廣東南粵物流股份有限公司
Guangdong Nan Yue Logistics Company Limited*

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

(Stock code: 3399)

ANNOUNCEMENT OF 2008 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	For the six months ended 30 June 2008	For the six months ended 30 June 2007	Change
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*	
Turnover	3,643,614	2,991,802	22%
Profit attributable to equity holders of the Company	76,572	70,149	9%
Basic earnings per share	RMB0.18	RMB0.17	

- The Group's turnover for the six months ended 30 June 2008 was approximately RMB3,643,614,000, representing an increase of approximately RMB651,812,000 or 22% over the same period in 2007.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2008 was approximately RMB76,572,000, representing an increased of approximately RMB6,423,000 or 9% over the same period in 2007.
- Basic earnings per share was RMB0.18.
- The Board would not recommend the payment of an interim dividend for the six months ended 30 June 2008.

The board of directors (the "**Board**") of Guangdong Nan Yue Logistics Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the ''**Group**'') for the six months ended 30 June 2008. The Group's unaudited consolidated interim results have been reviewed by the Company's Audit Committee, comprising a majority of independent non-executive directors of the Company.

The Group's unaudited condensed consolidated interim balance sheet and the unaudited condensed consolidated interim income statement and explanatory notes 1 to 10 as presented below are extracted from the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		As at	
		30 June	**31 December**
	Note	**2008**	**2007**
		Unaudited	*Audited Restated*
ASSETS			
Non-current assets			
Fixed assets		252,299	250,544
Leasehold land and land use rights		142,014	146,659
Intangible assets		188,235	193,977
Investment property		13,887	—
Interests in associates		65,007	68,311
Interest in a joint venture		15,746	15,542
Available-for-sale investments		200	200
Deferred income tax assets		20,569	17,230
		697,957	692,463
Current assets			
Inventories		784,884	367,502
Due from customers on construction contracts		112,886	215,349
Trade and other receivables	4	2,801,717	2,344,687
Available-for-sale investments		4,000	—
Cash and cash equivalents		854,003	947,553
		4,557,490	3,875,091
Total assets		5,255,447	4,567,554
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		417,642	417,642
Other reserves		319,621	324,498
Retained earnings		541,784	513,028
		1,279,047	1,255,168
Minority interests		174,058	181,989
Total equity		1,453,105	1,437,157

	Note	As at 30 June 2008 Unaudited	As at 31 December 2007 Audited Restated
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,477	1,168
Trade and other payables	5	162,750	168,525
		164,227	169,693
Current liabilities			
Trade and other payables	5	3,330,193	2,818,831
Current income tax payable		27,922	50,873
Bank borrowings	6	280,000	91,000
		3,638,115	2,960,704
Total liabilities		3,802,342	3,130,397
Total equity and liabilities		5,255,447	4,567,554
Net current assets		919,375	914,387
Total assets less current liabilities		1,617,332	1,606,850

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		For the six months ended	
		30 June	**30 June**
	Note	**2008**	**2007**
		Unaudited	*Unaudited*
Revenue	3	3,643,614	2,991,802
Cost of sales	7	(3,345,609)	(2,728,099)
Gross profit		298,005	263,703
Other income		16,080	19,139
Operating expenses	7	(195,574)	(157,431)
Operating profit		118,511	125,411
Finance costs		(12,824)	(11,450)
Share of results of associates and a joint venture		(708)	(197)
Profit before income tax		104,979	113,764
Income tax expense	8	(27,584)	(35,425)
Profit for the period		77,395	78,339
Attributable to:			
Equity holders of the Company		76,572	70,149
Minority interests		823	8,190
		77,395	78,339
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)	9	0.18	0.17
Dividend	10	—	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. **Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with HKFRSs.

2. **Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

(a) New interpretation effective for annual periods beginning on or after 1 January 2008 and relevant to the Group's operations

The Group applied HK (IFRIC) — Int 12, 'Service concession arrangements', from 1 January 2008. The comparatives have been adjusted as required, in accordance with relevant requirements.

