



廣東南粵物流股份有限公司

Guangdong Nan Yue Logistics Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03399)

2012 Interim Report

* For identification purposes only

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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 terminologies 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 material 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 operation and toll collection 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
Zeng Gangqiang
Lu Maohao (resigned on 6 June 2012)

Non-Executive Directors

Liu Wei (appointed on 6 June 2012)
Zheng Renfa
Lu Yaxing
Cai Conghua
Xuan Zongmin (appointed on 6 June 2012)
Tang Yinghai (appointed on 6 June 2012)
Cai Xiaojun (resigned on 6 June 2012)
Cao Xiaofeng (resigned on 6 June 2012)

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
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PRINCIPAL BANKERS

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

LEGAL ADVISER

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
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Hong Kong

Financial Highlights

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended		
	30 June		
	2012	2011	Change
	RMB'000	RMB'000	
Results highlights			
Turnover			
Material logistics services	1,303,579	1,445,858	-10%
Expressway service zones	258,831	268,394	-4%
Transportation intelligence services	170,397	239,697	-29%
Cross-border transportation services	143,288	137,365	4%
Tai Ping Interchange	68,640	65,622	5%
Others	164	—	Not applicable
Total turnover	1,944,899	2,156,936	-10%
Gross profit			
Material logistics services	54,304	71,841	-24%
Expressway service zones	58,512	79,223	-26%
Transportation intelligence services	43,709	26,582	64%
Cross-border transportation services	20,170	21,216	-5%
Tai Ping Interchange	57,663	54,866	5%
Others	164	—	Not applicable
Total gross profit	234,522	253,728	-8%
Business taxes and levies	(21,874)	(27,856)	-21%
Selling and administrative expenses	(159,297)	(147,815)	8%
Financial expenses	(16,193)	(1,742)	830%
Reversal of impairment losses of assets	2,621	7,188	-64%
Investment income	134	2,547	-95%
Operating profit	39,913	86,050	-54%
Non-operating income and expenses	6,557	3,494	88%
Total profit	46,470	89,544	-48%
Income tax expenses	(16,880)	(38,222)	-56%
Net profit	29,590	51,322	-42%
Minority interests	(65)	6,037	Not applicable
Net profit attributable to owners of the Company	29,525	57,359	-49%
Basic earnings per share (RMB)	0.07	0.14	-49%

Financial Highlights

As at

	30 June	31 December	
	2012	2011	Change
	RMB'000	RMB'000	
Results highlights			
Total assets	3,753,066	4,807,452	-22%
Total net assets	1,318,768	1,312,047	1%
Equity attributable to owners of the Company	1,141,224	1,135,041	1%
Net assets per share attributable to the Company's owners (RMB)	2.73	2.72	1%

For the six months ended

30 June

	2012	2011
Ratios		
Gross profit margin (%)	12.06%	11.76%
Interest covered ratio (times)	3.15	4.98

As at

	30 June	31 December
	2012	2011
Liabilities to assets ratio (%)	64.79%	72.71%
Current ratio (times)	1.10	1.07

Gross profit margin = Gross profit/Turnover

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

Liabilities to assets ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

Chairman's Statement

I am pleased to present the review of the operation of the Group for the first six months of 2012 and the outlook of our future development.

BUSINESS REVIEW

In the first half of 2012, the global economy was highly uncertain as recovery was losing its momentum and the European debt crisis remained unsolved. The economy of China remained stable during the period. However, the economic outlook is not optimistic as the economic growth as well as the increase in commodity prices began to slow down. In addition, China continued its conservative monetary policy adopted in 2011. Under such economic environment, the development of the expressway network in Guangdong, which has very significant implication to the major business of the Group, also slowed down. In the first half of 2012, transportation infrastructure construction projects to connect all counties in Guangdong to expressway networks under the "12th Five-Year" plan were launched. However, actual investment was less than 50% of the annual budget. The Group closely monitored the international and local economies and its impacts and promptly adjust the development and structure of its business accordingly. The Group continued to actively engage in the material logistic services for major infrastructure projects and the operation of expressway service zones and transportation intelligence services to maintain a healthy development.

In respect of material logistics business, in the first half of 2012, the Group (1) provided material logistics services for various expressway projects operated by GCGC, including the Guangzhou-Lechang Expressway, the expansion of Guangzhou-Qingyuan Expressway, Jiangmen-Zhaoqing Expressway (North Section), Zhaoqing-Huadu Expressway, the expansion of Foshan-Kaiping Expressway, Boluo-Shenzhen Expressway, Guangzhou-Zhuhai Expressway West line (Phase III), Shantou-Jieyang Expressway (Phase III), and projects not operated by GCGC, including the Guangzhou-Gaoming Expressway, Zengcheng-Conghua Expressway, Guiyang-Guangzhou Expressway, Guangzhou Metro Route No. 5 and Guangzhou-Zhuhai Intercity Rail; (2) provided loading and unloading, transit, storage and asphalt processing businesses through Dongguan Storage and Transportation Centre of Nan Yue Logistics. The Group also commenced the construction of Dongguan Terminal. Tenders for the construction of Dongguan Terminal Phase II were called.

In the first half of 2012, the expressway service zones business of the Group successfully continued its development as planned and all business sectors achieved satisfactory growth. The Group (1) further improved the commercial value of the service zones by making full use of business resources in the service zones to reorganize the layout of the commercial properties for attracting business investment; (2) enhanced marketing efforts for the service zones by adopting a centralized marketing system; (3) speeded up the development and strengthened the coordination and management of gas stations in the service zones to ensure smooth operation; (4) enhanced the brand building and management of convenience stores; strengthened procurement management to lower costs, and improved sales promotion and product offering planning; and (5) entered into new advertisement agency contracts for Guangzhou South Second Ring Expressway, Zhanjiang-Xuwen Expressway, Jiangmen-Zhaoqing Expressway, Yangjiang-Yangchun Expressway, Shantou-Fenshuiguan Expressway and Guangzhou-Wuzhou Expressway.

Chairman's Statement

In respect of the transportation intelligence services, the Group commenced 12 electrical and mechanical projects and 7 transportation projects in the first half of 2012. The Group strengthened its internal management and developed markets with higher potential and projects with higher profitability. The Group also enhanced budget control through ongoing cost analysis to improve profitability.

In respect of cross-border transportation services, the Group further improved operation efficiency by restructuring cross-border bus routes according to market changes in the first half of 2012. To facilitate business expansion, the Group restructured its business by establishing subsidiaries to carry out the passenger transport, freight transport and tourism businesses respectively. The passenger transport company focused on the expansion of the market in the PRC. The freight transport company focused on securing major customers. The tourism company focused on the development of tourism and passenger vehicle hiring business. The operation of the subsidiaries was successful.

OUTLOOK AND STRATEGIES

Since May 2012, China has relaxed its monetary policy as the pressure of inflation fell. However, the economy was still under pressure. The global economy will remain challenging the European debt crisis, resulting in the uncertainties of China's economy in the second half of 2012. Under such circumstances, the Group will develop its businesses in accordance with the conditions of the transportation market. We will further streamline our business structure to improve operation efficiency.

The Group has the following business plans for the second half of the year:

1. Material logistics services

- i. The Group will further improve the performance of the material logistics business of expressway projects of GCGC by strengthening the logistics management. The Group will also seek to secure new businesses by actively engaging in the bidding of steel and asphalt logistic service contracts in respect of Guangzhou metro and expressway projects not operated by GCGC.
- ii. The Group will further expand the asphalt storage business and the asphalt processing business by improving the utilization of the existing production lines. The Group will develop the asphalt processing business as a new profit growth point by strengthening marketing efforts and promoting the sale of modified and emulsified asphalt.

Chairman's Statement

2. Expressway service zones

- i. The Group will study and adopt an appropriate marketing strategy to promote the service zone business. The Group will optimize the product offering of convenience stores and regularly conduct promotion activities. The Group will also seek to minimize procurement costs by bulk purchase so as to increase price competitiveness. The Group will support the marketing activities of the merchants in the service zones to attract consumers and to promote sales.
- ii. The Group will strengthen the management of our business partners through the evaluation of their performance and commercial values of the properties. We emphasize on the supervision, management and support of our business partners who will grow with us and improve the image of the service zones.
- iii. The Group will improve the utilization of the advertisement resources by restructuring the expressway advertising points in Guangdong to increase sales. The Group will expand its customer base. On the other hand, the Group will minimize its operation risk by evaluating the creditability of customers.

3. Transportation intelligence services

- i. The Group will focus on the development of businesses with low capital requirement, low risks and high profits, such as the sales of software and hardware as well as other businesses in emerging sectors that are suitable for the Group.
- ii. The Group will focus on the development of highly profitable projects to realize profits in a shorter term.
- iii. The Group will strengthen budget management of construction projects by specifying the responsibility of operation. The Group will also closely monitor the cost effectiveness of projects to improve performance.

4. Cross-border transportation services

- i. In respect of cross-border passenger transportation, we intend to improve the operation and management of middle and long distance routes. The Group will conduct extensive market research and adjust business strategy according to market changes. We will seek to increase the profits of our routes through cooperation with our competitors.
- ii. In respect of cross-border freight transportation, the Group will actively secure new customers and business to minimize the impact of the European debt crisis.
- iii. In respect of tourism business, the Group will further expand the scale to realize the benefit of economy of scale through closer cooperation with well-known travel agencies to attract more business. We will cooperate with Chu Kong Passenger Transport to develop the business of "Cotai Jet".

Yours faithfully,

Liu Hong

Chairman

Guangzhou, the PRC

23 August 2012

BUSINESS REVIEW

As at 30 June 2012, the four main businesses of the Group are categorised as below:

- (i) material logistics services;
- (ii) expressway service zones services;
- (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 2012, the Group participated in supply management of materials such as steel, cement and asphalt for GCGC expressway projects which included Guangzhou-Lechang Expressway, the expansion of Guangzhou-Qingyuan Expressway, Jiangmen-Zhaoqing Expressway (northern section), Zhaoqing-Huadu Expressway, the expansion of Foshan-Kaiping Expressway, Boluo-Shenzhen Expressway, Phase III of Guangzhou-Zhuhai Western Expressway and Phase III of Shantou-Jieyang Expressway, and for projects other than GCGC expressway projects, including Guangzhou-Gaoming Expressway, Zengcheng-Conghua Expressway, Guiyang-Guangzhou Expressway, Guangzhou Metro (Route No. 5) and Guangzhou-Zhuhai Intercity Railway. During the first half of the year, the Group supplied a total of approximately 211,300 tons of steel, 1,005,500 tons of cement and 6,600 tons of asphalt.

The Group continued to develop its wharf and storage businesses. In May 2012, Phase I of the Wharf of Dongguan Storage and Transportation Centre of the Group passed the inspection for the commencement of the operation and was formally opened on June 2012. Businesses operated under Dongguan Storage and Transportation Centre included loading and unloading, transit, storage and asphalt processing. Meanwhile, Phase II of the Wharf of Dongguan Storage and Transportation Centre was under construction as scheduled.

The Group developed the asphalt business by using the existing asphalt processing production lines for the processing business of modified and emulsified asphalt. Such effort was made to turn the asphalt processing business into a new profit growth point of the Company.

Management Discussion and Analysis

Expressway service zones

In the first half of 2012, the Group sought operating resources for expressway service zones. It obtained operating rights of five pairs of expressway service zones which included Shaxi Service Zone of Guangzhou-Zhuhai Western Expressway, Xiegang Service Zone of Boluo-Shenzhen Expressway, Xiyang Service Zone of Meizhou-Dapu Expressway, Dinghu Service Zone of Jiangmen-Zhaoqing Expressway and Yayao Service Zone of the expansion route of Foshan-Kaiping Expressway, and a parking zone in Liangcun at the Huaiji extension of Erguang Expressway.

The Group improved the commercial properties planning in its service zones. Based on the market research on the service zones which had adopted the commercial planning improvement measures, the Group prepared planning on business model for new service zones and modified planning on commercial properties of the existing service zones. It also prepared the "Planning Report on Commercial Properties and Implementation Rules of the Twelfth Five-year Plan (商業地產規劃報告及十二五規劃細則)" for establishing foundation for the cooperation of the planning on commercial properties.

