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

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

(Stock code: 03399)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS:

- Revenue of the Group in 2008 was approximately RMB7,680,779,000, representing an increase of approximately RMB791,051,000 or 11% over 2007.
- Profit attributable to equity holders of the Company for the year of 2008 was approximately RMB150,099,000, representing a decrease of approximately RMB8,924,000 or 6% over 2007.
- Basic earnings per share for profit attributable to equity holders of the Company for the year of 2008 was RMB0.36 per share.
- The Directors recommend the distribution of a final dividend of RMB0.109 per share (pre-tax) for the year of 2008.

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 (the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as follows.

Consolidated income statement

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000
Revenue	2	7,680,779	6,889,728
Cost of sales	3	(7,024,399)	(6,272,810)
Gross profit		656,380	616,918
Other income		52,468	44,406
Selling expenses	3	(181,768)	(149,769)
Administrative expenses	3	(276,051)	(230,174)
Other operating expenses		(1,783)	(4,135)
Operating profit		249,246	277,246
Finance costs	4	(31,101)	(26,439)
Share of results of associates and a joint venture		(507)	3,183
Profit before income tax		217,638	253,990
Income tax expense	5	(49,365)	(72,287)
Profit for the year		168,273	181,703
Attributable to:			
Equity holders of the Company		150,099	159,023
Minority interests		18,174	22,680
		168,273	181,703
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	0.36	0.38
Dividend	7	45,523	47,194

Consolidated balance sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
ASSETS			
Non-current assets			
Fixed assets		298,485	250,543
Leasehold land and land use rights		150,790	146,659
Intangible assets		184,050	193,978
Investment properties		4,864	—
Interests in associates		65,032	68,311
Interest in a joint venture		16,195	15,542
Available-for-sale financial assets		200	200
Deferred income tax assets		29,750	17,230
		749,366	692,463
Current assets			
Inventories		896,577	367,502
Due from customers on construction contracts		155,558	215,349
Trade and other receivables	8	1,854,048	2,344,687
Cash and bank balances		1,121,054	947,553
		4,027,237	3,875,091
Total assets		4,776,603	4,567,554
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		417,642	417,642
Other reserves		336,234	324,498
Retained earnings			
- Proposed final dividend		45,523	47,194
- Others		553,030	465,834
		1,352,429	1,255,168
Minority interests in equity		191,340	181,989
Total equity		1,543,769	1,437,157

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,465	1,168
Trade and other payables	9	157,383	168,525
		158,848	169,693
Current liabilities			
Trade and other payables	9	2,822,609	2,818,831
Current income tax payable		31,377	50,873
Bank borrowings		220,000	91,000
		3,073,986	2,960,704
Total liabilities		3,232,834	3,130,397
Total equity and liabilities		4,776,603	4,567,554
Net current assets		953,251	914,387
Total assets less current liabilities		1,702,617	1,606,850

Consolidated statement of changes in equity

	Note	Attributable to equity holders of the Company			Minority interests	Total equity
		Share capital	Other reserves	Retained earnings		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2007		417,642	312,896	418,678	156,318	1,305,534
Exchange differences - Group		—	(8,096)	—	(1,009)	(9,105)
Net expense recognised directly in equity		—	(8,096)	—	(1,009)	(9,105)
Profit for the year		—	—	159,023	22,680	181,703
Total recognised income and expense for 2007		—	(8,096)	159,023	21,671	172,598
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)
Capital contributions from minority shareholders		—	—	—	4,900	4,900
Others		—	966	—	2,069	3,035
		—	19,698	(64,673)	4,000	(40,975)
Balance at 31 December 2007		417,642	324,498	513,028	181,989	1,437,157

	Note	Attributable to equity holders of the Company			Minority interests	Total equity
		Share capital	**Other reserves**	**Retained earnings**		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2008		417,642	324,498	513,028	181,989	1,437,157
Revaluation gain on investment property transfer - Group		—	2,301	—	1,880	4,181
Exchange differences - Group		—	(7,945)	—	(4,824)	(12,769)
Net expense recognised directly in equity		—	(5,644)	—	(2,944)	(8,588)
Profit for the year		—	—	150,099	18,174	168,273
Total recognised income and expense for 2008		—	(5,644)	150,099	15,230	159,685
Appropriation from retained earnings		—	17,380	(17,380)	—	—
Dividends payable to minority shareholders		—	—	—	(6,851)	(6,851)
Dividend relating to 2007	7	—	—	(47,194)	—	(47,194)
Capital contributions from minority shareholders		—	—	—	972	972
		—	17,380	(64,574)	(5,879)	(53,073)
Balance at 31 December 2008		417,642	336,234	598,553	191,340	1,543,769

1. Summary of significant accounting policies

1.1 *Basis of preparation*

The consolidated financial statements of the Group have been prepared in accordance with 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 and investment properties 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) *Amendment and interpretation effective in 2008 and relevant to the Group's operations*

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK (IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). Adoption of the interpretation resulted in changes in accounting policies on accounting for the service concession arrangements of the Group. The details and impact on the financial statements are described in Note 1.1 (c) below.

