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 2009

- Revenue of the Group in 2009 was approximately RMB6,209,831,000, representing a decrease of approximately RMB1,470,948,000 or 19% over 2008.
- Loss attributable to equity holders of the Company for the year of 2009 was approximately RMB190,399,000.
- Loss per share attributable to equity holders of the Company for the year of 2009 was RMB0.46 per share.
- The Board of the Company do not recommend the payment of any dividend for the year ended 31 December 2009. On 13 April 2010, the Board of the Company recommend the payment of a first interim dividend for 2010 of RMB0.098 per ordinary share (pre-tax).
- The Board of the Company has decided to adopt a new dividend policy, under which the Company distributes not less than 30% of its profit attributable to equity holders of the Company excluding extraordinary items as dividend for the three years from 2010 to 2012.

The board of directors (the "Board") of Guangdong Nan Yue Logistics Company Limited (the "Company") announced the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as follows.

Consolidated income statement

		Year ended 31 December	
		2009	**2008**
	Note	*RMB'000*	*RMB'000*
Revenue	2	6,209,831	7,680,779
Cost of sales	3	(5,551,655)	(7,024,399)
Gross profit		658,176	656,380
Other income		42,455	52,468
Selling expenses	3	(162,356)	(181,768)
Administrative expenses	3	(733,861)	(276,051)
Other operating expenses		(6,572)	(1,783)
Operating (loss)/profit		(202,158)	249,246
Finance costs	4	(34,468)	(31,101)
Share of results of associates and joint ventures		1,735	(507)
(Loss)/profit before income tax		(234,891)	217,638
Income tax benefit/(expense)	5	57,951	(49,365)
(Loss)/profit for the year		(176,940)	168,273
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(190,399)	150,099
Minority interests		13,459	18,174
		(176,940)	168,273
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	6	(0.46)	0.36
Dividend	7	—	45,523

Consolidated statement of comprehensive income

	Year ended 31 December 2009 *RMB'000*	2008 *RMB'000*
(Loss)/profit for the year	(176,940)	168,273
Revaluation gain on investment properties, net of tax	—	4,181
Exchange differences	(675)	(12,769)
Total comprehensive (loss)/income for the year	(177,615)	159,685
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(190,779)	144,455
Minority interests	13,164	15,230
	(177,615)	159,685

Consolidated balance sheet

		As at 31 December	
		2009	**2008**
	Note	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Fixed assets		360,829	298,485
Leasehold land and land use rights		147,182	150,790
Intangible assets		227,569	184,050
Investment properties		5,834	4,864
Interests in associates		65,156	65,032
Interests in joint ventures		18,906	16,195
Available-for-sale financial assets		200	200
Deferred income tax assets		148,792	29,750
		974,468	749,366
Current assets			
Inventories		320,977	896,577
Due from customers on construction contracts		226,146	155,558
Trade and other receivables	8	1,484,277	1,854,048
Cash and bank balances		1,494,821	1,121,054
		3,526,221	4,027,237
Total assets		4,500,689	4,776,603
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		417,642	417,642
Other reserves		343,110	336,234
Retained earnings			
- Proposed final dividend		—	45,523
- Others		355,375	553,030
		1,116,127	1,352,429
Minority interests in equity		196,281	191,340
Total equity		1,312,408	1,543,769

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		277	1,465
Trade and other payables	9	136,383	157,383
		136,660	158,848
Current liabilities			
Trade and other payables	9	3,011,464	2,822,609
Current income tax payable		40,157	31,377
Bank borrowings		—	220,000
		3,051,621	3,073,986
Total liabilities		3,188,281	3,232,834
Total equity and liabilities		4,500,689	4,776,603
Net current assets		474,600	953,251
Total assets less current liabilities		1,449,068	1,702,617

Consolidated statement of changes in equity

		Attributable to equity holders of the Company			Minority interests	Total
		Share capital	Other reserves	Retained earnings		
	Note	*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
Comprehensive income						
Profit for the year		—	—	150,099	18,174	168,273
Other comprehensive income/(loss)						
Revaluation gain on investment properties, net of tax		—	2,301	—	1,880	4,181
Exchange differences		—	(7,945)	—	(4,824)	(12,769)
Total other comprehensive loss		—	(5,644)	—	(2,944)	(8,588)
Total comprehensive (loss)/income		—	(5,644)	150,099	15,230	159,685
Transactions with owners						
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
Total transactions with owners		—	17,380	(64,574)	(5,879)	(53,073)
Balance at 31 December 2008		417,642	336,234	598,553	191,340	1,543,769
Balance at 1 January 2009		417,642	336,234	598,553	191,340	1,543,769
Comprehensive (loss)/income						
(Loss)/profit for the year		—	—	(190,399)	13,459	(176,940)
Other comprehensive loss						
Exchange differences		—	(380)	—	(295)	(675)
Total comprehensive (loss)/income		—	(380)	(190,399)	13,164	(177,615)
Transactions with owners						
Appropriation from retained earnings		—	7,256	(7,256)	—	—
Dividends payable to minority shareholders		—	—	—	(8,223)	(8,223)
Dividend relating to 2008	7	—	—	(45,523)	—	(45,523)
Total transactions with owners		—	7,256	(52,779)	(8,223)	(53,746)
Balance at 31 December 2009		417,642	343,110	355,375	196,281	1,312,408

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 ("HKICPA"). 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.