The Group invited investments and improved the management of investment projects. It speeded up the construction and standardized the management of gas stations in service zones. It also completed the approval and reporting procedures of construction planning and the application procedures of relevant licenses for new gas stations as scheduled.

In order to boost the business of "Loyee" convenient store and the trial operation in certain convenient stores, the Group strengthened its procurement management for reducing procurement cost.

In the first half of 2012, the Group entered into several new advertising commission contracts relating to sections of Guangzhou Second Ring Expressway, Zhanjiang-Xuwen Expressway, Jiangmen-Zhaoqing Expressway, Yangjiang-Yangchun Expressway, Shantou-Fenshuiguan Expressway and Guangzhou-Wuzhou Expressway, which further improved the expressway advertising network. In addition, the Group also launched its integrated media programmes, including service zone advertising, toll booth advertising, lifting lever advertising, scrolling light box advertising and road cone advertising, to diversity its advertisement mediums and take full advantage of the media resources on the expressways.

Management Discussion and Analysis

Transportation intelligence services

In respect of transportation intelligence business, the Group continued to carry out mechanical and electrical projects and transportation projects as scheduled in the first half of 2012. These mechanical and electrical projects included the reconstruction projects for the toll-by-weight collection measures on sections of Huizhou-Heyuan Expressway, Yuegan Expressway, Shantou-Fenshuiguan Expressway, Kaiping-Yangjiang Expressway and Chongqing-Zhanjiang Expressway, development of "One-Time Toll Tickets Application Software" for Maoming-Zhanjiang Expressway, Chongqing-Zhanjiang Expressway and Zhanjiang-Xuwen Expressway, the toll station expansion construction under the upgrading and improvement (expressway) project of Qing(yuan)-Lian(zhou) First Class Highway, the mechanical and electrical project of Dianjiang-Linshui Expressway in Sichuan and the mechanical and electrical project of Zhenning-Shengjingguan Expressway in Guizhou. Major transportation projects included the construction of road safety facilities at E1 section of Yangjiang-Yangchun section of Yangjiang-Yunfu Expressway, the construction of road safety facilities at southern section of national major highway Guangzhou Ring Road, the construction of road safety facilities at section JA5 of Guangyuan-Nanchong section of Lanzhou-Haikou National Expressway, the roadside fence (wall) construction at Guangzhou-Shenzhen Expressway and signpost improvement project in Guizhou. In implementing the above construction projects, the Group improved its internal control, the budget management of construction projects and the dynamic analysis of project costs. As such, economic benefit of the above projects was enhanced.

Cross-border transportation services

To cater for further expansion, the Motor Transport Company of Guangdong and Hong Kong Limited, a subsidiary of the Group which is engaged in the provision of cross-border transportation services, established three subsidiaries in late December 2011. These three subsidiaries are specialized in passenger transport, freight transport and tourism, respectively. In the first half of 2012, the Group successfully streamlined the business of these branch companies, providing a solid foundation for future development.

For passenger transport business, the Group integrated the coach routes of its cross-border passenger transport based on market conditions to improve its coach frequency. With higher operation efficiency and carriage rate, its market share was consolidated. In addition, mainland passenger transport was combined with cross-border passenger transport to provide comprehensive connecting services.

For cross-border freight business, the Group focused on consolidating and expanding major customer base in the first half of 2012. It strengthened its northbound freight services by enhancing cargo handling capacity and carriage rate. With the above initiatives, the risk of a decline in cross-border freight business was lowered.

Management Discussion and Analysis

For newly-developed tourism business, the Group has generated profits by providing services as the primary ticket agent of CotaiJet of Chu Kong Transport. Leveraging the coach routes of cross-border passenger transport, it developed various tourist routes for Hong Kong and Guangdong residents. It also cooperated with famous travel agencies to provide services to visitors to Hong Kong, including ferry tickets, entrance tickets, hotel reservation and special tours, which have become the new growth engine of the Group.

Tai Ping Interchange

The Group possesses the toll collection right of Tai Ping Interchange. In the first half of 2012, toll income was RMB69 million.

Development of land held by Guangdong Province Transportation Engineering Company Limited

As approved by the extraordinary general meeting held on 30 November 2010, the Company acquired 100% equity interests in Guangdong Province Transportation Engineering Company Limited. According to the Special Plan on Old Plant Renovation in Guangzhou (2010-2020) (廣州市舊廠房改造專項規劃 (2010-2020)) issued by Guangzhou authorities in January 2011, the land parcel of Guangdong Province Transportation Engineering Company Limited was included in the “old towns, plants and villages” redevelopment project. The land parcel of Guangdong Province Transportation Engineering Company was planned for commercial and residential purposes before the approval of the Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou (2010-2020) (廣州市白雲新城西部延伸區控制性詳細規劃 (2010-2020)) issued in May 2011. The development plan for the land parcel will not be determined until the Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou is released. Any relevant documents will be submitted in accordance with the procedures of the “old towns, plants and villages” redevelopment project. The Company will disclose the development progress of this land parcel in due course.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

The turnover of the Group mainly derived from four business segments, including material logistics services, transportation intelligence services, expressway service zones operation and cross-border transportation services between Hong Kong and Guangdong province. 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 2012 amounted to RMB1,945 million (2011: RMB2,157 million), representing a decrease of 10% as compared to the same period in 2011 (unless otherwise specified, (i) all amounts in this financial review set out below are shown in RMB; and (ii) the comparative figures shall be the financial information as at 30 June 2011). Such decrease was mainly attributable to the decrease in material logistics services and projects of transportation intelligence services in progress outside Guangdong Province.

Turnover by business segment

	For the six months ended 30 June			
	2012		2011	
	RMB'000	Percentage	RMB'000	Percentage
Material logistics services	1,303,579	67%	1,445,858	68%
Expressway service zones	258,831	13%	268,394	12%
Transportation intelligence services	170,397	9%	239,697	11%
Cross-border transportation services	143,288	7%	137,365	6%
Tai Ping Interchange	68,640	4%	65,622	3%
Others	164	0%	—	—
Total	1,944,899	100%	2,156,936	100%

Material logistics services

Material logistics services was the largest source of turnover of the Group. During the first half of the year, the turnover for the material logistics service of the Group amounted to RMB1,304 million (2011: RMB1,446 million), which accounted for approximately 67% (2011: 68%) of the total turnover of the Group, representing a decrease of 10%. The decrease in turnover was mainly attributable to the decrease in projects resulted in a fall in supplies.

Management Discussion and Analysis

Expressway service zones

As at 30 June 2012, the number of service zones of the Group in operation was 60 pairs (2011: 60 pairs). The turnover of expressway service zones of the Group amounted to RMB259 million (2011: RMB268 million), which accounted for approximately 13% (2011: 12%) of the total turnover of the Group, representing a decrease of RMB9 million or approximately 4% as compared to the same period in 2011. Such decrease was mainly attributable to the decrease in one-off admission fee revenue of gas stations as compared with the same period of last year, but was partially offset by the increase in income from investment solicitation and advertising businesses of services zones.

Transportation intelligence services

During the first half of the year, turnover of transportation intelligence services amounted to RMB170 million (2011: RMB240 million), which accounted for approximately 9% (2011: 11%) of the total turnover of the Group, representing a decrease of RMB70 million or approximately 29% as compared to the same period of last year. Such decrease was mainly attributable to the decrease in projects in progress outside Guangdong Province.

Cross-border transportation services

The turnover from the cross-border transportation services amounted to RMB143 million (2011: RMB137 million) in the first half of the year, which accounted for approximately 7% (2011: 6%) of the total turnover of the Group, representing an increase of 4% as compared with the same period in previous year. Such increase was mainly attributable to the effect of various measures, such as the increase and adjustments in certain medium- and long-distance passenger routes as well as the enhancement of transportation capacity.

Tai Ping Interchange

During the first half of the year, the turnover from Tai Ping Interchange amounted to RMB69 million (2011: RMB66 million), which accounted for approximately 4% (2011: 3%) 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 natural growth of traffic volume.

Management Discussion and Analysis

Gross profit

As the turnover decreased, the gross profit of the Group for the first half of the year decreased by RMB19 million or 8% to RMB235 million (2011: RMB254 million) as compared to the same period of last year. Gross profit margin was 12.06%, which was slightly higher than gross profit margin of 11.76% for the same period of last year.

Gross profit by business segment

	For the six months ended 30 June			
	2012		2011	
	RMB'000	Percentage	RMB'000	Percentage
Material logistics services	54,304	23%	71,841	28%
Expressway service zones	58,512	25%	79,223	32%
Transportation intelligence services	43,709	19%	26,582	10%
Cross-border transportation services	20,170	9%	21,216	8%
Tai Ping Interchange	57,663	24%	54,866	22%
Others	164	0%	—	—
Total	234,522	100%	253,728	100%

Material logistics services

In the first half of the year, the gross profit from material logistics services amounted to RMB54 million (2011: RMB72 million), which accounted for 23% (2011: 28%) of the Group's total gross profit, representing a decrease of RMB18 million or 24% as compared with the same period of last year. The gross profit margin was 4.17% (2011: 4.97%). The decrease in gross profit was mainly attributable to the decrease in turnover.

Expressway service zones

In the first half of the year, the gross profit from expressway service zones amounted to RMB59 million (2011: RMB79 million), which accounted for 25% (2011: 32%) of the total gross profit of the Group. The gross profit margin was 22.61% (2011: 29.52%). Such decrease was mainly attributable to the decrease in revenue from one-off admission fees at gas stations during the period as compared to the same period of last year.

Management Discussion and Analysis

Transportation intelligence services

In the first half of the year, the gross profit from transportation intelligence services amounted to RMB44 million (2011: RMB27 million), which accounted for 19% (2011: 10%) of the total gross profit of the Group, representing an increase of RMB17 million or 64%. The gross profit margin was 25.65% (2011: 11.09%). The increase in gross profit margin was primarily due to the change of the income structure in which the proportion of income from toll-by-weight project in the expressway network with higher gross profit margin increased and the proportion of income from projects outside Guangdong Province with lower gross profit margin decreased.

Cross-border transportation services

In the first half of the year, the gross profit from cross-border transportation services amounted to RMB20 million (2011: RMB21 million), which accounted for 9% (2011: 8%) of the total gross profit of the Group, representing a decrease of RMB1 million or 5% as compared to the same period of last year. The gross profit margin was 14.08% (2011: 15.45%). Such decrease in gross profit margin was mainly attributable to the increase in costs such as vehicle fuel fees, maintenance fees and wages.

Tai Ping Interchange

In the first half of the year, gross profit of Tai Ping Interchange business increased by 5% from RMB55 million of the same period of last year to RMB58 million and accounted for 24% (2011: 22%) of the Group's total gross profit. The gross profit margin was 84.01% (2011: 83.61%), which is basically the same as last year.

Business tax and other surcharges

Business taxes and other surcharges decreased to RMB21 million from RMB28 million of the same period of last year, representing a decrease of RMB7 million or 23%. The decrease was mainly attributable to (i) the decrease in related taxes resulting from the decrease in income from expressway service zones and transportation intelligence services; and (ii) the decrease in surcharges to value-added tax resulting from the decrease in income from material logistics services.

Selling and administrative expenses

In the first half of the year, selling expenses and administrative expenses of the Group amounted to RMB46 million and RMB114 million, respectively. Selling and administrative expenses amounted to RMB160 million (2011: RMB148 million), representing an increase of RMB12 million or 8% as compared to the same period of last year. Such increase was mainly attributable to the rising labour cost.

Management Discussion and Analysis

Finance costs

Finance costs increased to RMB16 million from RMB2 million of the same period of last year, representing an increase of 830%. The increase was mainly attributable to the increase in discount interests resulting from the increase in proportion of payment by discounted domestic letters of credit for material logistics services operation.

Liquidity and capital structure

As at 30 June 2012, cash and cash equivalents amounted to RMB870 million (31 December 2011: RMB2,092 million). As at 30 June 2012, balance of bills payable amounted to RMB490 million (31 December 2011: RMB622 million); the net current assets of the Group amounted to RMB231 million (31 December 2011: RMB229 million); current ratio of the Group was 1.10 times (31 December 2011: 1.07 times); liabilities to assets ratio of the Group was 64.79% (31 December 2011: 72.71%).

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.