(b) *Interpretations effective in 2008 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 2008 but are not relevant to the Group's operations as follows:

- HK(IFRIC) - Int 11, 'HKFRS 2 - Group and treasury share transactions'

- HK(IFRIC) - Int 14, 'HKAS19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'

(c) *Changes in accounting policies*

In prior years, the cost of Tai Ping Interchange under the service concession arrangements were accounted for as fixed assets and were depreciated on a straight-line basis over the periods within which the Group is granted the rights to operate. HK (IFRIC) - Int 12 requires the Group to account for the assets under service concession arrangements under this interpretation from 1 January 2008 onwards.

A right to operate Tai Ping Interchange is granted by local government authorities ("Grantors") and the Group is entitled to receive the fee collection from users of Tai Ping Interchange. In accordance with HK (IFRIC) - Int 12, the Group records Tai Ping Interchange under this service concession as "Intangible assets" on the balance sheet, to the extent that it receives a right to charge users of the public service. The Group accounts for revenue and costs relating to upgrade work under service concession in accordance with HKAS 11 and accounts for revenue and costs relating to operation services under service concession in accordance with HKAS 18. Tai Ping Interchange under service concession is stated at cost less accumulated amortisation and impairment losses. The amortisation is calculated on a straight-line basis over the concession periods of 27 years granted. Where the carrying amount of assets under service concession is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The re-pricing right of Tai Ping Interchange is owned by the Grantors. The Grantors control the residual interest in Tai Ping Interchange at the end of the concession periods. As part of its obligation under service concession arrangements, the Group assumes responsibility for the maintenance and repairs of Tai Ping Interchange it operates.

The changes in accounting policies have been applied retrospectively and resulted in the following financial impact to the Group's financial statements:

	As at 31 December	
	2008	**2007**
	RMB'000	*RMB'000*
Increase in intangible assets	177,616	187,216
Decrease in fixed assets	177,616	187,216

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 is 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

The segment results, capital expenditure and other segment information for the year ended 31 December 2008 and the segment assets and liabilities at 31 December 2008 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	6,357,128	398,070	574,662	252,023	125,904	—	7,707,787
Inter-segment revenue	(17,017)	(130)	(9,861)	—	—	—	(27,008)
	6,340,111	397,940	564,801	252,023	125,904	—	7,680,779
Segment results	95,438	53,798	14,152	31,966	102,915	(49,023)	249,246
Finance costs							(31,101)
Share of results of associates and a joint venture							(507)
Profit before income tax							217,638
Income tax expense							(49,365)
Profit for the year							168,273
Depreciation	7,018	23,126	4,717	24,581	—	3,559	63,001
Amortisation	3,313	1,475	106	792	9,790	720	16,196
Provision for impairment of inventories	3,677	—	—	—	—	—	3,677
Provision for impairment of construction contracts	—	—	2,694	—	—	—	2,694
Provision for / (reversal of) impairment of receivables	26,805	(467)	(1,404)	43	485	—	25,462

	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	3,089,553	505,736	636,918	297,450	267,853	131,112	4,928,622
Inter-segment	(35,976)	(131,273)	(6,540)	(172)	—	(89,235)	(263,196)
	3,053,577	374,463	630,378	297,278	267,853	41,877	4,665,426
Interests in associates							65,032
Interest in a joint venture							16,195
Available-for-sale financial assets							200
Deferred income tax assets							29,750
Total assets							4,776,603
Total gross segment liabilities	2,296,779	303,793	429,164	38,331	43,673	351,448	3,463,188
Inter-segment	(48,908)	(1,977)	(76,576)	(168)	(4,119)	(131,448)	(263,196)
	2,247,871	301,816	352,588	38,163	39,554	220,000	3,199,992
Current income tax payable							31,377
Deferred income tax liabilities							1,465
Total liabilities							3,232,834
Capital expenditure	7,099	46,449	3,492	43,149	27,354	1,958	129,501

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 (restated):

	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
Segment results	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	—	4,252	61,286
Amortisation	2,925	523	288	804	9,599	595	14,734
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
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

	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*
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

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.

Revenue

	2008 *RMB'000*	**2007** *RMB'000*
Mainland China	7,482,950	6,677,640
Hong Kong	197,829	212,088
	7,680,779	6,889,728

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

Total assets

	2008 *RMB'000*	**2007** *RMB'000*
Mainland China	4,349,831	4,146,480
Hong Kong	273,718	259,221
	4,623,549	4,405,701
Interests in associates	65,032	68,311
Interest in a joint venture	16,195	15,542
Available-for-sale financial assets	200	200
Unallocated assets	71,627	77,800
	4,776,603	4,567,554

Total assets are allocated based on where the assets are located.

