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)

(Stock code: 3399)

ANNOUNCEMENT OF GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS:

- Turnover of the Group in 2007 was approximately RMB6,889,728,000, representing an increase of approximately RMB1,254,333,000 or 22% as compared to 2006.
- Profit attributable to equity holders of the Company for the year of 2007 was approximately RMB159,023,000, representing an increase of approximately RMB3,273,000 or 2% as compared to 2006.
- Basic earnings per share for profit attributable to equity holders of the Company for the year of 2007 was RMB0.38 per share.
- The Directors recommend the distribution of a final dividend of RMB0.113 per share (pre-tax) for the year of 2007.

The board of directors (the "Board") of Guangdong Nan Yue Logistics Company Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as follows.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Revenue	2	6,889,728	5,635,395
Cost of sales	3	(6,272,810)	(5,037,654)
Gross profit		616,918	597,741
Other income		44,406	28,565
Selling expenses	3	(149,769)	(131,266)
Administrative expenses	3	(230,174)	(219,869)
Other operating expenses		(4,135)	(2,835)
Operating profit		277,246	272,336
Finance costs	4	(26,439)	(16,012)
Share of results of associates and a joint venture		3,183	2,657
Profit before income tax		253,990	258,981
Income tax expense	5	(72,287)	(77,709)
Profit for the year		181,703	181,272
Attributable to:			
Equity holders of the Company		159,023	155,750
Minority interests		22,680	25,522
		181,703	181,272
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	6	0.38	0.37
Dividends	7	47,194	45,941

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Fixed assets		437,759	474,168
Leasehold land and land use rights		146,659	115,012
Intangible assets		6,762	8,717
Interests in associates		68,311	65,933
Interest in a joint venture		15,542	14,709
Available-for-sale financial assets		200	200
Deferred income tax assets		17,230	12,061
		692,463	690,800
Current assets			
Inventories		367,502	413,740
Due from customers on construction contracts		215,349	139,805
Trade and other receivables	8	2,344,687	1,835,914
Cash at bank and in hand		947,553	670,637
		3,875,091	3,060,096
Total assets		4,567,554	3,750,896
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		417,642	417,642
Other reserves		324,498	312,896
Retained earnings			
- Proposed final dividend		47,194	45,941
- Others		465,834	372,737
		1,255,168	1,149,216
Minority interests		181,989	156,318
Total equity		1,437,157	1,305,534

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,168	1,895
Trade and other payables	9	168,525	125,050
		169,693	126,945
Current liabilities			
Due to customers on construction contracts		—	56,061
Trade and other payables	9	2,818,831	2,085,294
Current income tax payable		50,873	37,062
Bank borrowings		91,000	140,000
		2,960,704	2,318,417
Total liabilities		3,130,397	2,445,362
Total equity and liabilities		4,567,554	3,750,896
Net current assets		914,387	741,679
Total assets less current liabilities		1,606,850	1,432,479

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company			Minority interests	Total
		Share capital	Other reserves	Retained earnings		
Balance at 1 January 2006		417,642	292,757	319,136	142,512	1,172,047
Profit for the year		—	—	155,750	25,522	181,272
Appropriation from retained earnings		—	22,797	(22,797)	—	—
Dividends payable to minority shareholders		—	—	—	(9,659)	(9,659)
Dividend relating to 2005	7	—	—	(33,411)	—	(33,411)
Exchange differences		—	(4,261)	—	(2,627)	(6,888)
Others		—	1,603	—	570	2,173
Balance at 31 December 2006		417,642	312,896	418,678	156,318	1,305,534
Profit for the year		—	—	159,023	22,680	181,703
Appropriation from retained earnings		—	18,732	(18,732)	—	—
Dividends payable to minority shareholders		—	—	—	(2,969)	(2,969)
Dividend relating to 2006	7	—	—	(45,941)	—	(45,941)
Exchange differences		—	(8,096)	—	(1,009)	(9,105)
Capital contributions from minority shareholders		—	—	—	4,900	4,900
Others		—	966	—	2,069	3,035
Balance at 31 December 2007		417,642	324,498	513,028	181,989	1,437,157

NOTES:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

(a) ***Standard, amendment and interpretations effective in 2007 and relevant to the Group's operations***

HKFRS 7	Financial Instruments : Disclosure
HKAS 1 (Amendment)	Presentation of Financial Statements : Capital Disclosures
HK (IFRIC) — Int 8	Scope of HKFRS 2
HK (IFRIC) — Int 10	Interim Financial Reporting and Impairment

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 introduces new disclosures relating to financial instruments and capital. There is no impact on the classification and valuation of the Group's financial instruments.

(b) ***Interpretations effective in 2007 but not relevant to the Group's operations***

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations as follows:

HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyper-inflationary Economies
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives

(c) ***Standards, amendments and interpretations which are not yet effective and have not been early adopted by the Group***

The following standard, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

Effective from 1 January 2008

HK(IFRIC) — Int 12	Service Concession Arrangements

HK(IFRIC) — Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The Group will apply HK(IFRIC) - Int 12 from 1 January 2008. It is not expected to have significant impact on the Group's consolidated financial statements, but the reclassifications of the underlying assets.

