



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: 3399)



2011

Interim Report

Contents

Company Profile	2
Company Information	3
Financial Highlights	4
Chairman's Statement	6
Management Discussion and Analysis	9
Business Review	9
Financial Review	12
Other Information	18
Unaudited Interim Financial Statements	
Company's and consolidated Balance Sheets	25
Company's and consolidated Income Statements	28
Company's and consolidated Cash Flow Statements	30
Company's and consolidated Statements of Changes in Shareholder's Equity	34
Notes to the Interim Financial Statements	38
Supplementary Information	107

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

The report may contain certain forward-looking information and/or information that is not based on historical data and uses forward-looking terminology such as "anticipate", "believe", "intend", "could", "expect", "estimate", "may", "ought to", "should" or "will". Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements. In addition, the Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this report as a result of new information, future events or otherwise.

Company Profile

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

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

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

Company Information

LEGAL NAME OF THE COMPANY

Guangdong Nan Yue Logistics Company Limited

STOCK CODE

03399

REGISTERED OFFICE

8th Floor
No.1731-1735 Airport Road
Guangzhou, Guangdong Province
The People's Republic of China

PLACE OF BUSINESS IN HONG KONG

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

BOARD OF DIRECTORS

Executive Directors

Liu Hong
Wang Weibing
Deng Chongzheng
Lu Maohao
Zeng Gangqiang

Non-Executive Directors

Cao Xiaofeng
Lu Yaxing
Zheng Renfa
Cai Xiaojun
Cai Conghua

Independent Non-Executive Directors

Gui Shouping
Liu Shaobuo
Peng Xiaolei

COMPANY SECRETARY

Fung Hon Tung

AUTHORISED REPRESENTATIVES

Wang Weibing
Deng Chongzheng

AUDITOR

Deloitte Touche Tohmatsu CPA Ltd.
30th Floor, Bund Center
No. 222 Yanan Road East
Huangpu District, Shanghai, PRC

PRINCIPAL BANKERS

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

LEGAL ADVISER

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

Financial Highlights

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

	For the six months ended 30 June		
	2011 RMB'000	2010 RMB'000	Change
Results highlights			
Turnover			
Material logistics services	1,445,858	2,159,313	-33%
Expressway service zones	268,394	182,624	47%
Transportation intelligence services	239,697	247,219	-3%
Cross-border transportation services	137,365	128,121	7%
Tai Ping Interchange	65,622	62,239	5%
Total turnover	2,156,936	2,779,516	-22%
Gross profit			
Material logistics services	71,841	71,435	1%
Expressway service zones	79,223	37,559	111%
Transportation intelligence services	26,582	25,627	4%
Cross-border transportation services	21,216	24,289	-13%
Tai Ping Interchange	54,866	51,897	6%
Total gross profit	253,728	210,807	20%
Business taxes and levies	(27,856)	(15,465)	80%
Selling and administrative expenses	(147,815)	(145,600)	2%
Financial expenses	(1,742)	(10,941)	-84%
Impairment losses of assets	7,188	6,769	6%
Investment income	2,547	(1,413)	Not applicable
Operating profit	86,050	44,157	95%
Non-operating income and expenses	3,494	2,952	18%
Total profit	89,544	47,109	90%
Income tax expenses	(38,222)	(13,798)	177%
Net profit	51,322	33,311	54%
Minority interests	6,037	3,331	81%
Net profit attributable to owners of the Company	57,359	36,642	57%
Basic earnings per share (RMB)	0.137	0.088	57%

Financial Highlights

	As at		Change
	30 June 2011 RMB'000	31 December 2010 RMB'000	
Results highlights			
Total assets	4,005,301	4,305,147	-7%
Total net assets	1,297,392	1,347,916	-4%
Equity attributable to owners of the Company	1,110,872	1,153,162	-4%
Net assets per share attributable to the Company's owners (in RMB)	2.66	2.76	-4%
	<u> </u>	<u> </u>	
	For the six months ended 30 June		
	2011	2010	
Ratios			
Gross profit margin (%)	11.76	7.58	
Interest covered ratio (times)	21.46	4.83	
Current ratio (times)	1.10	1.10	
	<u> </u>	<u> </u>	

Gross profit margin = Gross profit / Turnover

Interest covered ratio = Profit before income tax and interest / (Interest expenses + Capitalised interest)

Current ratio = Total current assets / Total current liabilities

Chairman's Statement

I am pleased to take this opportunity to present a review of the business activities of the Group in the first six months of 2011 and a preview of our future development:

BUSINESS REVIEW

As 2011 is the beginning year of the Twelfth Five-Year Plan for China's economy, and driven by the construction of 10 million sets of affordable housing and investment of RMB4 trillion in water resources in the first half of 2011, the investment in fixed assets in China was still vigorous. Consumption was stimulated by the establishment of social welfare system and tax reduction policy. Output of China has been increasing as the global economy has been recovering gradually, and China's economy remained its strong growth momentum. Though the PRC Government controlled over the economic growth, which slowed down the economic growth in the first half of 2011, the economy remained its steady growth. On the other hand, China is facing severe inflation, which creates a huge pressure on China's economy in 2011. Stabilization of overall commodity price is the top priority in macro-economic control. Based on the domestic economic situation, the Group proactively engaged in businesses related to large infrastructure projects, such as material logistics, expressway service zones and transportation intelligence. In addition, leveraging its advantages, the Group expanded its businesses and achieved a satisfactory development.

In respect of material logistics, in the first half of 2011, the Group (1) provided material logistics services of reinforcing steel, steel strand and cement for various expressway projects operated by GCGC, including Guangzhou-Lechang Expressway and the expansion of Guangzhou-Qingyuan Expressway, Jiangmen-Zhaoqing Expressway and Zhaoqing-Huadu Expressway. The Group also provided material logistics services for major construction projects that were not operated by GCGC, such as Guangzhou Metro Route No. 6, Zengcheng-Conghua Expressway, Guangzhou-Heyuan Expressway, Guangzhou-Gaoming Expressway and Guiyang-Guangzhou Railway; (2) strived to improve its warehouse management of the central warehouse of asphalt in Dongguan to speed up the commencement of the operation of port for asphalt in Dongguan, and actively expanded its research and development and processing business of asphalt.

In respects of its expressway service zones business, the Group operated 60 expressway service zones as at 30 June 2011. In the first half of 2011, the Group (1) further enhanced the commercial value of service zones by reforming the commercial property planning and regulating its operation; (2) improved its services through establishing the brand of "Loyee"; (3) formulated overall marketing plan and carried out joint marketing projects with customers, so as to build a win-win relationship with them; (4) refined its emergency management system and inspection system, in order to enhance the supervision and guidance of the CSE management in service zones; and (5) established a customer service center for expressway advertising, so as to further improve the quality of its advertisement and gain customers' recognition for its advertising business. Guangdong New Way Advertising Company Limited, an expressway advertising company owned by the Group, was rewarded as "Top Ten Expressway Media Suppliers in China (中國十強高速公路媒體供應商)" by The 8th China OOH Communication Conference and named as "Top Ten Expressway Advertising Companies in China (中國高速公路廣告十強企業)" by China Highways and Transportation Society in The 2nd Selection of Top Ten Expressway Advertising Companies in China (第二屆中國高速公路廣告10強企業評審活動).

In respect of its transportation intelligence business, the Group worked on 11 electromechanical projects and 3 transportation projects in the first half of 2011. The Group ensured the smooth operation of projects under construction and also improved the settlement and recovery of receivables of each project.

In respect of cross-broader transportation services, based on market condition, in the first half of 2011, the Group (1) adjusted the operating strategies of its passenger and freight transportation and business travel businesses according to their inherent characteristics and achieved satisfactory results; (2) maintained the passenger flow of its existing routes and improved the actual loading rate of transportation, and also enhanced the communication and cooperation with other companies to develop transportation network which has complementary advantages and benefits with each other; (3) increased the economic efficiency of routes by establishing an assessment and incentive system for routes operation and drivers; and (4) integrated internal resources and expanded its chartered business.

OUTLOOK AND STRATEGIES

In the second half of 2011, China's economy is expected to remain its steady growth but will be threatened by the high inflation pressure, and the State will insist on its austerity monetary policy. The interest rate of RMB denominated deposits may be further increased and the appreciation of RMB will remain. Overall economy is expected to grow steadily. The construction of expressways will be affected by the austerity monetary policies, in particular, the limitation on loans in respect of expressway proposed by the China Banking Regulatory Commission. The operating environment of the Company will be also affected by the increasing of labor costs and changes of other policies.

The principle of the Group in the second half of the year will be as follows:

1. Material logistics services

- i. Improve the management of material logistics business to ensure that requirements for quality and supply progress of material are met.
- ii. Strive to expand the market for material logistics business and participate in logistic business for national and local major construction projects to transport steel, cement and asphalt for these projects.
- iii. Speed up the construction of logistics infrastructure and endeavor to complete the construction and commencement of the operation of production lines of modified asphalt. In addition, the Group will also exert its effort to carry out phase II of the construction of the port of asphalt in Dongguan.

Chairman's Statement

2. Expressway service zones

- i. Further accelerate the transformation of commercial real estate and implement the investment and operation of new projects.
- ii. Establish new image of service zones by setting up new VI (Visual Identity) system.
- iii. Further organize large-scale promotion activities through various channels with contractors of investment projects to satisfy customers' needs and bring more benefits to the Company.
- iv. Refine management of its systems and further develop its service brands.
- v. Invest more resources to refine the construction of infrastructure in service zones.
- vi. Improve the repair and maintenance of advertising facilities and encourage staff to comply with the "Safety Manual of the Use of Advertising Facilities (廣告設施運營安全手冊)".

3. Transportation intelligence service

- i. Actively involve in market tendering to further increase market shares.
- ii. Ensure timely completion of major projects and other tasks of transportation intelligence projects.
- iii. Adjust and refine the departments of transportation intelligence services and refine the management of its operation, so as to increase its profitability.

4. Cross-border transportation services

- i. Establish new bases for transportation business.
- ii. Adopt measures to tackle the challenges brought by Guangzhou-Shenzhen High Speed Rail.
- iii. Develop new routes and continue to optimize and adjust routes for passenger transportation.
- iv. Strive to expand new businesses and develop ticketing agency business of Hong Kong-Macau ferry as a new income source of the Company.

Yours faithfully,

Liu Hong

Chairman

Guangzhou, the PRC

23 August 2011

Management Discussion and Analysis

BUSINESS REVIEW

As at 30 June 2011, the four main businesses of the Group are categorised as below:

- (i) material logistics services;
- (ii) expressway service zones;
- (iii) transportation intelligence services; and
- (iv) cross-border transportation services.

Apart from the above businesses, the Group also has a toll collection business at Tai Ping Interchange.

Material logistics services

In the first half of 2011, the State's macro-economic control and restriction on electricity supply in certain regions affected the delivery of material suppliers. However, the Group strengthened its communication with suppliers, and proactively and reasonably arrange the delivery to ensure a timely supply of materials for each project.

The Group participated in supply and management of materials such as reinforcing steel, steel strand and cement for various expressway projects which include 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-Zuhai Western Expressway, Phase III of Shantou-Jieyang Expressway and Zhongshan-Jiangmen Expressway. The Group also delivered materials for major projects other than GCGC expressway projects, including Guangzhou Metro (Route No. 6), Zengcheng-Conghua Expressway, Guangzhou-Heyuan Expressway, Guangzhou-Gaoming Expressway and Guiyang-Guangzhou Railway. In the first half of 2011, the Group supplied a total of 1,133,500 tons of cement, 267,600 tons of reinforcing steel (including steel strand) and 6,000 tons of asphalt.

In the first half of 2011, the Group strengthened its management on material quality and enhanced frequency of sample inspection and examination on its materials. Besides, the Group also convened on site coordination meetings to identify quality problem of particular material, and requested for on site technicians assigned by manufacturers to provide technical support and assist the adjustment of the procedures to ensure the quality of the materials. In addition, the Group also further strengthened its management on procurement and monitored the entire procurement process in accordance with requirement of its procurement management system. By examining and regulating the execution of agreements, the reporting of procurement plans, financing, on site following up, goods delivery, determination of prices, use of funds, material supply, settlement and collection of payments in order to achieve a better control of procurement risk.

The Group continued to improve the management of its central warehouse for asphalt in Dongguan, and actively developed the business of research and development as well as processing of asphalt. The central warehouse for asphalt in Dongguan has commenced its regular research and development, and the Group has put more efforts in the research and development of emulsified asphalt and modified asphalt. The construction of the port for asphalt in Dongguan has completed and passed the inspections for delivery. The Group is arranging the reporting and preparatory works for the port as Category 1 Port.

Management Discussion and Analysis

Expressway service zones

In the first half of 2011, the Group continued to utilize the advantages of its service zone network to promote various businesses of its service zones. The operating result of its service zones was much better than expected.

The Group commenced overall planning and improvement of commercial properties in its service zones to further enhance the commercial value of its service zones. The Group has commenced the redevelopment of commercial properties in Yangjiang, Taimei, Qujiang and Antang service zones in accordance with the procedures specified in the "Planning on Commercial Properties and Five-year Implementation Plan (商業地產規劃及五年實施計劃)" and the plan of redevelopment of commercial properties formulated at the beginning of the year, so as to expand commercial sources of its service zones.

The Group has invited investments by matching projects with mature market and projects under development and introduced brand stores with relatively high awareness to increase the commercial value of its service zones. The Company will continue to expand its service scope and increase the price level and service quality gradually. Besides, the Company will also explore new income sources of its service zones. In addition, the Group will continue to make use of brand effect and introduce more domestic and international reputable brands, such as McDonald's, KFC and "Zhengongfu (真功夫)", to provide more choices for its customers.

In order to realize professionalization of convenient store business, the Group adopted professional and specialized retail network operations by a number of measures, such as reducing procurement cost, integrating structure of suppliers and goods, diversifying sales channels, enhancing the quality of delivery services and regulating the management of stores. In addition, it strived to establish the brand image of convenient store "Loyee" and enhance its service quality. By renovating its stores and providing customers an outstanding shopping experience, the convenient store "Loyee" has been recognized by the market progressively, and the brand has become one of the well received brands in its service zones.