Cash and cash equivalents

As at the first half of 2012, cash and cash equivalents (after deducting the effect of the foreign exchange) were as follows:

	For the six months ended 30 June		
	2012 RMB'000	2011 RMB'000	Change
Cash from/(used in)			
Operating activities	(1,068,201)	(860,398)	24%
Investing activities	(33,332)	(97,038)	-66%
Financing activities	(121,357)	210,202	Not applicable
Decrease in cash and cash equivalents	(1,222,890)	(747,234)	64%

Management Discussion and Analysis

Operating activities

The net cash outflow from operating activities amounted to RMB1,068 million (2011: net cash outflow of RMB860 million) in the first half of the year, representing an increase of RMB208 million, which was mainly attributable to the increase in Company's payment during the period for the bank acceptance bills which were issued but not accepted for the previous year and the domestic letters of credit as compared with the same period of last year.

Investing activities

The net cash used in investing activities in the first half of the year amounted to RMB33 million, mainly including (i) RMB17 million for construction of service zones; (ii) RMB8 million for asset acquisition of cross-border transportation business; and (iii) RMB7 million for asphalt modifying equipment and wharf construction of material logistics services in Dongguan.

Financing activities

The net outflow from financing activities in the first half of the year amounted to RMB121 million (2011: net inflow of RMB210 million), which was mainly attributed to short term bank borrowing and the acceptance of expired letters of credit.

Borrowings

As at 30 June 2012, the total amount of short term borrowings of the Group, including unsecured and non-guaranteed loans of RMB80 million, payables under the letter of credit arrangement of RMB139 million and letter of credit mortgaged loans of RMB23 million, was RMB242 million (30 June 2011: RMB255 million), representing a decrease of RMB13 million as compared with the same period of last year. The interest rate of unsecured and non-guaranteed loans floats monthly. The interest rates of payables under the letter of credit arrangement and letter of credit mortgaged loans are fixed.

Charges on assets

As at 30 June 2012, the Group did not have any charges on assets (31 December 2011: Nil).

Acquisitions

As at 30 June 2012, the Group had no acquisitions pending for completion.

Management Discussion and Analysis

Post balance sheet date events

Nil.

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 2012, 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 will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

Contingent liabilities

As at 30 June 2012, 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 2012.

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 2012, 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 Listing Rules, were as follows:

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

As at 30 June 2012, 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	Rao Fengsheng	Personal	2,602	0.0003	(2)
Guangdong Expressway	Chen Chuxuan	Personal	5,987	0.0007	(3)

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) 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.
- (3) 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.

Other Information

Except as disclosed above, as at 30 June 2012, 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) which were required to be 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 required to be 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.

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 2012, the following persons (not being any of the Directors, the supervisors and the chief executive of the Company) had an interest or short position in the shares and 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	23,325,462	Investment manager	16.90	5.59
Guangdong Communication Enterprise Investment Company Limited ("GCGC Investment")	Domestic shares	22,371,349	Beneficial owner	8.00	5.36
Sinopec (Hong Kong) Limited	H shares	21,000,000	Beneficial owner	15.22	5.03
Guangdong Province Road 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 Highway Construction and GCGC Investment. GCGC is also deemed to be interested in the 18,527,994 domestic shares of the Company held by its other subsidiaries, namely Guangdong Province Road & Bridge Construction Development Company Limited and Guangdong Weisheng Transportation Enterprise Company Limited.

Other Information

Except as disclosed above, as at 30 June 2012, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30 June 2012, 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 2012 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 Stock Exchange of Hong Kong Limited made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has fully complied with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It has also fully complied with the CG Code during the period from 1 April 2012 to 30 June 2012 with the exception of the following deviations:

Resignation of Mr. Cao Xiaofeng as a non-executive director of the Company was approved at the annual general meeting of the Company held on 6 June 2012 (the "AGM"). The Company did not update its list of directors promptly after the AGM as provided for in code provision A.3.2. This was because the Board took a few days after the AGM to decide a new member of the Audit and Corporate Governance Committee in replacement of Mr. Cao Xiaofeng, and an updated list of directors identifying their role and function was only available after the relevant decision was made on 15 June 2012.

Not all of the independent non-executive directors and non-executive directors of the Company were able to attend the AGM as provided for in code provision A.6.7 due to their other business engagement.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that corporate governance practices of the Company were in line with the Old Code and the CG Code during the six months ended 30 June 2012.

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. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors confirmed that they complied with the requirements set out in the Model Code and the Code of Conduct for the six months ended 30 June 2012.

BOARD OF DIRECTORS

As at 30 June 2012, the Board consisted of thirteen members, including four executive Directors, Mr. Liu Hong, Mr. Wang Weibing, Mr. Deng Chongzheng and Mr. Zeng Gangqiang; six non-executive Directors, Mr. Liu Wei, Mr. Zheng Renfa, Mr. Lu Yaxing, Mr. Cai Conghua, Mr. Xuan Zongmin and Mr. Tang Yinghai and three independent non-executive Directors, Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei.

REVIEW BY AUDIT AND CORPORATE GOVERNANCE COMMITTEES

The Company has established the Audit and Corporate Governance Committee in compliance with the Old Code and the CG 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 2012.

The primary duties of the Audit and Corporate Governance 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, provide advice and comments to the Board and monitor the corporate governance of the Company. As at 30 June 2012, the Audit and Corporate Governance Committee consisted of three members, Mr. Peng Xiaolei (Chairman), Mr. Liu Shaobuo and Mr. Zheng Renfa. The committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2012. The auditor of the Company, Deloitte Touche Tohmatsu CPA Ltd., has also reviewed the unaudited interim financial report 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 2012, the supervisory committee consisted of seven members, two of which were independent Supervisors (namely Mr. Bai Hua and Ms. Lu Zhenghua), 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 3,171 employees as at 30 June 2012. Total staff cost for the Group for the six months ended 30 June 2012, including remuneration of the Directors, amounted to approximately RMB164 million.

Other Information

The remuneration of the employees of the Group (including the executive Directors) comprises of basic salary, allowance and performance bonus. The basic salary is determined according to the position, work experience of the employees and with reference to the market salaries. The allowance is determined according to the remuneration system of the Group. The performance bonus is determined according to the performance assessment results of the employees.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

On 15 March 2012, the Board recommended the payment of the final dividend of 2011 of RMB0.06 per ordinary share (pre-tax). Such proposal was approved by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2012 (the "AGM"). Please refer to the circular of the Company dated 17 April 2012 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) amend the registration number of the business licence (企業法人營業執照) of the Company; and (b) make corresponding changes to the number of Directors and independent non-executive Directors of the Company in light of the recent amendments to the Listing Rules. For further information relating to the above transaction, please refer to the Company's announcement dated 26 March 2012 and the Company's circular dated 17 April 2012.

The legal advisers to the Company as to Hong Kong laws and laws of the PRC have respectively confirmed that the proposed amendments to the Articles of Association are in compliance with the requirements of the Listing Rules and do not violate the applicable laws of the PRC. The Company 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, the Board was aware of the following material litigations involving the Company:

1. the Company has brought a legal proceeding against China Railway Erju Group Material Co., Ltd., Transportation Commanding Department (交通工程指揮部) of Inter-city Railway between Guangzhou and Zhuhai of China Railway No.3 Engineering Group Co., Ltd., Commanding Office (工程指揮部) of Inter-city Railway between Guangzhou and Zhuhai of China Railway No.8 Engineering Group Co., Ltd. and Project Management Office (項目經理部) of Guangzhou-Shenzhen-Hong Kong Passenger Special railway Line ZH-2, tender project of China Railway No. 17 Engineering Group to recover the costs of materials. The total principal amount involved amounted to RMB57,082,905. As at 10 July 2012, the hearings of the above cases have been completed, and the entire principal amount of RMB57,082,905 together with interest of RMB792,012 have been recovered. Except for the dispute with Transportation Commanding Department of Inter-city Railway between Guangzhou and Zhuhai of China Railway No.3 Engineering Group Co., Ltd on interests pending, all disputes have been settled.
2. 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 and a compensation for breach of contracts by the 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 judgement on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company and the compensation for beach of contract. Currently, the Company is taking necessary actions to enforce with the judgement of the Court.

Company's and Consolidated Balance Sheets

At 30 June 2012

ASSETS	Note VI	Consolidated		Company	
		As at 30 June 2012 RMB (unaudited)	As at 31 December 2011 RMB (audited)	As at 30 June 2012 RMB (unaudited)	As at 31 December 2011 RMB (audited)
Current Assets:					
Cash and bank balances		870,015,171.51	2,092,231,222.60	601,657,039.47	1,784,886,260.82
Notes receivable		14,328,897.58	4,435,000.00	11,939,322.08	3,500,000.00
Accounts receivable	(1)	935,915,761.24	898,769,092.76	686,161,324.88	621,148,173.72
Prepayments		163,889,444.96	98,474,416.62	144,358,574.62	49,775,019.50
Dividends receivable		94,792.23	94,792.23	—	27,961,854.12
Other receivables		252,405,199.13	245,282,907.29	336,370,640.50	322,228,613.64
Inventories	(2)	411,191,218.07	379,812,174.60	133,021,382.32	92,723,085.57
Other current assets		4,661,131.16	—	6,383,115.16	—
Total Current Assets		2,652,501,615.88	3,719,099,606.10	1,919,891,399.03	2,902,223,007.37
Non-current Assets:					
Long-term receivables	(3)	—	22,349,501.66	—	—
Long-term equity investments		108,422,090.12	93,064,332.82	489,175,581.74	489,256,478.41
Investment properties		11,405,202.68	11,439,275.14	—	—
Fixed assets	(4)	432,138,508.08	422,895,591.09	5,644,476.84	7,171,954.74
Construction in progress		15,477,426.57	16,492,341.79	1,741,564.80	191,564.80
Intangible assets	(5)	348,690,545.54	356,932,310.99	215,525,152.31	223,342,304.98
Long-term prepaid expenses		7,053,461.19	7,667,377.15	5,203,698.60	5,360,837.52
Deferred tax assets		157,077,076.73	157,511,642.95	130,129,970.20	130,475,575.11
Other non-current assets		12,271,915.84	—	—	—
Total Non-current Assets		1,092,536,226.75	1,088,352,373.59	847,420,444.49	855,798,715.56
TOTAL ASSETS		3,745,037,842.63	4,807,451,979.69	2,767,311,843.52	3,758,021,722.93

Company's and Consolidated Balance Sheets

At 30 June 2012

LIABILITIES AND SHAREHOLDERS' EQUITY	Note VI	Consolidated		Company	
		As at 30 June 2012 RMB (unaudited)	As at 31 December 2011 RMB (audited)	As at 30 June 2012 RMB (unaudited)	As at 31 December 2011 RMB (audited)
Current Liabilities:					
Short-term borrowings	(6)	241,835,628.58	60,000,000.00	218,880,764.19	60,000,000.00
Notes payable		490,010,850.52	621,558,443.87	490,010,850.52	621,558,443.87
Accounts payable	(7)	1,012,564,722.80	1,438,110,353.08	622,740,060.06	995,668,998.19
Receipts in advance		384,416,523.28	442,492,499.55	42,387,501.55	90,503,575.01
Employee benefits payable		61,981,158.31	60,667,664.93	12,340,305.11	12,393,285.97
Taxes payable		103,988,974.45	138,164,981.99	82,486,453.48	131,470,593.38
Interests payable		1,415,908.30	10,536,095.95	1,415,908.30	10,536,095.95
Dividends payable		26,234,513.00	1,176,000.00	25,058,513.00	—
Other payables		98,829,458.70	149,561,112.61	323,046,563.72	319,198,756.22
Other current liabilities	(8)	—	567,693,227.72	—	567,693,227.72
Total Current Liabilities		2,421,277,737.94	3,489,960,379.70	1,818,366,919.93	2,809,022,976.31
Non-current Liabilities:					
Deferred tax liabilities		1,434,425.33	989,134.34	—	—
Other non-current liabilities		3,558,136.17	4,455,593.10	—	—
Total Non-current Liabilities		4,992,561.50	5,444,727.44	—	—
TOTAL LIABILITIES		2,426,270,299.44	3,495,405,107.14	1,818,366,919.93	2,809,022,976.31

Company's and Consolidated Balance Sheets

At 30 June 2012

LIABILITIES AND SHAREHOLDERS' EQUITY	Note VI	Consolidated		Company	
		As at 30 June 2012 RMB (unaudited)	As at 31 December 2011 RMB (audited)	As at 30 June 2012 RMB (unaudited)	As at 31 December 2011 RMB (audited)
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	274,825,436.40	238,057,974.49	238,064,703.29
Special reserve		3,926,340.45	2,954,571.68	—	—
Surplus reserve		120,497,853.66	120,497,853.66	118,019,764.80	118,019,764.80
Retained profits	(10)	358,387,681.67	353,921,236.48	175,225,317.30	175,272,411.53
Translation difference arising on translation of financial statements denominated in foreign currencies		(34,054,968.21)	(34,800,450.16)	—	—
Equity attributable to owners of the Company		1,141,224,210.97	1,135,040,515.06	948,944,923.59	948,998,746.62
Equity attributable to minority interests		177,543,332.22	177,006,357.49	—	—
TOTAL SHAREHOLDERS' EQUITY		1,318,767,543.19	1,312,046,872.55	948,944,923.59	948,998,746.62
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,745,037,842.63	4,807,451,979.69	2,767,311,843.52	3,758,021,722.93

The accompanying notes are parts of the financial statements.