Effective from 1 January 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations

The Group will apply these standards from 1 January 2009, but it is not expected to have any impact on the Group's accounting policies and presentation of the financial statements.

Effective from 1 July 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combination

The Group will apply these standards from 1 January 2010 and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

(d) ***Interpretations to existing standards which are not yet effective and not relevant for the Group's operations***

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but are not relevant to the Group's operations.

HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transaction
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(e) ***Changes in accounting policies***

With effect from 1 January 2007, the Group has changed its accounting policy for transactions with minority interests. Under the new accounting policy, the Group treats transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Previously, the Group treated transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary was deducted from equity. Gains or losses on disposals to minority interests were also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests were also recorded in equity.

The change in accounting policy has not resulted in change of net assets attributable to equity holders of the Company as at 1 January 2006, 31 December 2006 and 31 December 2007, and has not resulted in change of profit attributable to equity holders of the Company for the year ended 31 December 2006 and 2007.

1.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. SEGMENT INFORMATION

Primary reporting format — business segments

Revenue recognised during the year are as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Revenue		
- Material logistics services	5,570,759	4,255,555
- Expressway service zones	400,803	369,969
- Transportation intelligence services	527,039	623,130
- Cross-border transportation services	263,940	261,891
- Tai Ping Interchange	127,187	104,359
- Others	—	20,491
	6,889,728	5,635,395

The segment results, capital expenditure and other segment information for the year ended 31 December 2007 and the segment assets and liabilities at 31 December 2007 are as follows:

	Material logistics services *RMB'000*	**Expressway service zones** *RMB'000*	**Transportation intelligence services** *RMB'000*	**Cross-border transportation services** *RMB'000*	**Tai Ping Interchange** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Revenue							
Total gross segment revenue	5,584,295	400,803	543,470	263,940	130,247	—	6,922,755
Inter-segment revenue	(13,536)	—	(16,431)	—	(3,060)	—	(33,027)
	5,570,759	400,803	527,039	263,940	127,187	—	6,889,728
Operating profit/(loss)	86,413	74,384	17,264	34,293	100,673	(35,781)	277,246
Finance costs							(26,439)
Share of results of associates and a joint venture							3,183
Profit before income tax							253,990
Income tax expense							(72,287)
Profit for the year							181,703
Depreciation	6,248	17,820	5,496	27,470	9,599	4,252	70,885
Amortisation	2,925	523	288	804	—	595	5,135
Provision for impairment of fixed assets and intangible assets	—	—	519	—	—	—	519
Provision for / (reversal of) impairment of receivables	8,053	(43)	2,354	465	—	—	10,829

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total gross segment assets	2,836,972	468,974	644,714	298,657	327,845	154,410	4,731,572
Inter-segment	(60,874)	(100,530)	(6,997)	—	(3,060)	(93,840)	(265,301)
	2,776,098	368,444	637,717	298,657	324,785	60,570	4,466,271
Interests in associates							68,311
Interest in a joint venture							15,542
Available-for-sale financial assets							200
Deferred income tax assets							17,230
Total assets							4,567,554
Total gross segment liabilities	2,352,656	291,772	443,908	48,946	104,876	101,499	3,343,657
Inter-segment	(42,861)	(7,307)	(120,971)	—	(2,615)	(91,547)	(265,301)
	2,309,795	284,465	322,937	48,946	102,261	9,952	3,078,356
Current income tax payable							50,873
Deferred income tax liabilities							1,168
Total liabilities							3,130,397
Capital expenditure	15,883	33,138	2,104	28,466	1,521	864	81,976

The segment results, capital expenditure and other segment information for the year ended 31 December 2006 and the segment assets and liabilities at 31 December 2006 are as follows:

	Material logistics services *RMB'000*	Expressway service zones *RMB'000*	Transportation intelligence services *RMB'000*	Cross-border transportation services *RMB'000*	Tai Ping Interchange *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Revenue								
Total gross segment revenue	4,261,909	369,969	644,051	261,891	104,359	30,110	—	5,672,289
Inter-segment revenue	(6,354)	—	(20,921)	—	—	(9,619)	—	(36,894)
	4,255,555	369,969	623,130	261,891	104,359	20,491	—	5,635,395
Operating profit/(loss)	89,896	71,574	18,208	37,340	84,325	5,922	(34,929)	272,336
Finance costs								(16,012)
Share of results of associates and a joint venture								2,657
Profit before income tax								258,981
Income tax expense								(77,709)
Profit for the year								181,272
Depreciation	5,750	21,620	6,005	30,684	10,135	538	4,542	79,274
Amortisation	735	520	497	813	642	142	—	3,349
Reversal of impairment of fixed assets	—	—	—	(2,339)	—	—	—	(2,339)
(Reversal of) / provision for impairment of receivables	(31)	(1,738)	(2,300)	117	—	—	—	(3,952)