The Group strengthened the integration of advertising sources of its expressways, and currently has 31 sections with 766 planned advertising points. In addition, the Group actively explored new sources and expanded new businesses. It has completed the installation of nearly 1,600 advertising posts in 34 sections of roads and the trial of new integrated media projects such as cone road and scrolling information panels which had commenced operation. On the other hand, the Group has completed the construction of 13 pairs of sky signs in 9 sections and strived for maximizing the value of advertising sources.

By improving its emergency management system and supervising system, the Group strengthened its supervision on CSE (cleaning, security and environmental) management of the service zones. The Group took various measures to further unify, standardize and enhance the CSE management of its service zones.

Transportation intelligence services

In the first half of 2011, the Group has implemented 11 mechanical and electrical projects and 3 transportation projects, it also continued to perform well in constructing and managing system projects and mechanical and electrical maintenance of expressways to ensure the regular operation of projects under development as well as to streamline each of its projects by rationalizing their respective settlement and receivables.

Management Discussion and Analysis

Cross-border transportation services

In the first half of 2011, in respect of cross-border transportation services, facing competition from Guangzhou-Shenzhen High Speed Rail, extremely fierce competition in the transportation market, complicated and changing market condition as well as continuous surge in fuel prices, the Group has adopted a flexible operating strategy and management measures to ensure a sound development of its business.

As to the business of passenger and freight transportation as well as business travel operation, the Group adjusted its operating strategy on passenger transportation timely and adjusted and optimised some routes to increase their operating efficiency. In respect of freight transportation, the Group renewed cooperative agreements with certain major customers to strengthen its market share, and the Group also developed new customers pertinently. In respect of business travel operation, car rental business has developed steadily, and the Group also successfully launched ticketing agency business of Hong Kong-Macau ferry, which operated achieved a satisfactory result.

The Group has emphasised on communication and coordination between stops of routes, and strengthened the operation of its route. Besides, the Group enhanced its communication and cooperation with other companies to establish transportation networks. By taking advantages of each other and creating synergy, passenger flow of its existing routes has been maintained and increased and the actual loading rate of transportation has been secured.

The Group actively integrated its internal sources to expand its chartered business which enlarged the scale of its cross-border car rental business.

Tai Ping Interchange

The Group has the right to collect fees in the Tai Ping Interchange. The revenue from toll collection at Tai Ping Interchange increased approximately 5% in the first half of 2011 as compared with the same period of last year.

Outlook and strategies

In the second half of 2011, China's economy is expected to remain its steady growth but will be threatened by the high inflation pressure, and the State will insist on its austerity monetary policy. The interest rate of RMB denominated deposits may be further increased and the appreciation of RMB will remain. Overall economy is expected to grow steadily. The construction of expressways will be affected by the limitation on loans in respect of expressway under the austerity monetary policies. The operating environment of the Company will be also affected by the increasing of labor costs and changes of other policies.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

The turnover of the Group mainly derived from four business areas, including material logistics services, transportation intelligence services, expressway service zones operation and cross-border transportation services between Hong Kong and Guangdong province, the PRC. Revenue from toll collection business at the Tai Ping Interchange was also accounted in the turnover of the Group. Turnover of the Group for the six months ended 30 June 2011 amounted to RMB2,157 million (2010: RMB2,780 million), representing a decrease of 22% as compared to the same period in 2010 (unless otherwise specified, the comparative figures shall be the financial information for the six months ended 30 June 2010). Such decrease was mainly attributable to the decrease in turnover of material logistics services.

Turnover by business segment

	For the six months ended 30 June			
	2011		2010	
	RMB'000	Percentage	RMB'000	Percentage
Material logistics services	1,445,858	68%	2,159,313	77%
Expressway service zones	268,394	12%	182,624	7%
Transportation intelligence services	239,697	11%	247,219	9%
Cross-border transportation services	137,365	6%	128,121	5%
Tai Ping Interchange	65,622	3%	62,239	2%
Total	2,156,936	100%	2,779,516	100%

Material logistics services

Material logistics services was the largest source of income of the Group. During the first half of the year, the turnover for the material logistics service of the Group amounted to RMB1,446 million (2010: RMB2,159 million), which accounted for 68% (2010: 77%) of the total turnover of the Group, representing a decrease of 33%. The decrease in turnover was mainly attributable to (1) the decrease in projects resulted in a fall in supply, especially the supply of asphalt; and (2) the progress of certain projects has lagged behind owing to the government austerity measures.

Expressway service zones

As at 30 June 2011, the number of service zones of the Group was 60 pairs (2010: 47.5 pairs). The turnover of expressway service zones of the Group amounted to approximately RMB268 million (2010: RMB183 million), which accounted for approximately 12% (2010: 7%) of the total turnover of the Group, representing an increase of RMB85 million or approximately 47% as compared to the same period in 2010. Such increase was mainly attributable to (1) the increase in one-off admission fee revenue of gas stations as compared with the same period of last year; (2) the increase in number of gas stations; and (3) the increase in number of operating points of services zones.

Management Discussion and Analysis

Transportation intelligence services

During the first half of the year, turnover of transportation intelligence services amounted to RMB240 million (2010: RMB247 million), which remained at the same level as same period of last year, representing approximately 11% (2010: 9%) of the total turnover of the Group.

Cross-border transportation services

The turnover from the cross-border transportation services of the Group amounted to RMB137 million (2010: RMB128 million) in the first half of the year, which accounted for approximately 6% (2010: 5%) of the total turnover of the Group, representing an increase of 7% as compared with the same period in previous year. Such increase was mainly attributable to the economic recovery after the financial crisis and the increase in passenger routes as well as the effect of enhancement measures.

Tai Ping Interchange

During the first half of the year, the turnover of the Group from Tai Ping Interchange amounted to RMB66 million (2010: RMB62 million), which accounted for approximately 3% (2010: 2%) of the total turnover of the Group, representing an increase of 5% as compared to the same period in previous year. Such increase was mainly due to increase in traffic volume resulted from the economic growth of Guangdong province.

Gross profit

As the one-off admission fees at petrol stations of the service zones increased, the gross profit of the Group for the first half of the year increased by RMB43 million or 20% to RMB254 million (2010: RMB211 million) as compared to the same period of last year. Gross profit margin was 11.76%, which was higher than gross profit margin of 7.58% for the same period of last year.

Gross profit by business segment

	For the six months ended 30 June			
	2011		2010	
	RMB'000	Percentage	RMB'000	Percentage
Material logistics services	71,841	28%	71,435	33%
Expressway service zones	79,223	32%	37,559	18%
Transportation intelligence services	26,582	10%	25,627	12%
Transportation intelligence services	21,216	8%	24,289	12%
Tai Ping Interchange	54,866	22%	51,897	25%
Total	253,728	100%	210,807	100%

Management Discussion and Analysis

Material logistics services

In the first half of the year, the gross profit from material logistics services of the Group amounted to RMB72 million (2010: RMB71 million) and accounted for 28% (2010: 33%) of the Group's total gross profit, which was basically the same as the level of last year. The gross profit margin was 4.97% (2010: 3.31%). Such increase was mainly attributable to the restructuring of project portfolio during the year by reducing the supply for projects outside the province and focusing on the supply for expressway projects within the province, which have higher gross profit margin.

Expressway service zones

In the first half of the year, the gross profit from expressway service zones of the Group amounted to RMB79 million (2010: RMB38 million), which accounted for 32% (2010: 18%) of the total gross profit of the Group. The gross profit margin was 29.52% (2010: 20.57%). Such increase was mainly attributable to the increase in revenue from one-off admission fees at gas stations during the period as compared to the same period of last year.

Transportation intelligence services

In the first half of the year, the gross profit from transportation intelligence services of the Group amounted to RMB27 million (2010: RMB26 million), which accounted for 10% (2010: 12%) of the total gross profit of the Group, representing an increase of RMB1 million or 4%. The gross profit margin was 11.09% (2010: 10.37%), representing a slightly increase as compared to the same period of last year.

Cross-border transportation services

In the first half of the year, the gross profit from cross-border transportation services of the Group amounted to RMB21 million (2010: RMB24 million), which accounted for 8% (2010: 12%) of the total gross profit of the Group, representing a decrease of RMB3 million or 13% as compared to the same period of last year. The gross profit margin was 15.45% (2010: 18.96%). Such decrease was mainly attributable to the increase in costs such as vehicle fuel fees.

Tai Ping Interchange

In the first half of the year, gross profit of Tai Ping Interchange business increased 6% from RMB52 million to RMB55 million year on year and accounted for 22% (2010: 25%) of the Group's total gross profit. The gross profit margin was 83.61% (2010: 83.38%), which is basically the same as last year.

Business taxes and levies

Business taxes and levies increased to RMB28 million from RMB15 million in the same period of last year, representing an increase of RMB13 million or 80%. The increase was mainly attributable to the provision promulgated by the State Administration of Taxation in December 2010, pursuant to which, foreign-invested enterprises are subject to urban construction tax and education surcharges in proportion to the applicable business tax and value-added tax. It was also due to the increase in tax expenses resulting from the increase in revenue from expressway service zones.

Management Discussion and Analysis

Selling and administrative expenses

In the first half of the year, selling expenses and administrative expenses of the Group amounted to RMB41 million and RMB107 million, respectively. Selling and administrative expenses amounted to RMB148 million (2010: RMB146 million), which remained relatively stable as compared with that of last year.

Finance costs

Finance costs decreased to RMB2 million from RMB11 million in the same period of last year, representing a decrease of 84%. The decrease was mainly attributable to the decrease in the business volume.

Liquidity and capital structure

As at 30 June 2011, cash and bank balances of the Group amounted to RMB929 million (31 December 2010: RMB1,683 million). As at 30 June 2011, balance of bills payable amounted to RMB514 million (31 December 2010: RMB706 million); the net current assets of the Group amounted to RMB272 million (31 December 2010: RMB314 million); current ratio of the Group was 1.10 times (31 December 2010: 1.11 times).

Cash flow

In the first half of the year, the Group satisfied its requirement for cash in respect of 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.

As at the first half of 2011, cash and cash equivalents (after deducting the effect of the foreign exchange) were as follows:

Cash and cash equivalents:

	For the six months ended 30 June		
	2011 RMB'000	2010 RMB'000	Change
Cash from/(used in)			
Operating activities	(860,398)	(808,973)	6%
Investing activities	(97,038)	(216,507)	-55%
Financing activities	210,202	282,381	-26%
	<u> </u>	<u> </u>	
Decrease in cash and cash equivalents	<u><u>(747,234)</u></u>	<u><u>(743,099)</u></u>	

Management Discussion and Analysis

Operating activities

The net cash outflow from operating activities amounted to RMB860 million (2010: net cash outflow of RMB809 million) in the first half of the year, representing an increase of RMB51 million, which was mainly attributable to the slow down in the collection of the receivables affected by the government austerity measures in the first half of the year.

Investing activities

The net cash used in investing activities of the Group in the first half of the year amounted to RMB97 million, mainly including (i) RMB70 million for the acquisition of Guangdong Transportation Engineering Company Limited; (ii) RMB10 million for major repairs costs of Tai Ping Interchange; (iii) RMB9 million for construction of service zones; and (iv) RMB7 million for asset acquisition of cross-border transportation business.

Financing activities

The net cash inflow from financing activities in the first half of the year amounted to RMB210 million (2010: net cash inflow of RMB282 million), which was mainly attributable to increase in short term bank borrowing.

Borrowings

As at 30 June 2011, all outstanding borrowings of the Group, which were short-term unsecured bank loans bearing fixed interest rate, with a total amount of RMB255 million (30 June 2010: RMB300 million), representing a decrease of RMB45 million year-on-year.

Pledged assets

As at 30 June 2011, land use rights with net carrying amount of RMB89 million (30 June 2010: RMB95 million) and a fixed deposit of RMB183 million (30 June 2010: RMB183 million) are used for an application for a charging order against the defendants' assets under a litigation in Mainland China as disclosed in page 23 of this interim report under section headed "Material Litigation and Arbitration".

Acquisitions

As at 30 June 2011, the Group had no acquisitions pending for completion.

Post balance sheet date events

Nil.

Management Discussion and Analysis

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in Renminbi, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2011, the working capital and liquidity of the Group were slightly affected by the fluctuations in currency exchange rate. The Directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of Renminbi, and based on its operating needs will adopt proper measures to reduce the currency risk exposures of the Group.

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company and its subsidiaries have not purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2011.

INTERESTS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, the interests (or long positions) and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) as notified to the Company and to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listings Rules, were as follows:

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

As at 30 June 2011, none of the Directors, the supervisors or the chief executive of the Company held any interests 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	Type of interests	Number of shares held	Percentage in the relevant class of share capital (approx.%)	Notes
Guangdong Provincial Expressway Development Co. Ltd. ("Guangdong Expressway")	Liu Hong	Personal	11,972	0.001	(1)
Guangdong Expressway	Lu Maohao	Personal	18,421	0.002	(2)
Guangdong Expressway	Rao Fengsheng	Personal	2,602	0.0003	(3)
Guangdong Expressway	Chen Chuxuan	Personal	5,987	0.0007	(4)

Notes:

- (1) Liu Hong is taken to be interested in 11,972 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.
- (2) Lu Maohao is taken to be interested in 18,421 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.
- (3) Rao Fengsheng is taken to be interested in 2,602 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.
- (4) Chen Chuxuan is taken to be interested in 5,987 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.

Except as disclosed above, as at 30 June 2011, none of the Directors, the supervisors or the chief executive 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) were notified to the Company and the Stock Exchange pursuant to the 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 were recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

So far as it was known to the Directors, as at 30 June 2011, the following persons (not being any of the Directors, the supervisors and the chief executive of the Company) had an interest (or long position) or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Note:

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

Except as disclosed above, as at 30 June 2011, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30 June 2011, GCGC held 142,266,080 domestic shares of the Company, representing 34.06% of the total issued share capital of the Company, while Guangdong Highway Construction held 96,476,444 domestic shares of the Company, representing 23.10% of the total 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 30 June 2011 was RMB26,800,000,000. It is principally engaged in investment, construction and management of the expressways in the Guangdong province.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance in the Group and the Board considers that effective corporate governance is crucial to the success of a company and to enhance shareholder's value. The Company has adopted and complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited) ("the Listing Rules") during the six months ended 30 June 2011, as its own code on corporate governance practices.

None of the Directors was aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions as set out in the Corporate Governance Code during the six months ended 30 June 2011.

Other Information

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct (“Code of Conduct”) regarding securities transactions by the Directors and Supervisors, on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2011.