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 adoption of HK (IFRIC) — Int 12 resulted in a change in accounting for the Group's Tai Ping Interchange. Before adoption of HK(IFRIC) — Int 12, the Group's Tai Ping Interchange was recorded as fixed assets. In accordance with HK(IFRIC) — Int 12, bridges shall be recognised as intangible assets — service concession arrangement to the extent that the Group receives a right (a license) to charge users of the public service. And as an operator of Tai Ping Interchange, the Group accounts for revenue and costs relating to bridges construction or upgrade services with HKAS 11 'Construction contracts' and accounts for revenue and costs relation to bridges operation services in accordance with HKAS 18 'Revenue'.

The adoption of HK(IFRIC) — Int 12 resulted in:

	As at	
	30 June 2008	**31 December 2007**
Increase in intangible assets	182,416	187,215
Decrease in fixed assets	(182,416)	(187,215)

Other than the impact disclosed above, the adoption of HK(IFRIC) — Int 12 does not have significant impact to the condensed consolidated interim financial information for the six months ended 30 June 2008.

(b) New interpretations effective for annual periods beginning on or after 1 January 2008 but not relevant to the Group's operations

HK(IFRIC) - Int 11	HKFRS 2 - 'Group and treasury share transactions'
HK(IFRIC) - Int 14	HKAS 19 - 'The limit on a defined benefit asset, minimum funding requirements and their interaction'

(c) New standard, amendments and interpretation which are not yet effective for annual periods beginning on or after 1 January 2008 and have not been early adopted by the Group

HKFRS 8	'Operating segments'
HKAS 23 (amendment)	'Borrowing costs'
HKFRS 2 (amendment)	'Share-based payment'
HKFRS 3 (amendment)	'Business combinations', and consequential amendments to HKAS 27 - 'Consolidated and separate financial statements', HKAS 28 - 'Investments in associates' and HKAS 31 - 'Interests in joint ventures'
HKAS 1 (amendment)	'Presentation of financial statements'
HKAS 32 (amendment)	'Financial instruments: presentation', and consequential amendments to HKAS 1 - 'Presentation of financial statements'
HK(IFRIC) - Int 13	'Customer loyalty programmes'

3. **Segment information**

Primary reporting format — business segments

The Group has five main business segments:

(1) Material logistics services — purchase and sale of materials for construction and production, and provision of related logistics arrangement service;

(2) Expressway service zones — development and operation of expressway service zones, provision of support and related services in expressway service zones and sub-contract of certain services in expressway service zones to third parties;

(3) Transportation intelligence services — construction of ancillary systems for toll roads and provision of related engineering work;

(4) Cross-border transportation services — cross-border coach and freight transportation services between Hong Kong and Mainland China; and

(5) Tai Ping Interchange — share of toll income from toll stations connecting to Tai Ping Interchange of the Group.

The segment results, capital expenditure and other segment information for the six months ended 30 June 2008 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Revenue							
Total gross segment revenue	3,143,253	184,132	134,819	120,872	68,514	—	3,651,590
Inter-segment revenue	(6,344)	(89)	(1,543)	—	—	—	(7,976)
	3,136,909	184,043	133,276	120,872	68,514	—	3,643,614
Operating profit/(loss)	65,553	14,462	(15,849)	17,438	56,972	(20,065)	118,511
Finance costs							(12,824)
Share of results of associates and a joint venture							(708)
Profit before income tax							104,979
Income tax expense							(27,584)
Profit for the period							77,395
Depreciation	3,555	10,147	2,457	13,007	—	1,983	31,149
Amortisation	1,488	247	122	269	4,800	380	7,306
Provision for/(Reversal of) impairment of receivables	5,649	—	—	(388)	—	—	5,261
Capital expenditure	2,229	13,814	1,074	28,247	321	1,267	46,952

The segment results, capital expenditure and other segment information for the six months ended 30 June 2007 are as follows (restated):

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Others	Unallocated	Group
Revenue								
Total gross segment revenue	2,454,503	180,762	176,761	135,802	57,960	4,668	—	3,010,456
Inter-segment revenue	—	—	(14,728)	—	—	(3,926)	—	(18,654)
	2,454,503	180,762	162,033	135,802	57,960	742	—	2,991,802
Operating profit/(loss)	46,749	22,766	218	21,001	46,517	(501)	(11,339)	125,411
Finance costs								(11,450)
Share of results of associates and a joint venture								(197)
Profit before income tax								113,764
Income tax expense								(35,425)
Profit for the period								78,339
Depreciation	2,930	9,266	2,801	15,169	—	61	3,062	33,289
Amortisation	1,500	159	196	—	4,743	—	121	6,719
Provision for impairment of receivables	666	—	1,532	—	—	—	—	2,198
Capital expenditure	10,653	7,857	1,054	2,731	1,901	23	256	24,475

Unallocated costs represent corporate expenses.