	Material logistics services RMB'000	Expressway service zones RMB'000	Transportation intelligence services RMB'000	Cross-border transportation services RMB'000	Tai Ping Interchange RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Total gross segment assets	2,117,924	413,567	473,429	288,924	378,930	25,843	67,656	3,766,273
Inter-segment	(16,600)	(70,022)	(8,845)	—	(4,879)	(7,934)	—	(108,280)
	2,101,324	343,545	464,584	288,924	374,051	17,909	67,656	3,657,993
Interests in associates								65,933
Interest in a joint venture								14,709
Available-for-sale financial assets								200
Deferred income tax assets								12,061
Total assets								3,750,896
Total gross segment liabilities	1,675,994	246,958	301,240	61,429	215,969	13,095	—	2,514,685
Inter-segment	(2,734)	(5,818)	(16,020)	—	(77,518)	(6,190)	—	(108,280)
	1,673,260	241,140	285,220	61,429	138,451	6,905	—	2,406,405
Current income tax payable								37,062
Deferred income tax liabilities								1,895
Total liabilities								2,445,362
Capital expenditure	107,752	60,907	3,156	38,082	19,332	1,538	2,799	233,566

Secondary reporting format — geographical segments

Except for certain revenue from the cross-border transportation services, which are operated in Hong Kong, all of the Group's business are operated in Mainland China.

Revenue

	2007	**2006**
	RMB'000	*RMB'000*
Mainland China	6,677,640	5,426,132
Hong Kong	212,088	209,263
	6,889,728	5,635,395

Total assets

	2007	**2006**
	RMB'000	*RMB'000*
Mainland China	4,146,480	3,334,246
Hong Kong	259,221	256,091
	4,405,701	3,590,337
Interests in associates	68,311	65,933
Interest in a joint venture	15,542	14,709
Available-for-sale financial assets	200	200
Unallocated assets	77,800	79,717
	4,567,554	3,750,896

Capital expenditure

	2007	**2006**
	RMB'000	*RMB'000*
Mainland China	54,343	199,492
Hong Kong	27,633	34,074
	81,976	233,566

3. EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	2007	2006
	RMB'000	*RMB'000*
Charging/(Credit)		
Cost of inventories sold	5,427,644	4,100,356
Cost of sales for construction contracts	399,967	524,791
Transportation expense	278,921	235,984
Business tax and other surcharges	46,157	47,277
Depreciation of fixed assets	70,885	79,274
Amortisation of leasehold land and land use rights	3,250	1,100
Amortisation of intangible assets	1,885	2,249
Loss on disposal of fixed assets	1,295	2,835
Employee benefit expense	219,624	208,287
Operating lease expense	56,247	52,514
Provision/(reversal) of impairment of fixed assets and intangible assets	519	(2,339)
Fair value gain on investment properties	—	(386)
Provision/(reversal) for impairment of receivables	10,829	(3,952)
Auditor's remuneration	3,775	3,636
Research and development costs	5,756	6,385

4. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest expense:		
- bank borrowings	16,094	10,773
- bills payable	10,345	5,239
	26,439	16,012

5. INCOME TAX EXPENSE

The group companies incorporated in Mainland China are subject to income tax at rates ranging from 15% to 33%. A Mainland China subsidiary of the Company is entitled to a 50% reduction from income tax for the year ended 31 December 2007 (2006: exempted from income tax).

The group companies 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 17.5% (2006: 17.5%).

The amount of income tax expense charged to the consolidated income statement represents:

	2007	2006
	RMB'000	*RMB'000*
Current income tax		
- Hong Kong profits tax	202	895
- Mainland China current enterprise income tax	77,953	79,386
Deferred income tax	(5,868)	(2,572)
	72,287	77,709

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	159,023	155,750
Weighted average number of ordinary shares in issue (thousands)	417,642	417,642
Basic earnings per share (RMB per share)	0.38	0.37

There were no dilutive potential shares during the year.

7. DIVIDENDS

The dividends paid in 2007 and 2006 were RMB45,941,000 (RMB0.11 per share) and RMB33,411,000 (RMB0.08 per share), respectively.

The directors recommend the payment of a final dividend of RMB0.113 per ordinary share (pre-tax), totalling approximately RMB47,194,000. Such dividend is to be approved by the shareholders at the annual general meeting on 17 June 2008. These financial statements do not reflect this dividend payable.

8. TRADE AND OTHER RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	836,556	735,745
Bills receivable	37,528	6,691
Other receivables	127,175	87,937
Prepayments	655,929	548,853
Due from related parties	687,499	456,688
	2,344,687	1,835,914

The credit terms of trade receivables are normally within three months. For material logistics services business and transportation intelligence services business, certain percentage of the trade receivables is retained by customers as quality assurance and is repaid upon finalisation of the relevant construction projects. The ageing analysis of the trade receivables, including those under amounts due from third parties and related parties, is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Within 3 months	1,262,036	994,543
Over 3 months and within 6 months	20,861	41,834
Over 6 months and within 1 year	65,409	56,148
Over 1 year and within 2 years	113,646	22,811
Over 2 years and within 3 years	7,548	9,902
Over 3 years	27,120	31,229
	1,496,620	1,156,467