BOARD OF DIRECTORS

As at 30 June 2011, the Board consisted of thirteen members, including five executive Directors, Mr. Liu Hong, Mr. Wang Weibing, Mr. Deng Chongzheng, Mr. Lu Maohao and Mr. Zeng Gangqiang; five non-executive Directors, Mr. Cao Xiaofeng, Mr. Lu Yaxing, Mr. Zheng Renfa, Mr. Cai Xiaoju and Mr. Cai Conghua and three independent non-executive Directors, Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the “Corporate Governance Code”). The Company has complied with the requirements on the audit committee set out in Rule 3.21 to the Listing Rules during the six months ended 30 June 2011.

The primary duties of the audit committee of the Company (the “Audit Committee”) are, among others, to appoint external auditors, review and supervise the financial reporting process, review interim and annual results and internal control system of the Group and provide advice and comments to the Board. As at 30 June 2011, the audit committee consisted of three member, Mr. Peng Xiaolei (Chairman), Mr. Liu Shaobuo and Mr. Cao Xiaofeng. The committee has reviewed the unaudited interim financial statements of the Company for the six months ended 30 June 2011. The auditor of the Company, Deloitte Touche Tohmatsu CPA Ltd., has also reviewed the unaudited interim financial statements for the period in accordance with Chinese Standards on Review Engagements 2101 “Review of Financial statements” issued by the Chinese Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

As at 30 June 2011, the supervisory committee consisted of seven members, two of which were independent Supervisors (namely Ms. Zhou Jiede and Ms. Cheng Zhuo), two of which were shareholder Supervisors (namely Mr. Chen Chuxuan and Ms. Xiao Li) and three of which were Supervisors representing the staff of the Group (namely Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 3,466 employees as at 30 June 2011. Total staff cost for the Group for the six months ended 30 June 2011, including remuneration of the Directors, amounted to RMB149 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

On 23 March 2011, the Board recommended the payment of the final dividend of 2010 of RMB0.066 per ordinary share (pre-tax) or equivalent to RMB0.059 (after-tax). Such proposal was approved by the shareholders of the Company at the annual general meeting of the Company held on 8 June 2011 (the "AGM"). Please refer to the circular of the Company dated 20 April 2011 for details.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Shareholders was considered and approved certain amendments to the articles of association of the Company (the "Articles of Association") at the AGM. Amendments to the Articles of Association are for the purposes to (a) reflect the change of name of the promoter and holder of the domestic shares of the Company from "Guangdong Communication Enterprise Investment Company" to "Guangdong Communication Enterprise Investment Company Limited"; and (b) make corresponding changes in light of the recent acceptance of Mainland accounting and auditing standards and Mainland audit firms by the Stock Exchange.

The legal advisers of the Company have confirmed that the proposed amendments to the Articles of Association are in compliance with the requirements of Listing Rules and the laws of the PRC. The Company also confirms that there is nothing unusual about the proposed amendments to the Articles of Association for a company listed in Hong Kong.

MATERIAL LITIGATION AND ARBITRATION

As at the latest practicable date of the Report, the Board was aware of the following material litigations involving the Company:

The Company brought a legal proceeding before 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 for purchase of steel products in the amount of RMB472,397,000 due to the Company from the above defendants. The Company has applied to the court for a charging order against the defendants' assets. The Guangzhou Intermediate People's Court has given its judgment on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company and 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 actions in accordance with the judgment.

Other Information

CHANGE OF AUDITORS OF THE COMPANY

PricewaterhouseCoopers (“PwC”) has retired as the international auditors of the Company and Guangdong Zhengzhong Zhujiang Certified Public Accountants (“Zhengzhong Zhujiang”) has retired as the PRC auditors of the Company with effect from the close of the AGM.

Pursuant to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” issued by the Stock Exchange in December 2010 and the related amendments to the Listing Rules, Mainland incorporated issuers are allowed to prepare their financial statements using Mainland accounting standards, and Mainland accounting firms that have been approved (the “Approved Mainland Accounting Firms”) by the Ministry of Finance of the PRC and the China Securities Regulatory Commission are eligible to provide auditing services to these issuers using Mainland auditing standards.

The Company’s financial statements were used to be prepared in accordance with accounting principles generally accepted in Hong Kong (“HKGAAP”) for disclosure purposes in Hong Kong. In light of the above changes and in order to enhance efficiency and to save cost, the Company prepared financial statements for disclosure in Hong Kong in accordance with the Accounting Standards for Business Enterprises and relevant regulations (“CAS”) promulgated by the Ministry of Finance of the PRC with effect from this financial year. CAS has been applied retrospectively and the comparative financial information has been converted in accordance with the CAS.

The Board proposed to appoint an Approved Mainland Accounting Firm as the sole external auditors of the Company for the year 2011. The Company audit was then put out to tender, and Deloitte Touche Tohmatsu CPA Ltd. (“DTT”) was successful in the tendering process.

Each of PwC and Zhengzhong Zhujiang has confirmed that there are no circumstances in connection with its retirement which should be brought to the attention of the Shareholders. The Board also confirms that there are no circumstances in respect of the proposed change of auditors or the retirement of PwC and Zhengzhong Zhujiang that need to be brought to the attention of the Shareholders.

The ordinary resolution proposed was considered by the Shareholders at the AGM and the Shareholders approved the proposed appointment of DTT as the new auditors of the Company.

Company's and Consolidated Balance Sheets

ASSETS	Note 6	Consolidated		Company	
		As at 30 June 2011 RMB (unaudited)	As at 31 December 2010 RMB (restated)	As at 30 June 2011 RMB (unaudited)	As at 31 December 2010 RMB (restated)
Current Assets:					
Cash and bank balances		928,884,507.26	1,683,100,952.37	622,629,881.25	1,343,647,604.49
Notes receivable		—	32,383,500.62	—	32,383,500.62
Accounts receivable	(1)	1,089,227,147.34	624,806,299.74	931,441,670.84	409,515,313.38
Prepayments		157,000,537.48	137,972,083.27	98,035,380.80	53,552,820.25
Dividends receivable		—	—	47,786,877.84	47,786,877.84
Other receivables		240,332,663.27	210,811,316.25	312,926,875.46	267,248,610.05
Inventories	(2)	558,023,241.35	570,522,385.33	201,517,354.14	212,565,446.24
Other current assets		—	—	4,900,800.00	—
Total Current Assets		2,973,468,096.70	3,259,596,537.58	2,219,238,840.33	2,366,700,172.87
Non-current Assets:					
Long-term receivables		12,000,000.00	12,000,000.00	—	—
Long-term equity investments	(3)	73,246,937.47	70,699,687.29	488,540,295.23	487,153,769.58
Investment properties		3,628,333.08	7,433,091.41	—	—
Fixed assets	(4)	400,521,035.08	407,075,957.70	7,977,534.42	7,940,064.50
Construction in progress		25,420,871.91	17,499,341.79	10,939,311.97	2,940,537.24
Intangible assets	(5)	348,017,845.14	359,457,240.63	208,765,993.54	215,858,873.86
Development expenditure		—	110,970.00	—	—
Long-term prepaid expenses		10,925,428.62	11,717,922.52	5,388,094.94	5,393,648.46
Deferred tax assets		158,072,222.37	159,555,976.74	131,917,947.87	134,068,486.72
Total Non-current Assets		1,031,832,673.67	1,045,550,188.08	853,529,177.97	853,355,380.36
TOTAL ASSETS		4,005,300,770.37	4,305,146,725.66	3,072,768,018.30	3,220,055,553.23

Company's and Consolidated Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 6	Consolidated		Company	
		As at 30 June 2011 RMB (unaudited)	As at 31 December 2010 RMB (restated)	As at 30 June 2011 RMB (unaudited)	As at 31 December 2010 RMB (restated)
Current Liabilities:					
Short-term borrowings	(6)	255,000,000.00	—	255,000,000.00	—
Notes payable		513,746,118.61	705,783,187.96	513,746,118.61	705,783,187.96
Accounts payable	(7)	1,101,308,240.88	1,110,411,283.41	743,105,802.60	774,416,905.24
Receipts in advance		453,044,473.52	757,064,148.36	98,192,274.33	380,603,181.17
Employee benefits payable		52,806,547.88	46,251,995.03	12,296,349.24	9,930,998.85
Taxes payable		167,646,763.91	154,257,865.17	160,342,272.86	148,138,180.64
Interests payable		379,362.95	—	379,362.95	—
Dividends payable		27,564,363.22	—	27,564,363.22	—
Other payables		130,307,312.65	171,062,102.94	345,672,910.98	255,809,175.74
Total Current Liabilities		2,701,803,183.62	2,944,830,582.87	2,156,299,454.79	2,274,681,629.60
Non-current Liabilities:					
Long-term payables		—	6,954,653.98	—	2,479,883.04
Deferred tax liabilities		1,573,294.62	995,189.47	—	—
Other non-current liabilities		4,531,903.00	4,450,000.00	—	—
Total Non-current Liabilities		6,105,197.62	12,399,843.45	—	2,479,883.04
TOTAL LIABILITIES		2,707,908,381.24	2,957,230,426.32	2,156,299,454.79	2,277,161,512.64

Company's and Consolidated Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 6	Consolidated		Company	
		As at 30 June 2011 RMB (unaudited)	As at 31 December 2010 RMB (restated)	As at 30 June 2011 RMB (unaudited)	As at 31 December 2010 RMB (restated)
Shareholders' Equity:					
Share capital		417,641,867.00	417,641,867.00	417,641,867.00	417,641,867.00
Capital reserve		274,825,436.40	344,390,293.02	238,064,703.29	307,629,559.91
Special reserve		2,130,350.21	1,379,199.25	—	2,600.00
Surplus reserve		110,174,201.20	110,174,201.20	107,696,112.34	107,696,112.34
Retained profits	(9)	338,741,542.71	308,946,768.14	153,065,880.88	109,923,901.34
Translation difference arising on translation of financial statements denominated in foreign currencies		(32,641,864.52)	(29,370,460.60)	—	—
Equity attributable to owners of the Company		1,110,871,533.00	1,153,161,868.01	916,468,563.51	942,894,040.59
Equity attributable to minority interests		186,520,856.13	194,754,431.33	—	—
TOTAL SHAREHOLDERS' EQUITY		1,297,392,389.13	1,347,916,299.34	916,468,563.51	942,894,040.59
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,005,300,770.37	4,305,146,725.66	3,072,768,018.30	3,220,055,553.23

The accompanying notes are parts of the financial statements.

The financial statements on page 25 to 106 are signed by the following:

Legal Representative

Principal in charge of
accounting

Head of accounting
department

Company's and Consolidated Income Statement

ITEMS	Note 6	Consolidated		Company	
		For the six months ended		For the six months ended	
		30 June	30 June	30 June	30 June
		2011	2010	2011	2010
		RMB	RMB	RMB	RMB
		(unaudited)	(restated)	(unaudited)	(restated)
I		2,156,936,453.80	2,779,516,373.00	1,480,587,046.51	2,211,876,006.00
		1,903,208,267.76	2,568,709,143.78	1,353,882,743.63	2,107,897,992.00
		27,856,351.33	15,465,346.60	9,133,955.38	1,715,848.00
		40,944,777.67	35,518,010.50	9,611,116.26	10,021,593.00
		106,870,040.97	110,081,495.36	23,909,189.74	28,213,024.00
	(10)	1,742,027.54	10,941,037.45	(1,205,455.94)	9,318,447.00
		(7,188,106.23)	(6,768,811.00)	(6,789,731.57)	(4,556,590.00)
	(11)	2,547,250.17	(1,412,894.00)	1,452,879.50	97,337,298.00
		2,547,250.17	601,892.65	1,386,525.65	209,538.00
II		86,050,344.93	44,157,256.31	93,498,108.51	156,602,990.00
		3,650,854.98	5,125,506.00	—	—
		156,824.31	2,173,939.00	15,439.09	860,070.00
		50,777.51	14,531.00	12,082.20	—
III		89,544,375.60	47,108,823.31	93,482,669.42	155,742,920.00
		38,222,072.42	13,798,181.00	22,776,326.66	14,450,330.00

Company's and Consolidated Statement of Cash Flow

	Consolidation		Company	
	For the six months ended		For the six months ended	
Note 6	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)
I. Cash Flows from				
Operating Activities:				
Cash receipts from the sale of goods and the rendering of services	1,754,482,764.75	2,518,380,300.00	952,982,869.17	1,844,178,185.00
Receipts of tax refunds	3,231,659.84	—	—	—
Other cash receipts relating to operating activities	7,442,897.83	66,389,349.14	3,381,165.77	44,094,284.00
Sub-total of cash inflows from operating activities	1,765,157,322.42	2,584,769,649.14	956,364,034.94	1,888,272,469.00
Cash payments for goods purchased and services received	2,324,053,718.68	2,951,561,724.00	1,782,207,343.84	2,492,829,404.09
Cash payments to and on behalf of employees	141,659,248.64	123,987,068.74	13,633,514.64	10,412,126.00
Payments of various types taxes	76,978,281.86	114,621,684.52	31,278,872.89	67,398,232.00
Other cash payments relating to operating activities	82,863,626.24	203,572,210.29	70,809,217.39	130,275,356.28
Sub-total of cash outflows from operating activities	2,625,554,875.42	3,393,742,687.55	1,897,928,948.76	2,700,915,118.37
Net Cash Flow from Operating Activities	(860,397,553.00)	(808,973,038.41)	(941,564,913.82)	(812,642,649.37)

Company's and Consolidated Statement of Cash Flow

	Consolidation		Company	
	For the six months ended		For the six months ended	
Note 6	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)
II. Cash Flows from Investing Activities:				
Cash receipts from investments income	—	838,940.00	66,353.85	125,088.00
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	2,832,461.11	125,104.00	12,082.20	—
Net cash receipts from disposal of subsidiaries and other business units	—	2,026,000.00	—	—
Other cash receipts relating to investing activities	—	10,390,281.00	—	1,800,409.00
Sub-total of cash inflows from investing activities	2,832,461.11	13,380,325.00	78,436.05	1,925,497.00
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	30,305,585.48	43,987,377.25	8,528,271.22	24,159,159.00
Cash payments to acquire investments	—	—	4,900,800.00	—
Net cash payments for acquisitions of subsidiaries and other business units	69,564,856.62	—	69,564,856.62	—
Other cash payments relating to investing activities	—	185,900,081.00	40,800,000.00	183,000,000.00