Capital expenditure comprises additions to fixed assets, intangible assets and investment property.

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 other business are operated in Mainland China.

	For the six months ended	
	30 June 2008	30 June 2007
Revenue		
Mainland China	3,548,782	2,883,505
Hong Kong	94,832	108,297
	3,643,614	2,991,802

Revenue are allocated based on the places in which customers are located.

	For the six months ended	
	30 June 2008	30 June 2007
Capital expenditure		
Mainland China	22,747	22,570
Hong Kong	24,205	1,905
	46,952	24,475

Capital expenditure is allocated based on where the assets are located.

4. **Trade and other receivables**

	As at	
	30 June 2008	31 December 2007
Trade receivables *(note a)*	1,084,626	841,422
Less: provision for impairment of receivables	(4,977)	(4,866)
Trade receivables — net	1,079,649	836,556
Bills receivable	—	37,528
Other receivables	194,965	127,175
Prepayments	1,085,978	655,929
Due from related parties *(note b)*	441,125	687,499
	2,801,717	2,344,687

The carrying amounts of trade and other receivables approximate to their fair value.

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

At 30 June 2008 and 31 December 2007, the ageing analysis of the trade receivables were as follows:

(a) **Trade receivables**

	As at	
	30 June 2008	**31 December 2007**
Less than 3 months	946,815	720,609
Within 3 months to 6 months	13,460	19,032
Within 6 months to 1 year	43,173	45,632
Within 1 year to 2 years	68,667	43,429
Within 2 years to 3 years	3,615	3,841
Over 3 years	8,896	8,879
	1,084,626	841,422

(b) **Due from related parties**

	As at	
	30 June 2008	**31 December 2007**
Trade receivables	429,215	655,198
Less: provision for impairment of receivables	(24,101)	(18,710)
Trade receivables — net	405,114	636,488
Other receivables	20,920	19,150
Less: provision for impairment of receivables	(1,649)	(1,649)
Other receivables — net	19,271	17,501
Prepayments	16,740	33,510
	441,125	687,499

The ageing analysis of trade receivables from related parties are as follows:

	As at 30 June 2008	As at 31 December 2007
Less than 3 months	259,049	541,427
Within 3 months to 6 months	19,981	1,829
Within 6 months to 1 year	63,592	19,777
Within 1 year to 2 years	53,440	70,217
Within 2 years to 3 years	11,927	3,707
Over 3 years	21,226	18,241
	429,215	655,198

5. **Trade and other payables**

	As at 30 June 2008	As at 31 December 2007
Trade payables (note a)	500,406	616,561
Bills payable	2,054,244	1,669,650
Advance from customers	337,477	312,301
Accrued expenses and other payables	313,704	267,439
Due to related parties (note b)	287,112	121,405
	3,492,943	2,987,356
Less: Non-current portion	(162,750)	(168,525)
Current portion	3,330,193	2,818,831

(a) **Trade payables**

	As at 30 June 2008	As at 31 December 2007
Less than 3 months	384,531	504,042
Within 3 months to 6 months	8,645	19,147
Within 6 months to 1 year	52,979	50,978
Within 1 year to 2 years	16,432	16,629
Within 2 years to 3 years	11,887	9,908
Over 3 years	25,932	15,857
	500,406	616,561

(b) **Due to related parties**

	As at	
	30 June 2008	**31 December 2007**
Trade payables	102,419	108,346
Advance from customers	180,353	5,967
Other payables	4,340	7,092
	287,112	121,405

The ageing analysis of trade payables to related parties are as follows:

	As at	
	30 June 2008	**31 December 2007**
Less than 3 months	27,470	77,569
Within 3 months to 6 months	21,349	5,641
Within 6 months to 1 year	25,587	4,465
Within 1 year to 2 years	17,690	13,853
Within 2 years to 3 years	5,985	3,588
Over 3 years	4,338	3,230
	102,419	108,346

6. **Bank borrowings**

	As at	
	30 June 2008	**31 December 2007**
Current bank borrowings:		
— Unsecured	280,000	91,000

All of the Group's bank borrowings are denominated in RMB and are at fixed rates.