Capital expenditure

	2008	2007
	RMB'000	*RMB'000*
Mainland China	92,660	54,343
Hong Kong	36,841	27,633
	129,501	81,976

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

3. **Expenses by nature**

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

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Charging		
Cost of inventories sold	6,151,821	5,427,644
Cost of sales for construction contracts	428,912	399,967
Transportation expense	299,924	278,921
Business tax and other surcharges	51,188	46,157
Depreciation of fixed assets	63,001	61,286
Amortisation of leasehold land and land use rights	3,251	3,250
Amortisation of intangible assets	12,945	11,484
Loss on disposal of fixed assets	—	1,295
Employee benefits expense	232,016	219,624
Operating lease expense	59,383	56,247
Provision for impairment of fixed assets and intangible assets	—	519
Provision for impairment of receivables	25,462	10,829
Provision for impairment of inventories	3,677	—
Provision for impairment of construction contracts	2,694	—
Auditor's remuneration	4,260	3,775
Research and development costs	6,181	5,756

4. **Finance costs**

	2008	2007
	RMB'000	*RMB'000*
Interest expense:		
-bank borrowings	22,204	16,094
-bills payable	8,897	10,345
	31,101	26,439

5. **Income tax expense**

Except for Guangdong Oriental Thought Technology Company Limited ("Guangdong Oriental Thought"), Guangdong Xinyue Communications Investment Company Limited ("Guangdong Xinyue") and Shenzhen Yuegang Transport Company Limited ("Shenzhen Yuegang"), all the other group companies incorporated in Mainland China are subject to Mainland China Corporate Income Tax ("CIT"), which has been calculated on the estimated assessable profit for the year at a rate of 25%. Guangdong Oriental Thought and Guangdong Xinyue are regarded as new high-tech enterprise by the relevant government authorities, and are subject to CIT at a rate of 15%. Shenzhen Yuegang is located in Shenzhen Special Economic Zone and is subject to a preferential tax rate of 18%.

As approved by the relevant tax authorities, Chongqing Aoteng Technology Development Company Limited was entitled to 50% CIT reduction for the year ended 31 December 2008 (2007: 50% CIT reduction). Such beneficial treatments were granted to newly incorporated companies under the relevant tax regulations.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the year at a rate of 16.5% (2007: 17.5%).

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

	2008	**2007**
	RMB'000	*RMB'000*
Current income tax		
- Hong Kong profits tax	161	202
- Mainland China current CIT	61,398	77,953
Deferred income tax	(12,194)	(5,868)
Income tax expense	49,365	72,287

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.

	2008	**2007**
Profit attributable to equity holders of the Company (RMB'000)	150,099	159,023
Weighted average number of ordinary shares in issue (thousands)	417,642	417,642
Basic earnings per share (RMB per share)	0.36	0.38

There were no dilutive potential shares during the year.

7. **Dividend**

The dividends paid in 2008 and 2007 were RMB47,194,000 (RMB0.113 per share) and RMB45,941,000 (RMB0.11 per share), respectively.

The directors of the Company (the "Directors") recommend the payment of a final dividend of RMB0.109 per ordinary share (pre-tax), totaling approximately RMB45,523,000. Such dividend is to be approved by the shareholders of the Company (the "Shareholders") at the 2008 annual general meeting of the Company (the "AGM") to be held on 19 June 2009. These financial statements do not reflect this dividend payable.

8. **Trade and other receivables**

	2008	**2007**
	RMB'000	*RMB'000*
Trade receivables	502,577	836,556
Bills receivable	17,529	37,528
Other receivables	105,467	127,175
Prepayments	1,050,314	655,929
Amounts due from related parties	178,161	687,499
	1,854,048	2,344,687

The various group companies have different credit policy, dependent on the requirements of the market and the business in which they operates. 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:

	2008	**2007**
	RMB'000	*RMB'000*
Within 3 months	493,560	1,262,036
Over 3 months and within 6 months	30,101	20,861
Over 6 months and within 1 year	22,458	65,409
Over 1 year and within 2 years	61,019	113,646
Over 2 years and within 3 years	54,132	7,548
Over 3 years	14,862	27,120
	676,132	1,496,620

9. **Trade and other payables**

	2008	**2007**
	RMB'000	*RMB'000*
Trade payables	498,539	616,561
Bills payable	1,618,070	1,669,650
Advances from customers	332,910	312,301
Accrued expenses and other payables	243,052	267,439
Amounts due to related parties	287,421	121,405
	2,979,992	2,987,356
Less: Non-current portion	(157,383)	(168,525)
Current portion	2,822,609	2,818,831

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

	2008	**2007**
	RMB'000	*RMB'000*
Within 3 months	455,470	581,611
Over 3 months and within 6 months	12,886	24,788
Over 6 months and within 1 year	31,931	55,443
Over 1 year and within 2 years	26,812	30,482
Over 2 years and within 3 years	10,396	13,496
Over 3 years	22,358	19,087
	559,853	724,907

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31 December 2008, the four main businesses of the Group are categorised as below:

(i) Material logistics services;

(ii) Expressway service zones;

(iii) Transportation intelligence service; and

(iv) Cross-border transportation services.