The Group has adopted the following new and revised HKFRSs on 1 January 2009.

- Hong Kong Accounting Standard ("HKAS") 7 'Financial Instruments — Disclosures' (Amendment) — effective from 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKAS 1 (Revised) 'Presentation of financial statements' — effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Therefore, the Group presents all owner changes in equity in the consolidated statement of changes in equity whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts the presentation, there is no impact on earnings per share.

- HKFRS 8 'Operating segments' — effective from 1 January 2009. HKFRS 8 replaces HKAS 14 — segment reporting and aligns segment reporting with the requirements of the Statements of Financial Accounting Standards ("SFAS") 131 of the United States, 'Disclosures about segments of an enterprise and relevant information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Since comparative figures for 2008 have been presented in accordance with the basis adopted in internal reporting, a change in the standard does not have any material impact on the Group's financial statements.

1.2 ***Segment reporting***

The management of the Group reviews the Group's internal report in order to assess its performance and allocate resources. The Group's internal reporting is measured in a manner consistent with that in the financial information.

After considering the different nature of the business, the Board identifies five operating segments: material logistics services, expressway service zones, transportation intelligence services, cross-border transportation services and Tai Ping Interchange. Each operating segment provides different products or services.

2. Segment information

Segment information on reporting segments provided to the management for the year ended 31 December 2009 is as follows:

	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*
Revenue							
Segment revenue	4,737,490	415,286	744,635	248,018	110,738	—	6,256,167
Inter-segment revenue	(39,964)	(979)	(5,393)	—	—	—	(46,336)
Revenue from external customers	4,697,526	414,307	739,242	248,018	110,738	—	6,209,831
Operating (loss)/profit	(333,322)	50,955	12,278	23,444	86,013	(41,526)	(202,158)
Depreciation and amortisation	(8,840)	(22,850)	(5,620)	(26,254)	(11,498)	(2,529)	(77,591)
Provision for impairment losses	(473,518)	(1,208)	(3,493)	(39)	—	—	(478,258)
Share of results of associates and joint ventures	—	425	47	(159)	—	1,422	1,735
Income tax benefit/(expense)	102,738	(15,709)	(3,437)	(242)	(21,436)	(3,963)	57,951
Total segment assets	2,270,927	327,554	763,640	322,523	547,586	119,467	4,351,697
Total segment assets include:							
Interests in associates	—	1,668	4,822	28,656	—	30,010	65,156
Interests in joint ventures	—	8,492	—	—	—	10,414	18,906
Additions to non-current assets (other than financial instruments and deferred income tax assets)	87,488	37,832	3,948	30,348	25,922	1,820	187,358
Total segment liabilities	2,397,409	287,676	406,069	29,207	27,486	—	3,147,847

Segment information for the year ended 31 December 2008 is 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							
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)
Revenue from external customers	6,340,111	397,940	564,801	252,023	125,904	—	7,680,779
Operating profit/(loss)	95,438	53,798	14,152	31,966	102,915	(49,023)	249,246
Depreciation and amortisation	(10,332)	(24,601)	(4,823)	(25,372)	(9,790)	(4,279)	(79,197)
Provision for/(reversal of) impairment losses	(30,482)	467	(1,290)	(485)	(43)	—	(31,833)
Share of results of associates and a joint venture	—	667	98	28	—	(1,300)	(507)
Income tax (expense)/ benefit	(15,153)	(19,120)	(3,570)	2,066	(26,147)	12,559	(49,365)
Total segment assets	3,055,614	389,441	637,166	326,092	296,663	41,677	4,746,653
Total segment assets include:							
Interests in associates	—	2,041	4,775	28,815	—	29,401	65,032
Interest in a joint venture	—	9,448	—	—	—	6,747	16,195
Additions to non-current assets (other than financial instruments and deferred income tax assets)	7,099	46,449	3,492	43,149	27,354	1,958	129,501
Total segment liabilities	2,247,871	301,816	352,588	38,163	39,554	220,000	3,199,992

Segment assets are reconciled to total assets as follows:

	2009 *RMB'000*	**2008** *RMB'000*
Total segment assets	4,351,697	4,746,653
Deferred income tax assets	148,792	29,750
Available-for-sale financial assets	200	200
Total assets per consolidated balance sheet	4,500,689	4,776,603

Total of non-current assets are located as follows:

	2009 *RMB'000*	2008 *RMB'000*
Mainland China	686,616	588,956
Hong Kong	138,860	130,460
	825,476	719,416
Deferred income tax assets	148,792	29,750
Available-for-sale financial assets	200	200
Total non-current assets per consolidated balance sheet	974,468	749,366

Segment liabilities are reconciled to total liabilities as follows:

	2009 *RMB'000*	2008 *RMB'000*
Total segment liabilities	3,147,847	3,199,992
Current income tax payable	40,157	31,377
Deferred income tax liabilities	277	1,465
Total liabilities per consolidated balance sheet	3,188,281	3,232,834

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.

