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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION PROPOSED RE-ELECTION OF DIRECTORS AND PROPOSED RE-ELECTION OF SUPERVISORS

- Revenue of the Group in 2012 was approximately RMB6,610,453,000, representing a decrease of approximately RMB312,778,000 or 4.5% over 2011 (restated).
- Net profit attributable to owners of the Company for the year of 2012 was approximately RMB72,535,000, representing a decrease of approximately RMB52,950,000 or 42.2% over 2011 (restated).
- Basic earnings per share attributable to owners of the Company for the year of 2012 was RMB0.17 per share, representing a decrease of RMB0.13 or 43.3% over 2011 (restated).
- The Board recommended the payment of final dividend for 2012 of RMB0.052 per share (before-tax).
- The Board of the Company has decided the dividend policy for the next three years, i.e., the dividend ratios for each of the three years from 2013 to 2015 will not be less than 30% of the net profit attributable to shareholders of the Company (excluding non-recurring items) for the respective years in principle.

The board of directors (the "Board") of Guangdong Nan Yue Logistics Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the ''Group'') for the twelve months ended 31 December 2012. The audited annual results of the Group have been reviewed by the audit and corporate governance committee of the Company (the "Audit and Corporate Governance Committee"), comprising a majority of independent non-executive directors of the Company.

The audited consolidated balance sheet of the Group, the audited consolidated income statement of the Group, the audited consolidated statement of cash flow of the Group and the audited consolidated statement of changes in shareholder's equity of the Group and the explanatory notes 1 to 8 as presented below are extracted from the audited consolidated financial statements of the Group for the twelve months ended 31 December 2012 approved by the Board on 19 March 2013 and are consistent with the audited consolidated financial statements according to the review conducted by Deloitte Touche Tohmatsu CPA LLP. The procedures implemented by Deloitte Touche Tohmatsu CPA LLP do not constitute an assurance engagement in accordance with Auditing Standards for the Chinese Certified Public Accountants, Reviewing Standards for Chinese Certified Public Accountants (中國註冊會計師審閱準則) and Other Assurance Engagement Standards for Chinese Certified Public Accountants (中國註冊會計師其他鑒證準則). Therefore, Deloitte Touche Tohmatsu CPA LLP has not made any assurance opinions regarding this announcement.

The Board proposed to amend the articles of association of the Company (the "Articles of Association") to (a) change the Chinese name of the Company to "廣東粵運交通股份有限公司" and the English name to "Guangdong Yueyun Transportation Company Limited"; and (b) amend the content relating to the business scope in the Articles of Association. The proposed amendments to the Articles of Association are subject to the approval by the shareholders of the Company (the "Shareholders") by way of special resolution at the upcoming annual general meeting of the Company to be held on 30 May 2013 (the "AGM") and all necessary approvals, authorisations, or registration (if applicable) to be obtained from or filed with the relevant governmental or regulatory authorities.

The term of the present Board will soon expire and a re-election shall be held upon expiration. The Board proposes to have a re-election of the Board at the AGM.

The term of the present Supervisory Committee will soon expire and a re-election shall be held upon expiration. The Supervisory Committee proposes to have a re-election of the Supervisory Committee at the AGM.

A circular containing, among other things, details of the proposed amendments to the Articles of Association , the proposed re-election of directors and the proposed re-election of supervisors together with the notice of the AGM will be dispatched to the Shareholders as soon as practicable.

Consolidated Balance Sheet

	Notes	**As at 31 December 2012** *RMB*	**As at 31 December 2011** *RMB (restated)*
Current Assets:			
Cash and bank balances		1,262,848,441.36	2,235,758,263.47
Notes receivable		22,090,366.56	4,435,000.00
Accounts receivable	6.1	731,119,119.17	975,080,453.39
Prepayments		143,217,738.68	134,918,126.21
Dividends receivable		—	94,792.23
Other receivables		296,890,221.41	364,013,101.60
Inventories		139,912,918.40	393,417,323.89
Other current assets		23,370,076.66	—
Total Current Assets		2,619,448,882.24	4,107,717,060.79
Non-current Assets:			
Long-term receivables		—	—
Long-term equity investments		190,179,330.04	155,798,795.11
Investment properties		42,540,117.76	174,046,745.92
Fixed assets		1,201,230,256.06	1,401,878,066.97
Construction in progress		126,354,825.87	107,011,311.41
Intangible assets		567,928,835.67	668,575,899.27
Goodwill		27,229,945.36	34,788,047.05
Long-term prepaid expenses		30,777,739.82	22,219,692.35
Deferred tax assets		158,132,240.10	160,111,614.84
Other non - current assets		53,600,406.11	74,584,275.72
Total Non-current Assets		2,397,973,696.79	2,799,014,448.64
TOTAL ASSETS		5,017,422,579.03	6,906,731,509.43

Consolidated Balance Sheet (Continued)

	Notes	As at 31 December 2012 RMB	31 December 2011 RMB (restated)
Current Liabilities:			
Short-term borrowings	6.2	10,400,000.00	90,570,000.00
Notes payable		848,060,316.34	628,370,313.87
Accounts payable	6.3	824,154,984.10	1,552,385,384.03
Receipts in advance		282,928,880.49	450,688,632.76
Employee benefits payable		92,731,469.80	103,266,986.16
Taxes payable		101,778,908.59	169,100,933.48
Interests payable		1,450,000.00	10,558,229.21
Dividends payable		36,495,530.40	1,186,902.30
Other payables		364,942,281.13	605,602,599.76
Non current liabilities due within one year		50,368,362.89	32,844,431.89
Other current liabilities		—	567,693,227.72
Total Current Liabilities		2,613,310,733.74	4,212,267,641.18
Non-current Liabilities:			
Long-term borrowings	6.4	69,732,489.66	137,146,618.29
Bonds payable	6.5	297,037,810.39	—
Long-term payables		46,651,523.81	58,463,108.96
Provision		979,200.00	721,052.31
Deferred income tax liabilities		7,193,940.84	15,299,568.95
Other non-current liabilities		24,308,797.84	24,308,417.90
Total Non-current Liabilities		445,903,762.54	235,938,766.41
TOTAL LIABILITIES		3,059,214,496.28	4,448,206,407.59

Consolidated Balance Sheet (Continued)

	Notes	As at **31 December 2012** *RMB*	**31 December 2011** *RMB* *(restated)*
Shareholders' Equity:			
Share capital		417,641,867.00	417,641,867.00
Capital reserve		453,534,816.70	915,688,310.06
Special reserve		9,771,609.17	7,594,487.89
Surplus reserve		122,766,499.46	166,062,776.72
Retained profits	6.6	411,164,608.79	407,932,077.47
Translation difference arising on translation of financial statements denominated in foreign currencies		(34,773,808.84)	(34,800,450.16)
Equity attributable to shareholders of the Company		1,380,105,592.28	1,880,119,068.98
Minority interests		578,102,490.47	578,406,032.86
TOTAL SHAREHOLDERS' EQUITY		1,958,208,082.75	2,458,525,101.84
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,017,422,579.03	6,906,731,509.43

Consolidated Income Statement

		Notes	For the year ended 31 December 2012 RMB	2011 RMB (Restated)
I.	Total operating income		6,610,453,367.98	6,923,231,701.01
	Less: Operating costs		5,662,203,460.55	5,956,174,219.38
	Business taxes and levies		105,803,852.58	131,988,516.00
	Selling expenses		99,795,739.71	103,775,700.23
	Administrative expenses		564,452,414.01	509,437,251.87
	Financial expenses	6.8	47,118,623.88	46,570,446.91
	Impairment losses of assets		(1,313,515.97)	(9,847,538.48)
	Add: Investment income	6.9	2,867,331.38	3,014,506.05
	Including: Income from investments in associates and joint ventures		5,086,924.08	7,146,648.70
II.	Operating profit		135,260,124.60	188,147,611.15
	Add: Non-operating income		97,993,496.99	72,670,888.82
	Less: Non-operating expenses		9,915,342.60	8,734,601.05
	Including: Losses from disposal of non-current assets		1,912,607.09	1,007,710.58
III.	Total profit		223,338,278.99	252,083,898.92
	Less: Income tax expenses	6.10	77,926,961.67	79,786,614.84