Company's and Consolidated Statement of Cash Flow

	Consolidation		Company	
	For the six months ended		For the six months ended	
Note 6	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)
Sub-total of cash outflows from investing activities	99,870,442.10	229,887,458.25	123,793,927.84	207,159,159.00
Net Cash Flow from Investing Activities	(97,037,980.99)	(216,507,133.25)	(123,715,491.79)	(205,233,662.00)
III. Cash Flows from Financing Activities:				
Cash receipts from borrowings	255,000,000.00	350,000,000.00	255,000,000.00	350,000,000.00
Other cash receipts relating to financing activities	—	—	93,097,255.38	28,803,700.89
Sub-total of cash inflows from financing activities	255,000,000.00	350,000,000.00	348,097,255.38	378,803,700.89
Cash repayments of borrowings	40,800,000.00	50,000,000.00	—	50,000,000.00
Cash repayments for distribution of dividends or profits or settlement of interest expenses	3,998,124.94	17,618,699.56	4,414,670.69	5,218,520.61
Including: Payments for distribution of dividends or profits to minority owners of subsidiaries	—	—	—	—
Other cash payments relating to financing activities	—	—	—	—

Company's and Consolidated Statement of Cash Flow

	Consolidation		Company	
	For the six months ended		For the six months ended	
Note 6	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)	30 June 2011 RMB (unaudited)	30 June 2010 RMB (restated)
Sub-total of cash outflows from financing activities	44,798,124.94	67,618,699.56	4,414,670.69	55,218,520.61
Net Cash Flow from Financing Activities	210,201,875.06	282,381,300.44	343,682,584.69	323,585,180.28
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(6,982,786.18)	(765,000.00)	580,097.68	—
V. Net Increase in Cash and Cash Equivalents	(754,216,445.11)	(743,863,871.22)	(721,017,723.24)	(694,291,131.09)
Add: Opening balance of Cash and Cash Equivalents (14)	1,500,100,952.37	1,489,029,271.26	1,160,647,604.49	1,106,079,835.09
VI. Closing Balance of Cash and Cash Equivalents (14)	745,884,507.26	745,165,400.04	439,629,881.25	411,788,704.00

The accompanying notes are parts of the financial statements.

Company's and Consolidated Statement of Changes in Shareholders' Equities

	Consolidated								
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	Equity attributable to owners of the Company	Minority interests	Total shareholders' equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
I At 1 January 2011 (audited)	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
1. Changes in accounting policies	-	-	-	-	-	-	-	-	-
2. Corrections of prior period errors	-	-	-	-	-	-	-	-	-
3. Effect of business combinations under common control	-	45,185,262.81	-	2,478,088.86	(63,205,577.31)	-	(15,542,225.64)	-	(15,542,225.64)
4. Others	-	-	-	-	-	-	-	-	-
II At 1 January 2011	<u>417,641,867.00</u>	<u>344,390,293.02</u>	<u>1,379,199.25</u>	<u>110,174,201.20</u>	<u>308,946,768.14</u>	<u>(29,370,460.60)</u>	<u>1,153,161,868.01</u>	<u>194,754,431.33</u>	<u>1,347,916,299.34</u>
III Changes for the period	-	(69,564,856.62)	751,150.96	-	29,794,774.57	(3,271,403.92)	(42,290,335.01)	(8,233,575.20)	(50,523,910.21)
1 Net profit	-	-	-	-	57,359,137.79	-	57,359,137.79	(6,036,834.61)	51,322,303.18
2 Other comprehensive income	-	-	-	-	-	(3,271,403.92)	(3,271,403.92)	(2,196,740.59)	(5,468,144.51)
Subtotal of 1 and 2	-	-	-	-	57,359,137.79	(3,271,403.92)	54,087,733.87	(8,233,575.20)	45,854,158.67
3 Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-
4 Profit distribution	-	-	-	-	(27,564,363.22)	-	(27,564,363.22)	-	(27,564,363.22)
(1) Distributions to shareholders	-	-	-	-	(27,564,363.22)	-	(27,564,363.22)	-	(27,564,363.22)
5 Special reserve	-	-	751,150.96	-	-	-	751,150.96	-	751,150.96
(1) Amount provided in the period	-	-	1,076,438.69	-	-	-	1,076,438.69	-	1,076,438.69
(2) Amount utilised in the period	-	-	(325,287.73)	-	-	-	(325,287.73)	-	(325,287.73)
6 Others	-	(69,564,856.62)	-	-	-	-	(69,564,856.62)	-	(69,564,856.62)
(1) Effect of business combinations under common Control	-	(69,564,856.62)	-	-	-	-	(69,564,856.62)	-	(69,564,856.62)
IV At 30 June 2011 (unaudited)	<u>417,641,867.00</u>	<u>274,825,436.40</u>	<u>2,130,350.21</u>	<u>110,174,201.20</u>	<u>338,741,542.71</u>	<u>(32,641,864.52)</u>	<u>1,110,871,533.00</u>	<u>186,520,856.13</u>	<u>1,297,392,389.13</u>

The accompanying notes are parts of the financial statements.

Company's and Consolidated Statement of Changes in Shareholders' Equities

	Consolidated					Equity attributable to owners of		Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	the Company		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
I At 1 January 2010 (audited)	417,641,867.00	299,205,030.21	—	90,934,689.64	320,247,771.99	(24,626,565.45)	1,103,402,793.39	197,275,565.54	1,300,678,358.93
1. Changes in accounting policies	—	—	—	—	—	—	—	—	—
2. Corrections of prior period errors	—	—	—	—	—	—	—	—	—
3. Effect of business combination under common control	—	45,185,262.81	—	2,478,088.86	(59,024,724.43)	—	(11,361,372.76)	—	(11,361,372.76)
4. Others	—	—	—	—	—	—	—	—	—
II At 1 January 2010	<u>417,641,867.00</u>	<u>344,390,293.02</u>	<u>—</u>	<u>93,412,778.50</u>	<u>261,223,047.56</u>	<u>(24,626,565.45)</u>	<u>1,092,041,420.63</u>	<u>197,275,565.54</u>	<u>1,289,316,986.17</u>
III Changes for the period	—	—	207,222.00	—	(4,286,839.69)	(1,304,689.00)	(5,384,306.69)	(10,406,918.00)	(15,791,224.69)
1 Net profit	—	—	—	—	36,642,064.31	—	36,642,064.31	(3,331,422.00)	33,310,642.31
2 Other comprehensive income	—	—	—	—	—	(1,304,689.00)	(1,304,689.00)	(874,414.00)	(2,179,103.00)
Subtotal of 1 and 2	—	—	—	—	36,642,064.31	(1,304,689.00)	35,337,375.31	(4,205,836.00)	31,131,539.31
3 Owners' contributions and reduction in capital	—	—	—	—	—	—	—	—	—
4 Profit distribution	—	—	—	—	(40,928,904.00)	—	(40,928,904.00)	(6,201,082.00)	(47,129,986.00)
(1) Transfer to surplus reserve	—	—	—	—	—	—	—	—	—
(2) Distributions to shareholders	—	—	—	—	(40,928,904.00)	—	(40,928,904.00)	(6,201,082.00)	(47,129,986.00)
5 Special reserve	—	—	207,222.00	—	—	—	207,222.00	—	207,222.00
(1) Amount provided in the period	—	—	207,222.00	—	—	—	207,222.00	—	207,222.00
(2) Amount utilised in the period	—	—	—	—	—	—	—	—	—
6 Others	—	—	—	—	—	—	—	—	—
(1) Effect of business combinations under common Control	—	—	—	—	—	—	—	—	—
IV At 30 June 2010 (restrated)	<u>417,641,867.00</u>	<u>344,390,293.02</u>	<u>207,222.00</u>	<u>93,412,778.50</u>	<u>256,936,207.87</u>	<u>(25,931,254.45)</u>	<u>1,086,657,113.94</u>	<u>186,868,647.54</u>	<u>1,273,526,761.48</u>

The accompanying notes are parts of the financial statements.

Company's and Consolidated Statement of Changes in Shareholders' Equities

	Company					Total shareholders' equity RMB
	Share capital RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained profits RMB	
I At 1 January 2011 (audited)	417,641,867.00	307,629,559.91	2,600.00	107,696,112.34	109,923,901.34	942,894,040.59
1. Changes in accounting policies	—	—	—	—	—	—
2. Corrections of prior period errors	—	—	—	—	—	—
3. Effect of business combinations under common control	—	—	—	—	—	—
4. Others	—	—	—	—	—	—
II At 1 January 2011	<u>417,641,867.00</u>	<u>307,629,559.91</u>	<u>2,600.00</u>	<u>107,696,112.34</u>	<u>109,923,901.34</u>	<u>942,894,040.59</u>
III Changes for the period	—	(69,564,856.62)	(2,600.00)	—	43,141,979.54	(26,425,477.08)
1 Net profit	—	—	—	—	70,706,342.76	70,706,342.76
2 Other comprehensive income	—	—	—	—	—	—
Subtotal of 1 and 2	—	—	—	—	70,706,342.76	70,706,342.76
3 Owners' contributions and reduction in capital	—	—	—	—	—	—
4 Profit distribution	—	—	—	—	(27,564,363.22)	(27,564,363.22)
(1) Distributions to shareholders	—	—	—	—	(27,564,363.22)	(27,564,363.22)
5 Special reserve	—	—	(2,600.00)	—	—	(2,600.00)
(1) Amount provided in the period	—	—	—	—	—	—
(2) Amount utilised in the period	—	—	(2,600.00)	—	—	(2,600.00)
6 Others	—	(69,564,856.62)	—	—	—	(69,564,856.62)
(1) Effect of business combinations under common Control	—	(69,564,856.62)	—	—	—	(69,564,856.62)
IV At 30 June 2011 (unaudited)	<u>417,641,867.00</u>	<u>238,064,703.29</u>	<u>—</u>	<u>107,696,112.34</u>	<u>153,065,880.88</u>	<u>916,468,563.51</u>

The accompanying notes are parts of the financial statements.

Company's and Consolidated Statement of Changes in Shareholders' Equities

	Company					Total shareholders' equity RMB
	Share capital RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained profits RMB	
I At 1 January 2010 (audited)	417,641,867.00	307,629,559.91	—	90,934,689.64	(13,581,715.41)	802,624,401.14
1. Changes in accounting policies	—	—	—	—	—	—
2. Corrections of prior period errors	—	—	—	—	—	—
3. The effect of business combination under common control	—	—	—	—	—	—
4. Others	—	—	—	—	—	—
	<u>417,641,867.00</u>	<u>307,629,559.91</u>	<u>—</u>	<u>90,934,689.64</u>	<u>(13,581,715.41)</u>	<u>802,624,401.14</u>
II At 1 January 2010	<u>417,641,867.00</u>	<u>307,629,559.91</u>	<u>—</u>	<u>90,934,689.64</u>	<u>(13,581,715.41)</u>	<u>802,624,401.14</u>
III Changes for the period	—	—	—	—	100,363,686.00	100,363,686.00
1. Net profit	—	—	—	—	141,292,590.00	141,292,590.00
2. Other comprehensive income	—	—	—	—	—	—
Subtotal of 1 and 2	—	—	—	—	141,292,590.00	141,292,590.00
3. Owners' contributions and reduction in capital	—	—	—	—	—	—
4. Profit distribution	—	—	—	—	(40,928,904.00)	(40,928,904.00)
(1) Transfer to surplus reserve	—	—	—	—	—	—
(2) Distributions to shareholders	—	—	—	—	(40,928,904.00)	(40,928,904.00)
5. Special reserve	—	—	—	—	—	—
(1) Amount provided in the period	—	—	—	—	—	—
(2) Amount utilized in the period	—	—	—	—	—	—
6. Others	—	—	—	—	—	—
(1) The effect of business combinations under common Control	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
IV At 30 June 2010 (restated)	<u>417,641,867.00</u>	<u>307,629,559.91</u>	<u>—</u>	<u>90,934,689.64</u>	<u>86,781,970.59</u>	<u>902,988,087.14</u>

The accompanying notes are parts of the financial statements.

Notes To The Interim Financial Statements

1. INFORMATION

Guangdong Nan Yue Logistics Company Limited was established in the People's Republic of China (the "PRC") on 28 December 1999 as a limited company under the name of Guangdong Yuedi Communications Company Limited by Guangdong Provincial Highway Construction Company Limited, Guangdong Communication Enterprise Investment Company Limited, Guangdong Province Road&Bridge Construction Development Company Limited, Guangdong Weisheng Transportation Enterprise Company Limited and Guangdong Guantong Expressway Assets Management Company Limited. On 25 December 2000, Guangdong Yuedi Communications Company Limited was converted to a joint stock limited company under the approval of the People's Government Municipality Yue Ban Han (2000) No.685 and Economic and Trade Commission of Guangdong Province Yue Jing Mao Jian Du (2000) No.1057. On 1 April 2002, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong Yuedi Communications Company Limited was renamed as Guangdong Nan Yue Logistics Company Limited (the "Company"). The registered capital of the Company was RMB292,187,322.00.

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 12,545,455 new H shares, and 12,545,455 sale H shares converted from Domestic shares. The registered capital of the Company was changed to RMB 417,641,867.00 after the placing and public offer.

The Company and its subsidiaries (the "Group") are principally engaged in the following businesses: (1) material logistics services, mainly including logistics management for expressway and other sizable infrastructure projects; (2) expressway service zones operation and related auxiliary services, such as operating food and beverage network, convenience stores, outdoor advertising for expressways, vehicle maintenance and gas stations; (3) transportation intelligence services, including safety facilities installation and maintenance and toll collection; and (4) cross-border transportation services, in particular operating routes between Hong Kong Special Administrative Region of the PRC ("**Hong Kong**") and the Guangdong Province, the PRC and (5) toll collection and operation businesses at Tai Ping Interchange in the Guangdong Province, the PRC.

The Company's ultimate holding company is Guangdong Provincial Communication Group Company Limited ("GCGC").

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

The Company's and consolidated interim financial statements have been prepared in accordance with China Accounting Standard 32 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules"). The Company's and consolidated interim financial statements of prior period disclosed in the Main Board of the SEHK was prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The accounting policies used in the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 that was prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MoF") on 15 February 2006 ("CAS").

1. 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 30 June 2011, and the Company's and consolidated results of operations and cash flows for the six months ended 30 June 2011.