	2009 *RMB'000*	2008 *RMB'000*
Revenue		
Mainland China	6,016,557	7,482,950
Hong Kong	193,274	197,829
	6,209,831	7,680,779

Revenues of approximately RMB1,053,902,000 (2008: RMB632,217,000) are derived from external customers within a single group which over 10% of the Group's revenue. These revenues are attributable to segments of material logistics services, expressway service zones and transportation intelligence services.

3. **Expenses by nature**

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

	2009	2008
	RMB'000	*RMB'000*
Charge/(reverse)		
Cost of inventories sold	4,498,153	6,151,821
Cost of sales for construction contracts	605,410	428,912
Transportation expense	286,493	299,924
Business tax and other surcharges	53,684	51,188
Depreciation of fixed assets	62,182	63,001
Amortisation of leasehold land and land use rights	3,085	3,251
Amortisation of intangible assets	12,324	12,945
Loss on disposal of fixed assets and intangible assets	6,840	—
Employee benefits expense	225,015	232,016
Operating lease expense	62,597	59,383
Reversal of provision for impairment of intangible assets	(184)	—
Provision for impairment of receivables (Note)	477,338	25,462
Provision for impairment of inventories	—	3,677
Provision for impairment of construction contracts	1,104	2,694
Auditor's remuneration	3,757	4,260
Research and development costs	9,425	6,181

Note: The amount in 2009 mainly represented impairment provision made for prepayments advanced to the three suppliers in Tangshan, who are not able to fulfil obligations in accordance with the contracts to supply goods to the Group.

4. **Finance costs**

	2009	2008
	RMB'000	*RMB'000*
Interest expense:		
-bank borrowings	19,959	22,204
-bills payable	14,509	8,897
	34,468	31,101

5. **Income tax benefit/(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 20%.

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 2009 (2008: 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%.

The amount of income tax benefit/(expense) credited/(charged) to the consolidated income statement represents:

	2009 *RMB'000*	**2008** *RMB'000*
Current income tax:		
- Hong Kong profits tax	—	(161)
- Mainland China current CIT	(62,275)	(61,398)
Deferred income tax	120,226	12,194
Income tax benefit/(expense)	57,951	(49,365)

6. **(Loss)/Earnings per share**

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

	2009	**2008**
(Loss)/Profit attributable to equity holders of the Company (RMB'000)	(190,399)	150,099
Weighted average number of ordinary shares in issue (thousands)	417,642	417,642
Basic (loss)/earnings per share (RMB per share)	(0.46)	0.36

There were no dilutive potential shares during the years presented.

7. **Dividend**

The dividends paid in 2009 and 2008 were RMB45,523,000 (RMB0.109 per share) and RMB47,194,000 (RMB0.113 per share).

The Board of the Company do not recommend the payment of any dividend for the year ended 31 December 2009. On 13 April 2010, the Board recommend the payment of a first interim dividend for 2010 of RMB0.098 per ordinary share (pre-tax), totaling RMB40,929,000, which is subject to the approval of the shareholders of the Company (the "Shareholders") at the 2009 annual general meeting ("AGM") to be held on 25 June 2010.

8. **Trade and other receivables**

	2009 *RMB'000*	2008 *RMB'000*
Trade receivables	503,179	502,577
Bills receivable	82,834	17,529
Other receivables	127,341	105,467
Prepayments	315,102	1,050,314
Amounts due from related parties	455,821	178,161
	1,484,277	1,854,048

The various companies of the Group have different credit policy, dependent on the requirements of the market 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.

The ageing analysis of the trade receivables (before provision), including those under amounts due from third parties and related parties, is as follows:

	2009 *RMB'000*	2008 *RMB'000*
Within 3 months	380,232	493,560
Over 3 months and within 6 months	111,658	30,101
Over 6 months and within 1 year	70,854	22,458
Over 1 year and within 2 years	57,607	61,019
Over 2 years and within 3 years	25,346	54,132
Over 3 years	47,549	14,862
	693,246	676,132

Provision of approximately RMB53,984,000 has been made for the above trade receivables as at 31 December 2009 (2008: RMB30,711,000).