Consolidated Income Statement (Continued)

	Notes	For the year ended 31 December 2012 *RMB*	2011 *RMB* *(Restated)*
IV. Net profit		145,411,317.32	172,297,284.08
Net profit attributable to shareholders of the Company		72,535,413.29	125,485,769.19
Profit attributable to minority interests		72,875,904.03	46,811,514.89
V. Earnings per share:	6.11		
(I) Basic earnings per share		0.17	0.30
(II) Diluted earnings per share		0.14	0.24
VI. Other comprehensive income		(17,013.77)	(10,687,891.20)
VII. Total comprehensive income:		145,394,303.55	161,609,392.88
Total comprehensive income attributable to shareholders of the Company		72,562,054.61	120,055,779.63
Total comprehensive income attributable to minority interests		72,832,248.94	41,553,613.25

For business combination involving entities under common control occurred during 2012, net profit of the acquiree generated before the business combination is RMB118,751,165.61 (2011: RMB102,115,829.55).

Consolidated Cash Flow Statement

ITEM	For the year ended 31 December 2012 *RMB*	31 December 2011 *RMB* *(Restated)*
I. Cash Flows from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	7,029,365,440.52	7,004,877,170.08
Receipts of tax refunds	1,981,332.25	4,547,620.47
Other cash receipts relating to operating activities	338,306,789.20	317,714,930.33
Sub-total of cash inflows from operating activities	7,369,653,561.97	7,327,139,720.88
Cash payments for goods purchased and services received	6,137,503,623.36	4,776,053,741.09
Cash payments to and on behalf of employees	861,229,901.31	812,131,642.50
Payments of various types of taxes	331,298,175.61	309,922,282.51
Other cash payments relating to operating activities	253,988,832.29	283,432,939.85
Sub-total of cash outflows from operating activities	7,584,020,532.57	6,181,540,605.95
Net Cash Flow from Operating Activities	(214,366,970.60)	1,145,599,114.93

Consolidated Cash Flow Statement (Continued)

ITEM	For the year ended 31 December 2012 *RMB*	31 December 2011 *RMB* *(Restated)*
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	60,300,000.00	1,375,372.52
Cash receipts from investment income	13,850,356.20	4,740,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	19,507,702.84	10,805,800.18
Other cash received relating to investing activities	3,265,477.09	—
Sub-total of cash inflows from investing activities	96,923,536.13	16,921,172.70
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	356,470,922.54	413,396,919.53
Cash payments to acquire investments	81,700,000.00	7,800,000.00
Net cash payments for acquisitions of subsidiaries and other business units	—	69,564,856.62
Other cash payments relating to investing activities	166,320,564.79	—
Sub-total of cash outflows from investing activities	604,491,487.33	490,761,776.15
Net Cash Flow from Investing Activities	(507,567,951.20)	(473,840,603.45)

Consolidated Cash Flow Statement (Continued)

ITEM	For the year ended 31 December 2012 *RMB*	31 December 2011 *RMB* *(Restated)*
III. Cash Flows from Financing Activities:		
Cash receipts from capital contributions	20,700,000.00	12,933,496.00
Cash receipts from borrowings	448,052,741.41	971,954,800.00
Cash receipts from issue of bonds	297,300,000.00	—
Other cash recived relating to financing activites	25,090,756.53	—
Sub-total of cash inflows from financing activities	791,143,497.94	984,888,296.00
Cash repayments of borrowings	737,072,658.78	997,685,236.48
Cash payments for distribution of dividends or settlement of interest expenses	119,422,832.96	118,238,963.65
Other cash payments relating to financing activities	184,962,484.71	9,740,768.80
Sub-total of cash outflows from financing activities	1,041,457,976.45	1,125,664,968.93
Net Cash Flow from Financing Activities	(250,314,478.51)	(140,776,672.93)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(14,181.46)	(4,852,625.96)
V. Net Increase (Decrease) in Cash and Cash Equivalents	(972,263,581.77)	526,129,212.59
Add: Opening balance of Cash and Cash Equivalents	2,226,151,619.32	1,700,022,406.73
VI. Closing Balance of Cash and Cash Equivalents	1,253,888,037.55	2,226,151,619.32

Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2012

RMB

	2012								
	Attributable to shareholders of the Company								
ITEM	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	Total	Minority interests	Total shareholders' equity
I. At 31 December 2011	417,641,867.00	274,825,436.40	2,954,571.68	120,497,853.66	353,921,236.48	(34,800,450.16)	1,135,040,515.06	177,006,357.49	1,312,046,872.55
Add: Effect of business combination under common control	—	640,862,873.66	4,639,916.21	45,564,923.06	54,010,840.99	—	745,078,553.92	401,399,675.37	1,146,478,229.29
II. At 1 January 2012	417,641,867.00	915,688,310.06	7,594,487.89	166,062,776.72	407,932,077.47	(34,800,450.16)	1,880,119,068.98	578,406,032.86	2,458,525,101.84
III. Changes for the year	—	(462,153,493.36)	2,177,121.28	(43,296,277.26)	3,232,531.32	26,641.32	(500,013,476.70)	(303,542.39)	(500,317,019.09)
(I) Net profit	—	—	—	—	72,535,413.29	—	72,535,413.29	72,875,904.03	145,411,317.32
(II) Other comprehensive income	—	—	—	—	—	26,641.32	26,641.32	(43,655.09)	(17,013.77)
Subtotal of (I) and (II)	—	—	—	—	72,535,413.29	26,641.32	72,562,054.61	72,832,248.94	145,394,303.55
(III) Shareholders' contributions and reduction in capital	—	(462,153,493.36)	(1,105,248.22)	(45,564,923.06)	(41,975,723.17)	—	(550,799,387.81)	(74,287,522.27)	(625,086,910.08)
1. Capital contribution from shareholders	—	281,810,000.00	—	—	—	—	281,810,000.00	—	281,810,000.00
2. Share-based payment recognised in shareholders' equity	—	—	—	—	—	—	—	—	—
3. Free transfer of assets (Note 7.2)	—	(336,914,603.66)	(856,054.28)	(45,564,923.06)	(41,975,723.17)	—	(425,311,304.17)	(47,636,927.83)	(472,948,232.00)
4. Effect of business combination under common control	—	(407,048,889.70)	(249,193.94)	—	—	—	(407,298,083.64)	(26,650,594.44)	(433,948,678.08)
(IV) Profit distribution	—	—	—	2,268,645.80	(27,327,158.80)	—	(25,058,513.00)	—	(25,058,513.00)
1. Transfer to surplus reserve	—	—	—	2,268,645.80	(2,268,645.80)	—	—	—	—
2. Distributions to shareholders	—	—	—	—	(25,058,513.00)	—	(25,058,513.00)	—	(25,058,513.00)
3. Others	—	—	—	—	—	—	—	—	—
(V) Transfers within shareholders' equity	—	—	—	—	—	—	—	—	—
1. Capitalisation of capital reserve	—	—	—	—	—	—	—	—	—
2. Capitalisation of surplus reserve	—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—
(VI) Special reserve	—	—	3,282,369.50	—	—	—	3,282,369.50	1,151,730.94	4,434,100.44
1. Transfer to special reserve in the year	—	—	8,200,528.48	—	—	—	8,200,528.48	4,349,518.70	12,550,047.18
2. Amount utilised in the year	—	—	(4,918,158.98)	—	—	—	(4,918,158.98)	(3,197,787.76)	(8,115,946.74)
(VII) Others	—	—	—	—	—	—	—	—	—
IV. At 31 December 2012	417,641,867.00	453,534,816.70	9,771,609.17	122,766,499.46	411,164,608.79	(34,773,808.84)	1,380,105,592.28	578,102,490.47	1,958,208,082.75

Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the year ended 31 December 2012

ITEM	2011								
	Attributable to shareholders of the Company							Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Others	Total		
I. At 31 December 2010	417,641,867.00	299,205,030.21	1,379,199.25	107,696,112.34	372,152,345.45	(29,370,460.60)	1,168,704,093.65	194,754,431.33	1,363,458,524.98
Add: Effect of business combination under common control	—	687,002,275.21	2,023,808.31	48,043,011.92	(31,771,153.08)	—	705,297,942.36	350,801,800.73	1,056,099,743.09
II. At 1 January 2011	417,641,867.00	986,207,305.42	3,403,007.56	155,739,124.26	340,381,192.37	(29,370,460.60)	1,874,002,036.01	545,556,232.06	2,419,558,268.07
III. Changes for the year	—	(70,518,995.36)	4,191,480.33	10,323,652.46	67,550,885.10	(5,429,989.56)	6,117,032.97	32,849,800.80	38,966,833.77
(I) Net profit	—	—	—	—	125,485,769.19	—	125,485,769.19	46,811,514.89	172,297,284.08
(II) Other comprehensive income	—	—	—	—	—	(5,429,989.56)	(5,429,989.56)	(5,257,901.64)	(10,687,891.20)
Subtotal of (I) and (II)	—	—	—	—	125,485,769.19	(5,429,989.56)	120,055,779.63	41,553,613.25	161,609,392.88
(III) Shareholders' contributions and reduction in capital	—	(70,518,995.36)	2,616,107.90	—	(20,046,869.63)	—	(87,949,757.09)	(8,703,812.45)	(96,653,569.54)
1. Capital contribution from shareholders	—	—	—	—	—	—	—	—	—
2. Share-based payment recognised in shareholders' equity	—	—	—	—	—	—	—	—	—
3. Effect of business combination under common control	—	(70,518,995.36)	2,616,107.90	—	(20,046,869.63)	—	(87,949,757.09)	(8,703,812.45)	(96,653,569.54)
4. Others	—	—	—	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	10,323,652.46	(37,888,014.46)	—	(27,564,362.00)	—	(27,564,362.00)
1. Transfer to surplus reserve	—	—	—	10,323,652.46	(10,323,652.46)	—	—	—	—
2. Distributions to shareholders	—	—	—	—	(27,564,362.00)	—	(27,564,362.00)	—	(27,564,362.00)
3. Others	—	—	—	—	—	—	—	—	—
(V) Transfers within shareholders' equity	—	—	—	—	—	—	—	—	—
1. Capitalisation of capital reserve	—	—	—	—	—	—	—	—	—
2. Capitalisation of surplus reserve	—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—
(VI) Special reserve	—	—	1,575,372.43	—	—	—	1,575,372.43	—	1,575,372.43
1. Transfer to special reserve in the year	—	—	2,820,431.09	—	—	—	2,820,431.09	—	2,820,431.09
2. Amount utilised in the year	—	—	(1,245,058.66)	—	—	—	(1,245,058.66)	—	(1,245,058.66)
(VII) Others	—	—	—	—	—	—	—	—	—
IV. At 31 December 2011	417,641,867.00	915,688,310.06	7,594,487.89	166,062,776.72	407,932,077.47	(34,800,450.16)	1,880,119,068.98	578,406,032.86	2,458,525,101.84

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group has adopted the *Accounting Standards for Business Enterprises* ("ASBE") issued by the Ministry of Finance ("MoF") on 15 February 2006 ("CAS"). In addition, the Group has disclosed relevant financial information in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on SEHK.

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

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2012 that was prepared in accordance with CAS

2.1 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 31 December 2012, and the Company's and consolidated results of operations and cash flows for the year then ended.

2.2 Basis of accounting and principle of measurement

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

2.3 Accounting period

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

2.4 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.

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

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

2.5.1 *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 earnings.

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

2.5.2 *Business combinations not involving enterprises under common control*

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

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

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

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.

2.6 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 shareholders' equity of the subsidiary, the excess amount are still allocated against minority interests.

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

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

2.7 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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.8 Translation of transactions and financial statements denominated in foreign currencies

2.8.1 *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.

2.8.2 *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.

2.9 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.

2.9.1 *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.

2.9.2 *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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.9.3 *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.

2.9.4 *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 available-for-sale financial asset

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

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

2.9.5 *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.

2.9.6 *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.

2.9.7 *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.

2.9.8 *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.

2.10 **Receivables**

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

2.10.1 *Receivables that are individually significant and for which bad debt provision is individually assessed*

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

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

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

2.11 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.

2.12 Fixed Assets

2.12.1 *Recognition criteria for fixed assets*

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

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

2.12.2 *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**	**Residual value rate**	**Annual depreciation rate**
	(years)	*(%)*	*(%)*
Buildings	10 - 50	0 - 5	1.9-10
Building improvement	3 - 5	0	20 - 33.33
Transportation vehicle	5 - 8	0 - 5	11.88 - 20
Machinery and equipment	5-12	0 - 5	7.92 - 20
Office equipment and others	3-10	0 - 5	9.5-33.33
Pier	44	0	2.27

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

2.12.3 *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.

2.12.4 *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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.13 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.

2.14 Intangible Assets

2.14.1 *Intangible assets*

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

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

Estimated useful life of intangible assets are as follows:

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

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2.14.2 *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.

2.15 Provisions

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.16 Revenue Rrecognition

2.16.1 *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.

2.16.2 *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.

2.16.3 *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.

2.17 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.

2.18 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.

2.18.1 *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.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.18.2 *The Group as lessor under operating leases*

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

2.18.3 *The Group as lessee under finance leases*

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

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

3 SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND CRITICAL ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies described in Note 2, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

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

— Significant judgments made in applying accounting policies

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

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

Perpetual Subordinated Convertible Securities

On 17 September 2012, the Company entered into the Asset Swap Agreement and the PSCS Agreement with GCGC, pursuant to which the Company acquired the 100% equity interest (the "Acquired Asset") in Guangdong Vehicles Transportation Group Company Limited ("Guangdong Vehicles Transportation Group") from GCGC, and transferred the Group's 51% equity interest in Guangdong Oriental Thought Technology Company Limited ("Guangdong Oriental Thought"), 71% equity interest in Guangdong Xinyue Communications Investment Company Limited ("Xinyue Communications") and 90% equity interest in Guangdong Nan Yue Logistics International Services Company Limited ("Guangdong Nan Yue Logistics International") (collectively the "Disposed Asset") to GCGC. The differences between the Acquired Asset and the Disposed Asset will be paid by the Company through the issue of Perpetual Subordinated Convertible Securities ("PSCS") by the Company to GCGC.

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

— Key assumptions and uncertainties in accounting estimates

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

Bad debt

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

Useful lives and net estimated residual values of fixed assets

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

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

Deferred tax assets

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

Impairment of goodwill

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

Liabilities of retirement benefits

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

4 TAXES

4.1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Income from sale of goods	13%, 17%
Value-added tax	Transportation income (Note)	0%, 3%, 11%
Value-added tax	Income from rendering of service (Note)	6%

4 TAXES (Continued)

Category of tax	Basis of tax computation	Tax rate
Business tax	Income from highway facilities and other auxiliary facilities, and income from rendering of service	5%
Business tax	Income from construction contracts, and toll income	3%
Business tax	Transportation income (Note)	0%, 3%
City maintenance and construction tax	Value-added tax and business tax payables	5%, 7%
Educational surtax and surcharges	Value-added tax and business tax payables	3%, 2%
Embankment protection 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%

Note: According to "Announcement on the VAT Reform Pilot Program of the Transportation and Selected Modern Service Sectors in Guangdong Province" issued by the State Tax Bureau of Guangdong Province in June 2012, the transportation and selected modern service sectors in Guangdong Province should pay value-added tax but not business tax from 1 November 2012 (hereinafter referred to as "VAT Reform"). Since 1 November 2012, the valued-added tax rate of the Group and subsidiaries those meet the pilot requirement of VAT Reform should be in accordance with the requirement of "Business tax to VAT Pilot Implementation Measures of the Transportation and Selected Modern Service Sectors" Circular Caishui [2011] No. 111, of which cross-border Transportation is zero, and others is 3% of simple levied tax rate.