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

Material logistics services

In 2008, the Group continued to implement professionalised management on materials for production by continuing to implement the integrated supply chain management model, which comprises centralised purchasing, transportation, storage and distribution, to ensure sufficient steels are supplied for 7 expressway projects including Guanghe Expressway, Taiao Expressway, Fokai Expressway expansion, Yunwu Expressway, Shanjie Expressway, Guangzhao Expressway Phase II and Jiangzhao Expressway. The Group also provided steel logistics services for 12 major construction projects in Guangdong, including Guangzhou East Second Ring Expressway, Foshan Liaomei Road, Guanghe Expressway, Guangzhou-Shenzhen-HongKong Railway, Guangzhou - Zhuhai Intercity Railway, Wuguang Passenger Railway, Dongxin Expressway, Route Nos. 4, 5 and 6 of Guangzhou Subway, Chencun Grand Bridge and Shaogan Expressway. As such, the Group has become a leading steel supplier for major construction projects in Guangdong. While the Group attained sustainable sources of revenue, we established our brand reputation in professional construction steel logistics services, and strengthen our high standing in the steel market in Guangdong.

In 2008, the Group placed emphasis on expanding the asphalt business outside Guangdong and won the bids for various projects such as Hubei Daguang North, Hurong West, Jiangxi Ruigan, Chongqing Expressway and Hubei Suiyue, which enhanced the Group's reputation and influence in the asphalt supply industry in the People's Republic of China ("**PRC**").

The Group's cement business grew steadily in 2008. The Group has established good business relationships with major cement producers in Guangdong through the cement supply to the Guangdong Provincial Communication Group Company Limited ("GCGC"), and completed the supply of cement to projects such as Guangzhou - Zhuhai Intercity Railway, Dongxin Expressway and Shaogan Expressway.

Given that China is among the largest cotton producers, consumers and importers in the world, the Group, after due investigation and study, commenced its cotton logistics business in cooperation with other entities on purchase, processing and sale of cotton. Currently, the cotton logistics business is progressing well as planned.

The Group is aware of market fluctuations and responded in time to market changes. In the second half of 2008, as coal prices continued to fall and the coal market changed from seller's market to buyer's market, the Group strategically and timely redirects its focus of coal sales from upstream users to downstream powerful users by soliciting more downstream premium customers, mainly major coal-consuming enterprises such as Guangdong Electric Power and Guangzhou Pearl River Power, while stabilizing and optimising its resource channel. With the wealth of experience and accumulated market relations throughout the years of bulk material trading, the Group entered into coal sale and purchase contracts with a number of large enterprises such as Conch Cement and Jiangsu Jinfeng Cement. The Group also substantially increased the amount of purchase from ports while maintaining the amount of purchase directly from mines. By purchasing coals directly from coal mines at discount and arranging coal storage and transportation, the Group lowered its purchase price of coals and in turn increased its revenue.

In addition, the Group intensified its efforts to boost the construction of logistics infrastructures. Currently, the construction of the warehouse in the Dongguan storage and transportation centre project has commenced, and is expected to commence operation in the second quarter of 2009.

Expressway service zones

In 2008, in face of complicated economic environment in mainland China, the service zones overcame difficulties to maintain steady growth by actively expanding its markets and businesses, strengthening professionalised management and investment solicitation. In addition to developing its businesses, the Group has won great reputation in the community by proactively undertaking social responsibilities to help people who were affected by the snowstorm on their way home in services zones along the Jingzhu Expressway and to assist in the torch relay of the Beijing Olympics in Houmen service zone of the Shenshan Expressway.

In respect of improving merchandise retail network, the Group further strengthened the standardised distribution management and improved its delivery capability. It further strengthened marketing management and increased revenue by attracting customers to its outlets and promoting sales of new goods. It also increased the revenue from franchising by further exploiting new markets and enhancing investment solicitation for projects in relation to featured products.

In respect of improving the food and beverage network, the Group has completed the standardisation of fast food, thus, enhancing the monitoring and management in every aspect, which not only ensured the food quality and food safety, but also reduced cost and increased gross profit margin. In addition, the Group improved both customers' satisfaction and revenue by expanding unique food and beverage market and introducing outlets with local specialties.

In respect of improving the vehicle maintenance network, in addition to operating vehicle maintenance business independently, the Group made innovations in operation philosophy by promoting investment solicitation, implementing internal subcontracting and introducing franchisees, as a result, achieved satisfactory economic benefits.

In respect of improving the investment solicitation network, in order to improve auxiliary services in service zones, to exploit the value of commercial resources in service zones and to increase the overall economic benefits of service zones, the Group established an investment solicitation team for service zones to conduct planning, introduction, negotiation, coordination and guidance on investment solicitation, initiated negotiations with fast food chains including KFC and McDonald's to solicit investments, completed the introduction of 12 projects involving food and beverages, featured products and vehicle maintenance, and achieved satisfactory economic benefits.