9. TRADE AND OTHER PAYABLES

	2007	**2006**
	RMB'000	*RMB'000*
Trade payables	616,561	442,726
Bills payable	1,669,650	1,155,623
Advances from customers	312,301	267,697
Accrued expenses and other payables	267,439	210,713
Due to related parties	121,405	133,585
	2,987,356	2,210,344
Less: Non-current portion	(168,525)	(125,050)
Current portion	2,818,831	2,085,294

The ageing analysis of the trade payables, including those under amounts due to third parties and related parties, is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Within 3 months	581,611	442,871
Over 3 months and within 6 months	24,788	4,917
Over 6 months and within 1 year	55,443	12,703
Over 1 year and within 2 years	30,482	44,207
Over 2 years and within 3 years	13,496	14,535
Over 3 years	19,087	14,340
	724,907	533,573

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As at 31 December 2007, the four main businesses of the Group are categorised as below:—

(i) Material logistics services;

(ii) Expressway service zones;

(iii) Transportation intelligence services; and

(iv) Cross-border transportation services.

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

Material logistics services

The Group's material logistics services have become comparably mature after gaining years of experience. In 2007, the construction progress of expressway within the Guangdong province has slowed down. As the supply of products such as steel bar, cement and asphalt were extremely tight and prices fluctuated significantly, the Group has put in more effort to explore market business, strengthened its management of the logistics supply chain and have attained satisfactory operating results.

In 2007, the Group has participated in the material logistics business for a number of large-scale infrastructure projects, including the following eight projects, namely the Zuhai Section of the Western Coastal Expressway, the South Section of the Pearl River Delta Western Ring Expressway, the extension of the South Section of Jingzhu Expressway, Shanjie Expressway, Guanghe Expressway, Taiao Expressway, Fokai Expressway expansion and Yunwu Expressway. Besides, we have also at the same time participated in 15 major construction projects including Route Nos. 4, 5, 6 of the Guangzhou subway, Wu-Guang Railway, Inter-city Railway between Guangzhou and Zhuhai, Inter-city Railway between Guangzhou, Shenzhen and Hong Kong, Shaogan Expressway and Phase II of Dongxin Expressway. In 2007, an aggregate of 632,900 tonnes of cement, 1,380,700 tonnes of steel bar and 166,300 tonnes of asphalt were supplied.

In respect of asphalt business, the Group has implemented strategic development. In the Guangdong province, the Group has formed an asphalt warehouse network through setting up a core asphalt warehouse and several supplemental asphalt warehouses. Based on this foundation, the asphalt business of the Group will achieve a radial development pattern with a foothold in Guangdong, and expansions in South-Western, Southern China and South-Eastern coastal areas. The relevant construction and resource integration have been fully commenced.

In addition, the new logistics business of the Group had reached its targeted goal in 2007. Logistics businesses of fuel oil, coal, iron ore and nickel ore have been developed steadily and have established a strong foundation for the diversification of the Group. Statistically, the Group has provided logistics services of 56,000 tonnes of fuel oil, 120,200 tonnes of coal, 383,700 tonnes of iron ore powder and 55,600 tonnes of nickel ore during the year of 2007.

The Group will continue to improve the overall management level of its supply chain and to extend its material logistics business chain, focus on establishing a good working relationship with upstream manufacturing enterprises. Due to the continuing increase of the material sourcing, even under the circumstances of a shortage of goods supply, the Group has been able to secure the material supply for its project, and can effectively respond to the operational risk brought by the fluctuation in market price.

Expressway service zones

In respect of professionalizing the expressway service zones chained operational business, breakthrough progress has been achieved in 2007. The economic efficiency and service quality level within the service zones have been improved. The Group has mainly increased its effort in exploiting the operational potential and revenue sources of the service zones in order to improve the overall operational efficiency. Under the implementation of the integrated overall strategy, the Group has strengthen its network platform construction and professionalized operational management. Professionalized management has been implemented in area such as food and beverage chain, product retail chain, advertising chain, vechicles maintenance chain, petrol stations, greenery areas, delivery of goods and property management. In particular, the operating income of food and beverage and convenience store network have achieved a relatively large increase growth, and the gross margin has also improved.

In respect of the food and beverage network, the Group and Guangzhou Restaurant have jointly launched standardised fast food and implemented a standardized food and beverage management. In March 2007, the Group has formally entered into a contract with the McDonald's and jointly developed the McDonald's drive-thru restaurant in Houmen service zone, which enhanced the brand recognition and operational efficiency of the Group.

In respect of the merchandise retail chain operational network, the Group has increased its pace in constructing warehouses for goods delivery. In 2007, the Group has completed the construction of four warehouses, i.e. Houmen, Reshui, Liangjinshan and Qujiang. By establishing alliances with other retailers and licensees, specialist retailers (such as special local products) are introduced into the service zones to create its distinctiveness, in order to satisfy needs of the customers and improve the Group's operational efficiency.