The weighted average effective interest rates at 30 June 2008 was 5.913% (31 December 2007: 5.265%) per annum.

As at 30 June 2008 and 31 December 2007, the Group has the following undrawn banking facilities:

	As at	
	30 June 2008	**31 December 2007**
Floating rate		
— expiring within one year	1,560,045	1,214,358

7. **Expenses by nature**

Expenses included in cost of sales and operating expenses are analysed as follows:

	For the six months ended	
	30 June 2008	**30 June 2007**
Charging		
Depreciation and amortisation	38,455	40,008
Employee benefit expenses	102,240	94,631
Cost of inventories sold	3,056,030	2,393,495
Provision for impairment of receivables	5,261	2,198

8. **Income tax expense**

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, except for one subsidiary in Mainland China, which is subject to Mainland China Enterprise Income Tax ("EIT") at a preferential tax rate of 18% based on estimated assessable profit for the period, all other group companies incorporated in Mainland China are subject to Mainland China EIT, which has been calculated on the estimated assessable profit for the period at a rate of 25% (2007: 33%).

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 17.5% (2007: 17.5%).

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

	For the six months ended	
	30 June 2008	30 June 2007
Current income tax		
- Hong Kong profits tax	—	391
- Mainland China current EIT	30,614	35,497
Deferred income tax	(3,030)	(463)
	27,584	35,425

9. **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 period.

	For the six months ended	
	30 June 2008	30 June 2007
Profit attributable to equity holders of the Company	76,572	70,149
Weighted average number of ordinary shares in issue (thousands)	417,642	417,642
Basic earnings per share (RMB per share)	0.18	0.17

No diluted earnings per share was presented as there were no dilutive potential shares during the period.

10. **Dividend**

A dividend in respect of the year ended 31 December 2007 of RMB0.113 per share, amounting to a total dividend of approximately RMB47,194,000, has been approved at the annual general meeting on 17 June 2008.

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The main businesses of the Group comprises:

(i) Material logistics services;

(ii) Expressway service zones;

(iii) Transportation intelligence services; and

(iv) Cross-border transportation services.

Saved for the above main businesses, the Group's business also includes the toll fee collection at the Tai Ping Interchange.

Material logistics services

During the first half of 2008, in light of the slowdown in the construction progress of expressways within the Guangdong province as affected by the austerity measures, together with the substantial increase in the prices of raw materials, including steel, cement, asphalt and coal, the Group has strengthened its management of the logistics supply chain and at the same time actively expanded its business opportunities. As a result, the profit of its material logistics business has increased as compared over the corresponding period last year.

The Group has been engaged to provide material logistics services, including steel, cement and asphalt, for expressway projects of Guangdong Provincial Communication Group Company Limited ("GCGC"), namely the Zuhai Section of the Western Coastal Expressway, the South Section of the Pearl River Delta Western Ring Expressway, Shanjie Expressway, Taiao Expressway, Fokai Expressway expansion, Guanghe Expressway and Yunwu Expressway. At the same time, the Group also provided material logistics services for a number of major construction projects, including Route Nos. 4, 5, 6 of the Guangzhou subway, Huangpu Bridge (East Second Ring), Dongxin Expressway, Wu-Guang Railway, Inter-city Railway between Guangzhou and Zhuhai, Inter-city Railway between Guangzhou, Shenzhen and Hong Kong and Shaogan Expressway. During the first half of the year, an aggregate of 637,000 tonnes of steel bar, 540,000 tonnes of cement, 26,000 tonnes of asphalt and 240,000 tonnes of coal were supplied.

The Group has implemented the construction of its asphalt network within the Guangdong province as planned. The construction of a core asphalt warehouse in Dongguan have been fully commenced and other supplemental asphalt warehouses is under its progress. The Group will further develop its asphalt logistics business by establishing its asphalt network and realise the cross regional development of its asphalt business, expanding from Guangdong to South-Western, Southern China and South-Eastern coastal areas.

The Group actively expanded its material logistics business through tendering new projects, including the supply of asphalt for Enshi-Lichuan Section of Shanghai-Chengdu National Highway in the west of Hubei province, the supply of asphalt for Hubei province section of Daqing-Guangzhou Expressway and the supply of asphalt for Ruijin-Ganzhou Expressway, with a total business size of approximately RMB200 million. The Group has also succeed in the bid for the steel supply contract for the Guangzhou Section of the Guanghe Expressway with a total business value of RMB200 million.