Company's and Consolidated Income Statements

For the six months ended 30 June 2012

	Note VI	Consolidated		Company	
		For the six months ended		For the six months ended	
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
		RMB	RMB	RMB	RMB
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
I Operating income		1,944,898,853.76	2,156,936,453.80	1,342,654,023.07	1,480,587,046.51
Less: Operating costs		1,710,376,687.33	1,903,208,267.76	1,240,091,400.79	1,353,882,743.63
Business taxes and levies		21,472,545.49	27,856,351.33	3,312,256.58	9,133,955.38
Selling expenses		45,613,982.33	40,944,777.67	32,509,205.04	9,611,116.26
Administrative expenses		114,083,900.67	106,870,040.97	30,736,688.37	23,909,189.74
Financial expenses	(11)	16,193,082.62	1,742,027.54	10,076,805.94	(1,205,455.94)
Impairment losses of assets		(2,620,567.59)	(7,188,106.23)	(1,901,369.60)	(6,789,731.57)
Add: Investment income	(12)	134,071.40	2,547,250.17	1,216,113.98	1,452,879.50
II Operating profit		39,913,294.31	86,050,344.93	29,045,149.93	93,498,108.51
Add: Non-operating income		8,352,428.47	3,650,854.98	4,219,989.40	—
Less: Non-operating expenses		1,795,785.30	156,824.31	50,853.59	15,439.09
III Total profit		46,469,937.48	89,544,375.60	33,214,285.74	93,482,669.42
Less: Income tax expenses	(13)	16,880,002.59	38,222,072.42	8,202,866.97	22,776,326.66
IV Net profit	(14)	29,589,934.89	51,322,303.18	25,011,418.77	70,706,342.76
Net profit attributable					
to owners of the Company		29,524,958.19	57,359,137.79	25,011,418.77	70,706,342.76
Profit or loss attributable					
to minority interests		64,976.70	(6,036,834.61)	—	—
V Other comprehensive income		1,217,479.98	(5,468,144.51)	—	—
VI Total comprehensive income		30,807,414.87	45,854,158.67	25,011,418.77	70,706,342.76
Total comprehensive income					
attributable to owners					
of the Company		30,270,440.14	54,087,733.87	25,011,418.77	70,706,342.76
Total comprehensive					
income attributable to					
minority interests		536,974.73	(8,233,575.20)	—	—
VII Earnings per share					
(I) Basic earnings per shares	(15)	0.071	0.137	N/A	N/A
(II) Diluted earnings per share	(15)	0.071	0.137	N/A	N/A

The accompanying notes are parts of the financial statements.

Company's and Consolidated Cash Flow Statements

For the six months ended 30 June 2012

	Consolidated		Company	
	For the six months ended		For the six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Note VI	RMB	RMB	RMB	RMB
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
I Cash Flows from				
Operating Activities:				
Cash receipts from the sale of goods and the rendering of services	2,079,451,914.97	1,754,482,764.75	1,439,539,457.99	952,982,869.17
Receipts of tax refunds	1,191,044.38	3,231,659.84	—	—
Other cash receipts relating to operating activities	10,810,267.52	7,442,897.83	22,120,022.39	3,381,165.77
Sub-total of cash inflows from operating activities	2,091,453,226.87	1,765,157,322.42	1,461,659,480.38	956,364,034.94
Cash payments for goods purchased and services received	2,797,604,953.00	2,324,053,718.68	2,459,902,346.36	1,782,207,343.84
Cash payments to and on behalf of employees	168,142,283.71	141,659,248.64	15,369,228.90	13,633,514.64
Payments of various types taxes	110,272,976.48	76,978,281.86	71,391,472.31	31,278,872.89
Other cash payments relating to operating activities	83,633,579.08	82,863,626.24	57,295,439.53	70,809,217.39
Sub-total of cash outflows from operating activities	3,159,653,792.27	2,625,554,875.42	2,603,958,487.10	1,897,928,948.76
Net Cash Flows from Operating Activities	(1,068,200,565.40)	(860,397,553.00)	(1,142,299,006.72)	(941,564,913.82)

Company's and Consolidated Cash Flow Statements

For the six months ended 30 June 2012

	Note VI	Consolidated		Company	
		For the six months ended		For the six months ended	
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
		RMB	RMB	RMB	RMB
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
II Cash Flows from					
Investing Activities:					
Cash received from disposal of investments		—	—	1,217,064.95	—
Cash receipts from investments income		—	—	—	66,353.85
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		935,411.04	2,832,461.11	385,478.00	12,082.20
Received relating to other investing activities cash		8,000,000.00	—	4,872,274.43	—
Sub-total of cash inflows from investing activities		8,935,411.04	2,832,461.11	6,474,817.38	78,436.05
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		42,142,645.21	30,305,585.48	230,468.47	8,528,271.22
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		125,134.39	—	4,900,000.00	45,700,800.00
Sub-total of cash outflows from investing activities		42,267,779.60	99,870,442.10	5,130,468.47	123,793,927.84
Net Cash Flows from Investing Activities		(33,332,368.56)	(97,037,980.99)	1,344,348.91	(123,715,491.79)

Company's and Consolidated Cash Flow Statements

For the six months ended 30 June 2012

Note VI	Consolidated		Company	
	For the six months ended		For the six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RMB	RMB	RMB	RMB
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
III Cash Flows from				
Financing Activities:				
Cash receipts from borrowings	180,000,000.00	255,000,000.00	180,000,000.00	255,000,000.00
Other cash receipts relating to financing activities	—	—	62,586,392.33	93,097,255.38
Sub-total of cash inflows from financing activities	180,000,000.00	255,000,000.00	242,586,392.33	348,097,255.38
Cash repayments of borrowings	160,000,000.00	40,800,000.00	160,000,000.00	—
Cash repayments for distribution of dividends or profit or settlement of interest expenses	32,351,806.81	3,998,124.94	32,014,215.45	4,414,670.69
Payments relating to other financing activities cash	109,005,610.24	—	92,768,053.38	—
Sub-total of cash outflows from financing activities	301,357,417.05	44,798,124.94	284,782,268.83	4,414,670.69
Net Cash Flows from Financing Activities	(121,357,417.05)	210,201,875.06	(42,195,876.50)	343,682,584.69
IV Effect of foreign Exchange				
Rate Changes on				
Cash and Cash Equivalents	668,882.70	(6,982,786.18)	(78,687.04)	580,097.68

Company's and Consolidated Cash Flow Statements

For the six months ended 30 June 2012

	Note VI	Consolidated		Company	
		For the six months ended		For the six months ended	
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
		RMB	RMB	RMB	RMB
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
V Net Increase (Decrease)					
in Cash and					
Cash Equivalents		(1,222,221,468.31)	(754,216,445.11)	(1,183,229,221.35)	(721,017,723.24)
Add: Opening balance of					
cash and cash equivalents	(16(i)(c))	2,090,675,547.91	1,500,100,952.37	1,784,886,260.82	1,160,647,604.49
VI Closing Balance of Cash					
and Cash Equivalents	(16(i)(c))	868,454,079.60	745,884,507.26	601,657,039.47	439,629,881.25

The accompanying notes are parts of the financial statements.

Consolidated Statement of Changes In Shareholders' Equity

For the six months ended 30 June 2012

Equity attributable to owners of the Company									
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	Total	Minority interests	Total shareholders' equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
I At 31 December 2011 (audited)	417,641,867.00	274,825,436.40	2,954,571.68	120,497,853.66	353,921,236.48	(34,800,450.16)	1,135,040,515.06	177,006,357.49	1,312,046,872.55
II At 1 January 2012	417,641,867.00	274,825,436.40	2,954,571.68	120,497,853.66	353,921,236.48	(34,800,450.16)	1,135,040,515.06	177,006,357.49	1,312,046,872.55
III Changes for the period	-	-	971,768.77	-	4,466,445.19	745,481.95	6,183,695.91	536,974.73	6,720,670.64
1. Net profit	-	-	-	-	29,524,958.19	-	29,524,958.19	64,976.70	29,589,934.89
2. Other comprehensive income	-	-	-	-	-	745,481.95	745,481.95	471,998.03	1,217,479.98
Subtotal of 1 and 2	-	-	-	-	29,524,958.19	745,481.95	30,270,440.14	536,974.73	30,807,414.87
3. Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-
4. Profit distribution									
(1) Distributions to shareholders	-	-	-	-	(25,058,513.00)	-	(25,058,513.00)	-	(25,058,513.00)
5. Special reserve									
(1) Amount provided in the period	-	-	2,041,139.71	-	-	-	2,041,139.71	-	2,041,139.71
(2) Amount utilized in the period	-	-	(1,069,370.94)	-	-	-	(1,069,370.94)	-	(1,069,370.94)
6. Others	-	-	-	-	-	-	-	-	-
IV At 30 June 2012 (unaudited)	<u>417,641,867.00</u>	<u>274,825,436.40</u>	<u>3,926,340.45</u>	<u>120,497,853.66</u>	<u>358,387,681.67</u>	<u>(34,054,968.21)</u>	<u>1,141,224,210.97</u>	<u>177,543,332.22</u>	<u>1,318,767,543.19</u>

The accompanying notes are parts of the financial statements.

Consolidated Statement of Changes In Shareholders' Equity

For the six months ended 30 June 2012

	Equity attributable to owners of the Company								Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	Total	Minority interests	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
I At 31 December 2010 (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
Add: Effect of business combinations under common control	—	45,185,262.81	—	2,478,088.86	(63,205,577.31)	—	(15,542,255.64)	—	(15,542,255.64)
II At 1 January 2011	417,641,867.00	344,390,293.02	1,379,199.25	110,174,201.20	308,946,768.14	(29,370,460.60)	1,153,161,868.01	194,754,431.33	1,347,916,299.34
III Changes for the period	—	(69,564,856.62)	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)
Total comprehensive income	—	—	—	—	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	—	—	—	—	—	—	—	—	—
(1) Distributions to shareholders	—	—	—	—	(27,564,363.22)	—	(27,564,363.22)	—	(27,564,363.22)
5. Special reserve	—	—	—	—	—	—	—	—	—
(1) Amount provided in the period	—	—	1,076,438.69	—	—	—	1,076,438.69	—	1,076,438.69
(2) Amount utilized in the period	—	—	(325,287.73)	—	—	—	(325,287.73)	—	(325,287.73)
6. Others	—	—	—	—	—	—	—	—	—
(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)	417,641,867.00	274,825,436.40	2,130,350.21	110,174,201.20	338,741,542.71	(32,641,864.52)	1,110,871,533.00	186,520,856.13	1,297,392,389.13

The accompanying notes are parts of the financial statements.