4.2. Tax incentive and approval

Except for three subsidiaries mentioned below, all the other group companies established in Mainland China are subject to enterprise income tax rate of 25%. Guangdong Oriental Thought Technology Company Limited and Guangdong Xinyue Communications Investment Company Limited are entitled to preferable income tax treatment for high-tech enterprises, with applicable income tax rate of 15%.Shenzhen Yuegang Transport Company Limited is incorporated in Shenzhen Special Economic Zone and is subject to a preferential enterprise income tax rate of 25% in2012 (2011: 24%).

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

5 SCOPE OF CONSOLIDATION

Subsidiaries newly included in the scope of consolidation during the year

GVTG is a subsidiary newly included in the scope of consolidation during the year. As GCGC is its ultimate holding company both before and after the combination involving enterprises, the combination constitutes a business combination under common control. For details of its financial conditions at the date of combination and at the end of last year, its operating results and cash flows from the beginning of this year to the date of combination involving enterprises please see 1 "Business combination under common control" under "Other significant matters" in note 7.

Name of Enterprise	Type of Enterprise	Place of Registration	Nature of Business	Registered Capital	Actual Investment of the Company	Proportion of Shareholdings	Proportion of Voting Rights
				RMB	*RMB*		
Guangdong Vehicles Transportation Group	Limited liability Company	Guangzhou	Vehicle transportation	300,000,000.00	448,110,000.00	100%	100%

Subsidiaries no longer included in the scope of consolidation during the year

a. The Group's subsidiaries before the Group acquired GVTG

RMB

Name	Net assets at the date of disposal	Net profit (loss) from the beginning of the year to date of disposal
Guangdong Tai Cheng Consulting Company Limited (Note 1)	—	30,980.14
Guangdong Nan Yue Logistics International Services Company Limited (Note 2)	13,861,964.52	(3,838,177.83)
Guangdong Oriental Thought Technology Company Limited and its subsidiaries (Note 2):	12,884,837.33	(13,918,948.62)
Guangdong Xin Yue Communications Investment Company Limited and its subsidiaries (Note 2):	157,224,940.20	4,457,150.63

Note 1: Guangdong Tai Cheng Consulting Company Limited has completed unregister in 2012, and its oprating results and cash flows before unregister have been included in the consolidated financial statements.

Note 2: These entities are disposed as consideration of business comination involving enterpises under common control, their operating results and cash flows before disposal have been included in the consolidated financial statements. Details please refer to Note 7.1.

5 SCOPE OF CONSOLIDATION (Continued)

b. Subsidiaries transferred by GVTG before the Group acquired GVTG

Before acquisition of GVTG by the Company, GVTG transferred its equity interest in Shenzhen Yueyun Investment Development Company Limited, Guangdong Yangjiang Vehicles Transportation Group Co., Ltd. and Meizhou Yueyun Vehicles Transportation Company Limited to Guangzhou Yueyun Investment Management Co., Ltd. freely, and then transferred its equity interest in Guangzhou Yueyun Investment Management Co., Ltd to GCGC freely. The operating results and cash flows of above entities have been included in the consolidated financial statements. Details of assets free transfer and the operating results and cash flows of above entities please referred to Note 7.2.

RMB

Name	**Net assets at the date of disposal**	**Net profit (loss) from the beginning of the year to the date of disposal**
Shenzhen Yueyun Investment Development Company Limited and its subsidiaries	238,167,042.33	207,096.69
Guangdong Yangjiang Vehicles Transportation Group Company Limited and its subsidiaries:	23,714,963.51	36,074.48
Meizhou Yueyun Vehicles Transportation Company Limited and its subsidiaries:	86,277,249.43	1,893,793.57
Guangzhou Yueyun Investment Management Company Limited *(Note)*	369,095,570.09	(243,434.92)

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

6 NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 Accounts receivable

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

6 NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Ageing	31 December 2012 *RMB*	31 December 2011 *RMB (restated)*
Within 3 months	482,666,420.42	598,058,554.31
Over 3 months and within 6 months	31,848,936.82	117,815,223.40
Over 6 months and within 1 year	18,615,408.71	48,893,344.96
Over 1 years and within 2 years	120,666,653.41	164,570,895.62
Over 2 years and within 3 years	51,256,017.63	26,391,391.74
Over 3 years	26,065,682.18	19,351,043.36
Total	731,119,119.17	975,080,453.39

6.2 Short-term borrowings

As at the end of the year, the Group had bank short-term borrowings amounted to RMB 10,400,000.00 which bear fixed interest rate.

6.3 Accounts payable

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

Ageing	31 December 2012 *RMB*	31 December 2011 *RMB (restated)*
Within 3 months	671,852,022.50	1,090,271,839.19
Over 3 months and within 6 months	35,012,871.81	222,820,320.43
Over 6 months and within 1 year	28,924,131.40	112,385,415.57
Over 1 years and within 2 years	48,323,978.62	61,480,674.59
Over 2 years and within 3 years	12,790,847.56	26,702,764.06
Over 3 years	27,251,132.21	38,724,370.19
Total	824,154,984.10	1,552,385,384.03

6.4 Long-term borrowings

As at the end of the year, the Group had long-term borrowings amounted to RMB104,351,799.54 bearing fixed interest rate, of which long-term borrowings repayable after one year were RMB69,732,489.66.

6 NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.5 Bonds payable

RMB

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

6.6 Retained profits

Due to business combination involving enterprises under common control which led to change in scope of consolidation, there was an adjustment of the retained profits at the beginning of the year amounted to RMB54,010,840.99.

A final dividend of RMB0.06 (tax included) per share amounted to RMB25,058,513.00 was approved by shareholders in annual general meeting held on 6 June 2012 (prior year in 2011: RMB0.066 per share amounting to RMB27,564,363.22).

The directors of the Company recommend the payment of a final dividend of RMB0.052 (tax included) per share, giving a total of RMB21,717,377.00. Payment of these dividends shall be approved by shareholders at the annual general meeting held on 30 May 2013, and the financial statements did not reflected these dividends payable.

6.7 Depreciation, amortisation and cost of goods sold

During the year, the depreciation and amortizations of the Group was RMB255,548,605.07 (2011: RMB257,491,735.74), and cost of goods sold was RMB3,027,772,674.71 (2011: RMB3,408,638,546.32).

6.8 Financial expenses

	For the year ended 31 December 2012 *RMB*	For the year ended 31 December 2011 *RMB* *(restated)*
Interest expenses	61,559,445.37	56,693,303.98
Less: Interest income	19,620,759.79	16,900,132.53
Exchange differences	(2,589,173.20)	(3,140,619.74)
Others	7,769,111.50	9,917,895.20
Total	47,118,623.88	46,570,446.91

The Group did not have any capitalised finance expenses for the year (2011: Nil).

