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)

ANNOUNCEMENT OF 2012 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	For the six months ended		
	30 June 2012	30 June 2011	Change
	RMB'000	*RMB'000*	
	(unaudited)	*(unaudited)*	
Revenue	**1,944,899**	2,156,936	-10%
Profit attributable to equity holders of the Company	**29,525**	57,359	-49%
Basic earnings per share	**RMB0.071**	RMB0.137	-49%

- The revenue of the Group for the six months ended 30 June 2012 was approximately RMB1,944,899,000 representing a decrease of approximately RMB212,037,000 or 10% as compared to the same period in 2011.

- Profit attributable to equity holders of the Company for the six months ended 30 June 2012 was approximately RMB29,525,000 representing a decrease of approximately RMB27,834,000 or 49% as compared to the same period in 2011.

- As at 30 June 2012, basic earnings per share was RMB0.071.

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

- On 6 June 2012, the shareholders of the Company at the annual general meeting approved the payment of the final dividend of 2011 of RMB0.06 per ordinary share (pre-tax).

The board of directors (the "**Board**") of Guangdong Nan Yue Logistics Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the ''**Group**'') for the six months ended 30 June 2012. The unaudited consolidated interim results of the Group have been reviewed by the audit & corporate governance committee of the Company (the "**Audit & Corporate Governance Committee**") and the auditor of the Company, Deloitte Touche Tohmatsu CPA Ltd., has also reviewed the unaudited interim financial statements for the period in accordance with Chinese Standards on Review Engagements 2101 "Review of Financial statements" issued by the Chinese Institute of Certified Public Accountants. Majority of the Audit & Corporate Governance Committee members is independent non-executive directors of the Company.

CONSOLIDATED BALANCE SHEETS

AT 30 JUNE 2012

ASSETS	Note V	**As at 30 June 2012** *RMB* *(unaudited)*	31 December 2011 *RMB* *(audited)*
Current Assets:			
Cash and bank balances		**870,015,171.51**	2,092,231,222.60
Notes receivable		**14,328,897.58**	4,435,000.00
Accounts receivable	(1)	**935,915,761.24**	898,769,092.76
Prepayments		**163,889,444.96**	98,474,416.62
Dividends receivable		**94,792.23**	94,792.23
Other receivables		**252,405,199.13**	245,282,907.29
Inventories		**411,191,218.07**	379,812,174.60
Other current assets		**4,661,131.16**	—
Total Current Assets		**2,652,501,615.88**	3,719,099,606.10
Non-current Assets:			
Long-term receivables		**—**	22,349,501.66
Long-term equity investments		**108,422,090.12**	93,064,332.82
Investment properties		**11,405,202.68**	11,439,275.14
Fixed assets		**432,138,508.08**	422,895,591.09
Construction in progress		**15,477,426.57**	16,492,341.79
Intangible assets		**348,690,545.54**	356,932,310.99
Long-term prepaid expenses		**7,053,461.19**	7,667,377.15
Deferred tax assets		**157,077,076.73**	157,511,642.95
Other non-current assets		**12,271,915.84**	—
Total Non-current Assets		**1,092,536,226.75**	1,088,352,373.59
TOTAL ASSETS		**3,745,037,842.63**	4,807,451,979.69

CONSOLIDATED BALANCE SHEETS (CONTINUED)
AT 30 JUNE 2012

LIABILITIES AND SHAREHOLDERS' EQUITY	*Note V*	As at **30 June 2012** ***RMB*** ***(unaudited)***	31 December 2011 *RMB* *(audited)*
Current Liabilities:			
Short-term borrowings	(3)	**241,835,628.58**	60,000,000.00
Notes payable		**490,010,850.52**	621,558,443.87
Accounts payable	(4)	**1,012,564,722.80**	1,438,110,353.08
Receipts in advance		**384,416,523.28**	442,492,499.55
Employee benefits payable		**61,981,158.31**	60,667,664.93
Taxes payable		**103,988,974.45**	138,164,981.99
Interests payable		**1,415,908.30**	10,536,095.95
Dividends payable		**26,234,513.00**	1,176,000.00
Other payables		**98,829,458.70**	149,561,112.61
Other current liablities	(5)	**—**	567,693,227.72
Total Current Liabilities		**2,421,277,737.94**	3,489,960,379.70
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
Shareholders' Equity:			
Share capital		**417,641,867.00**	417,641,867.00
Capital reserve		**274,825,436.40**	274,825,436.40
Special reserve		**3,926,340.45**	2,954,571.68
Surplus reserve		**120,497,853.66**	120,497,853.66
Retained profits	(6)	**358,387,681.67**	353,921,236.48
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
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
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,745,037,842.63**	4,807,451,979.69

CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Note V	For the six months ended 30 June 2012 RMB (unaudited)	30 June 2011 RMB (unaudited)
I	Operating income		**1,944,898,853.76**	2,156,936,453.80
	Less: Operating costs		**1,710,376,687.33**	1,903,208,267.76
	Business taxes and levies		**21,472,545.49**	27,856,351.33
	Selling expenses		**45,613,982.33**	40,944,777.67
	Administrative expenses		**114,083,900.67**	106,870,040.97
	Financial expenses	(8)	**16,193,082.62**	1,742,027.54
	Impairment losses of assets		**(2,620,567.59)**	(7,188,106.23)
	Add: Investment income	(9)	**134,071.40**	2,547,250.17
II	Operating profit		**39,913,294.31**	86,050,344.93
	Add: Non-operating income		**8,352,428.47**	3,650,854.98
	Less: Non-operating expenses		**1,795,785.30**	156,824.31
III	Total profit		**46,469,937.48**	89,544,375.60
	Less: Income tax expenses	(10)	**16,880,002.59**	38,222,072.42
IV	Net profit		**29,589,934.89**	51,322,303.18
	Net profit attributable to owners of the Company		**29,524,958.19**	57,359,137.79
	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
	Total comprehensive income attributable to owners of the Company		**30,270,440.14**	54,087,733.87
	Total comprehensive income attributable to minority interests		**536,974.73**	(8,233,575.20)
VII	Earnings per share			
	(I) Basic earnings per share	(11)	**0.071**	0.137
	(II) Diluted earnings per share	(11)	**0.071**	0.137

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note V	For the six months ended 30 June 2012 RMB (unaudited)	30 June 2011 RMB (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
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
Sub-total of cash inflows from operating activities		**2,091,453,226.87**	1,765,157,322.42
Cash payments for goods purchased and services received		**2,797,604,953.00**	2,324,053,718.68
Cash payments to and on behalf of employees		**168,142,283.71**	141,659,248.64
Payments of various types taxes		**110,272,976.48**	76,978,281.86
Other cash payments relating to operating activities		**83,633,579.08**	82,863,626.24
Sub-total of cash outflows from operating activities		**3,159,653,792.27**	2,625,554,875.42
Net Cash Flows from Operating Activities		**(1,068,200,565.40)**	(860,397,553.00)

CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Note V	For the six months ended 30 June 2012 RMB (unaudited)	30 June 2011 RMB (unaudited)
II	**Cash Flows from Investing Activities:**			
	Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		**935,411.04**	2,832,461.11
	Received relating to other investing activities cash		**8,000,000.00**	—
	Sub-total of cash inflows from investing activities		**8,935,411.04**	2,832,461.11
	Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		**42,142,645.21**	30,305,585.48
	Net cash payments for acquisitions of subsidiaries and other business units		**—**	69,564,856.62
	Other cash payments relating to investing activities		**125,134.39**	—
	Sub-total of cash outflows from investing activities		**42,267,779.60**	99,870,442.10
	Net Cash Flows from Investing Activities		**(33,332,368.56)**	(97,037,980.99)

CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note V	For the six months ended 30 June 2012 RMB (unaudited)	30 June 2011 RMB (unaudited)
III Cash Flows from Financing Activities:			
Cash receipts from borrowings		**180,000,000.00**	255,000,000.00
Sub-total of cash inflows from financing activities		**180,000,000.00**	255,000,000.00
Cash repayments of borrowings		**160,000,000.00**	40,800,000.00
Cash repayments for distribution of dividends or profit or settlement of interest expenses		**32,351,806.81**	3,998,124.94
Payments relating to other financing activities cash		**109,005,610.24**	—
Sub-total of cash outflows from financing activities		**301,357,417.05**	44,798,124.94
Net Cash Flows from Financing Activities		**(121,357,417.05)**	210,201,875.06
IV Effect of foreign Exchange Rate Changes on Cash and Cash Equivalents		**668,882.70**	(6,982,786.18)
V Net Increase (Decrease) in Cash and Cash Equivalents		**(1,222,221,468.31)**	(754,216,445.11)
Add: Opening balance of cash and cash equivalents	(2)	**2,090,675,547.91**	1,500,100,952.37
VI Closing Balance of Cash and Cash Equivalents	(2)	**868,454,079.60**	745,884,507.26