Company's Statement of Changes In Shareholders' Equity

For the six months ended 30 June 2012

	Share capital RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained profits RMB	Total shareholders' equity RMB
I At 31 Decemeber 2011(audited)	417,641,867.00	238,064,703.29	—	118,019,764.80	175,272,411.53	948,998,746.62
II At 1 January 2012	417,641,867.00	238,064,703.29	—	118,019,764.80	175,272,411.53	948,998,746.62
III Changes for the period	—	(6,728.80)	—	—	(47,094.23)	(53,823.03)
1 Net profit	—	—	—	—	25,011,418.77	25,011,418.77
2 Other comprehensive income	—	—	—	—	—	—
Subtotal of 1 and 2	—	—	—	—	25,011,418.77	25,011,418.77
3 Owners' contributions and reduction in capital	—	—	—	—	—	—
4 Profit distribution	—	—	—	—	—	—
(1) Distributions to shareholders	—	—	—	—	(25,058,513.00)	(25,058,513.00)
5 Special reserve	—	—	—	—	—	—
(1) Amount provided in the period	—	—	—	—	—	—
(2) Amount utilised in the period	—	—	—	—	—	—
6 Others	—	(6,728.80)	—	—	—	(6,728.80)
IV At 30 June 2012(unaudited)	<u>417,641,867.00</u>	<u>238,057,974.49</u>	<u>—</u>	<u>118,019,764.80</u>	<u>175,225,317.30</u>	<u>948,944,923.59</u>

The accompanying notes are parts of the financial statements.

Company's Statement of Changes In Shareholders' Equity

For the six months ended 30 June 2012

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
	RMB	RMB	RMB	RMB	RMB	RMB
I At 31 December 2010 (audited)	417,641,867.00	307,629,559.91	2,600.00	107,696,112.34	109,923,901.34	942,894,040.59
II At 1 January 2011	417,641,867.00	307,629,559.91	2,600.00	107,696,112.34	109,923,901.34	942,894,040.59
III Changes for the 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						
(1) Distributions to shareholders	—	—	—	—	(27,564,363.22)	(27,564,363.22)
5 Special reserve						
(1) Amount provided in the period	—	—	—	—	—	—
(2) Amount utilized on the period	—	—	(2,600.00)	—	—	(2,600.00)
6 Others						
(1) Effect of business combinations under common control	—	(69,564,856.62)	—	—	—	(69,564,856.62)
IV At 30 June 2011 (unaudited)	417,641,867.00	238,064,703.29	—	107,696,112.34	153,065,880.88	916,468,563.51

The accompanying notes are parts of the financial statements.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

I. INFORMATION

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

In 2005, according to the board minutes and the revised Company's Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB 1.00 per H share on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), including issue of 125,454,545 new H shares, and sale of 12,545,455 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 petrol 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"). The address of the Company's registered office is 8 Floor, No. 1731-1735 Airport Road, Guangzhou, China. The legal representative of the Company is Liu Hong.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

II. 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").

III. 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 2011 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 2012, and the Company's and consolidated results of operations and cash flows for the six months ended 30 June 2012.

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

For the six months ended 30 June 2012

III. 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 recognized 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

For the six months ended 30 June 2012

III. 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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

III. 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 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.

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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

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

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.

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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

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.

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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

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

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.

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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

9. Financial instruments *(Continued)*

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.

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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

9. Financial instruments *(Continued)*

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

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.

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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

9. Financial instruments *(Continued)*

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

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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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*

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.

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

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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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

For the six months ended 30 June 2012

III. 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 to 50	0 to 5	2 to 9.5
Building improvement	3 to 5	0	20 to 33.33
Transportation vehicle	5 to 8	3 to 5	11.88 to 19.4
Machinery and equipment	5	3	19.4
Office equipment and others	5	3 to 5	19 to 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

For the six months ended 30 June 2012

III. 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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

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.

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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

17. Intangible assets

17.1 Intangible assets

Intangible assets include land use rights, coastline use rights, passenger service licences, toll bridge franchise operating rights ("Tai Ping Interchange"), software, etc.

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

The estimated useful life of each category of intangible assets are as follows:

Category	Estimated useful life (years)
Land use rights	20 to 50
Coastline use rights	48
Passenger service licences	indefinite
Tai Ping Interchange	30
Computer software	5 to 10

For Land use rights, coastline use rights, Tai Ping Interchange, computer software with a finite useful life, the Group reviews the useful life and amortization method at each balance sheet date, and makes adjustments when necessary. Passenger service licenses with indefinite useful life are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

17.2 Research and development expenditure

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

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

17. Intangible assets *(Continued)*

17.2 Research and development expenditure *(Continued)*

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

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 recognized in profit or loss for the period.

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

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

18. Long-term prepaid expenses

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

19. Provisions

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

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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

20. Revenue

20.1 Revenue from sale of goods

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

20.2 Revenue from rendering of services

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

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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

III. 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 recognized using the percentage of completion method at the balance sheet date. The stage of completion of a contract is determined using the proportion that completed contract work bears to the estimated total contract work.

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

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

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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

III. 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 recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period. A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

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.

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

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

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

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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

III. 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)*

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

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

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

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

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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

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.

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.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Income from sale of 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%, 25%
Hong Kong profits tax	Assessable profit	16.5%

2. Tax incentive and approval

Except for below mentioned three subsidiaries, 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 Transport Company Limited is located in Shenzhen Special Economic Zone and is subject to a tax rate of 25% (prior period in 2011: a preferential tax rate of 24%).

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the year at a rate of 16.5% (prior period in 2011: 16.5%).

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

V. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Entities that are excluded from consolidation in the current period

Name	Net assets at the date of disposal RMB	Net profit from the beginning of the current period to the date of disposal RMB
Oriental Thought (Henan) Technology Company Limited	(40,059.62)	(254,452.53)

VI. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounts receivable

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

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

Ageing	30 June 2012 RMB	31 December 2011 RMB
Within 3 months	570,341,770.60	527,248,877.95
Over 3 months and within 6 months	38,729,536.99	115,591,970.44
Over 6 months and within 1 year	191,909,967.74	46,330,626.91
Over 1 year and within 2 years	60,090,576.32	164,353,657.83
Over 2 years and within 3 years	57,239,342.08	26,253,130.53
Over 3 years	17,604,567.51	18,990,829.10
Total	935,915,761.24	898,769,092.76

The carrying amount of accounts receivable is arrived at after deducting of bad debt provision amounted to RMB30,971,490.38 (31 December 2011: RMB33,270,660.75).

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

2. Inventories

As at 30 June 2012, the impairment provision of inventories amounted to RMB6,621,083.61 (31 December 2011: RMB6,621,083.61). The cost of goods sold amounted to RMB1,377,756,780.91 for the current period (prior period in 2011: RMB1,560,152,482.88).

3. Long-term receivables

As at 31 December 2011, the long-term receivables amounting to RMB22,349,501.66 are the present value of the interest-free loan of RMB38,860,500.00 provided by a subsidiary of the Company, Shenzhen Yue Gang Transport Company Limited, to its associate, Shenzhen Yueyun Investment Development Company Limited, according to its share-holding. The interest-free loan is discounted over the agreed repayment period under amortized cost method. According to the resolution of the General Meeting of Shenzhen Yueyun Investment Development Company Limited held on June 11, 2012, Shenzhen Yue Gang Transport Company Limited agreed to swap the aforesaid loan to equity investment and accordingly, exchanged the long-term receivables with the discounted amount of RMB15,142,469.05 to long-term equity investment as at June 30, 2012.

4. Fixed assets

The increase of RMB48,616,360.22 in the original carrying amount for the current period consists of acquisitions of RMB8,972,310.22, an increase of RMB38,385,022.44 transferred from construction in progress, and an increase of RMB1,259,027.56 on foreign currency translation differences.

The decrease in the carrying amount for the current period consists of a decrease of RMB1,043,558.21 on disposals, of which the sales proceed was RMB935,411.04 and the disposal loss was RMB108,147.17.

The Group does not have the certificate of title of certain buildings and building improvements in expressway service zones as they were built on the land owned by other entities. The Group has entered into operation agreements with certain parties for the operation of expressway service zones, and accordingly use such land during the period of operation. The original carrying amount of such buildings and building improvements amounted to RMB124,919,773.28 (31 December 2011: RMB108,747,787.37).

As at 30 June 2012, the original carrying amount of fixed assets that fully depreciated but are still in use is RMB189,724,885.91 (31 December 2011: RMB186,203,346.35).

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

5. Intangible assets

The increase of RMB722,690.70 in the original carrying amount for the current period consists of an increase of RMB492,566.43 on acquisition of software, and an increase of RMB230,124.27 on foreign currency translation differences.

6. Short-term borrowings

		30 June 2012 RMB	31 December 2011 RMB
Unsecured and non-guaranteed loans	Note 1	80,000,000.00	60,000,000.00
Payables under the letter of credit arrangement	Note 2	138,880,764.19	—
Letter of credit mortgaged loans	Note 3	22,954,864.39	—
Total		<u>241,835,628.58</u>	<u>60,000,000.00</u>

Note 1: The loans are unsecured and non-guaranteed bank borrowings that fall due within one year. The loan interest rate floats monthly. According to the bank borrowings agreements, the Group has no short-term borrowings that expired but not repaid.

Note 2: Payables under the letter of credit arrangement are borrowings that fall due within one year arising from the arrangement under the letter of credit, where the Company entrusted the issuing bank of the letter of credit to make payments to the buyers on behalf of the Company. Under such arrangement, the issuing bank of the letter of credit will arrange a paying bank for the Company, and the paying bank will make advance payments to the Company's suppliers. The Company will repay such payments when the letter of credit expires. (31 December 2011: RMB567,693,227.72 was accounted as "other current liabilities". Details please refer to Note 6(8)).

Note 3: Letter of credit mortgaged loans are borrowings arising from the letter of credit issued by bank to the Company's subsidiary, Guangdong Nan Yue Logistics (HK) Limited to settle accounts payables, where the issuance of such letter of credit is pledged by the Company's letter of credit. The Company will repay such payments when the letter of credit expires.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

7. Accounts payable

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

Ageing	30 June	31 December
	2012	2011
	RMB	RMB
Within 3 months	792,769,515.69	1,015,522,834.21
Over 3 months and within 6 months	45,082,293.64	209,792,788.19
Over 6 months and within 1 year	63,467,300.21	86,851,126.25
Over 1 year and within 2 years	48,080,045.13	61,388,519.86
Over 2 years and within 3 years	33,888,939.94	26,642,071.21
Over 3 years	29,276,628.19	37,913,013.36
Total	<u>1,012,564,722.80</u>	<u>1,438,110,353.08</u>

8. Other current liabilities

The Group's other current liabilities are those liabilities that fall due within one year arising from the arrangement under the letter of credit, where the Company entrusted the issuing bank of the letter of credit to make payments to the buyers on behalf of the Company. Under such arrangement, the issuing bank of the letter of credit will arrange a paying bank for the Company, and the paying bank will make advance payments to the Company's suppliers. The Company will repay such payments when the letter of credit expires. As at period end, pursuant to Cai Ban Kuai No. [2012]19 "the Reply on the Accounting Treatment for the Interbank Payment Business of Financial Institution in Banking Industry" issued by the Ministry of Finance of the People's Republic of China, the Group accounted such liabilities as "Short-term borrowings". Details please refer to Note 6(6).

9. 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

For the six months ended 30 June 2012

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

10. Retained profits

	For the six months ended	
	30 June 2012 RMB	30 June 2011 RMB
Retained profits at the beginning of the period	353,921,236.48	308,946,768.14
Add: Net profit attributable to owners of the Company for the period	29,524,958.19	57,359,137.79
Less: Appropriation to statutory surplus reserve	—	—
Appropriation to discretionary surplus reserve	—	—
Profits attributable to owners of the Company	383,446,194.67	366,305,905.93
Less: Declaration of dividends	25,058,513.00	27,564,363.22
	Note 1	
Retained profits at the end of the period	358,387,681.67	338,741,542.71
Dividends paid	—	—

Note 1: A final dividend of RMB0.06 per share amounting to RMB25,058,513.00 was approved by shareholders in annual general meeting held on 6 June 2012. The liability was recorded in the current period's financial statements (prior period in 2011: RMB0.066 per share amounting to RMB27,564,363.22).

Note 2: The Board does not recommend the payment of an interim dividend for the period.

Note 3: As at 30 June 2012, the Group's retained profits include appropriation to surplus reserve by subsidiaries amounting to RMB170,014,984.85 (31 December 2011: RMB170,014,984.85). As at 30 June 2012, the Company's distributable reserve, representing the Company's retained profits were RMB175,225,317.30 (31 December 2011: RMB175,272,411.53).