In respect of improving the property management, the Group enhanced the maintenance of roads, fields, water and electricity, pollutant discharge facilities and parking lots, and reduced the management costs in service zones by formulating rules for management of expressway service zones which defined the scope of maintenance for services zones. The Group also, through management consultation, proposed the property management philosophy based on CSE (clean, safe, environment) services to improve the image of service zones as the model of the society.

In respect of the expressways advertising business, the Group made proactive efforts to expand the scale of its advertising business and the planning of construction of advertising posts along expressways, accelerated the expressway advertising network construction process, completed the sorting and rating works for advertising resources in 43 sections of expressways and defined marketing strategies to reinforce tailored marketing.

Transportation intelligence services

In face of increasingly intense competition in the transportation intelligence market, the Group used more efforts in participating in tenders to explore markets, such as in Anhui, Sichuan, Guizhou and Hubei. In 2008, the Group acquired 18 electromechanical projects at a bid price of over RMB400 million in total and 15 transportation projects at a bid price over RMB300 million in total (more than 60% of which were for projects outside Guangdong). The Group also won projects such as the informationization projects of Zhongshan Transportation Group and Yushen Expressway in Shanxi province.

As the Group's projects outside of Guangdong province continue to grow, project management became more difficult. Particularly, the projects in Sichuan were subject to higher risks due to the earthquake in Sichuan. In this regard, the Group formulated elaborate plans to reinforce the comprehensive management of projects, which ensured the timely and quality completion of projects.

In 2008, the Group increased its investment in scientific research projects, determined research areas in light of market conditions and emphasised on the overall projects supervision from project determinations and implementations to inspection and acceptance. The Group's major research and development projects include the toll-by-weight software development and deployment in Northern Guangdong, the lane software upgrade in Eastern Guangdong, the informationization and OA.NET project and the progressive improvement of CMMI. New research and development projects are progressing well. The Group is conducting preliminary demand research and feasibility analysis for both the "Building Materials Trading Platform" and the "Network Training Platform", which are progressing as planned.

Cross-border transportation services

The cross-border transportation services encountered a number of adverse factors in 2008, such as the increase in fuel oil price, the impact from the commencement of operation of Lok Ma Chau spur line, the global financial tsunami and increasingly

intensive competition. The Group adopted various measures to overcome these difficulties, strengthened its management and ensured sustainable operation results for the entire year.

In response to market demand, the Group added medium to long distance passenger routes, and adjusted the time of departure, frequency and stops for certain existing medium to long distance routes. The Group also initiated cooperation with established companies to achieve mutual compliment of advantages through industrial cooperation, which helped to increase the Group's market share and improve its operating results.

The Yau Tsim express and Kwun Tong express of the Group suffered considerable impact brought by the commencement of operation of Lok Ma Chau spur line and Shenzhen Bay Port. The Group strengthened its communication with the Yau Tsim Expressway Management Company to sustain its share of route frequencies and increased its vehicle utilisation rate to control the decrease in profits.

In addition, the Group used considerable efforts to reinforce and expand its passenger transportation market in mainland China, mainly by strengthening the operation of Guangxi routes, building a medium and short distance routes transportation network in the Pearl River Delta and expanding customer base with various marketing methods.

Under extremely tough market conditions, the Group's freight transportation business remained stable by retaining existing customers, soliciting for new customers and commencing new business areas such as refrigerated transportation.

Furthermore, the Group strengthened the operation of commercial travelling business. As a result, the commercial vehicle hiring business developed steadily, the commercial express business continued to grow and the capacity in handling tourists increased gradually.

FINANCIAL REVIEW

Turnover

The Group's turnover 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 was also included in the Group's turnover. Turnover for the year

of 2008 amounted to RMB7,681 million (2007: RMB6,890 million), representing an increase of 11.5% as compared to the year of 2007, 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 RMB769 million in 2008.

Turnover Breakdown by Business Segments:

Material logistics services

Material logistics services is the Group's largest source of income. During the year of 2008, the Group's turnover of material logistics services attributed to approximately 82.5% (2007: 80.9%) of the Group's total turnover, which amounted to RMB6,340 million (2007: RMB5,571 million), representing an increase of 13.8%. The increase in turnover was primarily due to the growth in the demand of materials as the expressway projects in the provinces such as Taiao, Guanghe and Yunwu, entered into a stage of pavement construction in the year of 2008, the raise in the steel price and development of coal logistics service business.

Expressway service zones

As at 31 December 2008, the number of the Group's expressway service zones was 46 pairs (2007: 46 pairs). The turnover of expressway service zones attributed to approximately 5.2% (2007: 5.8%) of the Group's turnover, which amounted to RMB398million (2007: RMB401 million), representing a slight decrease as compared to the year of 2007. The decrease was principally due to there being no new service zones operated in the year, which resulted in the decline one-off admission fees income in petrol stations as compared to the year of 2007. However, this impact was offset by the increase in revenue from catering services, convenience stores and advertisements.