9. **Trade and other payables**

	2009	2008
	RMB'000	*RMB'000*
Trade payables	793,354	498,539
Bills payable	1,583,579	1,618,070
Advances from customers	243,335	332,910
Accrued expenses and other payables	281,230	243,052
Amounts due to related parties	246,349	287,421
	3,147,847	2,979,992
Less: Non-current portion	(136,383)	(157,383)
Current portion	3,011,464	2,822,609

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

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	710,603	455,470
Over 3 months and within 6 months	41,211	12,886
Over 6 months and within 1 year	53,712	31,931
Over 1 year and within 2 years	24,235	26,812
Over 2 years and within 3 years	15,335	10,396
Over 3 years	23,800	22,358
	868,896	559,853

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31 December 2009, 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 2009, the Group continued to streamline various elements of the logistics supply chain actively and establish a materials supply assurance system for Guangdong Provincial Communication Group Company Limited ("GCGC") projects. The centralized tender for six asphalt supply projects for Taiao Expressway, Guanghe Expressway, Guangzhao Expressway Phase II, Zhanxu Expressway, Shanjie Expressway and South Ring Expressway were completed. And we also undertook material logistics business for 11 GCGC projects in respect of the Yangyang Expressway, Boshen Expressway, Guangqing extension, Guangle Expressway etc., and the professional management status of the Group in materials supply for expressways in Guangdong Province was established.

The Group actively participated in bidding key projects outside the GCGC to expand market business significantly. Successful bids included cement supply for Zengcong Expressway and supply of steel for Guiguang high speed railway. A research and development project on new materials was collaborated with Central South University (中南大學) to cater for market demand. The newly built emulsified asphalt plant with monthly output of 10,000 tonnes passed the assessment by the Ministry of Railway and we became a qualified producer and supplier of emulsified asphalt for high speed railways and successfully bid for Guangzhou - Zhuhai Intercity Railway traffic project as well as the projects of emulsified asphalt supply for Guangzhou-Shenzhen-Hong Kong Railway, strengthening the Group's the integrated capability in material logistics.

The Group accelerated the construction of logistics infrastructures. The Dongguan asphalt warehouse with storage capacity of 54,000 cubic meters was completed in August 2009 and commenced construction. The terminal project relating to the asphalt storage had commenced operation and was expected to be completed by 2010. The improved infrastructure will significantly enhance the material logistics operation capability of the Group.

As announced in the profit warning issued on 15 January 2010, impairment provision has to be made in respect of the significant risk of prepayments made by the Group to three enterprises in Tangshan for purchase of steel. The global financial crisis has a significant adverse impact on their businesses, and in October 2009, ten government departments including the National Development and Reform Commission jointly issued《關於抑制部分行業產能過剩和重複建設引導產業健康發展的若干意見》(Opinions Regarding Restrain on Overcapacity and Duplicated Construction Leading to Healthy Development of Certain Industries) declaring expressly to control overcapacity and duplicated construction in the steel industry. This has made the operation of the three steel enterprises in Tangshan even more difficult. As at 31 December 2009, the total amount owed to the Group by the three enterprises for purchase of steel was approximately RMB482 million. The Company has sent a team to the three enterprises to negotiate debt settlement proposal with them.

Apart from making appropriate impairment provision in respect of the prepayments made by the Group to the three enterprises in Tangshan for purchase of steel, the Company has further improved its efforts in monitoring business contracts and payments and has improved the relevant internal control, approval procedures and business procedures as well as refining the division of responsibilities of the purchasing, sales and finance divisions. The Company has also strengthened the monitoring of all divisions so as to allow them to better perform their roles and increase the Company's governance standard. The Company will also conduct inquiries into the business and financial status of all major suppliers and customers and pay close attention to the operation conditions of suppliers and customers and improve the credit rating system for suppliers and customers. Besides, the Company will strictly select suppliers with good reputation and make different payment arrangements in accordance with the credit ratings of suppliers.

The Company has recently become aware of the fact that certain former relevant personnel of the Group who were in charge of the business with the aforementioned three steel enterprises in Tangshan were under investigation by the relevant authorities. As the above incident is still under investigation, the Company will in due course publish further announcement(s) if it becomes aware of any progress about the above investigation. The Company believes and reiterates the above incident will not have any material impact on the continued operations of the Company.

Expressway service zones

In 2009, the Group actively capitalized on its service zone network, expanded the operational concepts and exploited the potential of investment solicitations, hence a stable growth trend was maintained and secured good economic benefits.

The Group utilized the economic advantages of petrol stations fully to built up resources and realized new growth in the operating results of petrol stations by establishing the Ruyuan, Guandu, Jiancheng and Kuidong petrol stations.

The Group adjusted the operation strategies positively. Through establishing a good brand image for Guangdong Top-E Expressway Service Zone Company Limited ("Top-E"), Kentucky, a large branded licencsee, was successfully attracted to join the service zone, realizing the operation mode of combining proprietary and licensing operations to optimize and consolidate the resources of the operating network.

The Group made full use of the rich operation management experience of the commodity retail network. By strengthening the control on purchases, introduction of new products, classification planning for commodities and increasing marketing efforts, the commodity retail business had realized better and faster developments.

Based on the operation concepts of commercial real estate, the Group fully utilized the existing resources of the service zones, developed investment solicitation business strongly, and through developing new customers base, launching new business lines (such as "automobile travel world", a tour enquiry project) and adopting flexible investment solicitation strategies, favorable growth in revenue from investment solicitations was achieved.