2. Basis of accounting and principle of measurement

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

3. Accounting period

The Group has adopted the calendar year as its accounting year, from 1 January to 31 December. The accounting period of these interim financial statements is from 1 January to 30 June.

4. 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

5.1 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 profits.

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

5.2 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(Continued)*

5.2 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. 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 owners' 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 owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained profits.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. 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.

7. 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.

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

8. Translation of transactions and financial statements denominated in foreign currencies *(Continued)*

8.1 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.

8.2 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. 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.

9.1 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.

9.2 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.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.3 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.

9.3.1. 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.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.3 Classification, recognition and measurement of financial assets *(Continued)*

9.3.2. 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.

9.3.3. 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.

9.3.4. 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.4 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.4 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 assets

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

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.4 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.

9.5 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.6 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.

9.6.1. 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.6 Classification, recognition and measurement of financial liabilities *(Continued)*

9.6.2. 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.

9.7 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.

9.8 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.

9.9 Equity instruments

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

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Receivables

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

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

11. Inventories

11.1 Categories of inventories

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.

11.2 Valuation method of inventories upon delivery

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Inventories *(Continued)*

11.3 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.

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12. Long-term equity investments

12.1 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.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Long-term equity investments *(Continued)*

12.2 Subsequent measurement and recognition of profit or loss

12.2.1. 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

12.2.2. 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.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Long-term equity investments *(Continued)*

12.2 Subsequent measurement and recognition of profit or loss *(Continued)*

12.2.2 Long-term equity investment accounted for using the equity method *(Continued)*

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 owners' 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.

12.2.3 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.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Long-term equity investments *(Continued)*

12.3 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.

12.4 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

14. Fixed assets

14.1 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 more than 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.

14.2 Depreciation of each category of fixed assets

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

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

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

14. Fixed assets *(Continued)*

14.3 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.

14.4 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.

15. 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Borrowing Costs

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

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

17. Intangible assets

17.1 Intangible assets

Intangible assets include land use rights, franchise operating rights ("toll bridge franchise"), royalties, the right to use the coastline, computer software, vehicle license, etc.

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

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Intangible assets *(Continued)*

17.2 Research and development expenditure

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

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

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

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

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

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

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

18. Long-term prepaid expenses

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

19. Provisions

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

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

20. Revenue

20.1 Revenue from sale of goods

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

20.2 Revenue from rendering of services

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

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

20. Revenue *(Continued)*

20.3. Revenue from construction contracts

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

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

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

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Government grants

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

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

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

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

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

22. Deferred tax assets/ deferred tax liabilities

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

22.1 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.

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Deferred tax assets/ deferred tax liabilities *(Continued)*

22.2 Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

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

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Deferred tax assets/ deferred tax liabilities *(Continued)*

22.2 Deferred tax assets and deferred tax liabilities *(Continued)*

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.

23. 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.

23.1 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.

23.2 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 more than 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 Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Employee benefits

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

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

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

25. Taxes

25.1 Major categories of taxes and tax rates

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

Notes To The Interim Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

25. Taxes *(Continued)*

25.2 Tax incentive and approval

Except for Guangdong Oriental Thought Technology Company Limited, Guangdong Xinyue Communications Company Limited and Shenzhen Yuegang Transport Company Limited, all the other group companies established in Mainland China are subject to Enterprise Income Tax Law of the People's Republic of China published on 16 March 2007 ("EIT"), which has been calculated on the estimated assessable profit for the period at a rate of 25%. Guangdong Oriental Thought Technology Company Limited and Guangdong Xinyue Communications Company Limited are approved as new high-tech enterprises by the relevant government authorities, and are subject to EIT at a rate of 15%. Shenzhen Yuegang is located in Shenzhen Special Economic Zone and is subject to a preferential tax rate of 24% (2010: 22%).

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the year at a rate of 16.5% (2010: 16.5%).

4. PRIOR PERIOD ADJUSTMENTS

ITEM	Financial statement items	Increase (Decrease) Consolidated financial statement at 31 December 2010
		RMB
Reclassify the Taiping interchange right from fixed assets to intangible assets.	Intangible assets	203,312,649.80
	Fixed assets	(203,312,649.80)
Reclassify the presentation of accounts receivable, receipts in advance, accounts payable and prepayments.	Accounts receivable	45,966,071.64
	Receipts in advance	3,039,791.31
	Accounts payable	29,311,694.09
	Prepayments	(13,614,586.24)

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

Notes To The Interim Financial Statements

5. SCOPE OF CONSOLIDATION

Business combinations involving enterprise under common control occurred in current period:

Name	Type of the Entity	Place of incorporation	Nature of business	Registered capital RMB	Actual investment of the Company RMB	Proportion of ownership interest (%)	Proportion of voting power (%)
Guangdong Transportation Engineering Company Limited	Limited liability	Guangzhou	Property lease	14,040,000.00	69,564,856.62	100%	100%

Note: Please see Note 6. (15) for the financial position of the subsidiary on acquisition date and at the end of prior year. It is newly acquired during current period through a business combination involving enterprises under common control, as well as its operating results and cash flows from the beginning of current year to the acquisition date.

6. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounts receivable

The various companies of the Group have different credit policies, dependent on the requirements of the market and the business in which they operate.

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

Ageing	30 June 2011 RMB	31 December 2010 RMB (restated)
Within 1 month	189,785,493.59	287,643,044.15
Over 1 month and within 3 months	215,538,510.74	107,170,423.52
Over 3 months and within 6 months	255,119,004.32	94,208,474.41
Over 6 months and within 1 year	316,367,567.11	66,939,472.67
Over 1 year and within 2 years	74,413,473.40	35,806,140.95
Over 2 years and within 3 years	6,689,437.64	27,415,086.15
Over 3 years	31,313,660.54	5,623,657.89
Total	1,089,227,147.34	624,806,299.74

Notes To The Interim Financial Statements

6. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(2) Inventories

As at 30 June 2011, the impairment provision of inventories amounted to RMB5,570,193.61 (31 December 2010: RMB 10,225,105.18). The cost of goods sold amounted to RMB 1,299,349,698.45 (prior period: RMB 2,108,887,000.00) for the current period.

(3) Long-term equity investments

On 31 March 2011, the Company acquired 100% equity of Guangdong Transportation Engineering Company Limited ("Guangdong Transportation Engineering") from Guangdong Communication Enterprise Investment Company Limited ("GCGC Investment"). Guangdong Transportation Engineering was established at the Airport Road, Guangzhou, Guangdong province, PRC. Prior to September 2009, Guangdong Transportation Engineering was mainly engaged in engineering construction and installation such as construction of road signs, markings, guard rows, fences and anti-glare panels (with valid qualification certificate or operation license), manufacturing of road transport auxiliary facilities, manufacturing and maintaining of road construction machineries and equipments, and domestic trade and property lease, while limited its business to property lease and terminated other businesses after September 2009.

The acquisition consideration was settled by the Company by cash of RMB69,564,856.62, and repayment of the debt with amount of RMB40,800,000.00 on behalf of Guangdong Transportation Engineering to GCGC Investment.

(4) Fixed assets

For the current period, the Group acquired certain fixed assets at the cost of RMB 26,967,860.27, consisting of buildings of RMB 6,834,061.24, transportation vehicles of RMB10,296,319.66 (prior period: RMB91,612,166.00) and engineering equipment of RMB 6,147,828.42. The cost incurred in acquiring fixed assets for last period was RMB 46,636,000.00.

For the current period, the Group sold certain equipment, of which the net book value is RMB 1,503,433.55, with a consideration of RMB 1,452,656.04, and generated a disposal loss of RMB 50,777.51.

(5) Intangible assets

For the current period, the original carrying amount of intangible assets was increased by RMB 314,850.00. As at 30 June 2011, the land use right amounted to RMB 88,569,332.00 has been pledged as collateral for an application for a charging order against the defendants' assets under a litigation as disclosed in the section headed "Material Litigation and Arbitration" in the interim report.

Notes To The Interim Financial Statements

6. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(6) Short-term Borrowings

For the current period, the Group obtained new bank short-term borrowings amounting to RMB 255,000,000.00. The proceeds were used to finance its short-term funding requirements. The short-term borrowings bear fixed interest rate and are repaid within one year. According to the borrowing agreements, the Group had no obligation to repay the short-term borrowings for the current period.

(7) Accounts Payable

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

Ageing	30 June 2011 RMB	31 December 2010 RMB (restated)
Within 1 month	584,803,120.29	673,097,281.37
Over 1 month and within 3 months	127,524,420.77	239,185,928.22
Over 3 months and within 6 months	196,771,615.42	46,917,510.82
Over 6 months and within 1 year	84,649,219.37	35,173,432.35
Over 1 year and within 2 years	47,522,965.72	75,477,855.94
Over 2 years and within 3 years	27,205,326.01	11,424,447.12
Over 3 years	32,831,573.30	29,134,827.59
Total	1,101,308,240.88	1,110,411,283.41

(8) Issuance, repurchase and repayment of securities

For the current period, the Group did not issue, repurchase or repay any securities.

Notes To The Interim Financial Statements

6. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Retained profits

	For the six months ended	
	30 June	30 June
	2011	2010
	RMB	RMB
Unappropriated profits at the beginning of the period (Note 1)	308,946,768.14	261,223,047.56
Add: Net profit attributable to owners of the Company for the period	57,359,137.79	36,642,064.31
Less: Appropriation to statutory surplus reserve	—	—
Appropriation to discretionary surplus reserve	—	—
Profits attributable to owners of the Company	366,305,905.93	297,865,111.87
Less: Declaration of dividends (Note 2)	27,564,363.22	40,928,904.00
	<u>338,741,542.71</u>	<u>256,936,207.87</u>
Unappropriated profits at the end of the period		
Dividends paid	—	—

Note 1: The impact of changes in the scope of consolidation resulting from business combination involving enterprises under common control on unappropriated profits at the beginning of the period is RMB 63,205,577.31 (prior period: RMB 59,024,724.43).

Note 2: A final dividend of RMB 0.066 per share amounting to RMB 27,564,363.22 was approved by shareholders in annual general meeting held on 8 June 2011. The liability was recorded in current period's financial statements (prior period: RMB 0.109 per share amounting to RMB 40,928,904.00).

Note 3: The Board does not recommend the payment of an interim dividend for the period.

(10) Financial expenses

	For the six months ended	
	30 June	30 June
	2011	2010
	RMB	RMB
Interest expenses	4,377,487.89	12,315,392.11
Less: Capitalised interest expenses	—	—
	<u>4,377,487.89</u>	<u>12,315,392.11</u>
Less: Interest income	3,792,042.85	2,302,674.90
Exchange differences	(2,239,910.46)	(1,386,401.93)
Less: Capitalised exchange differences	—	—
Others	3,396,492.96	2,314,722.17
	<u>1,742,027.54</u>	<u>10,941,037.45</u>
Total		

Notes To The Interim Financial Statements

6. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Investment income

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Income from long-term equity investments		
Including: Income from investments in associates under equity method	1,580,551.94	1,186,701.65
Income(loss) from investments in joint ventures under equity method	966,698.23	(584,809.00)
Investment loss on disposal of long-term equity investments	—	(2,014,786.65)
Total	<u>2,547,250.17</u>	<u>(1,412,894.00)</u>

There are no significant restrictions on remittance of investment income.

(12) Income tax expenses

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Current income tax	36,155,555.66	21,971,181.00
Including: – Mainland China current income tax	36,155,555.66	21,634,181.00
– Hong Kong profits tax	—	337,000.00
Deferred income tax	2,066,516.76	(8,173,000.00)
Total	<u>38,222,072.42</u>	<u>13,798,181.00</u>

Enterprise income tax rate refer to note 3.25.2.

Notes To The Interim Financial Statements

6. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Earnings per share

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Net profit for the current period attributable to ordinary shareholders of the Company:	57,359,137.79	36,642,064.31
Including: Net profit from continuing operations	57,359,137.79	36,642,064.31
Weighted average number of ordinary shares used in the calculation of basic earnings per share	417,641,867	417,641,867
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.137	0.088
Diluted earnings per share	0.137	0.088
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	0.137	0.088
Diluted earnings per share	0.137	0.088

The Company does not have any dilutive potential ordinary shares.

Notes To The Interim Financial Statements

6. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Supplementary Information to the Cash Flow Statement

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
(a) Reconciliation of net profit to cash flow from operating activities:		
Net profit	51,322,303.18	33,310,642.31
Add: Provision for impairment losses of assets	(7,188,106.23)	(6,768,811.00)
Depreciation of fixed assets	33,645,684.39	34,836,061.06
Depreciation of investment properties	295,727.09	122,260.16
Amortisation of intangible assets	9,368,309.79	8,911,699.64
Amortisation of long-term prepaid expenses	1,588,930.70	1,979,000.00
Losses on disposal of fixed assets, intangible assets and other long-term assets	50,777.51	14,531.00
Financial expenses	4,377,487.89	12,315,392.11
(Income) losses arising from investments	(2,547,250.17)	1,412,894.00
Decrease (increase) in deferred tax assets	1,483,754.37	(5,991,727.00)
Increase (decrease) in deferred tax liabilities	578,105.15	(1,474,728.00)
Decrease (increase) in inventories	15,103,165.55	(67,926,707.00)
Decrease in receivables from operating activities	(477,130,321.34)	(579,197,514.89)
Increase in payables from operating activities	(492,097,271.84)	(240,723,252.80)
Increase in special reserve	751,150.96	207,222.00
Net cash flow from operating activities	(860,397,553.00)	(808,973,038.41)

Notes To The Interim Financial Statements

6. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

(14) Supplementary Information to the Cash Flow Statement (Continued)

		For the six months ended	
		30 June 2011 RMB	30 June 2010 RMB
(b) Significant investing and financing activities that do not involve cash receipts and payments:			
Conversion of debt into capital		—	—
Convertible bonds due within one year		—	—
Fixed assets acquired under finance leases		—	—
<hr/>			
(c) Net changes in cash and cash equivalents:			
Closing balance of cash	Note 1	745,884,507.26	745,165,400.04
Less: Opening balance of cash	Note 1	1,500,100,952.37	1,489,029,271.26
Add: Closing balance of cash equivalents		—	—
Less: Opening balance of cash equivalents		—	—
<hr/>			
Net decrease in cash and cash equivalents		(754,216,445.11)	(743,863,871.22)

Note 1: As at 30 June 2011 and 31 December 2010, restricted cash refers to a fixed deposit of RMB183 million used for an application for a charging order against the defendants' assets under a litigation as disclosed in the section headed "Material Litigation and Arbitration" in the interim report of current period. As at 30 June 2010, except for the restricted cash as above, the other restricted cash of RMB2.9 million represented bank balances pledged against bank acceptance notes by the Group.