The Group will continue to improve the management of its supply chain in respect of the material logistics business and with the implementation of centralised to reduce the material sourcing costs through achieving economies of scale. Leveraging on its competitive strengths in logistics business, the Group will be able to maintain sufficient inventory and manage its distribution to ensure the quality of its material logistics business.

Expressway service zones

In the first half of 2008, the Group continued to steadily promoted its professionalized chained operational business within the service zones, strengthen its budget management and accelerated the expansion of innovative operations. Despite of the snowstorms in Southern China at the beginning of this year affected some service zones, the overall operation of the service zones remained stable. The Group continued to fortify its integrated operational management and establish an operational structure focused on the food and beverage, merchandise retail chain and advertising business in the service zones and supplemented by vehicle maintenance and greenery.

In respect of the food and beverage network, the Group continued to standardise its fast food products and control its sourcing costs with gradual growth in the sales of standardised fast food products. At the same time, the Group actively introduced new franchisees to enrich its services and increase its revenue.

In respect of the merchandise retail chain operational network, the Group by adjusting its product structure and product prices to stimulate its sales and increase its operating incomes. At the same time, actively adjusting suppliers' structure, streamlined its procurement chain and secured a direct supply from manufacturers. The Group has also tightened its procurement costs control through strengthening price negotiations with suppliers.

The business of vehicle maintenance network has recorded a more substantial growth as compared to the same period of last year. The increase of income source of vehicle maintenance business was stemmed upon the commencement of operation of the vehicle maintenance centre invested and constructed in Guangzhou. Depending on the specific conditions of particular service zones, the Group has also outsourced the vehicle maintenance business in some service zones to reduce its operation costs and increase its profit.

In respect of the advertising business, the Group has developed an overall plan and evaluation system in respect of the advertising resources of the expressways wholly-owned and majority owned by GCGC. The Group increased the value of its advertising network resources through cooperation with strong strategic partnership and enhancing its marketing efforts.

Transportation intelligence services

During the first half of 2008, the Group has implemented the mechanical and electrical engineering and safety facilities projects in Zhujiang Huangpu Bridge, North Third Ring Expressway, Qinglian Expressway, Guizhou Zhensheng, Hubei Suiyue, Fujian Pu'nan, Anhui Huangtatao and Sichuan Dianlin. In light of the relatively substantial pressure of increasing costs, the Group reinforced its project management, reduced management expenses and improved its toll calculation and collection process to ensure a stable operation.

On the basis to improve its existing transportation intelligence engineering projects, the Group further explored the transportation intelligence business opportunities outside Guangdong and achieved significant progress. During the first half of the year, the Group had successfully won the tenders of the transportation intelligence engineering projects for Pucheng-Nanping Expressway in Fujian province, Sichuan Dianlin Expressway and Anhui Huangshan-Taling and Xiaohe-Taolin Expressway.

The Group continued to upgrade its technological maintenance work of expressways and expanded its service coverage to shorten the response time and speed up the arrival time of the maintenance services.

At the same time, the Group has also enhanced its technological research and development capability. Significant progress has been achieved in the research and development as well as marketing activities in respect of integrated expressway toll collection and operation management system, car-plate automatic identification systems and portable toll collection devices.

The Group streamlined its software products for the management system of highway construction projects, improved and upgraded the process of information platform and actively facilitated the establishment of construction materials exchange platform and transportation personnel training platform.

Cross-border transportation services

During the first half of 2008, with the commencement of operation of Lok Ma Chau spur line and Shenzhen Bay Port, the competition of the cross-border transportation market has intensified, and the surging fuel costs added burden to production operations. Through its reorganisation and adjustment of its medium and long routes of coaching business, the Group strengthened its position in existing coaching market. At the same time, the Group also actively explores for new business opportunities, which helped maintain a stable operating results of the cross-border transportation business.

The Group grasped the opportunities to provide transportation services during major festivals and holidays. Under the circumstances of limited transportation capacity, the Group coordinated its transportation capacity, fully utilised all existing carriage and arranged additional schedules to popular stations, which effectively increased its income.

The Group also strengthened its cooperation with companies from the same industry, adjusted ticket prices, schedules and time in accordance with operating conditions in due course. The Group has continuously developed "Golden Routes" for coaching business and was committed to explore travelling business that mainly comprises of business tours and conference tours. The Group also actively expanded its market share of cross-border commercial vehicles leasing business.