The Group, through the establishment of the CSE (Cleanliness, Safety and Environment) platform, regulated the service standards, strengthened examinations and inspections and increased the management standard of the service zones continuously. The Group continued to expand the scale of its advertising business, strengthen the integration of advertising resources and the construction of advertising posts. In 2009, 14 road sections with 324 advertising spaces were integrated. Meanwhile, operational concepts were expanded, innovative marketing modes were adopted, marketing was strengthened, proportion of directly-operated advertising customers was increased and advertisement planning and designing capability was improved, economic benefits increased continuously.

Transportation intelligence services

During 2009, the Group expanded its external markets and improved its internal management. While maintaining its existing technical competitive capability and business development trend, the Company's internal management was strengthened. The construction work of more than 20 traffic projects including expressways under construction and newly built were implemented at full force, ensuring sustainable development of the Company's transportation intelligence services.

The Group made active progress in construction projects and completed 4 projects on electromechanical and safety facilities of Duwen Expressway in Sichuan, Ballakan-Mootai Expressway in Guizhou, Baotian Expressway in Gansu and South Ring Line of Huancheng Expressway in Guiyang, ensuring the full operation of key railway projects.

The Group relied on its technological capability to create innovative concepts and completed the construction of the traffic group's expressway control centre, the installation and operation of the weight-based toll collection software system in northern Guangdong, and the unified network toll collection project for the Shenzhen Pearl River Delta region. Among these, the control centre project was an integrated project of control, customer service, traffic information, contingent commanding and adjustment functions, accumulating experience for the Group to expand into new market sectors.

The Group also strengthened its scientific research management and increased its efforts in product research. Projects, such as "automobile model identification system", "IC card cleaning system" and "high definition camera car plate identification system" were established for assessment. And assessment was commenced for projects such as "research and manufacture of integrated traffic information terminals using wind-light complementary power supply" and "electromechanical operation and maintenance management platform system". The projects of electromechanical operation and maintenance management platform system and the unified toll collection system entered into the actual development stage. The development and utilization of such new technologies and new products will create new profit growth points for the Group.

The Group put in great efforts in developing markets outside Guangdong such as Guizhou, Sichuan, Gansu and Guangxi by active participation in bidding market tenders and won more than 10 large scale projects with value above RMB10 million each, including Guangwu Expressway, Erguang Expressway, Beijing-Hong Kong-Macau Expressway, Hong Kong-Zhuhai-Macau Bridge etc., and the successful bidding value exceeded RMB600 million. Our market competitiveness was significantly enhanced and our market share was well maintained.

Cross-border transportation services

In 2009, facing a number of adverse factors, the cross-border transportation services encountered some unprecedented difficulties and challenges, the Group advanced its planning and scientific solution in response by refining the planning for the three key operations in passenger transport, freight business and business travelling business, ensuring the development trend of the cross-border transportation services.

For cross-border passenger transport, medium to long distance passenger routes were thoughtfully designed, and new routes were created on the strengthened basis of the original medium to long distance routes. At the same time, for new routes which had not been launched, operation plans at the local level were prepared well. And efforts were devoted to master the passenger transport in festival seasons, on holidays and during summer vacation. Through scientific scheduling to coordinate frequency arrangement, and additional frequency for sectional transportation, the number of passengers on holidays had reached a new historic peak level, increasing revenue from passenger transportation.

For mainland passenger transportation service, the potential of the stable domestic passenger transportation market was exploited to raise the actual transportation rate for various routes by adopting package tickets and adjusting the frequency schedules. Convenient connecting services for travelers were provided to secure new sources of customers, and negotiations with surrounding provinces of Guangdong were conducted proactively for collaboration in the extension development of existing routes New sources of customer growth were developed continuously with remarkable achievements.

For freight business, collection of market information was strengthened and marketing efforts were increased to develop key customers actively in order to secure solid customers thus ensuring stable operation of the cargo transportation business.

For business travelling business, timely adjustments were made to internal operations and reduced the management chains. Active measures were adopted to consolidate and develop customer segments, while the key focus was developing highlight tours with Hong Kong specialties and business study group tours in order to enhance the profitability of business travel operations.

Tai Ping Interchange

The Group possesses the toll collection right of Tai Ping Interchange. In 2009, the Group carried out enhancement works on Tai Ping Interchange. As a result of the enhancement works and the impact of the financial crisis on the Pearl River Delta, total annual toll income from Tai Ping Interchange decreased by approximately 11.9% from that of last year. However, toll income from Tai Ping Interchange began to increase from September 2009 compared with last year as the economy in Pearl River Delta gradually stablized in the second half of 2009.

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 amounted to RMB6,210 million (2008: RMB7,681 million) (Unless otherwise stated, all amounts mentioned below in this Financial Review are denominated in RMB), representing a decrease of 19% year-on-year, which was mainly attributable to the decrease in the business volume in steels and coals of material logistics services for non-construction projects.

