69	648,136,808.24	137,626,545.00	2,109,560,103.81	5,108,604.76	(409,152,481.56)	6,610,453,367.98
Including: external revenue	3,170,794,072.21	553,299,818.58	639,014,327.25	137,626,545.00	2,109,402,382.94	316,222.00	—	6,610,453,367.98
Inter segment revenue	394,432,828.83	647,068.11	9,122,480.99	—	157,720.87	4,792,382.76	(409,152,481.56)	—
II. Operating costs	3,428,009,831.22	434,779,561.60	559,697,735.61	23,537,295.47	1,596,967,734.96	1,511,161.77	(382,299,860.08)	5,662,203,460.55
III. Income from investments in associates and joint ventures	—	—	—	—	—	5,259,928.30	(173,004.22)	5,086,924.08
IV. Impairment loss of assets	(1,025,517.26)	(1,048,920.00)	494,914.69	—	232,320.46	33,686.14	—	(1,313,515.97)
V. Depreciation and amortisation	12,823,764.13	31,589,383.34	3,015,046.97	17,611,426.96	191,326,406.95	1,593,469.79	(2,410,893.07)	255,548,605.07
VI. Total profit (loss)	(12,935,150.68)	27,066,434.96	(9,093,102.26)	34,053,928.38	182,943,494.20	4,951,199.11	(3,648,524.72)	223,338,278.99
VII. Income tax expenses	3,488,033.16	7,821,101.53	717,852.54	7,876,663.17	57,717,210.57	—	306,100.70	77,926,961.67
VIII. Net profit (loss)	(16,423,183.84)	19,245,333.43	(9,810,954.80)	26,177,265.21	125,226,283.63	4,951,199.11	(3,954,625.42)	145,411,317.32
IX. Total assets	1,237,077,460.35	697,758,629.07	—	1,401,123,782.78	2,037,837,040.99	1,031,909,258.74	(1,388,283,592.90)	5,017,422,579.03
X. Total liabilities	2,040,313,256.83	439,231,827.06	—	28,561,997.40	1,069,526,875.16	54,549,241.66	(572,968,701.83)	3,059,214,496.28

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

3. Segment reporting (Continued)

(1) Segment report (Continued)

2011(Restated)

	RMB							
	Material logistics service	Expressway service zone	Transportation intelligence service	Taiping interchange	Motor transporting and auxiliary services	Unlocated items	Inter-segment eliminations	Total
I. Operating income	3,819,252,187.52	534,332,036.01	580,984,501.22	134,750,253.87	2,063,002,232.46	8,171,443.53	(217,260,953.60)	6,923,231,701.01
Including: external revenue	3,620,936,421.15	534,016,240.61	569,098,723.59	134,750,253.87	2,063,002,232.46	1,427,829.33	—	6,923,231,701.01
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	22,468,167.47	1,572,683,964.64	1,420,724.59	(192,295,279.36)	5,956,174,219.38
III. Income from investments in associates and joint ventures	—	—	—	—	—	7,324,095.85	(177,447.15)	7,146,648.70
IV. Impairment loss of assets	(10,054,511.94)	(720,000.00)	867,023.13	—	59,950.33	—	—	(9,847,538.48)
V. Depreciation and amortisation	12,613,722.42	18,362,690.74	2,677,668.97	16,936,059.01	206,973,639.31	1,946,097.72	(2,018,342.43)	257,491,735.74
VI. Total profit (loss)	80,204,794.12	28,597,480.25	(47,060,297.45)	44,831,657.54	142,463,984.67	5,391,178.18	(2,344,898.39)	252,083,898.92
VII. Income tax expenses	27,441,722.51	8,418,887.62	464,374.86	12,148,002.66	31,682,022.72	—	(368,395.53)	79,786,614.84
VIII. Net profit (loss)	52,763,071.61	20,178,592.63	(47,524,672.31)	32,683,654.88	110,781,961.95	5,391,178.18	(1,976,502.86)	172,297,284.08
IX. Total assets	2,843,774,922.95	634,954,953.09	832,807,528.87	791,777,182.52	2,391,970,367.10	711,612,372.32	(1,300,165,817.42)	6,906,731,508.43
X. Total liabilities	2,906,945,046.44	395,673,484.51	665,253,074.74	132,198,621.81	1,083,150,831.69	51,158,980.27	(786,173,631.87)	4,448,206,407.59

(2) External revenue by geographical area of source and non-current assets by geographical location

	RMB	
External revenue	2012	2011 (Restated)
Mainland China	6,389,539,461.89	6,690,583,381.49
Hongkong	220,913,906.09	232,648,319.52
Total	6,610,453,367.98	6,923,231,701.01
		RMB
Non- current assets	2012.12.31	2011.12.31 (Restated)
Mainland China	1,938,044,076.44	2,374,490,214.23
Hongkong	111,618,050.21	108,613,824.46
Total	2,049,662,126.65	2,483,104,038.69