Transportation intelligence services

Transportation intelligence services attributed to approximately 7.4% (2007: 7.6%) of the Group's total turnover for the year of 2008, which amounted to RMB565 million (2007: RMB527 million), representing an increase of 7.2%. The increase in revenue as compared to 2007 was mainly attributable to the speeding up of the construction of the newly bid large projects during the year, such as Dianlin in Sichuan and Punan in Fujian, which were affected by the government's implementation of the economic stimulation policies.

Cross-border transportation services

The revenue of the cross-border transportation services for the year of 2008 amounted to RMB252 million (2007: RMB264 million), representing a decrease of 4.5% as compared to that of last year, which amounted to approximately 3.3% (2007: 3.8%) of the Group's total turnover. The decrease in revenue was mainly attributed to, firstly, the continuous decpreciation of Hong Kong Dollars against Renminbi, which reduced the revenue contribution from passengers transportation services brought by measures such as the integration of market resources, co-operation with business counterparts and price hikes, and secondly, the decrease in revenue from freight transportation services compared to that of last year as the Pearl River Delta region was under the pressure from the financial crisis.

Tai Ping Interchange

Approximately 1.6% (2007: 1.8%) of the Group's turnover was derived from Tai Ping Interchange for the year of 2008. The turnover amounted to RMB126 million (2007: RMB127 million), a slight decrease from last year, mainly because the reinforcement and maintenance works of the Tai Ping Interchange and the impact of the financial crisis on the Pearl River Delta region in the second half of the year resulted in decrease in revenue, which offset the increase in revenue of the diverted traffic from the Guangshen Expressway to the Humen Bridge when Guangshen Expressway was under maintenance work in the first half of the year.

Gross profit

The gross profit of the Group in 2008 increased by RMB39 million or 6.4% to RMB656 million (2007: RMB617 million) due to the growth in turnover. Gross profit margin was 8.5%, which was slightly lower than that of 2007 (2007: 9%).

Material logistics services

Gross profit of material logistics services of the year of 2008 attributed to 42.1% (2007: 33.8%) of the Group's total gross profit, representing an increase of 32.8% to RMB276 million (2007: RMB208 million). The gross profit margin was 4.4% (2007: 3.7%). The increase in gross profit was mainly due to firstly, the increase in revenue, and secondly, some projects with a relatively higher gross profit margin.

Expressway service zones

Gross profit of expressway service zones attributed to 17.6% (2007: 20.9%) of the Group's total gross profit for the year of 2008, which amounted to RMB115 million (2007: RMB129 million). Gross profit margin was 29.0% (2007: 32.2%). The decrease in gross profit margin of service zones was mainly due to the decrease in one-off admission fees income at the petrol stations.

Transportation intelligence services

Gross profit of transportation intelligence services attributed to 15.3% (2007: 17.0%) of the Group's total gross profit for the year of 2008, which amounted to RMB100 million (2007: RMB105 million) and was comparable to that of the year of 2007. The gross profit margin decreased to 17.7% as compared to the year of 2007 (2007: 20.0%), primarily due to the fact that most of the projects in the year were conducted in provinces outside the Guangdong province, which faced fierce competition and with higher cost of operations and lower gross profit margin as compared to those conducted within the Guangdong province.

Cross-border transportation services

Gross profit of cross-border transportation services attributed to 8.5% (2007: 10.4%) of the Group's total gross profit for the year of 2008, amounted to RMB56 million (2007: RMB64 million) and represented a decrease of 13.3% from last year. The gross profit margin was 22.2% (2007: 24.4%), which was primarily attributed to the decrease in revenue and the raise in petrol prices that increased transportation costs.

Tai Ping Interchange

Gross profit of Tai Ping Interchange attributed to 16.5% (2007: 17.8%) of the Group's total gross profit for the year of 2008. Gross profit earned by Tai Ping Interchange decreased from RMB110 million in the year of 2007 to RMB108 million, representing a decrease of 1.3% as compared to 2007. Gross profit margin was 86.2% (2007: 86.4%), and was comparable to that for the year of 2007.

Other income

Other revenues of the Group increased to RMB52.468 million (2007: RMB44.406 million) for the year of 2008, representing an increase of 18.2%. The increase was mainly attributed by the compensation revenue of RMB5.4 million arising from providing disaster relief service for Jingzhu Expressway.

Selling expenses

In 2008, the selling expenses of the Group increased to RMB182 million (2007: RMB150 million), representing an increase of 21.4% and accounted for 2.4% of the Group's total turnover. The increase was mainly due to the increase in transportation and loading costs as the logistics services for materials business grew.

Administrative expenses

In 2008, administrative expenses increased by 19.9% to RMB276 million (2007: RMB230 million), mainly due to: firstly, the impairment provision made for the doubtful receivables, inventory and construction contracts; and secondly, due to the increase in employee benefits expense and other charges such as bank charges.

Finance costs

In 2008, the finance costs increased by 17.6% from RMB26.439 million of the year 2007 to RMB31.101 million. The increase was mainly due to the bank borrowings increase as the business of the Group expanded and the increase of the interest rate increased during the year.