Turnover by business segment:

Material Logistics Services

Material logistics service is the Group's largest source of income. Turnover attained for the year was RMB4,698 million(2008: RMB6,340 million), decreased by 26% and accounted for approximately 75.6% in the total turnover of the Group(2008: 82.5%). Such decrease was mainly attributable to the restructuring of the material logistics services of the Group, by gradually reducing non-project related material logistics services in order to reduce operational risk due to significant fluctuation in material prices caused by the global financial crisis. This effect was offset by the commencement of construction of expressway projects in second half of the year.

Expressway Service Zones

During the year, the number of the Group's expressway service zones was 46 pairs (2008: 46 pairs). The turnover of expressway service zones amounted to RMB414 million (2008: RMB398 million) and accounted for approximately 6.6% (2008: 5.2%) in the Group's total turnover, representing an increase of RMB16 million or approximately 4% as compared to the previous year. The increase in turnover was principally due to the increase in revenue from one-off admission fees and subcontract fees at petrol stations, revenue from investment solicitation and advertising income, which had offset the decrease of petrol volume revenue share and revenue from catering services and convenience stores.

Transportation Intelligence Services

Turnover of transportation intelligence services for the year amounted to RMB739 million (2008: RMB565 million), an increase of 31% from last year, representing 12% (2008: 7.4%) of the Group's total turnover for the year. The increase in revenue was mainly attributable to the effects of the economic stimulation policy of the government and the enlargement in scale and the acceleration of construction of highways in the post-earthquake reconstruction project of Duwen Expressway in Sichuan.

Cross-border Transportation Services

The revenue of the cross-border transportation services for the year was RMB248 million (2008: RMB252 million), representing a decrease of 2% year-on-year, which attributed to approximately 4% (2008: 3.3%) of the Group's total turnover. Such decrease was mainly attributable to the impact of financial crisis in the Pearl River Delta, and lower the prices of passenger and freight transport in order to maintenance the market share.

Tai Ping Interchange

Approximately 1.8% (2008: 1.6%) of the Group's turnover was derived from Tai Ping Interchange for the year. Its turnover amounted to RMB111 million (2008: RMB126 million), representing a decrease of 12% from last year, it was mainly due to the enhancement works of the Tai Ping Interchange and the impact of the financial crisis on the Pearl River Delta region. Turnover from Tai Ping Interchange began to increase from September 2009 compared with last year as the economy in Pearl River Delta gradually stablized in the second half of the year.

Gross profit

As the gross profit from material logistics services increased and the one-off admission fees at petrol stations of the service zones increased during the year as compared to last year. The gross profit of the Group for the year increased by RMB2 million or 0.3% to RMB658 million (2008: RMB656 million) as compared to the previous year. Gross profit margin was 10.60%, which was higher than gross profit margin of 8.55% for the previous year.

Material Logistics Services

Gross profit of material logistics services for the year accounted for 43% (2008: 42%) of the Group's total gross profit, The increase in gross profit margin offset the impact of decrease in turnovers resulted in the increase of gross profit by 2% to RMB283 million (2008: RMB276 million). The gross profit margin was 6.0% (2008:

4.4%). The increase in gross profit margin was mainly attributable to a decrease in the number of non-project related material business items with a relatively lower gross profit margin, as well as a increase in the gross profit margin of asphalt operations and the effect of cost cutting measures.

Expressway Service Zones

Gross profit of expressway service zones accounted for 20% (2008: 18%) in the Group's total gross profit for the year, and amounted to RMB129 million (2008: RMB115 million) increased by 12%. Gross profit margin was 31.2% (2008: 29.0%). The increase in the gross profit margin of service zones was mainly attributable to an increase in the income from one-off admission fees at the petrol stations year-on-year.

Transportation Intelligence Services

Gross profit of transportation intelligence services accounted for 16% (2008: 15%) in the Group's total gross profit for the year, and amounted to RMB107 million (2008: RMB100 million), representing an increase of RMB7 million or 6%. The gross profit margin decreased to 14.4% as compared to the previous year (2008: 17.7%), primarily due to the fact that most of the projects in the year were conducted in provinces outside the Guangdong, which faced fierce competition and with higher cost of operations and lower gross profit margin as compared to those conducted within the Guangdong.

Cross-border Transportation Services

Gross profit of cross-border transportation services accounted for 8% (2008: 9%) in the Group's total gross profit for the year, amounted to RMB50 million (2008: RMB56 million) and represented a decrease of 10% from year-on-year. The decrease was mainly attributable to a decline in revenue. The gross profit margin was 20.2% (2008: 22.2%). The decrease in gross profit margin was primarily attributable to the decrease in revenue the fixed cost remained stable as compared to last year.

Tai Ping Interchange

Gross profit of Tai Ping Interchange decreased 18% from RMB108 million to RMB89 million year-on-year and accounted for 13% (2008: 17%) of the Group's total gross profit. The gross profit margin was 80.4% (2008: 86.2%), representing a decline from the previous year which was mainly caused by a decline in revenue and fixed cost remained stable.

Operating expenses

The Group's operating expenses increased to RMB903 million (2008: RMB460 million), increased by 96%, which was mainly due to the total charge of impairment provision of RMB478 million for the year. Of which, a total provision of RMB435 million was charged for this year in respect of three enterprises in Tangshan for supply of steel. Excluding the provisions made, the operating expenses would approximate that of last year.