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

11. Financial expenses

	For the six months ended	
	30 June 2012	30 June 2011
	RMB	RMB
Interest expenses	21,748,504.00	4,377,487.89
Less: Capitalised interest expense	—	—
Less: Interest income	7,940,646.77	3,792,042.85
Exchange differences	(278,425.80)	(2,239,910.46)
Less: Capitalised exchange differences	—	—
Others	2,663,651.19	3,396,492.96
Total	16,193,082.62	1,742,027.54

12. Investment income

	For the six months ended	
	30 June 2012	30 June 2011
	RMB	RMB
Income (loss) from investments in associates under equity method	(173,834.45)	1,580,551.94
Income from investments in joint ventures under equity method	389,122.70	966,698.23
Income (loss) on disposal of long-term equity investments	(81,216.85)	—
Total	134,071.40	2,547,250.17

There are no significant restrictions on remittance of investment income.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

13. Income tax expenses

	For the six months ended	
	30 June 2012 RMB	30 June 2011 RMB
Current income tax	16,001,715.92	36,155,555.66
Including: - Mainland China current income tax	15,838,553.75	36,155,555.66
- Hong Kong profits tax	163,162.17	—
Deferred income tax	878,286.67	2,066,516.76
Total	16,880,002.59	38,222,072.42

Details of enterprise income tax rates please refer to Note 4 (2).

14. Net profit

The net profit is arrived at after charging the depreciation of fixed assets amounting to RMB37,363,454.29 (prior period in 2011: RMB33,645,684.39), the depreciation of investment properties amounting to RMB219,649.59 (prior period in 2011: RMB295,727.09), the amortisation of intangible assets of RMB8,696,553.36 (prior period in 2011: RMB9,368,309.79) and the amortisation of long-term prepaid expenses amounting to RMB770,327.16 (prior period in 2011: RMB1,588,930.70).

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

15. Earnings per share

	For the six months ended	
	30 June 2012	30 June 2011
	RMB	RMB
Net profit for the current period attributable to ordinary shareholders of the Company:	29,524,958.19	57,359,137.79
Weighted average number of ordinary shares used in the calculation of basic earnings per share	417,641,867	417,641,867
Basic earnings per share	0.071	0.137
Diluted earnings per share	0.071	0.137

The Company does not have any dilutive potential ordinary shares. Net profit for the current period attributable to ordinary shareholders of the Company is generated from continuing operations.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

16. Supplementary information to the cash flow statements

(i) Supplementary information to the cash flow statements

	For the six months ended	
	30 June 2012 RMB	30 June 2011 RMB
(a) Reconciliation of net profit to cash flow from operating activities		
Net profit	29,589,934.89	51,322,303.18
Add: Provision for impairment losses of assets	(2,620,567.59)	(7,188,106.23)
Depreciation of fixed assets	37,363,454.29	33,645,684.39
Depreciation of investment properties	219,649.59	295,727.09
Amortisation of intangible assets	8,696,553.36	9,368,309.79
Amortisation of long-term prepaid expenses	770,327.16	1,588,930.70
Losses on disposal of fixed assets, intangible assets and other long-term assets	108,147.17	50,777.51
Financial expenses	20,745,716.62	4,377,487.89
(Income) losses arising from investments	(134,071.40)	(2,547,250.17)
Decrease (increase) in deferred tax assets	434,566.22	1,483,754.37
Increase (decrease) in deferred tax liabilities	445,290.99	578,105.15
Decrease (increase) on inventories	(31,657,354.06)	15,103,165.55
Decrease in receivables from operating activities	(131,219,132.94)	(477,130,321.34)
Increase in payables from operating activities	(1,001,914,848.47)	(492,097,271.84)
Increase in special reserve	971,768.77	751,150.96
Net cash flow from operating activities	<u>(1,068,200,565.40)</u>	<u>(860,397,553.00)</u>
(b) Significant financing activities that do not involve cash receipts and payments:		
Financing activities under the Letter of credit arrangement	Note 1 231,003,014.17	—
Letter of credit mortgaged loans arrangement	Note 1 39,838,224.65	—
Total	<u>270,841,238.82</u>	—

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

16. Supplementary information to the cash flow statements (Continued)

(i) Supplementary information to the cash flow statements (Continued)

		For the six months ended	
		30 June 2012	30 June 2011
		RMB	RMB
(c)	Net changes in cash and cash equivalents:		
	Closing balance of cash	Note 2 868,454,079.60	745,884,507.26
	Less: Opening balance of cash	Note 2 2,090,675,547.91	1,500,100,952.37
	Add: Closing balance of cash equivalents	—	—
	Less: Opening balance of cash equivalents	—	—
	Net increase (decrease) in cash and equivalents	(1,222,221,468.31)	(754,216,445.11)

Note 1: Details of the financing activities under the letter of credit arrangement and letter of credit mortgaged loans arrangement please refer to Note 6(6).

Note 2: The closing balance of cash included the restricted monetary funds of customs deposit, letter of guarantee and marginal deposit of performance totally amounting to RMB1,561,091.91 (31 December 2011: RMB1,555,674.69).

(ii) Disposal of subsidiary during the period

Item	RMB
(a) Disposal price of subsidiary	<u>(97,400.00)</u>
(b) Cash and cash equivalents received from disposal of subsidiary	(97,400.00)
Less: Cash and cash equivalents held by subsidiary	<u>27,734.39</u>
Net cash inflow on disposal of subsidiary	<u>(125,134.39)</u>
(c) Net assets of the disposed subsidiary	
Current assets	537,187.91
Non-current assets	68,954.88
Current liabilities	<u>646,202.41</u>
Total net assets	<u>(40,059.62)</u>

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

17. 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 2012

	Material logistics services RMB	Expressway service zones RMB	Transportation intelligence services RMB	Cross-border transportation services RMB	Tai ping Interchange RMB	Unallocated RMB	Inter-segment elimination RMB	Total RMB
Operating income								
External revenue	1,303,578,396.26	258,831,047.98	170,396,923.84	143,288,034.21	68,640,126.67	164,324.80	—	1,944,898,853.76
Inter-segment revenue	—	294,082.00	4,232,445.95	—	—	2,966,282.10	(7,492,810.05)	—
Total segment operating income	1,303,578,396.26	259,125,129.98	174,629,369.79	143,288,034.21	68,640,126.67	3,130,606.90	(7,492,810.05)	1,944,898,853.76
Segment operating profit (loss)	1,628,842.61	16,841,567.23	(3,879,437.68)	4,412,846.77	22,498,537.71	1,374,857.82	(2,963,920.15)	39,913,294.31

30 June 2011

	Material logistics services RMB	Expressway service zones RMB	Transportation intelligence services RMB	Cross-border transportation services RMB	Tai ping Interchange RMB	Unallocated RMB	Inter-segment elimination RMB	Total RMB
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)	36,966,063.89	42,020,174.06	(24,500,990.86)	7,023,588.96	26,640,135.63	(2,393,732.38)	295,105.64	86,050,344.94

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

18 Net current assets

	30 June 2012 RMB	31 December 2011 RMB
Current assets	2,652,501,615.88	3,719,099,606.10
Less: Current liabilities	2,421,277,737.94	3,489,960,379.70
Net current assets	231,223,877.94	229,139,226.40

19 Total assets less current liabilities

	30 June 2012 RMB	31 December 2011 RMB
Total assets	3,745,037,842.63	4,807,451,979.69
Less: Current liabilities	2,421,277,737.94	3,489,960,379.70
Total assets less current liabilities	1,323,760,104.69	1,317,491,599.99

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 subsidiary disposed during the period as disclosed in Note 5, there is no change on information of other group subsidiaries compared with that as at 31 December 2011.

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
Guangdong Communication Enterprise Investment Company Limited	Under control of ultimate holding company and holds 5.36% share of the Company
Guangdong Province Road & Bridge Construction Development Company Limited	Under control of ultimate holding company and holds 2.48% share of the Company
Guangdong Weisheng traffic industrial Company Limited	Under control of ultimate holding company and holds 1.96% 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 Gao-Da 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 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

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 Province Expressway Construction Materials Supply Station	Under control of ultimate holding company
Guangdong Provincial Traffic Development Company Limited	Under control of ultimate holding company
Guangdong Provincial Motor Transportation Group Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Xinhui Section Company Limited	Under control of ultimate holding company
Guangdong 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 Xintai 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	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 Shenfo 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
Yingde Yue-Ying Expressway Operation Company Limited	Under control of ultimate holding company
Yunfu Guangyun Expressway Company Limited	Under control of ultimate holding company
Guangdong Coastal Expressway Operation Company Limited	Under control of ultimate holding company

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 Shanmei Expressway Company Limited	Under control of ultimate holding company
Guangdong high science and Technology Investment Company Limited	Under control of ultimate holding company
Guangdong Heng-Jian highway development Company Limited	Under control of ultimate holding company
Guangdong Luo-Yang expressway Company Limited	Under control of ultimate holding company
Guangdong western Shen-Shan expressway Company Limited	Under control of ultimate holding company
Guangdong Gaintop Highway Engineering Construction	Associates of ultimate holding company
Guangdong Jingzhu Expressway Guangzhu North Section	Associates of ultimate holding company
Guangdong Guangshan Expressway Huizhou Section	Associates of ultimate holding company's subsidiary
Guangdong Humen Bridge Company Limited	Associates of ultimate holding company's subsidiary
Foshan Guang-San Expressway Company Limited	Associates of ultimate holding company's subsidiary
Guangdong road information development Company Limited	Associates of ultimate holding company's subsidiary
Guangdong Province Planning and Design Institute for Shipping	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

For the six months ended 30 June 2012

VII. 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	Associates 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
Lufeng Shenshan Expressway Company Limited	Joint venture

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	30 June 2011 RMB
Material logistics service income		
Guangdong Changda Highway Engineering Company Limited	378,404,448.66	261,206,862.15
Guangdong Guanyue Highway&Bridge Company Limited	147,242,704.62	137,721,583.47
Guangdong Gaintop Highway Engineering Construction Company Limited	44,047,447.49	65,806,147.31
Guangdong Province Expressway Mechanical Material Company Limited	5,910,405.05	—
Guangzhou Xin Yue Asphalt Company Limited	304,462.60	1,766,572.01
Guangdong Mei-He Expressway Company Limited	—	3,609,125.65
	<u>575,909,468.42</u>	<u>470,110,290.59</u>

The Group's material logistics service transactions have been conducted in accordance with the service contracts between the relevant companies under the Group and GCGC and its subsidiaries, based on the Material Logistics Services Master Agreement signed between the Company and GCGC on 27 September 2005. According to the Material Logistics Services Master Agreement, the selling price was determined by cost of materials plus a certain margin. While agreed with all the related parties, GCGC and its subsidiaries, acted as owners, withheld contractors' payment for material purchase and remitted to the Group directly when they paid for project contracting to contractors. During the process of the material logistics service, the transaction with related parties as contractors are disclosed as above, the amount due from GCGC and its subsidiaries generated from the above withholding transactions for the Group refer to Note 7 4.(b).