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

3. Segment reporting (Continued)

(3) Degree of reliance on major customers

Major customers revenue from whom accounts for 10% or more of the total revenue:

	RMB	
Client	2012	2011(Restated)
Guangdong Provincial Chang Da Highway Engineering Company Limited	973,770,043.50	895,714,558.16

4. Discontinued operations

	RMB	
Item	2012	2011(Restated)
Discontinued operating revenue	648,280,704.11	495,078,872.98
Less: discontinued operating expense	660,854,632.41	535,078,849.53
Discontinued operating net profit	(12,573,928.30)	(39,999,976.55)
Less: Discontinued operating income tax expense	726,047.52	1,172,364.84
Discontinued operating net profit after tax	(13,299,975.82)	(41,172,341.39)

5. Financial instruments and risk management

The Group's major financial instruments include cash and bank balance, notes receivable, account receivable, other current assets, dividend receivables, other receivable, short-term borrowings, notes payable, account payables, interest payables, dividend payables, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings and bonds payable. 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. The Group's management manages and monitors these exposures to ensure the risks are monitored at a certain level.

5.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

5. Financial instruments and risk management (Continued)

5.1 Risk management objectives and policies (Continued)

5.1.1 Market risk

5.1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. 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 2012, 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	2012.12.31	2011.12.31
	(Original currency)	(Restated) (original currency)
Cash and cash equivalents-USD	75,899.07	202,689.84
Cash and cash equivalents-HKD	3,147.75	3,147.22
Cash and cash equivalents-RMB	30,940,278.44	30,482,984.29
Accounts receivable-RMB	8,511,939.92	8,531,882.78
Other receivable-RMB	5,230,853.11	5,548,932.59
Accounts payable-RMB	12,444,545.25	7,818,865.20
Other payable-RMB	2,095,081.00	1,641,474.24

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures.

5.1.1.2 Interest rate risk

The Group's interest rate risk of financial instruments include: (1) The risk of change in financial instruments' fair value, related primarily to fixed rate bank borrowings. The Group's borrowing is short-term so as to minimize the risk of changes in fair value. (2) The risk of change in financial instruments' cash flow, related primarily to floated rate bank borrowings. The Group closely monitors the changes of floated rates so as to minimize the risk of changes in cash flow.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS *(Continued)*

5. Financial instruments and risk management *(Continued)*

5.1 Risk management objectives and policies *(Continued)*

5.1.2 Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to other side to follow the contract and the financial guarantees, including the carrying amount of financial assets in balance sheet and the financial guarantees contract disclosed in Note(VII)5(9).

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 credit worthiness. At the end of the year, except for receivables arising from the top five major clients with aggregate amounts of RMB334,981,429.86 (2011.12.31: RMB308,009,700.94), which accounts for 44.33% (2011.12.31: 30.45%) of the Group's receivables, the Group has no other significant risk of credit concentration. And, the major client in the segment of motor transporting and auxiliary services is Public Transport Management Company, wholly owned subsidiary of Foshan Communication Bureau, which enjoys a good credit records and low credit risk.

The credit risk of liquidities is low because all is kept in banks with high credit rating.

5.1.3 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 utilization of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2012, the Group has available unutilised bank loan facilities of RMB 3,876,596,810.58 (2011.12.31: RMB 2,534,918,254.23).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

5. Financial instruments and risk management (Continued)

5.1 Risk management objectives and policies (Continued)

5.1.3 Liquidity risk (Continued)

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

RMB

Item	2012.12.31			Total
	Less than 1 year	1-5 years	Over 5 years	
Cash and bank balances	1,262,223,441.36	625,000.00	—	1,262,848,441.36
Notes receivable	22,090,366.56	—	—	22,090,366.56
Accounts receivable	731,119,119.17	—	—	731,119,119.17
Other receivables	295,434,104.92	1,456,116.49	—	296,890,221.41
Other current assets	16,000,000.00	—	—	16,000,000.00
Short-term borrowings	10,884,339.05	—	—	10,884,339.05
Notes payable	848,060,316.34	—	—	848,060,316.34
Accounts payable	824,154,984.10	—	—	824,154,984.10
Interests payable	1,450,000.00	—	—	1,450,000.00
Dividends payable	36,495,530.40	—	—	36,495,530.40
Other payables	359,652,810.01	5,289,471.12	—	364,942,281.13
Other non-current assets	50,493,457.71	—	—	50,493,457.71
Long-term borrowings	3,368,872.87	71,043,702.73	—	74,412,575.60
Long-term accounts payables	—	47,099,920.04	—	47,099,920.04
Bonds payables	15,950,000.00	334,800,000.00	—	350,750,000.00
Guarantees	9,500,000.00	55,500,000.00	—	65,000,000.00

5.2 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

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

5. Financial instruments and risk management (Continued)

5.3 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.