Taxation

The effective tax rate in 2008 was 22.7% for the year (2007: 28.5%), representing a decrease as compared to that of the year of 2007. The decrease was primarily due to the adjustment made by the government to the rate of income tax.

Liquidity and capital structure

The Group continues to maintain a robust financial position. As at 31 December 2008, cash and bank balance amounted to RMB1,121 million (2007: RMB948 million). As at 31 December 2008, balance of bill payables was RMB1,618 million (2007: RMB1,670 million); net current assets was RMB953 million (2007: RMB914 million); current ratio was 1.3 times (2007: 1.3 times); and interest covering ratio was 8 times (2007: 11 times).

Cash flows

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

Cash and cash equivalents (net of the effect of exchange) during 2008 are as follows:

	Year ended 31 December	
	2008	**2007**
Cash from/(used in)	*RMB'000*	*RMB'000*
Operating activities	203,907	435,399
Investing activities	(107,965)	(61,428)
Financing activities	75,927	(96,137)
Increase of cash and cash equivalents	171,869	277,834

Operating activities

The net cash flows from operating activities for the year of 2008 amounted to RMB204 million (2007: RMB435 million), representing a decrease of RMB231 million, mainly due to strengthening of working capital management in the year of 2007 by increasing use of bills to extend the payment period, which decreased the cash outflow in that year and such impact diminished in the year of 2008.

Investing activities

Net cash outflow for investing activities in the year of 2008 amounted to RMB107.965 million, mainly comprised (i) RMB34.06 million for acquisition of transportation equipment; (ii) RMB62.331 million for the reinforcement and maintenance works and construction of service area carried out by Tai Ping Interchange and (iii) RMB9.19 million for acquiring of investment properties.

Financing activities

The principal financing activities for the year of 2008 included (i) dividends of RMB47.194 million paid to the Company's shareholders for 2007; (ii) dividends of RMB6.851 million paid to the minority shareholders and (iii) increase in short-term bank loans by RMB129 million as compared to the year of 2007.

Borrowings

As at 31 December 2008, all outstanding bank borrowings of the Group were unsecured short-term bank loans, totaling RMB220 million in total (2007: RMB91 million), representing an increase of RMB129 million compared to last year. This increase was mainly attributed to the expansion of the material logistic business which raised the working capital requirement.

Acquisitions

Save as disclosed in the announcement of the Company dated 18 December 2008 relating to the proposed purchase of the entire equity interest in Guangdong Traffic Engineering Company Limited, as at 31 December 2008, 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 that relate to cross-border transportation services. In 2008, the Group's working capital and liquidity were slightly affected by the fluctuations in currency exchange rate. The Directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and based on its operating needs will adopt proper measures to reduce the Group's currency risk exposures.

Contingent liabilities

As at 31 December 2008, the Group did not have any material contingent liabilities.

OUTLOOK AND STRATEGIES

Driven by the PRC government's policies to further expand domestic demand and boost economic development, construction of expressways in Guangdong province will be greatly accelerated in 2009. Construction of more than 11 expressway projects with a total mileage of 1,080 kilometres is expected to commence in 2009. The Group will seize this development opportunity to expand its material logistics, service zones and transportation intelligence businesses, strengthen internal management and further improve the Group's business and profitability. The main business goals of the Group are:

1. **Material logistics services**

   The Group will take the opportunity arising from the PRC government's policies to increase domestic demand and promote economic development through infrastructure investment, to

   — improve the operational efficiency of the integrated material supply and management mode;

   — actively undertake logistics services for key construction projects of the PRC;

— establish a stable procurement and sales channel for production materials; and

— improve the logistics infrastructures, speed up the construction of asphalt warehouses in the Eastern and Western Guangdong and establish an asphalt logistics network covering Guangdong province.

2. **Expressway service zones**

In 2009, the Group will mainly consummate the following works with continuous construction of the expressway service zones network to achieve economy of scale as its target:

— optimize the service zone operation contracts, improve the construction of infrastructure facilities for the service zones network, carry out CSE management and constantly improve service quality;

— with investment solicitation business as the basis of value creation and convenience shops as the source of value enhancement, expand the service zone network and improve its core competitiveness;

— participate in the operation of relevant processes of the logistics and supply chain of consumer goods, exert funding advantages and identify new revenue sources;

— implement the target responsibility system management, further promote the construction of vehicles maintenance network and greenery area network and improve its market competitiveness; and

— broaden the operational ideas for the advertising business, strengthen the recycling of advertising resources and construction of advertising posts, establish the rate card pricing system.

3. **Transportation intelligence services**

— further increase the marketing effort and actively undertake transportation intelligence services for key projects;

— increase the investment in scientific research, focus on the development of high-end software and hardware, and build a renowned brand; and

— increase the market share of the electric-engineering maintenance business and reduce maintenance costs and improve maintenance quality through centralized division maintenance.