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITIES

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	853,921,236.48	(34,800,450.16)	1,635,040,515.06	677,006,357.49	2,312,046,872.55
II At 1 January 2012	417,641,867.00	274,825,436.40	2,954,571.68	120,497,853.66	853,921,236.48	(34,800,450.16)	1,635,040,515.06	677,006,357.49	2,312,046,872.55
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 utilised in the period	—	—	(1,069,370.94)	—	—	—	(1,069,370.94)	—	(1,069,370.94)
6. Others									
IV At 30 June 2012 (unaudited)	417,641,867.00	274,825,436.40	3,926,340.45	120,497,853.66	858,387,681.67	(34,054,968.21)	1,641,224,210.97	677,543,332.22	2,318,767,543.19

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITIES (CONTINUED)

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 2010 (audited)	417,641,867.00	299,205,030.21	1,379,199.25	507,696,112.34	372,152,345.45	(29,370,460.60)	1,568,704,093.65	794,754,431.33	2,363,458,524.98
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	510,174,201.20	308,946,768.14	(29,370,460.60)	1,553,161,868.01	794,754,431.33	2,347,916,299.34
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 utilised 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	510,174,201.20	338,741,542.71	(32,641,864.52)	1,510,871,533.00	786,520,856.13	2,297,392,389.13

I 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").

II 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.

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 acquire. 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.

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

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

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

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

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

6. **Preparation of consolidated financial statements**

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

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

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

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

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

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

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

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

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

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

7. **Recognition criteria of cash and cash equivalents**

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

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

8.1 *Transactions denominated in foreign currencies*

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

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

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

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

8.2 *Translation of financial statements denominated in foreign currencies*

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

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

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

9. **Financial instruments**

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

9.1 *Determination of fair value*

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

9.2 *Effective interest method*

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

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

9.3 *Classification, recognition and measurement of financial assets*

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

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

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

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

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

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

9.3.2. Held-to-maturity investments

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

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

9.3.3. Loans and receivables

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

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

9.3.4. Available-for-sale financial assets

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

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

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

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

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 regionof 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.

— Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial ssets 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.

— 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

14.3 *Methods of impairment assessment and determining the provision for impairment losses of fixed assets*

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

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

14.4 *Other explanations*

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

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

15. **Construction in progress**

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

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

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

16. **Borrowing Costs**

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

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

17. **Intangible assets**

17.1 *Intangible assets*

Intangible assets include land use rights, franchise operating rights ("Toll bridge franchise operating rights"), coastline use right, software, Passenger service licences, etc.

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

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

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

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.

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.

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.

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.

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. 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.

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.

III TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Income from sale of 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% (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% (2011: 16.5%).

IV 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 current period to the date of disposal *RMB*
Oriental Thought (Henan) Technology Company Limited	(40,059.62)	(254,452.53)

V 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 amout 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).

2 Cash and cash equivalents

As at 30 June 2012, cash included the restricted other 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).

3 **Short-term borrowings**

		30 June 2012	31 December 2011
		RMB	*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		**241,835,628.58**	60,000,000.00

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 borrrowings 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. (31December 2011: RMB 567,693,227.72 was accounted as "other current liabilities". Details please refer to Note V(5)).

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.

4 **Accounts payable**

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

Ageing	**30 June 2012**	31 December 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	**1,012,564,722.80**	1,438,110,353.08

5 **Other current liablities**

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 V(3).

6 **Retained profits**

	For the six months ended	
	30 June 2012	30 June 2011
	RMB	*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 (Note 1)	**25,058,513.00**	27,564,363.22
Retained profits at the end of the period	**358,387,681.67**	338,741,542.71
Dividends paid	**—**	—

Note 1: A final dividend of RMB 0.06 per share amounting to RMB 25,058,513.00 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 RMB 170,014,984.85 (31 December 2011: RMB 170,014,984.85). 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)

7 Depreciation, amortisation and cost of goods sold

The net profit for the current period was arrived at after charging the depreciation and amortization of RMB 47,049,984.40 (prior period: RMB44,898,651.97) and the cost of goods sold of RMB 1,377,756,780.91 (prior period in 2011: RMB1,560,152,482.88).

8 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

9 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 (loss) from investments in joint ventures under equity method	**389,122.70**	966,698.23
Investment 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.

10 **Income tax expenses**

	For the six months ended	
	30 June2012	30 June 2011
	RMB	*RMB*
Current income tax	**16,001,715.92**	36,155,555.66
Including:		
- Mainland China	**15,838,553.75**	36,155,555.66
- Hong Kong	**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 III(2).

11 **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.