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	30 June 2011 RMB
Transportation intelligence service income		
Guangdong Yun-Wu Expressway Company Limited	27,272,159.57	15,200.00
Guangdong Zhaoyang Expressway Company Limited	19,218,695.89	18,119.66
Guangdong Provincial Freeway Company Limited	8,348,646.54	13,312,677.58
Guangdong Provincial Highway Construction Company Limited	6,842,510.00	2,818,373.42
Guang-Shen-Zhu Expressway Company Limited	5,364,767.50	355,679.00
Guangdong Province Road & Bridge Construction Development Company Limited	3,603,488.22	13,401,438.89
Guangdong Feida Traffic Engineering Company Limited	3,014,180.90	—
Guangdong Kai Yang Expressway Company Limited	1,769,980.00	218,100.00
Guangfo Expressway Company Limited	1,674,778.00	1,100,014.00
Guangdong Shanfen Expressway Company Limited	1,608,327.33	153,000.00
Guangdong Changda Highway Engineering Company Limited	1,097,422.00	—
Guangdong Guanyue Highway&Bridge Company Limited	1,002,142.00	—
Guangdong Provincial Fokai Expressway Company Limited	997,211.00	3,069,874.00
Hui-Shen(Yantian) Expressway Huizhou Section Company Limited	872,863.00	658,968.00
Guangdong Guangzhu Expressway West Section Company Limited	841,391.00	6,224,863.17
Shenzhen Huiyan Expressway Company Limited	775,331.00	—
Guangdong Guanghui Expressway Company Limited	711,373.00	502,925.38
Zhaoqing Yuezhao Expressway Company Limited	695,320.00	1,361,546.50

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	30 June 2011 RMB
Transportation intelligence service income (continued)		
Guangdong Shanjie Expressway Company Limited	689,785.00	847,138.33
Guangdong Yue Dong Freeway Industry	452,543.00	1,148,334.00
Guangdong Yuejia Expressway Company Limited	449,277.09	1,141,829.95
Guangdong western Shen-Shan expressway Company Limited	310,000.00	197,293.00
Yunfu Guangyun Expressway Company Limited	137,970.00	209,465.00
GCGC	123,931.62	—
Zhaoqing Guang-He Expressway Company Limited	120,000.00	480,000.00
Guangdong Yue-Gan Expressway Company Limited	(718,366.00)	108,000.00
Guangdong He-hui Highway Company Limited	(738,000.00)	—
Jingzhu Expressway Guangzhu Section Company Limited	—	4,152,947.00
Guangdong Provincial Traffic Development Company Limited	—	1,534,072.93
Guangdong Jiangzhong Expressway Company Limited	—	1,016,370.24
Guangdong Shen-Shan Expressway East Section Company Limited	—	803,199.04
Guangdong Communication Enterprise Investment Company Limited	—	675,213.68
Guangdong Guangle Expressway Company Limited	—	654,653.54
Guangdong Humen Bridge Company Limited	—	380,083.60
Guangdong Coastal Expressway Xinhui Section Company Limited	—	319,351.00
Guangdong Jingzhu Expressway Guangzhu North Section	—	247,853.54
Guangdong Er-Guang Expressway Company Limited	—	198,290.60
Guangdong Yang-Mao Expressway Company Limited	—	158,203.00
Guangdong Yu-Zhan Expressway Company Limited	—	138,560.00
Guangdong Taishan Coastal Expressway Company Limited	—	135,602.00
Jiangmen Jiang-He Expressway Company Limited	—	116,551.76
Others	112,658.00	1,559,221.00
	86,650,385.66	59,433,012.81

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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)*

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

	For the six months ended	
	30 June 2012	30 June 2011
	RMB	RMB
Expressway service zones operation income		
Guangdong Provincial Freeway Company Limited	514,732.00	6,048.00
Guangdong Coastal Expressway Operation Company Limited	488,632.00	—
Guangdong Jiangzhong Expressway Company Limited	308,311.25	354,262.87
Guangdong Guangzhu Expressway West Section Company Limited	272,656.00	—
Guangfo Expressway Company Limited	244,316.00	—
Guangdong Provincial Highway Construction Company Limited	244,316.00	129,600.00
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
Others	55,200.00	98,460.00
	<u>2,128,163.25</u>	<u>1,337,497.77</u>
Rendering of services income		
Guangdong Province Road & Bridge Construction Development Company Limited	80,000.00	—
Purchase of materials		
Guangdong Province Expressway Mechanical Material Company Limited	35,990,690.10	20,462.10
Guangzhou Xin Yue Asphalt Company Limited	19,621,913.31	6,602,084.30
XinYue Company Limited	—	122,541,391.67
Guangdong Lulutong Company Limited	—	7,391.12
	<u>55,612,603.41</u>	<u>129,171,329.19</u>

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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)*

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

	For the six months ended	
	30 June 2012 RMB	30 June 2011 RMB
Expressway service zones operation expenses		
Guang-Shen-Zhu Expressway Company Limited	6,527,859.24	6,467,361.26
Guangdong Yue-Gan Expressway Company Limited	4,214,604.94	4,139,999.94
Guangdong Province Road & Bridge Construction Development Company Limited	3,415,774.98	2,427,911.82
Guangdong Provincial Freeway Company Limited	2,715,635.79	3,991,546.28
Guangdong Kai Yang Expressway Company Limited	2,639,349.52	2,643,439.41
Guangdong Zhan-Xu Expressway Company Limited	1,999,999.98	333,333.33
Guangdong Yang-Mao Expressway Company Limited	1,856,450.02	1,751,874.18
Guangdong Mei-He Expressway Company Limited	1,837,525.02	1,824,300.02
Guangdong Yun-Wu Expressway Company Limited	1,650,000.00	1,655,182.58
Guangdong Jiangzhong Expressway Company Limited	1,407,000.00	1,412,435.37
Guangdong Provincial Highway Construction Company Limited	1,306,200.00	686,112.92
Guangdong Maozhan Expressway Company Limited	1,297,000.02	1,302,057.89

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	30 June 2011 RMB
Expressway service zones operation expenses (Continued)		
Guangdong Yu-Zhan Expressway Company Limited	1,236,971.33	1,234,958.22
Guangdong Jingzhu Expressway Guangzhu North Section	1,034,965.96	982,615.87
Guangdong Guangzhu Expressway West Section Company Limited	1,024,999.98	1,624,999.98
Guangdong Shanfen Expressway Company Limited	958,234.98	982,273.91
Guangdong Zhaoyang Expressway Company Limited	750,000.00	125,000.00
Heyuan He-Long Expressway Company Limited	708,295.50	712,983.42
Guangfo Expressway Company Limited	703,771.72	591,489.77
Guangzhou Shenfo Expressway Company Limited	645,454.56	846,494.12
Zhaoqing Yuezhao Expressway Company Limited	600,000.00	604,803.37
Guangdong He-hui Highway Company Limited	578,079.39	475,864.98
Guangdong Coastal Expressway Zhuhai Section Company Limited	567,600.00	567,600.00
Yunfu Guangyun Expressway Company Limited	564,256.33	573,501.03
Guangdong Shanjie Expressway Company Limited	501,274.98	506,823.86
Guangdong Yue Dong Freeway Industry	413,065.00	425,695.36
Guangdong western Shen-Shan expressway Company Limited	398,879.88	—
Guangdong Taishan Coastal Expressway Company Limited	257,200.02	257,200.02
Guangdong Humen Bridge Company Limited	209,749.98	200,171.35
Foshan Guang-San Expressway Company Limited	203,751.30	215,331.33
Guangdong Xintai Expressway Company Limited	180,220.50	186,035.11
Guangdong Yuejia Expressway Company Limited	114,450.00	114,450.00
Others	5,471.68	66,915.21
	42,524,092.60	39,930,761.91

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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)*

The above expressway service zones operation transactions have been conducted in accordance with the service contracts between the relevant companies under the Group and the above related parties, based on the First Right of Operation Agreement signed between the Company and Guangdong Provincial Communication Group Company Limited on 15 September 2005. Transaction price was negotiated between both parties.

	For the six months ended	
	30 June 2012	30 June 2011
	RMB	RMB
Rental expenses		
Guangzhou Leatop Real Estate Investment Company Limited	1,256,910.00	—
Guang-Shen-Zhu Expressway Company Limited	307,806.96	307,806.96
Guangdong Humen Bridge Company Limited	300,000.00	300,000.00
	<u>1,864,716.96</u>	<u>607,806.96</u>
Service expenses		
Guangdong Humen Bridge Company Limited	2,100,000.00	2,110,000.00
Guangdong Provincial Freeway Company Limited	761,684.73	956,783.13
Guangdong Gao-Da Property development Company Limited	390,943.85	366,957.64
Guangdong Provincial Highway Construction Company Limited	—	338,026.00
Others	121,590.91	—
	<u>3,374,219.49</u>	<u>3,771,766.77</u>

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
Accounts receivable	Guangdong Bo-Da Expressway Company Limited	157,188,244.39	66,103,109.38
	Guangdong Guangzhou Expressway West Section Company Limited	104,381,564.62	96,941,875.76
	Guangdong Yun-Wu Expressway Company Limited	68,668,898.81	39,685,810.81
	Guangdong Provincial Freeway Company Limited	54,288,583.79	43,143,742.05
	Zhaoqing Guang-He Expressway Company Limited	49,216,395.65	51,798,168.76
	Guangdong Zhaoyang Expressway Company Limited	45,223,149.69	63,468.05
	Guangdong Guanyue Highway&Bridge Company Limited	27,286,727.42	26,450,080.42
	Guangdong Guangle Expressway Company Limited	20,253,313.39	39,128,004.74
	Guangdong Mei-He Expressway Company Limited	16,627,204.74	16,627,204.74
	Guangdong Changda Highway Engineering Company Limited	14,583,629.57	11,138,397.74
	Guangdong Humen Bridge Company Limited	11,488,532.46	1,605,878.60
	Guang-Shen-Zhu Expressway Company Limited	7,122,082.68	2,289,715.18
	Guangdong Shanjie Expressway Company Limited	4,489,851.73	22,381,745.89
	Guangdong Shanfen Expressway Company Limited	3,930,654.59	3,727,077.18
	Guangdong Gaintop Highway Engineering Construction	3,257,083.61	7,694,382.81
	Guangdong Province Expressway Mechanical Material Company Limited	2,942,667.41	—
	Guangdong Xintai Expressway Company Limited	2,814,761.56	—
	Guangdong western Shen-Shan expressway Company Limited	2,690,401.80	4,827,520.01
	Guangdong Yu-Zhan Expressway Company Limited	2,360,742.86	2,360,742.86
	Guangdong Yue-Gan Expressway Company Limited	1,971,644.00	5,445,253.09
	Guangdong Provincial Fokai Expressway Company Limited	1,815,586.46	818,375.46
	Guangdong Province Road & Bridge Construction Development Company Limited	1,663,835.89	12,560,047.58
	Guangfo Expressway Company Limited	1,655,258.59	1,455,703.59
	Guangdong Coastal Expressway Xinhui Section Company Limited	1,604,224.62	1,604,224.62
	Guangdong Provincial Traffic Development Company Limited	1,534,072.93	1,534,072.93

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
	Guangdong Guanghui Expressway Company Limited	1,445,745.61	4,576,498.32
	Guangdong Yue Dong Freeway Industry	1,348,992.80	3,246,909.20
	Hui-Shen(Yantian) Expressway Huizhou Section Company Limited	1,288,633.87	560,970.87
	Guangdong Luo-Yang expressway Company Limited	1,197,392.00	1,197,392.00
	Guangdong Communication Enterprise Investment Company Limited	900,000.00	900,000.00
	Guangdong Provincial Highway Construction Company Limited	879,744.47	219,942.84
	Zhaoqing Yuezhaio Expressway Company Limited	834,743.62	840,328.49
	Express Cross-Border Coach Management Company Limited	791,260.20	1,140,073.83
	Guangzhou Xin Yue Asphalt Company Limited	728,785.05	1,724,359.01
	Guangdong Jiangzhong Expressway Company Limited	520,864.28	577,425.69
	Guangdong Coastal Expressway Zhuhai Section Company Limited	460,853.40	802,836.49
	Guangdong Guangshan Expressway Huizhou Section	321,121.02	321,121.02
	Jingzhu Expressway Guangzhu Section Company Limited	274,085.00	526,753.00
	Guangdong Kai Yang Expressway Company Limited	228,892.00	138,600.00
	Guangdong Jingzhu Expressway Guangzhu North Section	100,852.30	284,602.30
	Guangdong Feida Traffic Engineering Company Limited	—	12,665,274.26
	Guangdong He-hui Highway Company Limited	—	4,918,337.47
	Guangzhou Leatop Real Estate Investment Company Limited	—	186,500.80
	Guangdong Shen-Shan Expressway East Section Company Limited	—	799,633.43
	Guangdong Zhan-Xu Expressway Company Limited	—	2,074,686.29
	Shenzhen Huiyan Expressway Company Limited	—	203,627.19
	Yunfu Guangyun Expressway Company Limited	—	348,711.35
	Others	120,035.79	124,476.34
		620,501,114.67	497,763,662.44