4. **Cross-border transportation services**

— consolidate existing passenger transportation routes of medium and long distances and build "golden routes" and further improve operation carriage rate through streamlined management, flexible operational strategies and strengthened industry alliance;

— increase resources, develop new routes and increase market share by way of acquisition, merger or contracting operation;

— establish storage bases in light of market demand, transform cargo delivery services from traditional transportation to modern logistics, adjust and introduce new cargo delivery service categories and carry on transportation services using special vehicle models; and

— develop commercial travelling business, improve the capacity to receive travel groups, expand the travelling business with focus on commercial study tours and continue to develop the letting business of commercial vehicles.

OTHER INFORMATION

Interests of Directors and Supervisors in Contracts

None of the Directors or supervisors of the Company ("Supervisors") had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2008.

Closure of Register of Members

The registers of members of the Company will be closed from Tuesday, 19 May 2009 to Friday, 19 June 2009, both days inclusive, during which period no transfer of the shares of the Company will be effected. Holders of H shares and domestic shares of the Company whose names appear on the registers of members of the Company on Monday, 18 May 2009 at 4:30 p.m. are entitled to attend the AGM to be held on Friday, 19 June 2009.

Final Dividend

The Board proposes the payment of a final dividend of RMB0.109 per share (pre-tax) before 31 August 2009 to the Shareholders whose names appear on the register of shareholders of the Company on Monday, 18 May 2009 at 4:30 p.m.. In order to be qualified for the final dividend, all duly completed transfer forms accompanied by

relevant share certificate(s) must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 18 May 2009.

Corporate Governance

Sound corporate governance represents a longstanding objective of the Company. Since the listing of the Company, the Company has made huge efforts in enhancing its standard of corporate governance. The Company, with reference to the Company Law of the PRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the articles of association of the Company and other relevant laws and regulations, as amended from time to time, 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 2008, in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding the Directors' and Supervisors' securities transactions for the year ended 31 December 2008. Having made specific enquiries of all Directors and Supervisors, they have confirmed that they complied with the required standard set out in the Model Code for the year ended 31 December 2008.

Board Committees

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

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "Audit Committee") are, among others, to appoint external auditors, review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. As at 31 December 2008, the Audit Committee, chaired by Mr. Peng Xiaolei, had a total of three members, namely Mr. Peng Xiaolei, Mr. Liu Shaobo and Mr. Huang Guoxuan. The members of Audit Committee 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 2008, and recommended their adoption by the Board. The Audit Committee held three meetings in the year ended 31 December 2008 with an average attendance rate of 78% by each of its members, whereby the Company reported to the Audit Committee the major businesses of the Company and the various management suggestions proposed by the Company's international auditor, PricewaterhouseCoopers. For the year ended 31 December 2008, the Company has been in compliance with the requirements relating to audit committees under Rule 3.21 of the Listing Rules.

REMUNERATION COMMITTEE

The Company has also established a remuneration committee of the Company ("Remuneration Committee") to determine the policies in relation to human resources management, to review the compensation strategies, to determine the remuneration packages of the senior executives and managers, to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The Remuneration Committee consists of one executive Director, Mr. Wang Weibing, and two independent non-executive Directors, Mr. Gui Shaoping and Mr. Liu Shaobo.

During the year ended 31 December 2008, the Remuneration Committee held one meeting.

SUPERVISORY COMMITTEE

The supervisory committee of the Company (the "Supervisory Committee") comprises seven members, four of whom are independent Supervisors while three are Supervisors representing the staff of the Group. The Supervisory Committee is responsible for supervising the Board and its members as well as the senior management of the Company, so as to safeguard the interests of the Shareholders. For the year ended 31 December 2008, the Supervisory Committee examined the financial position and the legal compliance of the operations of the Company and conducted the due diligence review of the senior management of the Company through convening Supervisory Committee's meetings and attending the Board meetings, and general meetings of the Company, as well as undertaking its duties in a proactive and diligent manner under the principles of due care.

Repurchase, Sale or Redemption of the Company's Shares

During this reporting period, 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 ended 31 December 2008.

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 and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company for the year ended 31 December 2008. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS. Resolutions for re-appointments of PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company will be proposed at the forthcoming Shareholders' annual general meeting.

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 of Hong Kong Limited (the "Stock Exchange") (http://www.hkex.com.hk). An annual report for the year ended 31 December 2008 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the website of the Stock Exchange in due course.

By order of the Board of
Guangdong Nan Yue Logistics Company Limited
Lu Maohao
Chairman of the Board

Guangzhou, the PRC
17 April 2009

As at the date of this announcement, the Board comprises of Mr. Lu Maohao, Mr. Su Yongdong, Mr. Wang Weibing, Mr. Deng Chongzheng and Mr. Zeng Gangqiang as executive Directors, Mr. Liu Wei, Mr. Lu Yaxing, Mr. Huang Guoxuan, Mr. Cai Xiaoju and Mr. Chen Guozhang as non-executive Directors, and Mr. Gui Shouping, Mr. Liu Shaobo and Mr. Peng Xiaolei as independent non-executive Directors.

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