In respect of the advertising business in the service zones, the Group has focused the development of light box advertisement and electronic information inquiry system in the service zones, and has built an advertising network platform for the service zones. The Group used the exclusive rights granted by Guangdong Provincial Communication Group Company Limited ("GCGC") to operate advertising business in the expressways in 2007 to promote the advertising business and establish its position and strategic goals in the advertising business.

In respect of property management, satisfactory results of the energy saving measures within the service zones were achieved in 2007. Pollution problem was alleviated by using sewage treatment and water recycling system. Environmental protection as well as energy saving were achieved.

Transportation intelligence services

In 2007, the Group has continued to operate its electrical and mechanical engineering projects and transportation intelligence work for expressways in the Guangdong province satisfactorily, and has further expanded its market outside the Guangdong province. The number of successfully bidded projects outside Guangdong province increased by five as compared to 2006. During the year of 2007, the Group has implemented the mechanical and electrical engineering and safety facilities projects in locations such as, the South Section of the Pearl River Delta Western Ring Expressway, North Third Ring Expressway, Guizhou Zhensheng and Guizhou Zhanan Expressway for the purposes of enhancing the construction and management of the successfully bidded projects, reducing expenses on the management fee, increasing the gross margin for projects. At the same time made every effort to handle the preparation works in respect of newly bidded projects.

In respect of the research and development of transportation intelligence technologies, the Group has strived to enhance its own development capability as its core in 2007. Relatively significant progresses has been obtained in the toll-evasion prevention and tolls for overloading vehicles in the expressway toll system.

The Group has speeded up its technology innovation and has proactively exploited the transportation intelligence business. During the year of 2007, portable and hand-held toll collection devices for roads and bridges were sold in ten provinces within the PRC. Promising results were achieved in its wireless video recording products and car-plate identification products, which were successfully installed and tested, and these products are being marketed and promoted. The automatic card devices have entered into its comprehensive promotion stage. Unattended automatic card devices have commenced its entrance into the Hubei market. Comprehensive promotion in respect of the use of the large-scale information display terminals is underway. At the same time, the Group continues the technical maintenance work for expressways, expands its service coverage and shortens the respond time of equipment maintenance services.

The Group has continued to enhance the software products of management system in the construction of expressway projects and strengthened marketing efforts in 2007. Currently, it has expanded to 13 provinces in the PRC. Meanwhile, the Group has developed a number of software products with promising market potential according to the market demand, such as web-cam household surveillance, of which the pre-launching preparation work has been completed and will be launched to the maket in the near future; expressway LCD project, in respect of which the Group is now seeking cooperation with professional new media companies; and projects, such as “materials trading platform” and “bridge safety surveillance” are being fully implemented. The expansion of software products market also achieved substantial progress, which is currently engaged in the information platform development with the Ministry of Communications, and has by way of tender acquired an information project from the Department of Communications of Juangxi province.

Cross-border transportation services

In 2007, the cross-border transportation business developed steadily, particularly after the opening of the Hong Kong-Shenzhen Western Tunnel. With more trading activities between the PRC and Hong Kong, the number of businessmen and tourists crossing the border is continuously increasing, contributing to the good results of operations. The Group strengthened its profitable routes by improving and adjusting less profitable routes through timely adjustments of its operating hours, schedules and routes. As a result, the profits from mid to long cross-border passenger transport routes continuously to improve. The Group adopted the strategy by cooperating with other companies within the industry to strengthen and develop special routes operations. The Group also enhanced the operational management of short routes within Hong Kong to secure the clients by adjusting schedule and stops. The Group completed the installation of GPS to all the Group's vehicles and improved the dynamic vehicle management. Under the strong competition of cross-border freight transportation market, the Group enhanced its marketing effort and explored goods source, improved the services quality and competitiveness, and strengthened the collection of receivables and ensure that the freight transportation business maintains at its steady development. In February 2007, The Motor Transport Company of Guangdong and Hong Kong Limited (the "GD-HK Company") was again granted the operational rights of the bus terminal at Austin Road, Hong Kong with a term of four years through bidding, which built the foundations for the future business expansion. The Group is also actively expanding new business and seeking resources with full effort in order to develop cross-border commercial vehicles leasing business. Its current preliminary preparation work has been completed in principle.

Tai Ping Intercharge

The Group owns the toll collection right of Tai Ping Interchange in Guangdong province. As the economy of Guangdong province continues to grow rapidly, the number of vehicles using the expressway maintained a stable growth. The toll collected from Tai Ping Interchange increased by 22% as compared to the year of 2006.

FINANCIAL REVIEW

Turnover

The Group's turnover is mainly derived from four business segments, including the provision of material logistic services, transportation intelligence services, operation of the expressway service zones and revenue from cross-border transportation services between Hong Kong and Guangdong province. Revenue from Tai Ping Interchange business is also included in the Group's turnover. Turnover for the year 2007 amounted to RMB6,890 million (2006: RMB5,635 million), representing an increase of 22% as compared to the year of 2006, which was mainly attributable to the development in the business of material logistics services, of which the turnover of material logistics services business increased by RMB1,315 million in 2007.