The Group enhanced its internal management of freight services and explored for new customer base while maintaining the relationship with its existing customers. The Group has improved its coordination capacity to maintain a stable freight business.

Tai Ping Interchange and others

The Group owns the toll collection right of Tai Ping Interchange. As the economy of Guangdong continues to grow steadily, the number of vehicles using the expressway also maintained a stable growth. The toll fee collected from the Tai Ping Interchange increased by 18% as compared with the same period last year.

FINANCIAL REVIEW

Turnover

The Group's turnover is mainly derived from four business segments, including the provision of material logistics services, transportation intelligence services, operation of the expressway service zones and revenue from cross-border transportation services between Hong Kong and the Guangdong province. Revenue from the Tai Ping Interchange is also included in the Group's turnover. Turnover for the six months ended 30 June 2008 amounted to RMB3,644 million (2007: RMB2,992 million) (unless otherwise specified, the amounts stated herein below shall be in RMB), representing an increase of 22% over the same period last year, which was mainly attributable to the development in the business of material logistics services.

Turnover by business segment:

	Six months ended 30 June			
	2008		**2007**	
	RMB'000	*Percentage*	*RMB'000*	*Percentage*
Material logistics services	3,136,909	86.09%	2,454,503	82.04%
Expressway service zones	184,043	5.05%	180,762	6.04%
Transportation intelligence services	133,276	3.66%	162,033	5.42%
Cross-border transportation services	120,872	3.32%	135,802	4.54%
Tai Ping Interchange	68,514	1.88%	57,960	1.94%
Others	0	0%	742	0.02%
Total	3,643,614	100%	2,991,802	100%

Material logistics services

Material logistics services is the Group's largest source of income. In the first half of the year, the turnover recorded RMB3,137 million (2007: RMB2,455 million), representing an increase of 28% and accounted for approximately 86% (2007: 82%) 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 reduced the impact of delay in construction of expressway projects in Guangdong as a result of austerity measures.

Expressway service zones

In the first half of the year, the number of the Group's service zones increased to 46 pairs as at 30 June 2008 (2007: 43.5 pairs). The turnover of expressway service zones accounted for approximately 5% (2007: 6%) of the Group's turnover, which amounted to RMB184million (2007: RMB181million), representing an increase of 2%.

Transportation intelligence services

Transportation intelligence services accounted for approximately 4% (2007: 5%) of the Group's total turnover during the first half of the year, which amounted to RMB130 million (2007: RMB160 million), representing a decrease of 19% compared to the same period last year. This was mainly attributable to the fact that the construction of expressway projects in Guangdong was continuously delayed as a result of the austerity measures.

Cross-border transportation services

Cross-border transportation services accounted for approximately 3.3% (2007: 4.5%) of the Group's total turnover. The income for the first half of the year amounted to RMB121 million (2007: RMB136 million), representing a decrease of 11% over the same period last year. The decrease was mainly because of some customers who have switched to Lok Ma Chau Spur Line.

Tai Ping Interchange

In the first half of the year, approximately 1.9% (2007: 1.9%) of the Group's total turnover was derived from Tai Ping Interchange. The turnover increased by 18% to RMB69 million (2007: RMB58 million), which was mainly due to the natural growth in traffic volume and the maintenance work of Guangshen Highway diverting the traffic to the Humen Bridge. The traffic volume increased by 22% as compared to the same period last year due to the abovementioned two reasons.

Gross profit

The gross profit of the Group in the first half of 2008 increased RMB34 million or 13% to RMB298 million (2007: RMB264 million) over the same period last year due to the increase in turnover. Gross profit margin decreased from 8.81% to 8.18%.

Gross profit by business segment:

	Six months ended 30 June			
	2008		**2007**	
	RMB'000	*Percentage*	*RMB'000*	*Percentage*
Material logistics services	148,720	49.90%	97,747	37.07%
Expressway service zones	41,843	14.04%	43,833	16.62%
Transportation intelligence services	19,539	6.56%	36,769	13.94%
Cross-border transportation services	27,974	9.39%	35,898	13.61%
Tai Ping Interchange	59,929	20.11%	49,177	18.65%
Others	0	0%	279	0.11%
Total	298,005	100%	263,703	100%

Material logistics services

In the first half of the year, gross profit of material logistics services accounted for 50% (2007: 37%) of the Group's total gross profit, representing an increase of 52% to RMB149 million (2007: RMB98 million), and the gross profit margin was 4.74% (2007: 3.98%). The increase was mainly due to the Group's effort to lower the purchase cost in order to increase the gross profit.