Notes To The Interim Financial Statements

6. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

(15) Business Combinations

During current period, basic information about the Group's business combination involving enterprises under common control is as follows:

On 31 March 2011, the Company acquired 100% equity of Guangdong Transportation Engineering from GCGC Investment. Guangdong Transportation Engineering was established at the Airport Road, Guangzhou, Guangdong province, PRC. Prior to September 2009, Guangdong Transportation Engineering was mainly engaged in engineering construction and installation such as construction of road signs, markings, guard rows, fences and anti-glare panels (with valid qualification certificate or operation license), manufacturing of road transport auxiliary facilities, manufacturing and maintaining of road construction machineries and equipments, and domestic trade and property lease, while limited its business to property lease and terminated other businesses after September 2009.

The acquisition consideration was settled by the Company by cash amounted to RMB69,564,856.62, and repayment of the debt with amount of RMB40,800,000.00 on behalf of Guangdong Transportation Engineering to GCGC Investment. The consideration was due within 10 days from the effective date of the equity transfer agreement and was settled by the Company during current period.

(a) Basic information of the acquiree:

Basis of judgement for business combination involving enterprises under common control: GCGC is the ultimate holding company of the Company and GCGC Investment before and after the business combination.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree, i.e. the date on which control over net assets and production and operating decisions of the acquiree is transferred to the acquirer.

Notes To The Interim Financial Statements

6. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

(15) Business Combinations - continued

(b) The financial position of acquiree at the acquisition date and 31 December 2010:

	Carrying amount at the acquisition date RMB	Carrying amount at 31 December 2010 RMB
Identifiable assets:		
Cash and bank balances	362,779.39	1,328,282.44
Accounts receivable	412,918.35	983,608.71
Other receivables	339,040.14	244,611.78
Investment properties	26,010,575.02	26,359,099.84
Net book value of fixed assets	3,604,207.18	3,654,389.48
Long-term prepaid expenses	1,214,340.18	1,286,304.42
	<u>31,943,860.26</u>	<u>33,856,296.67</u>
Identifiable liabilities:		
Receipts in advance	304,272.73	304,272.73
Employee benefits payable	59,540.95	54,391.48
Taxes payable	7,727.50	21,341.54
Other payables	48,695,210.89	49,018,516.56
	<u>49,066,752.07</u>	<u>49,398,522.31</u>
Total net assets	<u>(17,122,891.81)</u>	<u>(15,542,225.64)</u>
Equity attributable to owners of the Company (Note 1)	—	
Less: Acquisition consideration	<u>69,564,856.62</u>	
The carrying amount of the proportional equity share of net assets in excess of initial investment cost	<u>(69,564,856.62)</u>	

Note 1: The equity attributable to owners of the Company is limited to zero, as the acquiree is a limited company.

Notes To The Interim Financial Statements

6. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

(15) Business Combinations *(Continued)*

(b) The financial position of acquiree at the acquisition date and 31 December 2010: *(Continued)*

The acquisition consideration was satisfied by cash. The carrying amount of the consideration paid as of the acquisition date is:

	RMB
Acquisition consideration:	
Cash and cash equivalents	69,564,856.62
Acquisition consideration in cash and cash equivalents	69,564,856.62
Less: Cash and cash equivalents of the acquired subsidiary	362,779.39
Net outflow of cash and cash equivalents paid upon acquisition of the acquired subsidiary	<u>69,202,077.23</u>

(c) Operating results and net cash flows of the acquiree from the beginning of the period in which the acquisition took place to the acquisition date:

	From the beginning of the period to the acquisition date
	RMB
Operating income	291,060.18
Operating costs and expenses	1,871,726.35
Total profit	(1,580,666.17)
Net profit	(1,580,666.17)
Net cash flow from operating activities	(965,503.05)
Net cash flow from investing activities	—
Net cash flow from financing activities	—
Net increase in cash and cash equivalents	<u>(965,503.05)</u>

(d) The accounting policies of the acquiree are consistent with that of the Group.

Notes To The Interim Financial Statements

6. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

(16) Segment reporting

Based on the Group's internal organisation structure, management requirement and internal reporting policy, the operations of the Group are classified into five segments: material logistics services, expressway service zones, transportation intelligence services, Cross-border transportation services and Tai Ping interchange.

For the six months ended

30 June 2011

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Inter- segment elimination	Total
Operating income								
External revenue	1,445,857,536.56	268,393,789.74	239,697,422.68	137,365,413.77	65,622,291.05	—	—	2,156,936,453.80
Inter-segment revenue	39,588,109.82	153,461.90	247,692.32	—	—	582,120.36	(40,571,384.40)	—
Total segment operating income	1,485,445,646.38	268,547,251.64	239,945,115.00	137,365,413.77	65,622,291.05	582,120.36	(40,571,384.40)	2,156,936,453.80
Segment operating profit (loss)	22,242,125.74	42,020,174.06	(24,500,990.86)	7,023,588.96	41,364,073.78	(2,393,732.38)	295,105.64	86,050,344.94

30 June 2010

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Inter-segment elimination	Total
Operating income								
External revenue	2,159,312,519.18	182,624,236.35	247,219,285.47	128,121,060.00	62,239,272.00	—	—	2,779,516,373.00
Inter-segment revenue	28,838,799.56	372,147.65	2,338,716.53	—	—	582,120.36	(32,131,784.10)	—
Total segment operating income	2,188,151,318.74	182,996,384.00	249,558,002.00	128,121,060.00	62,239,272.00	582,120.36	(32,131,784.10)	2,779,516,373.00
Segment operating profit (loss)	16,543,539.42	8,819,019.00	(24,115,830.00)	10,132,238.92	35,576,913.00	(1,619,462.69)	(1,179,161.34)	44,157,256.31

(17) Net current assets

	30 June 2011 RMB	31 December 2010 RMB (restated)
Current assets	2,973,468,096.70	3,259,596,537.58
Less: Current liabilities	2,701,803,183.62	2,944,830,582.87
Net current assets	271,664,913.08	314,765,954.71

Notes To The Interim Financial Statements

6. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

(18) Total assets less current liabilities

	30 June	31 December
	2011	2010
	RMB	RMB
		(restated)
Total assets	4,005,300,770.37	4,305,146,725.66
Less: Current liabilities	2,701,803,183.62	2,944,830,582.87
Total assets less current liabilities	1,303,497,586.75	1,360,316,142.79

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Related parties where a control relationship exists

The Company's ultimate holding company is GCGC.

(2) Information of subsidiaries

Except for the acquired subsidiary during current period disclosed in Note 6. (15), there is no change on information of other group subsidiaries. The information of the acquired subsidiary in current period refers to Note 5.

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(3) The related companies which have transactions with the Group while no control relationship exists:

	Related party relationships
Guangdong Provincial Highway Construction Company Limited	Under control of ultimate holding company and holds 23.1% share of the Company
GCGC Investment	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 Bo-Da Expressway Company Limited	Under control of ultimate holding company
Guangdong Er-Guang Expressway Company Limited	Under control of ultimate holding company
Guangdong Gaoda Property Development 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 Hualu communication Technology Company Limited.	Under control of ultimate holding company
Guangdong Jiangzhong Expressway Company Limited	Under control of ultimate holding company
Guangdong Kai Yang Expressway Company Limited	Under control of ultimate holding company
Guangzhou Leatop Real Estate Investment Company Limited	Under control of ultimate holding company
Guangdong Lulutong Company Limited.	Under control of ultimate holding company
Guangdong Maozhan Expressway Company Limited	Under control of ultimate holding company
Guangdong Mei-He 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 Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(3) The related companies which have transactions with the Group while no control relationship exists: *(Continued)*

	Related party relationships
Guangdong Provincial Traffic Development Company Limited	Under control of ultimate holding company
Guangdong Provincial Motor Transportation Group Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Xinhui Section Company Limited	Under control of ultimate holding company
Guangdong Changda Highway Engineering Company Limited	Under control of ultimate holding company
Guangdong Taishan Coastal Expressway Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Zhuhai Section Company Limited	Under control of ultimate holding company
Guangdong Xin-Tai Expressway 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 Shenzhen-Foshan 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

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)***(3) The related companies which have transactions with the Group while no control relationship exists: *(Continued)***

	Related party relationships
Yingde Yue-Ying Expressway Operation Company Limited	Under control of ultimate holding company
Yunfu Guangyun Expressway Company Limited	Under control of ultimate holding company
Zhanjiang Bay Bridge Company Limited.	Under control of ultimate holding company
Foshan Guang-San Expressway Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Operation Company Limited	Under control of ultimate holding company
Guangdong Shan-Mei Expressway Company Limited	Under control of ultimate holding company
Guangdong Expressway Technology Investment 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 Guangshan Expressway Huizhou Section Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Humen Bridge Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Shen-Shan Expressway East Section Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Province Expressway Mechanical Material Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Yuejia Expressway Company Limited	Associates of ultimate holding company's subsidiary
Hui-Shen(Yantian) Expressway Huizhou Section Company Limited	Associates of ultimate holding company's subsidiary
Jiangmen Jiang-He Expressway Company Limited	Associates of ultimate holding company's subsidiary
Shenzhen Huiyan Expressway Company Limited	Associates of ultimate holding company's subsidiary
Zhaoqing Yuezhao Expressway Company Limited	Associates of ultimate holding company's subsidiary

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(3) The related companies which have transactions with the Group while no control relationship exists: *(Continued)*

	Related party relationships
Zhaoqing Guang-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
Guangdong Feida Traffic Engineering Company Limited	Associates
Guangdong Foda Expressway Economy Development Company Limited	Associates
Express Cross-Border Coach Management Company Limited	Associates
Southern United Assets and Equity Exchange Company Limited	Associates
Shenzhen Yueyun Investment Development Company Limited	Associates
Guangdong Communications Telecommunications Company Limited	Associates
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	Joint Venture
Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	Joint Venture

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period:

(a) Sales, rendering of services and purchases

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

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Material logistics service income		
Guangdong Gaintop Highway Engineering Construction Group Company Limited	65,806,147.31	—
Guangdong Changda Highway Engineering Company Limited	261,206,862.15	366,620,877.59
Guangdong Guanyue Highway&Bridge Company Limited	137,721,583.47	108,746,318.49
Guangzhou Xin Yue Asphalt Company Limited	1,766,572.01	141,870,224.48
Guangdong Mei-He Expressway Company Limited	3,609,125.65	—
	470,110,290.59	617,237,420.56

The transaction of material logistics services is based on the Material Logistics Services Master Agreement dated 27 September 2005 entered into between GCGC and the Company. Pursuant to the master agreement, the Company provided material logistics services on the construction project of the GCGC and its subsidiaries by entering into individual implementation agreement with relevant parties. The selling price was determined by cost of materials plus a certain margin; among which the transaction with related parties as contractors are disclosed as above.

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(a) Sales, rendering of services and purchases *(Continued)*

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Transportation intelligence service income		
Guangdong Er-Guang Expressway Company Limited	198,290.60	—
Guangdong Guanghui Expressway Company Limited	502,925.38	—
Guangdong Guangle Expressway Company Limited	654,653.54	—
Guangdong Guangzhu Expressway West Section Company Limited	6,224,863.17	—
Guangdong Humen Bridge Company Limited	380,083.60	—
Guangdong Jiangzhong Expressway Company Limited	1,016,370.24	—
GCGC Investment	675,213.68	—
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	247,853.54	—
Guangdong Kai Yang Expressway Company Limited	218,100.00	100,000.00
Guangdong Shanfen Expressway Company Limited	153,000.00	315,258.00
Guangdong Shanjie Expressway Company Limited	847,138.33	14,102.55
Guangdong Shen-Shan Expressway East Section Company Limited	803,199.04	—
Guangdong Provincial Fokai Expressway Company Limited	3,069,874.00	1,696.72
Guangdong Provincial Freeway Company Limited	13,509,970.58	8,175,964.20
Guangdong Provincial Highway Construction Company Limited	2,818,373.42	—
Guangdong Provincial Traffic Development Company Limited	1,534,072.93	—
Guangdong Province Road&Bridge Construction Development Company Limited	13,401,438.89	—
Guangdong Coastal Expressway Xinhui Section Company Limited	319,351.00	—
Guangdong Taishan Coastal Expressway Company Limited	135,602.00	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(a) Sales, rendering of services and purchases (Continued)

	For the six months ended	
	30 June	30 June
	2011	2010
	RMB	RMB
Transportation intelligence service income (Continued)		
Guangdong Coastal Expressway Zhuhai Section Company Limited	715,894.00	—
Guangdong Xin-Tai Expressway Company Limited	88,560.00	—
Guangdong Yang-Mao Expressway Company Limited	158,203.00	—
Guangdong Yu-Zhan Expressway Company Limited	138,560.00	—
Guangdong Yue Dong Freeway Industry Development Company Limited	1,148,334.00	25,000.00
Guangdong Yue-Gan Expressway Company Limited	108,000.00	—
Guangdong Yuejia Expressway Company Limited	1,141,829.95	—
Guangdong Yun-Wu Expressway Company Limited	15,200.00	43,834,733.07
Guangdong Zhaoyang Expressway Company Limited	18,119.66	—
Guangfo Expressway Company Limited	1,100,014.00	—
Zhaoqing Guang-He Expressway Company Limited	480,000.00	—
Guang-Shen-Zhu Expressway Company Limited	355,679.00	2,633,496.00
Heyuan He-Long Expressway Company Limited	705,767.00	—
Hui-Shen(Yantian) Expressway Huizhou Section Company Limited	658,968.00	—
Jiangmen Jiang-He Expressway Company Limited	116,551.76	—
Jingzhu Expressway Guangzhu Section Company Limited	4,152,947.00	4,723,688.13
Yingde Yue-Ying Expressway Operation Company Limited	49,000.00	—
Yunfu Guangyun Expressway Company Limited	209,465.00	—
Zhaoqing Yuezhao Expressway Company Limited	1,361,546.50	—
Guangzhou Shenzhen-Foshan Expressway Company Limited	—	5,798,760.00
	59,433,012.81	65,622,698.67

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(a) Sales, rendering of services and purchases *(Continued)*

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Expressway service zones operation income		
Guangdong Jiangzhong Expressway Company Limited	354,262.87	—
Guangdong Province Road&Bridge Construction Development Company Limited	23,460.00	—
Guangdong Changda Highway Engineering Company Limited	321,341.80	—
Heyuan He-Long Expressway Company Limited	118,063.10	—
Jingzhu Expressway Guangzhu Section Company Limited	309,722.00	—
Guangdong Provincial Communications Group Company Limited	75,000.00	—
Guangdong Provincial Freeway Company Limited	6,048.00	—
Guangdong Provincial Highway Construction Company Limited	129,600.00	—
	1,337,497.77	—
Purchase of materials		
Guangzhou Xin Yue Asphalt Company Limited	6,602,084.30	427,510,435.96
Guangdong Province Expressway Mechanical Material Company Limited	20,462.10	—
Guangdong Lulutong Company Limited	7,391.12	—
XinYue Company Limited	122,541,391.67	—
	129,171,329.19	427,510,435.96

The transaction of purchase of materials is based on the Material Logistics Services Master Agreement dated 27 September 2005 entered into between GCGC and the Company. Pursuant to the master agreement, the Company should enter into individual implementation agreements setting out the details and particulars of goods transaction with relevant parties. The above transactions are carried out at terms agreed by both parties.