Material logistics services

Material logistics services is the Group's largest source of income. During the year of 2007, the Group's turnover recorded RMB5,571 million (2006: RMB4,256 million), representing an increase of 31% and amounted to approximately 81% (2006: 76%) of the Group's total turnover. The increase in turnover was primarily due to the expansion of business operation scale and the increase in price of some materials serving, which reducing the impact of delay in construction of expressway projects in Guangdong province as a result of marcoeconomics measures.

Expressway service zones

During the year of 2007, the number of the Group's expressway service zones increased to 46 pairs (2006: 43 pairs) as at 31 December 2007, the turnover of expressway service zones attributed to approximately 6% (2006: 7%) of the Group's turnover, which amounted to RMB401 million (2006: RMB370 million), representing an increase of 8%, principally because (i) there was a continuing improvement in expressway service zones network as well as the sales and marketing; (ii) turnover of catering services and convenience stores are increased by 33% and 28% respectively resulted of the growth of passengers flow; and (iii) the natural growth in traffic volume.

Transportation intelligence services

Transportation intelligence services attributed to approximately 7% (2006: 11%) of the Group's total turnover for the year of 2007 amounted to RMB527 million (2006: RMB623 million), representing a decrease of 15%. This was mainly attributable firstly to the fact that the construction of expressway projects in Guangdong province was delayed as a result of the macroeconomic measures and secondly that some newly bidded projects outside the Guangdong province were within their initial stage of construction and hence contributed no revenue.

Cross-border transportation services

The revenue of the cross-border transportation services for the year of 2007 amounted RMB264 million (2006: RMB262 million) and was comparable to that of the year of 2006. It represented approximately 4% (2006: 5%) of the Group's total turnover.

Tai Ping Interchange

During the year of 2007, toll fee collected from Tai Ping Interchange attributed to 2% (2006: 2%) of the Group's total turnover, which increased by 22% to RMB127 million (2006: RMB104 million), which was mainly due to (i) the natural growth in traffic volume and (ii) the maintenance work of Guangshen Highway Dongguan North Bridge diverting the traffic to the Humen Bridge. The traffic volume increased by 4,110,000 or by 22%, to 22,580,000 in 2007 (2006: 18,470,000) due to the above two reasons.

Gross profit

The gross profit of the Group in 2007 increased by RMB19 million or 3% to RMB617 million (2006: RMB598 million) due to the growth in turnover. Gross profit margin was 9.0%, representing a decrease of 1.6% compared with 10.6% in 2006.

Material logistics services

Gross profit of material logistics services of the year 2007 attributed to 34% (2006: 35%) of the Group's total gross profit, representing a decrease of 1% to RMB208 million (2006: RMB210 million). The gross profit margin was 3.7% (2006: 4.9%). The decrease was mainly due to the fact that the Group enlarged its customer base in order to minimize the effect of the macroeconomic measures on the expressway construction projects in Guangdong province. In addition, the cost during the initial stage of new business was relatively high and the gross profit was relatively low.

Expressway service zones

Gross profit of expressway service zones attributed to 21% (2006: 21%) of the Group's total gross profit for the year 2007, which amounted to RMB129 million (2006: RMB126 million). Gross profit margin was 32.2% (2006: 34.1%), remained stable. The increase in gross profit arising from catering services and convenience stores partly offset the decrease in one-off admission fee payable to petrol stations within the service zones.

Transportation intelligence services

Gross profit of transportation intelligence services attributed to 17% (2006: 17%) of the Group's total gross profit for the year of 2007, which amounted to RMB105 million (2006: RMB99 million) and representing an increase of 6% as compared to 2006. Compared to that of 2006, gross profit margin increased to 20.0% (2006: 15.9%), which was principally due to improving technology to achieve cost efficiency.

Cross-border transportation services

Gross profit of cross-border transportation services attributed to 10% (2006: 11%) of the Group's total gross profit of the year 2007, amounting to RMB64 million (2006: RMB65 million). Gross profit margin was 24.4% (2006: 24.9%), as compared to the year of 2006.

Tai Ping Interchange

Gross profit of Tai Ping Interchange attributed to 18% (2006: 16%) of the Group's total gross profit of the year of 2007. Gross profit earned by Tai Ping Interchange increased from RMB88 million in the year of 2006 to RMB110 million, representing an increase of 25% as compared to 2006. Gross profit margin was 86.4% (2006: 84.2%), representing an increase of 2.2% as compared to the year of 2006. The increase was mainly due to the relatively large increase in traffic flows and the stable cost resulted in the completion of upgrading the integrated toll collection systems.

Selling expenses

In 2007, the selling expenses of the Group increased to RMB150 million (2006: RMB131 million), representing 2% (2006: 2%) of the Group's turnover. The increase was attributed by increase in scale of operation.

Administrative expenses

In 2007, administrative expenses increased to RMB230 million (2006: RMB220 million), representing an increase of 5%.