Finance costs

Finance costs increased by 10% from RMB31 million last year to RMB34 million this year, mainly due to the increase in the discounting of bills payable. Working capital requirements for the year increased from that of last year. Since the discount rate of bills payable was lower than the interest rate on bank borrowings, the Company has decreased the utilization of bank loans to make payments and used discounted bills payable with lower finance costs during the year. Interest on bank loans decreased from that of last year.

Liquidity and capital structure

As at 31 December 2009, cash and cash equivalents amounted to RMB1,495 million (2008: RMB1,121 million). As at 31 December 2009, the balance of bills payable was RMB1,584 million (2008: RMB1,618 million); net current assets was RMB475 million (2008:RMB953 million); the debt to equity ratio was zero (2008: 16.3%) current ratio was 1.2 times (2008: 1.3 times).

Cash flows

The Group satisfied its requirement for cash in respect of payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities, bank borrowings and proceeds from issue of shares of the Company.

Cash and cash equivalents (net of the effect of exchange) during 2009 are as follows:

	For the year ended 31 December		
	2009	**2008**	**Change**
Cash generated from / (used in)	*RMB'000*	*RMB'000*	
Operating activities	780,015	203,907	283%
Investing activities	(127,626)	(107,965)	18%
Financing activities	(273,746)	75,927	N/A
Cash and cash equivalents increase	378,643	171,869	120%

Operating activities

The net cash flows from operating activities for the year of 2009 amounted to RMB780 million (2008: RMB204 million), representing an increase of RMB576 million. The increase was mainly because the Company further strengthened the management of account receivables and inventories during the year and, in addition to saving finance costs, reduced cash payments and prolonged payment terms by utilizing bill payment in view of the lower discounting rate of bills payable.

Investing activities

Investing activities in 2009 had used RMB128 million, which mainly comprised (i) RMB45 million for investment in the asphalt storage area for material logistics; (ii) RMB19 million for the enhancement works at the Tai Ping Interchange and RMB21 million for construction in the service zones; (iii) RMB27 million for acquiring operating vehicles; (iv) RMB5 million for construction of advertising posts; and (v) RMB2 million for investment in a JV company.

Financing activities

Amounts used in financing activities for the year of 2009 was RMB274 million including (i) dividends of RMB45 million paid to the shareholders for 2008; (ii) dividends of RMB8 million paid to the minority shareholders; and (iii) net repayment of bank borrowings of RMB220 million.

Borrowings

As at 31 December 2009, the Group has no bank borrowings. As at 31 December 2009, the amount of unused banking facilities was RMB2,406 million.

Acquisitions

As at 31 December 2009, the Group has no acquisitions pending for completion.

Post balance sheet date events

On 13 April 2010, the Board of the Company recommended the payment of the first dividend of 2010 of RMB0.098 per share (pre-tax), totally RMB40,929,000. Such dividends are subject to approval by the shareholders at the annual general meeting to be held on 25 June 2010. These financial statements have not reflected such dividends payables.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled by or denominated in RMB, except for the revenue and expenditure that relate to cross-border transportation services. In 2009, the operations of liquidity of the Group were less affected by the fluctuation of foreign exchanges. The Directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the Group's currency risk exposures based on operating needs.

Contingent liabilities

As at 31 December 2009, the Group did not have any material contingent liabilities.

OUTLOOK AND STRATEGIES

In 2010, the PRC government will continue to adopt a proactive fiscal policy and a moderately loose monetary policy and accelerate economic restructuring and push forward the transformation of economic development pattern while maintaining the upward economic trend. Against this background, Guangdong province actively promoted the construction of transportation infrastructures and plans to have length of the expressways open to traffic of 5,000 kilometers in Guangdong by the end of 2010. The length of the expressways open to traffic in Guangdong was approximately 4,035 kilometers by the end of 2009, therefore the construction of expressways in Guangdong will speed up in 2010. As the Group's principal business is closely related to the construction of expressways, the Group will further expand the material logistics services for expressways, broaden the expressway service zone network and further promote integrated operation of service zones, improve the level of transportation intelligence services through technological innovation and actively seek new business development opportunities in 2010, so that the Group's businesses can be better developed in 2010.