5.3.1 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:

Item	Change in exchange rate	2012		2011(Restated)	
		Effect on profit	Effect on shareholders equity	Effect on profit	Effect on shareholders equity
All foreign currency	5% increase against RMB	(2,163,957.13)	(2,163,957.13)	(1,918,309.85)	(1,918,309.85)
All foreign currency	5% increase against RMB	2,163,957.13	2,163,957.13	1,918,309.85	1,918,309.85

5.3.2 Interest rate risk:

5.3.2.1 The analysis based on the following assumptions:

Interests and expenses from floated rate financial instruments may be affected by interest rate.

Only interests and expenses are affected by interest rate to the fixed rate financial instruments measured at fair value.

The fair value change of financial instruments is calculated by discounted cash flow approach with the interest rate at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

5. Financial instruments and risk management (Continued)

5.3 Sensitivity analysis (Continued)

5.3.2 Interest rate risk: (Continued)

5.3.2.2 On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Item	Change in interest rate	2011		2011(Restated)	
		Effect on profit	Effect on shareholders equity	Effect on profit	Effect on shareholders equity
Bank deposits	1% increase	11,339,309.39	11,339,309.39	21,342,288.04	21,342,288.04
and borrowings	1% decrease	(11,339,309.39)	(11,339,309.39)	(21,342,288.04)	(21,342,288.04)

6. Material Litigation and Arbitration

In previous years, the Group had filed lawsuits against Tangshan City Shuihou Zhagangyichang, Tangshan Xingye Gongmao Group Company Limited, and Tangshan City 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

7. Employees pension scheme

RMB

Item	Consolidated	
	2012	2011(Restated)
Employees pension scheme	<u>61,070,099.87</u>	<u>59,304,562.08</u>
Total	<u><u>61,070,099.87</u></u>	<u><u>59,304,562.08</u></u>

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.

8. Contingent liabilities

Detail of guarantee provided by GVTG to Meizhou Yueyun has been stated in Note (VII)5(9), GCGC issued document Yue Jiao Ji 2013 [29], and agreed GVTG transferred this guarantee to GCGC. Up to the date of approval of these financial statements, this transfer is still under process.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(IX) OTHER SIGNIFICANT MATTERS (Continued)

9. Other financial information

RMB

Item	Consolidated		Company	
	2012.12.31	2011.12.31 (Restated)	2012.12.31	2011.12.31 (restated)
Net current assets (liabilities)	6,138,148.50	(104,550,580.39)	95,296,369.75	93,200,031.06
Total assets less current liabilities	<u>2,404,111,845.29</u>	<u>2,694,463,868.25</u>	<u>1,253,261,235.46</u>	<u>948,998,746.62</u>

Item	Consolidated		Company	
	2012	2011(Restated)	2012	2011(Restated)
Depreciation	219,480,205.19	221,111,410.94	1,849,820.27	2,325,797.75
Amortisation	36,068,399.88	36,380,324.80	16,790,125.81	15,932,789.21
Audit fee	9,497,836.80	6,467,945.19	3,128,349.05	2,349,408.71
Operating lease:	115,224,860.90	96,654,830.58	9,305,205.60	2,255,266.00
including:PPE	16,520,470.38	10,448,632.88	—	—
Land and building	98,444,209.52	86,206,197.70	9,062,205.60	2,255,266.00
Others	260,181.00	—	243,000.00	—

(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 19 March 2013.

FIVE-YEAR FINANCIAL SUMMARY

(All amounts in RMB'000)

Year ended 31 December	2012	2011	2010	2009	2008
		(restated)	(restated)	(restated)	(restated)
Turnover	6,610,453	6,923,232	7,510,347	7,243,117	8,483,039
Total profit	223,338	252,274	240,689	(144,540)	275,468
Income tax expenses	77,927	79,787	62,246	(44,607)	71,799
Net profit	145,411	172,488	178,443	(99,934)	203,670
Net profit attributable to shareholders of the Company	72,535	125,485	130,724	(149,194)	149,639
Minority interests	72,876	47,003	47,719	49,259	42,628

ASSETS AND LIABILITIES

As at 31 December	2012	2011	2010	2009	2008
		(restated)	(restated)	(restated)	(restated)
Total assets	5,017,423	6,962,529	6,395,258	6,405,554	6,567,619
Total liabilities	3,059,214	4,487,272	3,959,158	4,075,959	4,114,143