Finance costs

In 2007, under the circumstances of growing interest rate and expansion of the Group's business, finance costs increased by 65% from RMB16.01 million of the year 2006 to RMB26.44 million in 2007. The increase was mainly due to: (i) an increase of the demanding on working capital for the business expansion. Also, during the year of 2007, the People's Bank of China raised the interest rate six times resulting the increase in interest expense of short-term loan by RMB5.32 million; and (ii) the increase in use of bills payable for settlement and the average discounted rate per month increases from 0.27% to 0.47%, resulting in an increase of discounted interest expenses of RMB5.11 million as compared to the year of 2006.

Taxation

The effective tax rate in 2007 was 28.5% for the year (2006: 30%) which was comparable to that of the year of 2006.

Liquidity and capital structure

The Group continues to maintain a robust financial position. As at 31 December 2007, cash at bank and in hand amounted to RMB948 million (2006: RMB671 million). As at 31 December 2007, balance of bill payables was RMB1.67 billion, which required approximately RMB400 million as reserves upon the maturity of the bills; net current assets was RMB914 million (2006: RMB742 million); current ratio was 1.3 times (2006: 1.3 times); liabilities equity ratio (the ratio of unpaid bank borrowings balance to the equity attributable to equity holders of the Company) was 7% (2006: 12%); and interest covering ratio was 11 times (2006: 17 times).

Cash flows

The Group principally satisfies cash need for indemnity for contracts, expansion, development of core business and working capital by using cash from operating activities and bank borrowings.

Cash and cash equivalents (net of the effect of exchange) during 2007 are as follows:

	Year ended 31 December		
	2007	**2006**	**change**
Cash from/(used in)	*'000*	*'000*	
Operating activities	435,399	72,441	501%
Investing activities	(61,428)	(177,416)	65%
Financing activities	(96,137)	(61,395)	(57%)
Increase/(decrease) of cash and cash equivalents	277,834	(166,370)	267%

Operating activities

The net cash flows from operating activities for the year of 2007 amounted to RMB435 million (2006: RMB72 million), representing an increase of RMB363 million, mainly because material logistics business achieved a satisfactory results resulting from the strengthening of the collection of receivables and increased usage of bills to extend payment term.

Investing activities

The principal investing cash outflow for year 2007 included (i) investment in expressway service zones of RMB43.579 million; (ii) RMB17.90 million for purchase motor vehicles of cross-border business and (iii) acquisitions of leasehold land and land use right amounting to RMB7.283 million.

Financing activities

The principal financing activities for year 2007 included (i) dividends of RMB45.941 million paid to the Company's shareholders for 2006; (ii) dividends of RMB6.096 million paid to the minority shareholders and (iii) decrease in short-term bank loans by RMB49 million.

Borrowings

As at 31 December 2007, all outstanding bank borrowings of the Group were unsecured short-term bank loans, which amounted to RMB91 million in total (2006: RMB140 million).

Acquisitions

As at 31 December 2007, the Group had no incomplete acquisitions in progress.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure relates to GD-HK Company. In 2007, the Group's working capital or liquidity was slightly affected by the fluctuations in currency exchange rate. The directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will take appropriate arrangement, based on its operating needs to mitigate the Group's currency exposures.

Contingent liabilities

As at 31 December 2007, the Group did not have any material contingent liabilities.

OUTLOOK AND STRATEGIES

In 2008, the State's macroeconomic measures will be further implemented and as a result, the Group's business will be affected to a certain degree. Hence, the Group will strive to enhance their operating management level and to maintain a stable growth in its existing business in 2008. At the same time, the Group will further expand its markets, to enhance the implementation of new investment projects, in order to further enhance the Company's profitability. The key objectives of the Group's future development during the year of 2008 are as follow:

1. **Material logistics services**

   — to continue to upgrade the overall management capability of supply chain, coordinate the material supply for each projects and maintain the professional standard and service quality of the Group's material supply management;

   — to expedite the implementation of asphalt development plan to build up an asphalt warehouse network in the Guangdong province and to expand the asphalt business to other provinces; and

   — to develop new logistics business and extend logistic business chain.

2. **Expressway service zones**

   In 2008, the Group will mainly consummate the following works with implementation of operating strategies and standardisation of the expressway service zones network as its target:

   — optimise the professionalism of the management structure and management system within service zones network and to expedite the construction of infrastructure facilities for the service zones network;

   — establish a comprehensive operation mode for the professional management of the food and beverage network;

   — continue to implement the construction of the operating platform for vehicle maintenance network and to accelerate the development of vehicle maintenance network;

— speed up the systematic progress of highway advertisement to build a network platform for highway advertisement; and

— optimise our merchandise retail management and to accelerate the development of merchandise retail network.

3. **Transportation intelligence services**

— To expedite resources integration, reinforce technical research and development as well as utilisation so as to become the leading transportation intelligence enterprise in Guangdong province in terms of technology and capability;

— reinforce the research and development of software products to further integrate software products, strengthen the image building of software products pursuant to the Group's product general plan and satisfying the customers' demand in accordance with relevant product quality control standard and certification system;

— maintain our existing strengths in mechanical and electrical transportation business within the GCGC and at the same time exert its effort to obtain market projects; and

— fully utilise the Group's existing technology and its products influence through technological research and development, strengthen its marketing and sales capability and to extend intelligent transportation technology to a even wider market.