6.9 Investment income

	For the year ended 31 December 2012 *RMB*	For the year ended 31 December 2011 *RMB* *(restated)*
Investment income		
Of which: Income from long-term equity investments under equity method	5,086,924.08	7,146,648.70
Income from disposal of long-term equity investments	(71,892.00)	204,031.47
Income on entrusted investment	250,077.05	—
Amortization of other non-current assets	(2,397,777.75)	(4,336,174.12)
Total	2,867,331.38	3,014,506.05

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

6.10 Income tax expense

	For the year ended 31 December 2012 *RMB*	For the year ended 31 December 2011 *RMB* *(restated)*
Current income tax calculated according to tax laws and relevant requirements	79,514,805.43	78,751,143.89
Including: Enterprise income tax	79,401,116.66	78,484,305.90
HK profits tax	113,638.77	266,837.99
Adjustments to income tax of last year	(1,168,661.55)	803,130.15
Adjustments to deferred tax	(419,182.21)	232,340.80
Total	77,926,961.67	79,786,614.84

Please refer to Note 4 for income tax rate.

6.11 Earnings per share

	For the year ended 31 December 2012 *RMB*	31 December 2011 *RMB* *(restated)*
Consolidated net profit attributable to ordinary shareholders of the Company:	72,535,413.29	125,485,769.19
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	0.17	0.30
Weighted average number of ordinary shares used in the calculation of basic earnings per share	417,641,867	417,641,867
Add: weighted average number of ordinary shares arising from PCSC conversion	102,850,365	102,850,365
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	520,492,232	520,492,232
Diluted earnings per share	0.14	0.24

6 NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6.12 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, motor transportation and auxiliary service and Tai Ping Interchange.

2012

RMB

	Material logistics service	Expressway service zone	Trasportation intelligence service	Taiping interchage	Motor transporting and auxiliary services	Unlocated items	Inter-segement eliminations	Total
I. Operating income	3,565,226,901.04	553,946,886.69	648,136,808.24	137,626,545.00	2,109,560,103.81	5,108,604.76	(409,152,481.56)	6,610,453,367.98
Including: external revenue	3,170,794,072.21	553,299,818.58	639,014,327.25	137,626,545.00	2,109,402,382.94	316,222.00	—	6,610,453,367.98
Inter segment revenue	394,432,828.83	647,068.11	9,122,480.99	—	157,720.87	4,792,382.76	(409,152,481.56)	—
II. Operating costs	3,428,009,831.22	434,779,561.60	559,697,735.61	23,537,295.47	1,596,967,734.96	1,511,161.77	(382,299,860.08)	5,662,203,460.55
III. Income from investments in associates and joint ventures	—	—	—	—	—	5,259,928.30	(173,004.22)	5,086,924.08
IV. Impairment loss of assets	(1,025,517.26)	(1,048,920.00)	494,914.69	—	232,320.46	33,686.14	—	(1,313,515.97)
V. Depreciation and amortisation	12,823,764.13	31,589,383.34	3,015,046.97	17,611,426.96	191,326,406.95	1,593,469.79	(2,410,893.07)	255,548,605.07
VI. Total profit (loss	(12,935,150.68)	27,066,434.96	(9,093,102.26)	35,003,140.70	182,943,494.20	4,951,199.11	(3,648,524.72)	223,338,278.99
VII. Income tax expenses	3,488,033.16	7,821,101.53	717,852.54	8,825,875.49	57,717,210.57	—	306,100.70	77,926,961.67
VIII. Net profit (loss)	(16,423,183.84)	19,245,333.43	(9,810,954.80)	26,177,265.21	125,226,283.63	4,951,199.11	(3,954,625.42)	145,411,317.32
IX. Total assets	1,237,077,460.35	697,758,629.07	—	1,401,123,782.78	2,037,837,040.99	1,031,909,258.74	(1,388,283,592.90)	5,017,422,579.03
X. Total liabilities	2,024,313,256.63	439,231,827.06	—	28,561,997.40	1,069,526,875.16	54,549,241.66	(572,968,701.83)	3,059,214,496.28

6 NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2011

RMB
(restated)

	Material logistics service	Expressway service zone	Trasportation intelligence service	Taiping interchage	Motor transporting and auxiliary services	Unlocated	Inter-segement eliminations	Total
I. Operating income	3,819,252,187.52	534,332,036.01	580,984,501.22	134,750,253.87	2,063,002,232.46	8,171,443.53	(217,260,953.60)	6,923,231,701.01
Including: external revenue	3,620,936,421.15	534,016,240.61	569,098,723.59	134,750,253.87	2,063,002,232.46	1,427,829.33	—	6,923,231,701.01
Inter segment revenue	198,315,766.37	315,795.40	11,885,777.63	—	—	6,743,614.20	(217,260,953.60)	—
II. Operating costs	3,609,072,056.30	417,415,541.77	525,409,043.97	22,468,167.47	1,572,683,964.64	1,420,724.59	(192,295,279.36)	5,956,174,219.38
III. Income from investments in associates and joint ventures	—	—	—	—	—	7,324,095.85	(177,447.15)	7,146,648.70
IV. Impairment loss of assets	(10,054,511.94)	(720,000.00)	867,023.13	—	59,950.33	—	—	(9,847,538.48)
V. Depreciation and amortisation	12,613,722.42	18,362,690.74	2,677,668.97	16,936,059.01	206,973,839.31	1,946,097.72	(2,018,342.43)	257,491,735.74
VI. Total profit (loss	80,204,794.12	28,597,480.25	(47,060,297.45)	44,831,657.54	142,463,984.67	5,391,178.18	(2,344,898.39)	252,083,898.92
VII. Income tax expenses	27,441,722.51	8,418,887.62	464,374.86	12,148,002.66	31,682,022.72	—	(368,395.53)	79,786,614.84
VIII. Net profit (loss)	52,763,071.61	20,178,592.63	(47,524,672.31)	32,683,654.88	110,781,961.95	5,391,178.18	(1,976,502.86)	172,297,284.08
IX. Total assets	2,843,774,922.95	634,954,953.09	832,807,528.87	791,777,182.52	2,391,970,367.10	711,612,372.32	(1,300,165,817.42)	6,906,731,509.43
X. Total liabilities	2,906,945,046.44	395,673,484.51	665,253,074.74	132,198,621.81	1,083,150,831.69	51,158,980.27	(786,173,631.87)	4,448,206,407.59

7 OTHER SIGNIFICANT MATTERS

7.1 Business combination involving enterprises under common control

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

On 17 September 2012, the Company entered into an asset swap agreement (the "Asset Swap Agreement") and the PSCS agreement with GCGC. Pursuant to these agreements, the Company acquired 100% equity interest in the GVTG held by GCGC and transferred 51%, 71% and 90% equity interests respectively in Guangdong Oriental Thought Technology Company Limited, Guangdong Xinyue Communications Investment Company Limited and Guangdong Nan Yue Logistics International Services Company Limited (together the "Disposal Group"), all held by the Company, to GCGC, and the excess of consideration for the acquisition of GVTG over the disposal consideration of the Disposal Group was settled by the Company through the issue of PSCS to GCGC. Pursuant to the Asset Swap Agreement, the acquisition consideration of GVTG is RMB 448,110,000.00 and the disposal consideration for the Disposal Group is RMB 166,300,000.00. The excess part, which is the principal of the PSCS, is RMB 281,810,000.00.

GVTG and its subsidiaries are principally engaged in the following businesses: interprovincial passenger and freight transportation by highway, multi-modal logistics, shipping agency, passenger and freight station, storage, lightering, cargo handling and loading/unloading, automobile leasing and repair, property management and leasing.

(1) Financial statements of the acquiree

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

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree, i.e. the date on which control over net assets and production and operating decisions of the acquiree is transferred to the acquirer. According to the above agreements, the acquisition date is the date on which (i) both parties completed transfer of Injected Assets and Disposal Group and the transfer registration in Administration of Industry of Commerce of the PRC, and (ii) GVTG issued PSCS to GCGC, i.e. 31 December 2012.