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(a) Sales, rendering of services and purchases (Continued)

	For the six months ended	
	30 June	30 June
	2011	2010
	RMB	RMB
Expressway service zones operation expenses		
Foshan Guang-San Expressway Company Limited	215,331.33	—
Guangdong Guangzhu Expressway		
West Section Company Limited	1,624,999.98	—
Guangdong He-hui Highway Company Limited	475,864.98	559,409.87
Guangdong Humen Bridge Company Limited	200,171.35	—
Guangdong Jiangzhong Expressway Company Limited	1,412,435.37	1,176,420.83
Guangdong Jingzhu Expressway Guangzhu North		
Section Company Limited	982,615.87	—
Guangdong Kai Yang Expressway Company Limited	2,643,439.41	2,614,297.05
Guangdong Maozhan Expressway Company Limited	1,302,057.89	—
Guangdong Mei-He Expressway Company Limited	1,824,300.02	1,655,313.80
Guangdong Shanfen Expressway Company Limited	982,273.91	963,905.33
Guangdong Shanjie Expressway Company Limited	506,823.86	499,999.98
Guangdong Shan-Mei Expressway Company Limited	19,105.34	—
Guangdong Provincial Fokai Expressway Company Limited	2,780.90	583,529.72
Guangdong Provincial Freeway Company Limited	3,991,546.28	2,161,571.38
Guangdong Provincial Highway		
Construction Company Limited	686,112.92	857,500.00
Guangdong Province Road&Bridge Construction		
Development Company Limited	2,427,911.82	102,300.00
Guangdong Taishan Coastal Expressway Company Limited	257,200.02	267,693.59
Guangdong Coastal Expressway Operation		
Company Limited	25,036.52	—
Guangdong Coastal Expressway Zhuhai Section		
Company Limited	567,600.00	575,063.79

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(a) Sales, rendering of services and purchases *(Continued)*

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Expressway service zones operation expenses <i>(Continued)</i>		
Guangdong Xin-Tai Expressway Company Limited	186,035.11	181,227.19
Guangdong Yang-Mao Expressway Company Limited	1,751,874.18	1,755,540.57
Guangdong Yu-Zhan Expressway Company Limited	1,234,958.22	1,228,065.88
Guangdong Yue Dong Freeway Industry Development Company Limited	425,695.36	397,174.90
Guangdong Yue-Gan Expressway Company Limited	4,139,999.94	4,140,000.00
Guangdong Yuejia Expressway Company Limited	114,450.00	—
Guangdong Yun-Wu Expressway Company Limited	1,655,182.58	—
Guangdong Zhan-Xu Expressway Company Limited	333,333.33	—
Guangdong Zhaoyang Expressway Company Limited	125,000.00	—
Guangfo Expressway Company Limited	591,489.77	569,674.72
Guang-Shen-Zhu Expressway Company Limited	6,467,361.26	—
Guangzhou Shenzhen-Foshan Expressway Company Limited	846,494.12	642,857.14
Heyuan He-Long Expressway Company Limited	712,983.42	705,757.23
Hui-Shen(Yantian) Expressway Huizhou Section Company Limited	19,992.45	—
Yunfu Guangyun Expressway Company Limited	573,501.03	530,000.00
Zhaoqing Yuezhao Expressway Company Limited	604,803.37	—
Guangdong Guanghui Expressway Company Limited	—	75,000.00
Jingzhu Expressway Guangzhu Section Company Limited	—	824,000.00
	39,930,761.91	23,066,302.97

The transaction of expressway service zones operation is based on the First Right of Operation Agreement dated 15 September 2005 entered into between GCGC and the Company. Pursuant to the master agreement, the Company entered into individual agreement and paid related expenses with and to relevant parties. The above transactions are carried out at terms agreed by both parties.

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(a) Sales, rendering of services and purchases (Continued)

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Rental expenses		
Guangdong Gaoda Property Development Company Limited.	366,957.64	—
Guang-Shen-Zhu Expressway Company Limited	307,806.96	307,807.00
Guangdong Humen Bridge Company Limited	300,000.00	—
	<u>974,764.60</u>	<u>307,807.00</u>
Service expenses		
Guangdong Provincial Freeway Company Limited	—	949,502.78
Guangdong Provincial Highway Construction Company Limited	338,026.00	—
Guangdong Humen Bridge Company Limited	2,110,000.00	—
	<u>2,448,026.00</u>	<u>949,502.78</u>
Other expenses		
Guangdong Provincial Freeway Company Limited	956,783.13	—
	<u>956,783.13</u>	<u>—</u>

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(b) Amounts due from / to related parties

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Accounts receivable	Yunfu Guangyun Expressway Company Limited	2,004,641.23	—
	Jingzhu Expressway Guangzhu Section Company Limited	776,649.55	—
	Southern United Assets and Equity Exchange Company Limited	14,005.44	—
	Guangdong Yun-Wu Expressway Company Limited	37,138,227.49	—
	Guangdong Guanyue Highway&Bridge Company Limited	11,973,962.92	11,973,962.92
	Guangzhou Leatop Real Estate Investment Company Limited	164,000.00	—
	Guangdong Hualu Communication Technology Company Limited	32,000.00	—
	Guangdong Bo-Da Expressway Company Limited	131,470,083.98	—
	Guangdong Guangle Expressway Company Limited	103,929,405.37	—
	Guangdong Guanghui Expressway Company Limited	5,643,915.51	5,436,095.13
	Guangdong Guangshan Expressway Huizhou Section Company Limited	321,121.02	—
	Guangdong Guangzhu Expressway West Section Company Limited	117,267,138.53	—
	Guangdong Kai Yang Expressway Company Limited	345,226.00	—
	Guangdong Xin-Tai Expressway Company Limited	4,188,413.65	—
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	6,381,100.00	—
	Guangdong Mei-He Expressway Company Limited	12,038,623.19	—
	Guangdong Shanjie Expressway Company Limited	21,053,747.05	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(b) Amounts due from / to related parties (Continued)

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Accounts receivable (Continued)	Guangdong Shanfen Expressway Company Limited	4,028,253.14	—
	Guangdong Jiangzhong Expressway Company Limited	1,453,803.71	—
	Guangdong He-hui Highway Company Limited	670,301.79	—
	Guangdong Shen-Shan Expressway East Section Company Limited	273,400.93	—
	Guangdong Yu-Zhan Expressway Company Limited	403,446.00	—
	Guangdong Zhan-Xu Expressway Company Limited	11,412,943.98	—
	Guangdong Provincial Traffic Development Company Limited	1,534,072.93	—
	Guangdong Provincial Highway Construction Company Limited	4,757,289.35	19,712,615.59
	Guangdong Coastal Expressway Xinhui Section Company Limited	1,572,194.22	—
	Guangdong Province Road&Bridge Construction Development Company Limited	11,217,429.59	61,157,785.48
	Guangdong Changda Highway Engineering Company Limited	14,869,646.54	13,413,873.21
	Guangdong Provincial Freeway Company Limited	149,117,654.26	42,734,250.13
	Guangdong Yue Dong Freeway Industry Development Company Limited	2,671,274.20	—
	Guangdong Yue-Gan Expressway Company Limited	2,762,624.05	—
	Guangdong Zhaoyang Expressway Company Limited	1,265,988.25	—
	Guangdong Maozhan Expressway Company Limited	19,000.00	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(b) Amounts due from / to related parties *(Continued)*

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Accounts receivable <i>(Continued)</i>	Guangdong Humen Bridge Company Limited	11,354,390.80	—
	Guangdong Coastal Expressway Zhuhai Section Company Limited	642,151.24	—
	Guangdong Lulutong Company Limited.	7,600.00	—
	Guangdong Yang-Mao Expressway Company Limited	582,132.19	—
	Guangdong Feida Traffic Engineering Company Limited	8,858,828.35	6,317,908.35
	Guangfo Expressway Company Limited	1,306,101.64	—
	Guangzhou Xin Yue Asphalt Company Limited	17,228,737.06	—
	Guangzhou Shenzhen-Foshan Expressway Company Limited	733,418.05	—
	Guang-Shen-Zhu Expressway Company Limited	2,264,865.18	—
	Zhaoqing Guang-He Expressway Company Limited	32,513,120.21	—
	Hui-Shen(Yantian) Expressway Huizhou Section Company Limited	51,912.91	—
	Heyuan He-Long Expressway Company Limited	86,111.69	—
	Shenzhen Huiyan Expressway Company Limited	134,727.19	—
	Zhanjiang Bay Bridge Company Limited.	2,758.00	—
	Zhaoqing Yuezhao Expressway Company Limited	840,328.49	—
	Yingde Yue-Ying Expressway Operation Company Limited	121,476.34	—
	Express Cross-Border Coach Management Company Limited	249,000.00	851,352.87

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(b) Amounts due from / to related parties (Continued)

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Accounts receivable (Continued)	GCGC Investment Guangdong Provincial Expressway Development Company Limited XinYue Company Limited	— — —	22,668,527.09 1,091,252.14 18,499,351.97
		739,749,243.21	203,856,974.88

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Accounts payable	Guangdong Yun-Wu Expressway Company Limited	4,950,000.00	—
	Guangdong Guanyue Highway&Bridge Company Limited	10,000.00	68,883.30
	Guangdong Taishan Coastal Expressway Company Limited	257,200.02	—
	Guangdong Guangshan Expressway Huizhou Section Company Limited	320,236.62	—
	Guangdong Guangzhu Expressway West Section Company Limited	1,624,999.98	—
	Guangdong Kai Yang Expressway Company Limited	861,421.12	—
	Guangdong Xin-Tai Expressway Company Limited	463,307.24	—
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	363,092.77	1,909,226.51
	Guangdong Shanjie Expressway Company Limited	3,499,999.94	—
	Guangdong Shanfen Expressway Company Limited	2,791,174.94	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(b) Amounts due from / to related parties *(Continued)*

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Accounts payable <i>(Continued)</i>	Guangdong Jiangzhong Expressway Company Limited	934,200.00	—
	Guangdong He-hui Highway Company Limited	1,582,975.70	—
	Guangdong Yu-Zhan Expressway Company Limited	1,228,638.00	—
	Guangdong Zhan-Xu Expressway Company Limited	333,333.33	—
	Guangdong Provincial Highway Construction Company Limited	2,635,723.40	3,365,449.72
	Guangdong Province Expressway Construction Materials Supply Station	7,059.11	—
	Guangdong Province Expressway Mechanical Material Company Limited	29,195.99	—
	Guangdong Province Road & Bridge Construction Development Company Limited	7,195,000.02	13,797,549.96
	Guangdong Changda Highway Engineering Company Limited	4,722,744.76	562,103.54
	Guangdong Provincial Freeway Company Limited	17,678,752.36	17,583,291.15
	Guangdong Yue Dong Freeway Industry Development Company Limited	3,150,000.00	—
	Guangdong Yue-Gan Expressway Company Limited	4,139,999.94	—
	Guangdong Zhaoyang Expressway Company Limited	125,000.00	—
	Guangdong Maozhan Expressway Company Limited	2,928,717.01	—
	Guangdong Humen Bridge Company Limited	350,000.00	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(b) Amounts due from / to related parties (Continued)

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Accounts payable (Continued)	Guangdong Coastal Expressway Zhuhai Section Company Limited	567,600.00	—
	Guangdong Yang-Mao Expressway Company Limited	3,150,915.02	—
	Guangdong Expressway Technology Investment Company Limited	2,158.60	—
	Guangzhou Xin Yue Asphalt Company Limited	97,988,368.14	—
	Guangzhou Newsoft Technology Company Limited	103,000.00	—
	Guangzhou Shenzhen-Foshan Expressway Company Limited	736,363.68	—
	Guang-Shen-Zhu Expressway Company Limited	307,806.96	—
	Heyuan He-Long Expressway Company Limited	706,270.50	—
	Zhaoqing Yuezhao Expressway Company Limited	600,000.00	—
	XinYue Company Limited	—	237,563,217.54
	Guangdong Provincial Expressway Development Company Limited.	—	336,311.69
	GCGC Investment	—	18,798,037.90
		166,345,255.15	293,984,071.31

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(b) Amounts due from / to related parties *(Continued)*

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Prepayments	Guangdong Foda Expressway Economy Development Company Limited	415,406.77	415,406.77
	Guangdong Taishan Coastal Expressway Company Limited	209,701.04	—
	Guangdong Kai Yang Expressway Company Limited	1,213,649.98	—
	Guangdong Provincial Motor Transportation Group Company Limited	65,516.01	250,150.95
	Guangdong Humen Bridge Company Limited	200,000.00	—
	Guangdong Coastal Expressway Zhuhai Section Company Limited	1,148,000.02	—
	Guangdong Lulutong Company Limited.	530,986.84	—
	Guangdong Yang-Mao Expressway Company Limited	101,100.00	—
	Guangzhou Newsoff Technology Company Limited	708,174.41	—
	Guangzhou Shenzhen-Foshan Expressway Company Limited	114,450.00	—
	GCGC Investment	—	2,524,098.88
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	—	1,491,558.00
	Guangdong Provincial Communications Group Company Limited	—	31,560.00
	Guangdong Provincial Highway Construction Company Limited	—	88,897.72
	Guangdong Province Road & Bridge Construction Development Company Limited	—	906,112.04
	GuangDong Provincial Freeway Company Limited	—	2,212,067.49
	XinYue Company Limited	—	1,690,137.66
		4,706,985.07	9,609,989.51