Expressway service zones

In the first half of the year, gross profit of expressway service zones accounted for 14% (2007: 17%) of the Group's total gross profit, which amounted to RMB42 million (2007: RMB44 million) and remained stable as compared to last year. The gross profit margin was 22.74% (2007: 24.25%), representing a decrease of 1.51 percentage points as compared to the same period last year. The decrease in gross profit margin was mainly due to the impact of the snowstorm at the beginning of the year.

Transportation intelligence services

In the first half of the year, gross profit of transportation intelligence services accounted for 7% (2007: 14%) of the Group's total gross profit, which amounted to RMB20 million (2007: RMB37 million) and representing a decrease of 46%. As compared to that of the same period last year, gross profit margin decreased to 14.66% (2007: 22.69%), principally due to the fact that the construction of expressway projects in Guangdong was delayed as a result of the austerity measures and the intensifying competition in the market, which caused the decrease in gross profit margin as compared to last year.

Cross-border transportation services

In the first half of the year, gross profit from cross-border transportation services accounted for 9% (2007: 14%) of the Group's total gross profit, amounting to RMB28 million (2007: RMB36 million). Gross profit margin decreased to 23.14% (2007: 26.43%) as compared with the same period last year, primarily due to the increase in the price of petroleum and the increased depreciation cost of newly purchased vehicles.

Tai Ping Interchange

Gross profit of Tai Ping Interchange attributed to 20% (2007: 19%) of the total gross profit for the first half of the year, which increased from RMB49 million for the same period last year to RMB60 million, representing an increase of 22%. Gross profit margin was 87.47% (2007: 84.85%), representing an increase of 2.62% as compared to the same period last year. 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.

Operating expenses

The Group's operating expenses increased to RMB196 million for the first half of the year (2007: RMB157 million), representing an increase of 24%. The increase in operating expenses was mainly due to the increase in relevant costs (such as transportation costs, loading charges, storage fees and labour costs) as the operation scale expanded and the increase in bank handling fees and tender fees.

Taxation

The effective tax rate for the first half of the year was 26% (2007: 31%), which was lower than that for the same period last year. It was mainly due to the decrease of the PRC enterprise income tax rate to 25%.

Liquidity and capital structure

The Group continues to maintain a robust financial position. As at 30 June 2008, cash and cash equivalent amounted to RMB854 million (2007: RMB948 million). Net current assets was RMB919 million (2007: RMB914 million). Current ratio was 1.25 times (2007: 1.32 times) while interest covering ratio was 9.2 times (2007: 10.9 times).

Cash flows

The Group meets its cash need for indemnity for contracts, expansion, development of core business and general operations capital mainly by using cash from operating activities, bank borrowings and net proceeds from the offer of the Company's shares.

In the first half of 2008, cash and cash equivalents (after deducting the effect of exchange) are as follows:

	Six months ended 30 June	
	2008	**2007**
Cash from/(used in)	*RMB'000*	*RMB'000*
Operating activities	(221,231)	312,211
Investing activities	(46,181)	(23,465)
Financing activities	183,958	(40,000)
(Decrease)/increase of cash and cash equivalents	(83,454)	248,746

Operating activities

The net cash outflows from operating activities for the first half of this year amounted to RMB221 million (2007: net cash inflows RMB312 million), representing a decrease of RMB533 million, which is mainly due to the higher capital demand for expanding its material logistics business and increased cash payments to lower the financial costs andthe increase in inventory and prepaid purchase costs to meet the delivery requirements for the second half of the year.

Investing activities

The expense of the principal investing activities during the first half of the year was RMB46,181,000, mainly comprising (i) investment in service zones of RMB13,814,000; (ii) purchase of transportation facilities of RMB18,794,000; and (iii) addition of a property of RMB9,453,000.

Financing activities

The principal financing activities for the first half of the year mainly included (i) dividends paid to minority shareholders of RMB6,014,000; (ii) the increase in bank short-term loans of RMB189 million as compared with the same period last year.