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
Accounts payable	Guangdong Provincial Freeway Company Limited	17,813,708.13	16,553,987.60
	Guangzhou Xin Yue Asphalt Company Limited	16,640,787.08	—
	Guangdong Province Road & Bridge Construction Development Company Limited	11,704,674.98	11,637,405.49
	Guangdong Zhan-Xu Expressway Company Limited	6,333,333.31	4,333,333.33
	Guangdong Province Expressway Mechanical Material Company Limited	5,008,667.97	19,759,300.98
	Guangdong Changda Highway Engineering Company Limited	4,898,818.11	4,894,524.01
	Guangdong Shanjie Expressway Company Limited	4,501,274.94	4,059,999.96
	Guangdong Shanfen Expressway Company Limited	3,607,644.94	2,731,190.79
	Guangdong Yue Dong Freeway Industry	3,473,065.00	3,385,811.02
	Guangzhou Newsoft Technology Company Limited	3,311,251.39	2,186,215.34
	Guangdong Provincial Highway Construction Company Limited	2,931,200.00	1,625,000.00
	Guang-Shen-Zhu Expressway Company Limited	2,439,144.70	433,000.00
	Guangdong Zhaoyang Expressway Company Limited	2,375,000.00	1,625,000.00
	Guangdong Yun-Wu Expressway Company Limited	1,650,000.00	—
	Guangdong Communications Telecommunications Company Limited	1,348,789.45	—
	Guangdong Maozhan Expressway Company Limited	1,297,000.02	119,999.95
	Guangdong Yu-Zhan Expressway Company Limited	1,236,971.33	124,262.50
	Guangdong Kai Yang Expressway Company Limited	985,421.12	—
	Jingzhu Expressway Guangzhu Section Company Limited	867,115.98	1,661,000.00
	Guangzhou Shenfo Expressway Company Limited	827,272.68	—
Guangfo Expressway Company Limited	740,438.32	—	
Heyuan He-Long Expressway Company Limited	708,295.50	97,558.00	
Guangdong western Shen-Shan expressway Company Limited	702,867.88	1,129,726.72	
Guangdong He-hui Highway Company Limited	602,136.34	1,150,534.85	

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
	Zhaoqing Yuezhao Expressway Company Limited	600,000.00	1,200,000.00
	Guangzhou Leatop Real Estate Investment Company Limited	567,937.00	—
	Guangdong Coastal Expressway Zhuhai Section Company Limited	567,600.00	94,963.38
	Guangdong Provincial Freeway Company Limited		
	Guangdong Xintai Expressway Company Limited	503,748.24	—
	Guangdong Lulutong Company Limited	457,163.25	—
	Guangdong Gaintop Highway Engineering Construction	397,580.00	2,217,603.07
	Guangdong Jiangzhong Expressway Company Limited	259,000.02	—
	Guangdong Taishan Coastal Expressway Company Limited	257,200.02	97,408.46
	Guangdong Jingzhu Expressway Guangzhu North Section	167,849.98	35,409.36
	Foshan Guang-San Expressway Company Limited	113,216.40	—
	Guangdong Yang-Mao Expressway Company Limited	109,000.00	278,000.00
	Guangdong Provincial Motor Transportation Group Company Limited	101,260.92	—
	Guangdong Guangshan Expressway Huizhou Section	—	320,236.62
	Yunfu Guangyun Expressway Company Limited	—	610,793.56
	Others	314,867.26	1,684,218.12
		100,421,302.26	84,046,483.11

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB	
Prepayments	Guangdong Yue-Gan Expressway Company Limited	4,140,000.06	—	
	Guangdong Yang-Mao Expressway Company Limited	1,747,449.98	—	
	Guangdong Jiangzhong Expressway Company Limited	1,148,000.02	259,000.00	
	Guangdong Guangzhu Expressway West Section Company Limited	1,025,000.02	—	
	Guangdong Mei-He Expressway Company Limited	922,749.98	—	
	Yunfu Guangyun Expressway Company Limited	550,923.00	—	
	Guangdong Foda Expressway Economy Development Company Limited	415,406.77	415,406.77	
	Guangdong Yuejia Expressway Company Limited	114,450.00	—	
	Guangdong Provincial Highway Construction Company Limited	112,169.16	146,119.85	
	Guangdong Province Road & Bridge Construction Development Company Limited	101,100.00	—	
	Guangdong Provincial Traffic Development Company Limited	—	558,139.09	
	Guangdong Kai Yang Expressway Company Limited	—	1,653,928.40	
	Guangdong Provincial Motor Transportation Group Company Limited	—	229,577.24	
	Others	6,666.67	51,578.21	
			10,283,915.66	3,313,749.56

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
Receipts in advance	Guangdong Provincial Freeway Company Limited	12,880,125.05	29,742,032.11
	Jingzhu Expressway Guangzhu Section Company Limited	6,745,474.81	5,720,615.51
	Guangdong Province Road & Bridge Construction Development Company Limited	3,983,155.44	4,928,755.92
	Guangdong Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	2,153,282.88
	Guangdong Maozhan Expressway Company Limited	2,057,014.86	2,057,014.86
	Heyuan He-Long Expressway Company Limited	1,249,852.68	628,364.03
	Zhaoqing Yuezhao Expressway Company Limited	1,121,520.55	1,398,873.36
	Guangdong Yang-Mao Expressway Company Limited	1,052,816.96	785,346.81
	Guangdong Shanjie Expressway Company Limited	667,606.64	107,242.47
	Guangdong Provincial Highway Construction Company Limited	532,315.55	5,670,200.10
	Yunfu Guangyun Expressway Company Limited	515,712.15	—
	Guangdong Taishan Coastal Expressway Company Limited	435,615.59	128,809.34
	Guangdong Jiangzhong Expressway Company Limited	396,738.39	420,252.99
	Guangdong Shen-Shan Expressway East Section Company Limited	208,234.04	—
	Guangdong Changda Highway Engineering Company Limited	130,852.00	254,425.50
	Guangdong Guanyue Highway&Bridge Company Limited	—	165,495.00
	Guangdong Guangzhu Expressway West Section Company Limited	—	119,100.00
	Guangdong Kai Yang Expressway Company Limited	—	1,326,089.00
	Guangdong Yuejia Expressway Company Limited	—	478,313.88
	Guangdong Zhaoyang Expressway Company Limited	—	53,024,627.14
Guang-Shen-Zhu Expressway Company Limited	—	159,240.00	
Others		165,540.94	610,416.92
		34,295,858.53	109,878,497.82

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
Other receivables	Guangdong Yun-Wu Expressway Company Limited	8,143,619.00	8,378,948.00
	Guangdong Mei-He Expressway Company Limited	7,756,626.43	4,981,953.51
	Guangdong Changda Highway Engineering Company Limited	6,788,261.13	10,460,007.21
	Zhaoqing Guang-He Expressway Company Limited	6,736,863.00	6,736,863.00
	Guangdong Provincial Freeway Company Limited	5,753,773.73	7,873,078.03
	Guangdong Maozhan Expressway Company Limited	5,205,445.90	4,084,297.00
	Guangdong Guangzhu Expressway West Section Company Limited	4,913,393.77	4,613,393.77
	Guangdong Provincial Highway Construction Company Limited	4,617,061.84	2,657,786.14
	Guangdong Bo-Da Expressway Company Limited	4,563,576.12	—
	Guangdong Zhaoyang Expressway Company Limited	3,851,161.00	1,209,084.00
	Guangdong Province Road & Bridge Construction Development Company Limited	3,583,809.43	2,568,132.34
	Heyuan He-Long Expressway Company Limited	2,596,237.48	2,612,930.53
	Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited	2,001,007.80	2,000,000.00
	Guangdong western Shen-Shan expressway Company Limited	1,920,384.03	1,663,296.80
	Guangdong Provincial Fokai Expressway Company Limited	1,865,053.70	2,135,053.70
	Lufeng Shenshan Expressway Company Limited	1,838,458.89	2,378,458.89
	Guangdong Coastal Expressway Operation Company Limited	1,553,570.18	—
	Guangdong Jingzhu Expressway Guangzhu North Section	1,416,196.70	246,555.37
	Guang-Shen-Zhu Expressway Company Limited	1,408,489.62	1,108,489.62
	Guangzhou Leatop Real Estate Investment Company Limited	1,377,946.00	—

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
	Guangdong Yu-Zhan Expressway Company Limited	1,231,880.00	1,231,880.00
	Guangdong Shanfen Expressway Company Limited	979,794.00	61,951.00
	Guangdong Yue-Gan Expressway Company Limited	841,338.30	500,900.00
	Guangdong Yang-Mao Expressway Company Limited	822,284.20	524,480.00
	Guangdong Coastal Expressway Zhuhai Section Company Limited	754,079.98	538,135.82
	Guangdong Weisheng traffic industrial Company Limited	500,000.00	500,000.00
	Guangdong Xintai Expressway Company Limited	470,201.53	—
	Jingzhu Expressway Guangzhu Section Company Limited	368,951.74	223,483.00
	Guangdong Guanghui Expressway Company Limited	242,450.21	242,450.21
	Guangdong Jiangzhong Expressway Company Limited	206,613.39	75,036.54
	Guangdong Province Expressway Construction Materials Supply Station	181,005.24	—
	Guangfo Expressway Company Limited	137,629.25	1,011,779.97
	Guangdong Yuejia Expressway Company Limited	104,128.56	98,678.00
	Yunfu Guangyun Expressway Company Limited	102,518.00	102,518.00
	Guangdong Shanjie Expressway Company Limited	—	421,181.15
	Guangdong Coastal Expressway Xinhui Section Company Limited	—	1,553,570.18
	Others	453,020.25	1,161,464.73
		85,286,830.40	73,955,836.51

Note: The other receivables above include a loan of RMB 2,000,000.00 from the subsidiary of the Group, Guangdong Top-E Expressway Service Zone Co., Ltd, to its joint venture, Guangzhou Top-E Ya Tu Expressway Tourism Service Company Limited, of which annual interest rate is 5.4% and the maturity date is 7 April, 2015 (31 December 2011: RMB 2,000,000.00, 5.4%, 7 April, 2012).

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
Other	GCGC	1,559,971.90	1,559,971.90
payables	Weisheng Transpotation & Enterprises Company Limited	710,917.15	710,917.15
	Guangdong Province Planning and Design Institute for Shipping	300,000.00	—
	Guangdong Lulutong Company Limited	221,207.17	—
	Guangzhou Newsoft Technology Company Limited	209,278.60	103,746.50
	Express Cross-Border Coach Management Company Limited	207,712.96	180,299.68
	Guangdong Provincial Freeway Company Limited	155,814.25	2,000.00
	Guangdong Gaintop Highway Engineering Construction	135,451.84	100,000.00
	Guangdong Changda Highway Engineering Company Limited	134,666.01	15,149.68
	Guangdong Humen Bridge Company Limited	—	100,000.00
	Others	93,016.51	174,550.62
		3,728,036.39	2,946,635.53

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

VII. 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 2012 RMB	31 December 2011 RMB
Dividends receivable	Guangdong Communications Telecommunications Company Limited	94,792.23	94,792.23
Notes payable	Guangdong Province Expressway Mechanical Material Company Limited	8,133,775.54	—
	Guangzhou Xin Yue Asphalt Company Limited	6,622,746.88	—
		14,756,522.42	—
Dividends payable	GCGC	8,535,964.80	—
	Guangdong Provincial Highway Construction Company Limited	5,788,586.64	—
	Guangdong Communication Enterprise Investment Company Limited	1,342,280.94	—
	Guangdong Province Road & Bridge Construction Development Company Limited	620,804.94	—
	Guangdong Weisheng traffic industrial Company Limited	490,874.70	—
		16,778,512.02	—
Long-term receivables	Shenzhen Yueyun Investment Development Company Limited	—	22,349,501.66

Note: As at 31 December 2011, the long-term receivable amounting to RMB22,349,501.66 is the present value of the interest-free loan of RMB38,860,500.00 provided by a subsidiary of the Company, Shenzhen Yue Gang Transport Company Limited, to its associate, Shenzhen Yueyun Investment Development Company Limited, according to its share-holding. The interest-free loan is discounted over the agreed repayment period under amortized cost method. According to the resolution of the General Meeting of Shenzhen Yueyun Investment Development Company Limited held on June 11, 2012, Shenzhen Yue Gang Transport Company Limited agreed to swap the aforesaid loan to equity investment and accordingly, exchanged the long-term receivables with the discounted amount of RMB15,142,469.05 to long-term equity investment as at June 30, 2012.

Notes To The Interim Financial Statements

For the six months ended 30 June 2012

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

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

(b) Compensation for key management personnel

	For the six months ended	
	30 June 2012	30 June 2011
	RMB	RMB
Compensation for key management personnel	<u>2,256,306.74</u>	<u>2,775,094.87</u>

VIII. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Company's and consolidated interim financial statements were approved by the board of directors of the Company on 23 August 2012.