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(b) Amounts due from / to related parties (Continued)

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Receipts in advance	Guangdong Jingzhu Expressway Guangzhou North Section Company Limited	147,576.56	
	Guangdong Guangzhou Expressway West Section Company Limited	116,100.00	—
	Guangdong Provincial Highway Construction Company Limited	333,386.09	34,626,763.61
	Guangdong Province Road & Bridge Construction Development Company Limited	246,932.64	6,500,813.86
	Guangdong Provincial Freeway Company Limited	33,744,188.14	296,242,118.46
	Guangdong Zhaoyang Expressway Company Limited	38,381,491.22	—
	Guangdong Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	—
	Guangdong Lulutong Company Limited.	3,500.00	—
	Guangdong Yang-Mao Expressway Company Limited	1,994,637.44	—
	Guangzhou Shenzhen-Foshan Expressway Company Limited	968.86	—
	Guang-Shen-Zhu Expressway Company Limited	159,240.00	—
	Zhaoqing Guang-He Expressway Company Limited	998,193.00	—
	Zhaoqing Yuezhao Expressway Company Limited	343,106.36	—
	GCGC Investment	—	645,923.86
		78,622,603.19	338,015,619.79

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(b) Amounts due from / to related parties *(Continued)*

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Other receivables	Yunfu Guangyun Expressway Company Limited	102,518.00	—
	Jingzhu Expressway Guangzhou Section Company Limited	223,483.00	—
	Guangdong Zhong Yue Tong Oil Products Operation Company Limited	111,640.91	—
	Guangdong Yun-Wu Expressway Company Limited	6,506,742.25	—
	Guangdong Jingzhu Expressway Guangzhou North Section Company Limited	576,886.22	—
	Guangzhou Leatop Real Estate Investment Company Limited	22,500.80	—
	Guangdong Guangzhu Expressway West Section Company Limited	4,213,393.77	—
	Guangdong Kai Yang Expressway Company Limited	700,585.00	—
	Guangdong Xin-Tai Expressway Company Limited	439,624.55	—
	Guangdong Mei-He Expressway Company Limited	5,207,324.51	—
	Guangdong Shanfen Expressway Company Limited	144,131.00	—
	Guangdong Jiangzhong Expressway Company Limited	18,200.00	—
	Guangdong Yu-Zhan Expressway Company Limited	504,428.00	—
	Guangdong Provincial Fokai Expressway Company Limited	1,226,973.56	—
	Guangdong Provincial Highway Construction Company Limited	3,267,430.13	11,579,667.86
	Guangdong Province Expressway Construction Materials Supply Station	181,005.24	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(b) Amounts due from / to related parties (Continued)

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Other receivables (Continued)	Guangdong Coastal Expressway Xinhui Section Company Limited	1,553,570.18	—
	Guangdong Province Road & Bridge Construction Development Company Limited	2,751,209.56	8,010,337.27
	Guangdong Changda Highway Engineering Company Limited	10,460,007.21	9,190,408.56
	GuangDong Provincial Freeway Company Limited	7,330,987.16	10,371,947.62
	Guangdong Yue Dong Freeway Industry Development Company Limited	6,003.00	—
	Guangdong Yuejia Expressway Company Limited	50,000.00	—
	Guangdong Yue-Gan Expressway Company Limited	1,084,676.57	—
	Guangdong Zhaoyang Expressway Company Limited	749,084.00	—
	Guangdong Maozhan Expressway Company Limited	500,000.00	—
	Guangdong Humen Bridge Company Limited	197,090.20	—
	Guangdong Coastal Expressway Zhuhai Section Company Limited	967,572.87	—
	Guangdong Yang-Mao Expressway Company Limited	3,349,815.59	—
	Guangdong Feida Traffic Engineering Company Limited	376,989.96	95,243.44
	Guangfo Expressway Company Limited	1,044,792.12	—
	Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	2,000,000.00	—
	Guangzhou Shenzhen-Foshan Expressway Company Limited	1,377,342.50	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(b) Amounts due from / to related parties *(Continued)*

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Other receivables <i>(Continued)</i>	Guang-Shen-Zhu Expressway Company Limited	588,489.62	—
	Zhaoqing Guang-He Expressway Company Limited	7,016,863.00	—
	Heyuan He-Long Expressway Company Limited	1,555,692.34	—
	Zhanjiang Bay Bridge Company Limited.	16,168.74	—
	Zhaoqing Yuezhao Expressway Company Limited	10,000.00	—
	Yingde Yue-Ying Expressway Operation Company Limited	74,856.00	—
	GCGC Investment	—	7,232,586.63
	Guangdong Provincial Expressway Development Company Limited.	—	1,463,370.94
	Guangdong Guanghui Expressway Company Limited	—	228,397.59
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	—	691,136.82
	XinYue Company Limited	—	532,437.64
		66,508,077.56	49,395,534.37

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Significant transactions between the Group and related parties in current period: (Continued)

(b) Amounts due from / to related parties (Continued)

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Other payables	Guangdong Communications Telecommunications Company Limited	941.10	—
	Guangdong Guanyue Highway&Bridge Company Limited	39,838.78	39,838.78
	Guangdong Taishan Coastal Expressway Company Limited	105,000.00	—
	Guangdong Guangzhu Expressway West Section Company Limited	5,000.00	—
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	235,451.84	290,556.98
	Guangdong Shanfen Expressway Company Limited	10,000.00	—
	Guangdong Provincial Traffic Development Company Limited	60,000.00	—
	Guangdong Provincial Communications Group Company Limited	1,632,757.75	994,346.83
	Guangdong Changda Highway Engineering Company Limited	134,666.01	134,666.01
	Guangdong Provincial Freeway Company Limited	100,000.00	20,000.00
	Guangdong Yue Dong Freeway Industry Development Company Limited	39,670.74	—
	Guangfo Expressway Company Limited	30,000.00	—

Notes To The Interim Financial Statements

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(4) Significant transactions between the Group and related parties in current period: *(Continued)*

(b) Amounts due from / to related parties *(Continued)*

Items	Related party	30 June 2011 RMB	31 December 2010 RMB
Other payables <i>(Continued)</i>	Guangzhou Newsoft Technology Company Limited	103,746.50	—
	Guangzhou Shenzhen-Foshan Expressway Company Limited	2,000.00	—
	Weisheng Transportation & Enterprises Company Limited	710,917.15	710,917.15
	GCGC Investment	—	470,305.76
	XinYue Company Limited	—	133,417.24
	Express Cross-Border Coach Management Company Limited	—	95,300.80
			3,209,989.87
Long-term receivables	Shenzhen Yueyun Investment Development Company Limited	12,000,000.00	12,000,000.00

(c) Compensation for key management personnel

	For the six months ended	
	30 June 2011 RMB	30 June 2010 RMB
Compensation for key management personnel	2,775,094.87	2,937,897.89

8. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Company's and consolidated interim financial statements were approved by the board of directors on 23 August 2011.

Supplementary Information

Reconciliation of the consolidated income statements and the consolidated balance sheet from HKGAAP to CAS

1. Reconciliation of the consolidated balance sheet as at 31 December 2010

	Under HKGAAP (note 1) RMB'000	Prior period adjustments (note 2) RMB'000	Under HKGAAP (restated) RMB'000	Note	Differences RMB'000	Under CAS RMB'000
ASSETS						
Current assets:						
Cash and bank balances	1,681,773	1,328	1,683,101		—	1,683,101
Notes receivable	32,384	—	32,384		—	32,384
Accounts receivable	623,822	984	624,806		—	624,806
Prepayments	137,972	—	137,972		—	137,972
Other receivables	213,151	245	213,396	(5)	(2,586)	210,810
Dividends receivable	—	—	—		—	—
Inventories	570,522	—	570,522		—	570,522
Other current assets	—	—	—		—	—
Total Current Assets	3,259,624	2,557	3,262,181		(2,586)	3,259,595
Non-current Assets:						
Long-term receivables	12,000	—	12,000		—	12,000
Long-term equity investments	74,065	—	74,065	(3)	(3,365)	70,700
Investment properties	18,577	—	18,577	(4)	(11,144)	7,433
Fixed assets	384,974	22,102	407,076		—	407,076
Construction in progress	17,499	—	17,499		—	17,499
Intangible assets	351,546	7,911	359,457		—	359,457
Development expenditure	111	—	111		—	111
Long-term prepaid expenses	10,432	1,286	11,718		—	11,718
Deferred tax assets	158,519	—	158,519	(5)	1,038	159,557
Total Non-current Assets	1,027,723	31,299	1,059,022		(13,471)	1,045,551
TOTAL ASSETS	4,287,347	33,856	4,321,203		(16,057)	4,305,146

Supplementary Information

Reconciliation of the consolidated income statements and the consolidated balance sheet from HKGAAP to CAS (Continued)

1. Reconciliation of the consolidated balance sheet as at 31 December 2010

	Under HKGAAP (note 1) RMB'000	Prior period adjustments (note 2) RMB'000	Under HKGAAP (restated) RMB'000	Note	Differences RMB'000	Under CAS RMB'000
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities:						
Short-term borrowings	—	—	—		—	—
Notes payable	705,783	—	705,783		—	705,783
Accounts payable	1,110,411	—	1,110,411		—	1,110,411
Receipts in advance	756,760	304	757,064		—	757,064
Employee benefits payable	46,198	54	46,252		—	46,252
Taxes payable	154,237	21	154,258		—	154,258
Interests payable	—	—	—		—	—
Dividends payable	—	—	—		—	—
Other payables	122,043	49,019	171,062		—	171,062
Total Current Liabilities	2,895,432	49,398	2,944,830		—	2,944,830
Non-current Liabilities:						
Long-term payables	6,955	—	6,955		—	6,955
Deferred tax liabilities	995	—	995		—	995
Other non-current liabilities	4,450	—	4,450		—	4,450
Total Non-current Liabilities	12,400	—	12,400		—	12,400
TOTAL LIABILITIES	2,907,832	49,398	2,957,230		—	2,957,230
Shareholders' Equity:						
Share capital	417,642	—	417,642		—	417,642
Capital reserve	304,804	45,185	349,989	(6)	(5,599)	344,390
Special reserve	1,379	—	1,379		—	1,379
Surplus reserve	107,696	2,478	110,174		—	110,174
Retained profits	382,544	(63,205)	319,339	(6)	(10,392)	308,947
Translation difference arising on translation of financial statements denominated in foreign currencies	(29,370)	—	(29,370)		—	(29,370)
Equity attributable to owners of the Company	1,184,695	(15,542)	1,169,153		(15,991)	1,153,162
Equity attributable to minority interests	194,820	—	194,820	(6)	(66)	194,754
TOTAL SHAREHOLDERS' EQUITY	1,379,515	(15,542)	1,363,973		(16,057)	1,347,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,287,347	33,856	4,321,203		(16,057)	4,305,146

Supplementary Information

Reconciliation of the consolidated income statement and the consolidated balance sheet from HKGAAP to CAS (Continued)

2. Reconciliation of the consolidated income statement for the six months ended 30 June 2010

	Under HKGAAP (note 1) RMB'000	Prior period adjustments (note 2) RMB'000	Under HKGAAP (restated) RMB'000	Note	Differences RMB'000	Under CAS RMB'000
Operating income	2,779,516	—	2,779,516		—	2,779,516
Less: Operating costs	2,568,594	115	2,568,709		—	2,568,709
Business taxes and levies	15,433	32	15,465		—	15,465
Less: Selling expenses	35,518	—	35,518		—	35,518
Administrative expenses	108,573	1,476	110,049	(3)	32	110,081
Financial expenses	10,945	(4)	10,941		—	10,941
Impairment losses of assets	(6,769)	—	(6,769)		—	(6,769)
Add: Investment income(loss)	(1,137)	—	(1,137)	(4)	(276)	(1,413)
Operating profit	46,085	(1,619)	44,466		(308)	44,158
Add: Non-operating income	5,125	—	5,125		—	5,125
Less: Non-operating expenses	2,174	—	2,174		—	2,174
Total profit	49,036	(1,619)	47,417		(308)	47,109
Less: Income tax expenses	13,798	—	13,798		—	13,798
Net profit	35,238	(1,619)	33,619		(308)	33,311
Net profit attributable to owners of the Company	38,569	(1,619)	36,950		(308)	36,642
Profit or loss attributable to minority interests	(3,331)	—	(3,331)		—	(3,331)
Other comprehensive income	(2,196)	—	(2,196)	(5)	17	(2,179)
Total comprehensive income	33,042	(1,619)	31,423		(291)	31,132
Total comprehensive income attributable to owners of the Company	37,248	(1,619)	35,629		(291)	35,338
Total comprehensive income attributable to minority interests	(4,206)	—	(4,206)		—	(4,206)
Earnings per share Basic earnings per share (RMB)	0.092	(0.004)	0.088		—	0.088

Supplementary Information

Note (1): The financial statements prepared in accordance with HKGAAP have been reclassified to conform with the presentation of current period.

Note (2): According to the accounting policy adopted for preparing financial statements under HKGAAP and CAS, subsidiary acquired through a business combination involving enterprise under common control is included in the Group's scope of consolidation as if it had been included in the scope of consolidation from the date when it first came under the common control of the ultimate controlling party. The details are set out in Note 5 to the interim financial statements.

Note (3): According to the accounting policy adopted in preparing financial statements under HKGAAP, investment property is measured initially at its cost and then it is carried at fair value subsequently. Fair value is based on active market price. Changes in fair values are charged to the profit or loss for the period in which they arise. However, under the accounting policy adopted under CAS, the Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

Note (4): According to the accounting policy adopted in preparing financial statements under HKGAAP, the excess amount of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated company at the date of acquisition is tested annually for impairment. Besides, such amount is subjected to impairment test, it is also amortised and charge to the current year profit and loss account in accordance with the accounting policy adopted in preparing financial statements under CAS pursuant to Interpretation of CAS No.1 issued by MOF.

Note (5): Other insignificant differences.

Note (6): Impact of Note (3) to (5) to Shareholders' equity.