Borrowings

As at 30 June 2008, all outstanding bank borrowings of the Group were unsecured short-term bank loans, the balance of which was RMB280 million (30 June 2007: RMB91 million) which was higher than that of the same period in the year 2007. This was mainly due to the higher capital demand for business expansion.

Acquisition

As at 30 June 2008, the Group did not have any incomplete acquisition.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for some revenue and expenditure of cross-border transportation services business. In the first half of 2008, the Group's operation or liquidity was not materially affected by the fluctuations in currency exchange rate. The directors believe that the Group will have sufficient foreign currency to meet its demand. At present, 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 30 June 2008, the Group did not have any material contingent liabilities.

PROSPECTS

In July 2008, the Guangdong government announced the expressway development plan of the province which stated that the mileage would reach 5,000 km by 2010 and 5,500 km by 2012. The current mileage of expressway in Guangdong is approximately 3,530 km. Therefore, the construction of expressway in Guangdong is expected to accelerate in the next few years. As the Group is principally engaged in businesses closely related to the construction of new expressways, the acceleration in the construction of expressway will facilitate the expansion of our business. The main business goals of the Group in the second half of 2008 are to:

(i) **Material logistics services**

1. Continue to implement the Group's asphalt business development plan, expedite the establishment of the Company's asphalt sourcing network and expand its market coverage into regions outside Guangdong;

2. Further enhance the standard and quality of our Company's logistics service;

3. Further extend the Company's logistics service chain and provide new logistics service in response to the market needs.

(ii) **Expressway service zones**

1. Further enhance the development and introduction of innovative services in service zones, effectively utilize the existing resources in service zones and introduce special local commodity and food and beverage projects so as to build up an operating model with strong brand name and unique products and services;

2. Speed up the application and construction of new gas stations in service zones;

3. Relocate expressway advertisement boards within the province and strengthen the marketing of advertising posts on new expressways.

(iii) **Transportation intelligence services**

1. Continue to further develop into markets outside the Guangdong province and expand into new business sectors and proactively participate in information technology projects of municipal services, subways, public order and fire prevention under the road network plan invested by the Guangdong government;

2. Leverage on the Company's competitive edge in research and development of transportation intelligence technology to boost its research and development of web-based toll collection system, the maintenance information platform of electrical and mechanical system as well as the integrated expressway network surveillance system and actively promote the application of toll-evasion prevention and toll-by-weight in Guangdong;

3. Further streamline the research and operation process of software products and enhance the marketing of expressway project management software system;

4. Improve the maintenance and services of intelligence transportation system and optimize the maintenance and management process, enhance service quality of intelligence transportation business and increase the profitability of the maintenance business.

(iv) **Cross-border coaching services**

1. Strengthen the marketing to raise carriage rate;

2. Further develop its cross-border commercial vehicles leasing business targeting high-end customers and traveling business targeting business travelers and conference delegations;

3. Accelerate the progress of the joint project of Guangzhou Baiyun International Convention Center.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the internal control systems of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists 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 audit committee has reviewed the unaudited consolidated interim results of the Company for the six months ended 30 June 2008. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited consolidated interim results for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance by the Group and the Board considers that effective corporate governance makes an important contribution to the corporate success and to enhancing shareholder value.

None of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for any part of the period for the six months ended 30 June 2008.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 3,710 employees as at 30 June 2008. Total staff costs for the Group for the first six-month period, including directors' remuneration, approximately RMB102.24 million.

To enhance the quality, capability and team spirit of our human resources personnel and to fully cope with its business expansion, the Group has organised many professional and comprehensive training programs during the period. The remuneration policies of the Group is reviewed on a regular basis, taking into account the Group' results and market conditions, in order to formulate better incentives and appraisal measures.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct ("**Code of Conduct**") regarding its directors' and supervisors' securities transactions effective from 9 June 2005. Having made specific enquiries of all directors and supervisors of the Company, they have confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30 June 2008.

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008

An interim report for the six months ended 30 June 2008 containing all the information required by Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be despatched to shareholders and published on the website of The Stock Exchange of Hong Kong Limited in due course.

MEMBERS OF THE BOARD

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

By Order of the Board
Guangdong Nan Yue Logistics Company Limited
LU MAO HAO
Chairman of the Board

Guangzhou, the People's Republic of China

17 September 2008

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