7 OTHER SIGNIFICANT MATTERS (Continued)

(2) **The consolidated financial position of the acquiree on acquisition date:**

	Acquisition date Carrying amount
	RMB
Total net assets	821,921,401.97
Less： Minority interests	455,749,071.10
Equity attributable to shareholders of the Company	366,172,330.87

The acquisition consideration is 51%, 71% and 90% equity interests respectively in Guangdong Oriental Thought Technology Company Limited, Guangdong Xinyue Communications Investment Company Limited and Guangdong Nan Yue Logistics International Services Company Limited and the value of PSCS. The carrying amount of consideration on acquisition date is as follow.

	Equity	**Amount**
	%	*RMB*
Consideration:		
Guangdong Oriental Thought Technology Company Limited	51	6,554,706.93
Guangdong Xinyue CommunicationsInvestment Company Limited	71	109,656,507.72
Guangdong Nan Yue Logistics International Services Company Limited	90	12,475,768.07
PSCS		281,810,000.00
Total	—	410,496,982.72

The consideration is partly settled by the issuance of PSCS to GCGC by the Company with the principal of RMB 281,810,000.00.

7 OTHER SIGNIFICANT MATTERS (Continued)

	Amount
	RMB
Acquisition consideration in cash and cash equivalents	137,018,259.30
Less: Cash and cash equivalents of the acquired subsidiaries and other business units	254,151,212.54
Net cash payments for acquisitions of subsidiaries and other business units	(117,132,953.24)

(3) **Operation result and cash flow of the acquiree from beginning of the year to acquisition date**

	Beginning of the year to Acquisition Date
	RMB
Renvenue	1,827,547,362.47
Cost and expense	1,675,125,258.42
Gross margin	175,038,400.87
Net profit	118,751,165.61
Net cash flow from operating activities	358,087,979.43
Net cash flow from investing activities	(232,980,716.30)
Net cash flow from financing activities	(6,432,122.00)
Net increasing of Cash and cash equivalents	118,675,141.13

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

7 OTHER SIGNIFICANT MATTERS (Continued)

(5) Financial position, operating result and cash flow information of Disposal Group

Pursuant to the Asset Swap Agreement entered into between the Company and GCGC, the Company transferred 51%, 71% and 90% equity interests respectively in Guangdong Oriental Thought, Xinyue Communications and Guangdong Nan Yue Logistics International to GCGC on 31 December 2012.

The total assets and net assets as at 31 Decmember 2012 and 2011, and revenue, net profit and net cash flow from operating activiteis for the year then ended are as follows:

RMB

Company	Total assets	Net assets	revenue	Net profit	Net cash flow from operating activiteis
	30/06/2012		2012.1~6		
Guangdong Oriental Thought Technology Company Limited	30,157,733.82	12,884,837.33	31,311,421.29	(13,918,948.62)	(5,385,678.46)
Guangdong Xinyue Communications Investment Company Limited	899,063,991.70	157,224,940.20	616,825,386.95	4,457,150.63	37,853,603.54
Guangdong Nan Yue Logistics International Services Company Limited	14,249,046.12	13,861,964.52	143,895.87	(3,838,177.83)	(4,461,304.31)
	31/12/2011		2011		
Guangdong Oriental Thought Technology Company Limited	41,634,189.65	26,784,156.74	52,003,174.08	(10,512,237.37)	5,040,883.33
Guangdong Xinyue Communications Investment Company Limited	795,021,216.62	148,309,032.88	436,470,063.26	(32,040,149.54)	(31,274,206.48)
Guangdong Nan Yue Logistics International Services Company Limited	18,178,568.62	17,700,142.35	6,605,635.64	1,380,045.52	22,917,991.61

7 OTHER SIGNIFICANT MATTERS (Continued)

7.2. Free transfer of assets

Before acquisition of GVTG, GVTG freely transfer assets as follow:

Under the Agreement on Free Transfer of the Equity Interest in Guangdong Yangjiang Vehicles Transportation Group Company Limited, the Agreement on Free Transfer of the Equity Interest in Meizhou Yueyun Vehicles Transportation Company Limited, the Agreement on Free Transfer of the Equity Interest in Shenzhen Yueyun Investment Development Company Limited, the Agreement on Free Transfer of Guangzhou Yueyun Building and the Free Transfer Agreement entered between GVTG and Guangzhou Yueyun Investment Company Limited, GVTG transferred its equity interest in Guangdong Yangjiang Vehicles Transportation Group Company Limited, Meizhou Yueyun Vehicles Transportation Company Limited and Shenzhen Yueyun Investment Development Company Limited and its ownership of assets (e.g. Guangzhou Yueyun Building) to Guangzhou Yueyun Investment Company Limited at nil consideration in June 2012. Approval on Free Transfer of Equity (Yue Jiao Ji Tou No. [2012]59) and Approval on Free Transfer of Ownership of Assets (e.g. Guangzhou Yueyun Building) (Yue Jiao Ji No. [2012]2) havebeen obtained from the GCGC.

Pursuant to the Agreement on Free Transfer of Equity Interest in Guangzhou Yueyun Investment Company Limited entered between GVTG and GCGC, GVTG transferred its equity interest in Guangzhou Yueyun Investment Company Limited to GCGC at nil consideration in June 2012.

7 OTHER SIGNIFICANT MATTERS (Continued)

RMB

Company	Total assets	Net assets	revenue	Net profit	Net cash flow from operating activiteis
	30/06/2012		2012.1~6		
Guangdong Yangjiang Vehicles Transportation Group Company Limited	40,624,624.31	23,714,963.51	2,056,426.50	36,074.48	217,745.54
Yanjiang Yueyun	295,014,647.06	86,277,249.43	98,959,888.76	1,893,793.57	8,180,809.72
Shenzhen Yueyun Investment Development Company Limited	295,501,563.02	238,167,042.33	13,466,770.98	207,096.69	18,811,121.50
Guangzhou Yueyun Investment Management Co., Ltd. (parent company)	369,095,570.09	369,095,570.09	—	(243,434.92)	6,231.33
	31/12/2011		2011		
Guangdong Yangjiang Vehicles Transportation Group Company Limited	42,229,775.01	23,675,369.56	3,042,271.98	2,176,842.94	(8,279,413.24)
Yanjiang Yueyun	287,311,857.08	82,608,876.18	171,139,298.12	11,389,200.86	38,152,155.83
Shenzhen Yueyun Investment Development Company Limited	333,530,840.33	83,657,410.07	25,532,076.34	954,280.33	(4,425,660.67)
Guangzhou Yueyun Investment Management Co., Ltd. (parent company)	3,001,833.51	3,001,833.51	—	1,833.51	1,833.51

7 OTHER SIGNIFICANT MATTERS (Continued)

The impact of free transfer of subsidiaries on cash flows was as follows:

	Amount
	RMB
Cash and cash equivalents received from transfer of subsidiaries	—
Less: Cash and cash equivalents held by transferred subsidiaries	15,862,077.77
Net cash paid from transfer of subsidiaries	(15,862,077.77)

The above transaction was completed before acquisition of GVTG by the Company.

Above free transfer of assets resulted in a total decrease in owners' interest attributable to the shareholders of GVTG by RMB 425,311,304.17, which reduced the capital reserve, special reserve, surplus reserve and retained profits by RMB336,914,603.66, RMB856,054.28, RMB45,564,923.06 and RMB41,975,723.17, respectively, and resulted in decrease in minority interests of RMB 47,636,927.93 accordingly.

8 OTHERS

8.1 Net current assets

	31 December 2012	31 December 2011
	RMB	*RMB* *(restated)*
Current assets	2,619,448,882.24	4,107,717,060.79
Less: Current liabilities	2,613,310,733.74	4,212,267,641.18
Net current assets	6,138,148.50	(104,550,580.39)

8.2 Total assets less current liabilities

	31 December 2012	31 December 2011
	RMB	*RMB* *(restated)*
Total assets	5,017,422,579.03	6,906,731,509.43
Less: Current liabilities	2,613,310,733.74	4,212,267,641.18
Total assets less current liabilities	2,404,111,845.29	2,694,463,868.25

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

(i) material logistics services;

(ii) expressway service zones;

(iii) transportation intelligence services; and

(iv) motor vehicle transportation and auxiliary services.