12 **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*	**Taiping Interchange** *RMB*	**Unallocated** *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**
Inter-segment revenue	**—**	**294,082.00**	**4,232,445.95**	**—**	**—**	**2,966,282.10**
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**
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**

30 June 2011

	Material logistics services *RMB*	Expressway service zones *RMB*	Transportation intelligence services *RMB*	Cross-border transportation services *RMB*	Taiping Interchange *RMB*	Unallocated *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	—
Inter-segment revenue	39,588,109.82	153,461.90	247,692.32	—	—	582,120.36
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
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)

13 **Net current assets**

	30 June 2012	31 December 2011
	RMB	*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

14 **Total assets less current liabilities**

	30 June 2012	31 December 2011
	RMB	*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

MANAGEMENT DISCUSSION AND ANALYSIS

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 and 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 asphalt and emulsified asphalt. Such effort was made to turn the asphalt processing business into a new profit growth point of the Company.

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 Nan Er Huan Expressway, Zhanjiang-Xuwen Expressway, Jiangmen-Zhaoqing Expressway, Yangjiang-Yangchun Expressway, Shantou-Fenshui 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.

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-Fenshui 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, 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.

For newly-developed travelling business, the Group has generated profits by providing services as the primary ticket agent of CotaiJet of Chu Kong Passenger 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 became 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 (廣州市白雲新城西部延伸區控制性詳細規劃) 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.

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 economy of China in the second half of 2012 remains uncertain as the global economy will be seriously affected by the European debt crisis. Under such circumstances, the Group will properly develop its businesses in accordance with the conditions of the transportation market. We will further streamline our business structure to improve operation efficiency.

FINANCIAL REVIEW

Turnover

The turnover of the Group mainly derived from four business areas, including material logistics services, transportation intelligence services, expressway service zones operation and cross-border transportation services between Hong Kong and Guangdong province, the PRC. Revenue from toll collection business at the Tai Ping Interchange was also accounted in the turnover of the Group. Turnover of the Group for the six months ended 30 June 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 income 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 sales.

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 of the Group 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 of the Group 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.

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 of the Group 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 of the Group 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.

Transportation intelligence services

In the first half of the year, the gross profit from transportation intelligence services of the Group 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%), representing an increase as compared to the same period of last year. The increase in gross profit 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 of the Group 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 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 levies decreased to RMB21 million from RMB28 million of the same period of last year, representing a decrease of RMB7 million or 23%. The increase 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.

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 of the Group 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); gearing 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	2011	Change
	RMB'000	*RMB'000*	
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%

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 of the Group 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 (31 December 2011: RMB 60 million), representing an increase of RMB182 million as compared with 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.

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.

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 Apri12012.

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 Xiafeng, 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 COMMITTEE

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 statements 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 statements for the period in accordance with Chinese Standards on Review Engagements 2101 "Review of Financial statements" issued by the Chinese Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

As at 30 June 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.

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.

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 9工程指揮部) of Inter-city Railway between Guangzhou and Zhuhai of China Railway No.8 Engineering Group Co., Ltd and Project Management Office of Guangzhou-Shenzhen-Hong Kong Passenger Railway Line ZH-2 tender project of China Railway 17 Bureau Group (中鐵十七局集團) to recover the costs of materials. The total costs involved amounted to RMB57,082,905. As at 10 July 2012, the hearings of the above cases have been completed, and the entire cost of RMB57,082,905 and interest of RMB792,012 were recovered. Except the case regarding 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 pending due to the dispute on interests, all cases 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 due to the Company from the above defendants and a penalty. 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 a penalty. Currently, the Company is taking necessary actions in accordance with the judgement of the court.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement has been published on the website of the Stock Exchange (http://www.hkex.com.hk). An interim report for the year ended 30 June 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

By order of the Board of
Guangdong Nan Yue Logistics Company Limited
Liu Hong
Chairman of the Board

Guangzhou, the People's Republic of China
23 August 2012

As at the date of this announcement, the Board comprises Mr. Liu Hong, Mr. Wang Weibing, Mr. Deng Chongzheng and Mr. Zeng Gangqiang as executive directors of the Company, Mr. Liu Wei, Mr. Lu Yaxing, Mr. Zheng Renfa, Mr. Cai Conghua, Mr. Xuan Zongmin and Mr. Tang Yinghai as non-executive directors of the Company, and Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei as independent non-executive directors of the Company.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) under its Chinese name "廣東南粵物流股份有限公司 and English name "Guangdong Nan Yue Logistics Company Limited".*

\# *English translation denoted for identification propose only.*