4. **Cross-border transportation services**

— further develop tis cross-border commercial vehicles leasing business, focusing mainly at high-ended customers;

— cooperate with other companies within the industry to develop and operate joint routes, to cooperate with travel agents to jointly launch travel package services so as to increase the actual carriage rate; and

— enhance the leasing capacity of cross-border cargo delivery business, construct storage base, explore cross-border logistics business and logistics value-added services.

OTHER INFORMATION

Directors' and Supervisors' Interest in Contracts

None of Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or it subsidiary was a party during the year of 2007.

Closure of Register of Members

The registers of members of the Company will be closed from Saturday, 17 May 2008 to Tuesday, 17 June 2008, both days inclusive, during which period no transfer of shares will be registered. Holders of H shares and domestic shares of the Company whose names appear on the registers of members of the Company on Friday, 16 May 2008 at 4:30 p.m. are entitled to attend the annual general meeting of the Company to be held on Tuesday, 17 June 2008.

Final Dividends

The Board proposes the payment of a final dividend of RMB0.113 per share (pre-tax) before 31 August 2008 to the shareholders whose names appear on the registers of shareholders of the Company on Friday, 16 May 2008. In order to qualify for the final dividends, all share certificates accompanied by the duly completed transfer forms must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited (address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) not later than 4:30 p.m. on Friday, 16 May 2008.

Corporate Governance

The Company believes that the incessant upgrading of its standard of corporate governance is the underlying cornerstone for safeguarding the interests of shareholders and investors as well as enhancing corporate value of the Company. The Company, with reference to the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the Articles of Association of the Company and other relevant laws and regulations, and taking into considerations of its own characteristics and requirements, has been making enormous efforts in enhancing its standard of corporate governance.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period for the year ended 31 December 2007, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the model code for securities transactions by directors ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding its directors' and supervisors' securities transactions in 2007. Having made specific enquiries of all Directors and supervisors of the Company ("Supervisors") who confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2007.

Board Committees

The Company has established an audit committee and a remuneration committee.

Audit Committee

The Company has an audit committee consisting of two independent non-executive Directors, Mr. Peng Xiao Lei and Mr. Liu Shao Buo, and one non-executive Director, Mr. Huang Guo Xuan. The committee appoints external auditors, reviews and supervises the financial reporting process and internal control system of the Group and provides advice and comments to the Board. The committee members met regularly with management and external auditors and reviewed the external audit reports and the annual accounts of the Group. It has reviewed the audited financial statements for the year ended 31 December 2007, and recommended their adoption by the Board.

Remuneration Committee

The Company has a remuneration committee consisting of one executive Director, Mr. Wang Wei Bing, and two independent non-executive Directors, Mr. Gui Shou Ping and Mr. Liu Shao Buo. The committee determines the policies in relation to human resources management, review the compensation strategies, determines the compensation packages of the senior executives and managers, recommends and establishes 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.

Supervisory Committee

The Company has a supervisory committee consisting of seven Supervisors, namely Mr. Chen Di Li, Mr. Rao Feng Sheng, Ms. Ling Ping, Ms. Li Hui, Ms. Fan Xin Cai, Ms. Zhou Jie De and Ms. Cheng Zhuo. The supervisory committee performs its supervisory functions on corporate governance, regulated operation and maximising shareholders' value.

Purchase, Sale or Repurchase of Shares of the Company

During the year of 2007, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year of 2007.

Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company.

Pre-emptive rights

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

Auditors

The Company has appointed PricewaterhouseCoopers as its international auditors and Guangdong Zhengzhong Zhujiang Certified Public Accountants as its auditors in the People's Republic of China for the year ended 31 December 2007. PricewaterhouseCoopers has conducted the audit of the Group's consolidated financial statements prepared in accordance with HKFRS. Resolutions for re-appointments of PricewaterhouseCoopers as its international auditors and Guangdong Zhengzhong Zhujiang Certified Public Accountants its auditors in the People's Republic of China for the year ending 31 December 2008 will be proposed at the annual general meeting of the Company on Tuesday, 17 June 2008.

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 2007 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

By Order of the Board of
Guangdong Nan Yue Logistics Company Limited
Lu Mao Hao
Chairman of the Board

Guangzhou, the PRC, 9 April 2008

As at the date of this notice, the Board comprises of Mr. Lu Mao Hao, Mr. Su Yong Dong, Mr. Wang Wei Bing, Mr. Deng Chong Zheng and Mr. Chen Bing Heng, as executive directors of the Company, Mr. Liu Wei, Mr. Huang Guo Xuan, Mr. Cai Xiao Ju, Mr. Chen Guo Zhang and Mr. Lu Ya Xing as non-executive directors of the Company, and Mr. Gui Shou Ping, Mr. Liu Shao Buo and Mr. Peng Xiao Lei as independent non-executive directors of the Company.

* *The Company is registered as an oversea company under Part XI of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) under its Chinese and English name "Guangdong Nan Yue Logistics Company Limited".*