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

Material logistics services

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

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

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

Expressway service zones

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

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

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

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

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

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

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

Transportation intelligence services

In respect of transportation intelligence business, the Group participated in over 10 transportation intelligence projects in 2012, including Jiangzhao Expressway, Xingtu Expressway in Xinjiang, GCGC control centre, Ningdao Expressway in Hunan. In addition, the Group has won the tenders for 17 transportation intelligence projects with a total contract amount of RMB 567 million.

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

Motor transportation and auxiliary services

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

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

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

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

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

Tai Ping Interchange

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

Development of land held by Guangdong Province Transportation Engineering Company Limited

As approved by the extraordinary general meeting, the Company acquired 100% equity interests of Guangdong Province Transportation Engineering Company Limited on 30 November 2010. According to the approval of the Special Plan on Old Plant Renovation in Guangzhou (2010-2020) (廣州市舊廠房改造專項規劃 (2010-2020) (in January 2011, the land parcel of Guangdong Province Transportation Engineering Company Limited was included in the "old towns, plants and villages" redevelopment project. The land parcel of Guangdong Province Transportation Engineering Company Limited was planned for commercial and residential purposes before the approval of the Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou (廣州市白雲新城西部延伸區控制性詳細規劃) issued in May 2011. Currently, the Group is proceeding with various works relating to the application and development of the project. The Company is maintaining proactive communications with the competent governmental authorities of the Baiyun District of Guangzhou where the land parcel is located regarding the planning adjustment and land consolidation matters relating to the development of the project, and has gained supports from the governmental authorities of the Baiyun District. Meanwhile, the Group has also reported to the municipal government of Guangzhou the existing problems in relation to the development of the project so as to strive for its support. The Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou (廣州市白雲新城西部延伸區控制性詳細規劃) relating to the land parcel is under preparation and adjustment. The Group will pay close attention to the Detailed Regulatory Plan for the Extension of Western Baiyun New Town in Guangzhou to actively strive for support from the the Guangzhou Municipal Government for the development of the land parcel and accelerate the development progress in accordance with the "old towns, plants and villages" redevelopment policy.

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

Turnover

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

Turnover by business segment:

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

Material logistics services

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

Expressway service zones

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

Transportation intelligence services

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

Motor transportation and auxiliary services

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

Tai Ping Interchange

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

Gross profit

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

Gross profit by business segment:

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

Material logistics services

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

Expressway service zones

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

Transportation intelligence services

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

Motor transportation and auxiliary services

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

Tai Ping Interchange

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

Business tax and other surcharges

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

Selling and administrative expenses

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

Finance costs

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

Liquidity and capital structure

Unit: RMB'000

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

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total

Asset to liability ratio = Total liabilities/Total assets

Cash flows

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

Cash and cash equivalents during the year (after deducting the effect of exchange rate movement) were as follows:

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

Operating activities

The Company's net cash outflow from operating activities amounted to RMB214 million during the year (2011 (restated): net inflow of RMB1,360 million), representing an increase of RMB 1,407 million, which was mainly attributable to the increase in the Company's payment during the period for the bank acceptance bills which were issued but not accepted for the previous year and the domestic letters of credit as compared with the pervious year.

Investing activities

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

Financing activities

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

Borrowings

As at 31 December 2012, outstanding borrowings of the Group was RMB416 million, comprising of (i) unsecured short-term loans of RMB5 million (2011 (restated): RMB90 million); (ii) short-term loans of RMB5 million (2011: RMB 1 million); (iii) secured long-term loans of 104 million (2011 (restated): 96 million); (iv) finance lease payables of RMB5 million; and (v) bonds payable of RMB297 million (2011 (restated): nil).

Acquisitions

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

Subsequent events

Nil.

Pledge of assets

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

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled by or denominated in RMB, except for the revenue from and expenditure of cross-border transportation services. In 2012, the fluctuation of foreign exchanges did not have a material effect on the working capital and liquidity of the Group. The Directors believe that the Group has sufficient foreign currency to meet its requirements. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the Group's currency risk exposures based on operating needs.

Contingent liabilities

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

OUTLOOK AND STRATEGIES

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

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

1. **Motor vehicle transportation and auxiliary services**

   — Insist on the development strategy of "mergers and acquisitions — consolidation — growth", integrate transportation resources and focus on expanding its corporate development scale: Develop the business model of "Yueyun" in an innovative way, strengthen internal management, reduce costs, ensure the subsequent consolidation of the Heyuan Motor Vehicle

Transportation (河源汽運) project meets the expected target; actively promote and implement the mergers, acquisitions and cooperation of new projects, keep identifying and tracking potential cooperation projects, and actively develop and seek strategic partners.

— Capitalize on the integration of the Group's business to utilize its post-integration advantages in resources: Promote the synergy of service zone business and motor vehicle transportation business, gradually open and operate "Leyi" convenience stores in passenger terminals under Guangdong Vehicles Transportation Group, and develop advertising business in carriers such as passenger terminals and coaches; explore setting up crossprovince and cross-border transportation transit bases in expressway service zones to improve the operating efficiencies of vehicles.

— Optimize and combine the resources of its road transportation business to continuously grow the motor vehicle transportation business. Based on market conditions, organize passengers, dispatch routes in a scientific way, further optimize its corporate structures in lines and networks, take the initiative to apply for special pilot lines, try to offer passenger carrying services for long haul lines such as Guangxi route so as to develop interest from cross-border passengers from other provinces; promote in an all-round way a "one stop" (一站式) servicing mode, endeavor to set up stations to Hong Kong and Macao in Meizhou, Heyuan and Zhaoqing in 2013; continuously improve the construction of online booking system, develop various marketing modes and further consolidate and increase the efficiencies of leading routes so as to improve the efficiencies of operations.

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

— Further improve brand management by improving and revising the corporate image recognition system of Guangdong Vehicles Transportation Group and GD-HK Company, maintaining its brand image and further enhancing the influence and appeal of brands so as to improve corporate competiveness.

2. Material logistics services

— In 2013, the Group will seize the opportunity arising from the construction of Guangdong provincial expressways to continuously improve its management servicing level in material logistics business to achieve real normalized, standardized and programmed project management.

— The Group will actively engage in major state investment projects and expand its material logistics business while ensuring safe recovery of fund, so as to further expand its market share in the material logistics market.

— The Group will improve its research and development capability in respect of high end asphalt, reinforce cost management, fully leverage on its processing capacity of asphalt and give full play to its warehousing advantage, so as to further increase its market share of asphalt.

— The Group will strive for completion of the works for phase II of the wharf of Dongguan Storage and Transportation Centre in 2013, promote the full operation of the wharf for the launch of its warehouse, transit, loading and unloading and sales businesses, enhance the marketing of the wharf business and strengthen its logistics chain.

— The Group will adjust the mode of charging logistics management fees for the materials logistics business in GCGC in accordance with the existing requirements of the relevant documents of the government authorities to ensure the sustained and healthy development of the materials logistics business.

3. **Expressway service zones**

— The commercial transformation of service zones will be promoted steadily to improve the commercial value of service zones. The Group will implement step by step the commercial property redevelopment and commercial development of service zones as scheduled, optimize the trade mix of service zones, so as to improve the economic efficiencies and social image of service zones as a whole.

— The Group will strengthen marketing, further enhance the popularity of the "Top-E" and "Le Relay" brands, and establish its own marketing mode for the service zones, so as to improve operational efficiency.

— The Group will accelerate the increase in presence of "Le Relay" convenience stores at passenger terminals, and take advantage of the opportunity of the Group's business integration to open "Le Relay" convenience stores on a trial basis at passenger terminals under Guangdong Vehicles Transportation Group.

— The Group will promote the planning and construction of gas stations to further standardize their management.

— The Group will continue to secure more expressway advertising resources from GCGC, while exploring other quality advertising resources, and enhancing the investment in and construction and maintenance of media resources to increase the profitability of resources.

OTHER INFORMATION

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2012.

Closure of Register of Members

The AGM will be held on Thursday, 30 May 2013 and the registers of members of the Company will be closed in order to determine the qualification of shareholders to attend and vote at the AGM and their entitlement to the proposed final dividend payment. The details are as follows:

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

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

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

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

The registers of members of the Company will be closed during the above periods. In order to determine the qualification of shareholders to attend and vote at the AGM and their entitlement to the proposed final dividend payment, all transfer documents accompanied by the relevant share cerificates must be lodged with the Company's Hong Kong H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the abovementioned deadlines.

Dividends

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

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

Upon approval, the final dividend will be paid to the holders of H shares whose names appear in the H share register of members of the Company at 4:30 p.m. on Tuesday, 11 June 2013.

According to the Law on Enterprise Income Tax Law of the People Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China adopted in 2008, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the 2012 final dividend to non-resident enterprise shareholders of overseas H shares (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members at 4:30 p.m. on Tuesday, 11 June 2013.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] No. 020) 財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號), individual shareholders of overseas H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Tuesday, 11 June 2013 and whose registered addresses are located in the Hong Kong Special Administrative Region or outside China are exempted from individual income tax of China.

According to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) 《關於國稅發[1993]045號檔廢止後有關個人所得稅征管問題的通知》(國稅函[2011]348號), the Company shall be obliged to withhold 20% individual income tax when it distributes the 2012 final dividend to individual shareholders of H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Tuesday, 11 June 2013 and whose registered addresses are located in China. Individual shareholders of H Shares may apply for tax rebates, if any, in accordance with applicable regulations of the relevant taxation agreement or arrangement conditional upon further confirmation from the taxation authority of the PRC in respect of the information provided by such shareholders, if necessary.

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

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

Corporate Governance

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

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

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

Resignations of Mr. Cao Xiaofeng, Mr. Lu Maohao and Mr. Cai Xiaoju as the Directors were approved at the annual general meeting of the Company held on 6 June 2012 (the "2011 AGM"). The Company has not updated its list of Directors promptly after the 2011 AGM as provided in code provision A.3.2. This was because the Board took a few days after the 2011 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 Directors were able to attend the 2011 AGM held on 6 June 2012, the extraordinary general meeting held on 13 November 2012, and the extraordinary general meeting and H shares class meeting held on 18 December 2012 as provided in code provision A.6.7 due to their other business engagements.

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

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' and Supervisors' securities transactions for the year ended 31 December 2012. Having made specific enquiries of all Directors and Supervisors, they have confirmed that they complied with the required standard set out in the Model Code for the year ended 31 December 2012.

Board Committees

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

The Company's audit and corporate governance committee, remuneration committee and nomination committee have laid down specific terms of reference, detailing the powers and responsibilities of these committees. All the committees shall report their decisions or submit their proposals to the Board within their authorities. Under certain circumstances, they have to request for the Board's approval before taking any actions.

Audit and Corporate Governance Committee

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

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

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

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

Remuneration Committee

The Company has also established a remuneration committee ("Remuneration Committee") to advise the Board in respect of the remuneration policy and structure of Directors and senior management and of the establishment of formal and transparent procedures in formulating remuneration policy; to review and approve the remuneration recommendations by the management according to the corporate policies and objectives set by the Board; to recommend to the Board the remuneration packages of Directors and senior management; to assess the performance of the executive Directors; to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. As at 31 December 2012, the Remuneration Committee consists of one executive Director, Mr. Xuan Zongmin, and two independent non-executive Directors, Mr. Gui Shouping and Mr. Liu Shaobo. Mr. Gui Shouping is the chairman of the Remuneration Committee. The Remuneration Committee held for two meetings in the year ended 31 December 2012 with an average attendance rate of 100%. The Remuneration Committee proposed recommendations on improving the Company's remuneration policy for 2012 and advised the remuneration of newly appointed directors and supervisors.

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

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

Nomination Committee

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

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

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

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

Supervisory Committee

The Supervisory Committee of the Company comprises seven members, two of whom are independent Supervisors (namely, Ms. Lu Zhenghua and Mr. Bai Hua), two are Supervisors appointed by Shareholders (namely, Mr. You Xiaocong and Ms. Li Haihong), while three are Supervisors representing the staff of the Group (namely, Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li). The Supervisory Committee is responsible for supervising the Board, Directors as well as the senior management of the Company, so as to prevent them from abusing their power to damage the lawful rights and interests of the Shareholders, the Company and its staff. For the year ended 31 December 2012, the Supervisory Committee examined the financial position and the legal compliance of the operations of the Company and conducted a due diligence review of the senior management of the Company through convening Supervisory Committee's meetings and attending the Board meetings, and general meetings of the Company, as well as undertaking its duties in a proactive and diligent manner under the principles of due care.

During the year ended 31 December 2012, the Supervisory Committee held five meetings.

Repurchase, Sale or Redemption of the Company's Shares

During the year ended 31 December 2012, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company.

Pre-emptive Rights

The Articles of Association and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to Shareholders on a pro-rata basis to their shareholdings.

Auditor

The Company has appointed Deloitte Touche Tohmatsu CPA LLP Ltd. as the auditor of the Company for the year ended 31 December 2012. Deloitte Touche Tohmatsu CPA LLP has conducted the audit of the Group's annual financial statements and has issued Unmodified auditor's report, as well as reviewed this announcement.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board announces that special resolutions will be proposed at the forthcoming AGM to be held on Thursday, 30 May 2013 to approve certain amendments to the Articles of Association of the Company in order to (a) change the Chinese name of the Company to "廣東粵運交通股份有限公司" and the English name to "Guangdong Yueyun Transportation Company Limited"; and (b) amend the content relating to the business scope in the Articles of Association.

The proposed amendments to the Articles of Association are subject to the approval by the Shareholders by way of special resolutions at the AGM and all necessary approvals, authorisations, or registration (if applicable) to be obtained from or filed with the relevant governmental or regulatory authorities.

Details regarding the proposed amendments to the Articles of Association will be set out in the circular to be dispatched to the Shareholders in due course.

PROPOSED RE-ELECTION OF DIRECTORS

The term of the present Board will soon expire and a re-election shall be held upon expiration. The Board proposes to have a re-election of the Board, and nominates Mr. Xuan Zongmin, Mr. Tang Yinghai, Mr. Yao Hanxiong and Mr. Guo Junfa as executive Directors; Mr. Liu Wei and Mr. Li Bin as non-executive Directors; Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei as independent non-executive Directors.

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

PROPOSED RE-ELECTION OF SUPERVISORS

The term of the present Supervisory Committee will soon expire and a re-election shall be held upon expiration. The Supervisory Committee proposes to have a re-election of the Supervisory Committee, and nominates Mr. You Xiaocong and Ms. Li Haihong as the Supervisors appointed by the Shareholders and Mr. Bai Hua and Ms. Lu Zhenghua as the independent Supervisors. Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li will be the Supervisors representing the staff of the Group. The Supervisors representing the staff of the Group will be elected by the staff of the Group pursuant to the Articles of Association. The independent Supervisors and the Supervisors appointed by the Shareholders shall be approved and appointed by the Shareholders.

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 annual report for the year ended 31 December 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders 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 Wei
Chairman of the Board

Guangzhou, the PRC
19 March 2013

As at the date of this announcement, the Board comprises Mr. Xuan Zongmin, Mr. Tang Yinghai, Mr. Yao Hanxiong and Mr. Guo Junfa as executive directors of the Company, Mr. Liu Wei and Mr. Li Bin as non-executive directors of the Company, and Mr. Gui Shouping, Mr. Liu Shaobo 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".*