1. **Material logistics services**

— strengthen the material supply assurance system to enhance the one-stop supply management efficiency and ensure timely supply of steel, cement and asphalt to key projects;

— active engagement in material logistics services for large infrastructure projects, control operation risk effectively and expand the material logistics services steadily;

— improve the logistics infrastructure, utilize the capacity advantage of the asphalt warehouse in Dongguan Logistics Centre, progress with the construction of the Dongguan warehouse centre terminal and establish an asphalt logistics network; and

— further develop the emulsified asphalt market of high speed railway projects and create a self-owned brand;

2. **Expressway service zones**

— capture the opportunity of a major construction period of expressways, make use of the service zones in newly built projects to create new sources of profit growth;

— excavate petrol stations resources, proceed with the construction of petrol stations and further strengthen our strategic cooperation with Guangdong Petroleum Branch of China Petroleum & Chemical Corporation ("Sinopec Guangdong Company") in operation of petrol stations. Based on historic pricing of petrol stations and estimation of future operation of petrol stations, the Company decided to hand over the 24 pairs of service zone petrol stations of the expressways held by the GCGC as approved by the government authority to Sinopec Guangdong Company for operation for an average consideration of RMB 66 million each by the end of 2015 (specific amount for the respective petrol stations are to be negotiated) and explore models whereby both parties can cooperate with each other in logistics services for petrol and other products;

— explore commercial real estate operation made, strengthen investment solicitation business, implement catering brands licensing projects, actively explore lifestyle information and logistics operations, enhance the overall operation capability of the service zones;

— adopt innovative mode of operation and sales techniques, enhance the operation standards of commodity retail business and strive to improve profitability; and

— actively promote the progress of economies of scale in expressway advertising operations, strengthen advertising resources management and sales management and strive to achieve economic benefits.

3. **Transportation intelligence services**

— intensively develop the mainland market, assure the implementation progress of projects for which we have won the bidding and ensure completion of the construction of such projects;

— the establishment of a control network for expressways through participation in the developments of controlling technological standards for expressways on the basis of the transportation group control centre;

— increase efforts to focus on research and development of projects relating to inter-road network traffic system toll collection, monitoring and control, communications, etc. and to further increase technology competitiveness;

— duly complete technology maintenance work of the transportation intelligence system of expressways to strengthen maintenance service management for enhancing the level of customer satisfaction.

4. **Cross-border transportation services**

— response to market changes actively, formulate a three-year plan for future development and clarify the business development direction;

— accelerate the development of medium and long distance new passenger transportation routes, prepare and plan to use the cross-border quota at Shenzhen Bay Port to grasp market shares;

— strengthen and develop customer base for freight business, accelerate the establishment storage bases, and actively explore a diversified mode of operation for freight business; and

— increase marketing management and strive to achieve breakthrough development in business travelers operations.

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 2009.

Closure of Register of Members

The registers of members of the Company will be closed from Tuesday, 25 May 2010 to Friday, 25 June 2010, 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, 24 May 2010 at 4:30 p.m. are entitled to attend the AGM to be held on 25 June 2010 (Friday).

Dividend

The Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2009. On 13 April 2010, the Board of the Company recommended the payment of the first interim dividend of 2010 of RMB0.098 per ordinary share (before tax), totally RMB40,929,000. Such dividends are subject to approval by the shareholders at the annual general meeting to be held on 25 June 2010.

The Board of the Company has decided to adopt a new dividend policy, under which the Company distributes not less than 30% of its profit attributable to equity holders excluding extraordinary items as dividend for the three years from 2010 to 2012.

Corporate Governance

The Company believes that strict implementation of corporate governance will enhance reliability and transparency, which is in the interests of the Shareholders. Therefore, the Company, in accordance with 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 (the "Articles of Association") and other relevant laws and regulations, 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 2009, 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 2009. 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 2009.

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 , review quarterly, interim and annual results and internal control system of the Group and provide advice and comments to the Board. As at 31 December 2009, the Audit Committee, chaired by Mr. Peng Xiaolei, had a total of three members, namely Mr. Peng Xiaolei, Mr. Liu Shaobo and Mr. Cao Xiaofeng. The members of Audit Committee met regularly with the management and external auditors and reviewed the external audit reports and the annual financial statements of the Group, and made recommendations thereon. It has reviewed the audited financial statements for the year ended 31 December 2009, and recommended their adoption by the Board. 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 2009, the Company has been in compliance with the requirements relating to audit committees under Rule 3.21 of the Listing Rules.

The Audit Committee held three meetings in the year ended 31 December 2009 with an average attendance rate of 78% by each of its members.

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 approve the term of the service contract of the executive Diretors, to assess the performance of the executive Directors, to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The Remuneration Committee consists of one executive Director, Mr. Wang Weibing, and two independent non-executive Directors, Mr. Gui Shaoping and Mr. Liu Shaobo. Mr. Wang Weibing is the chairman of the remuneration committee.

During the year ended 31 December 2009, the Remuneration Committee held one meeting.

SUPERVISORY COMMITTEE

The supervisory committee of the Company (the "Supervisory Committee") comprises seven members, two of whom are independent Supervisors (namely, Ms. Zhou Jiede and Ms. Cheng Zhuo), two are Supervisors appointed by Shareholders (namely, Mr. Chen Chuxuan and Mr. Xiao Li) while three are Supervisors representing the staff of the Group (namely, Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li). The Supervisory Committee is responsible for supervising the Board, Directors as well as the senior management of the Company, so as to prevent them from abusing their power to damage the lawful rights and interests of the Shareholders, the Company and its staff. For the year ended 31 December 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.

During the year ended 31 December 2009, the Supervisory Committee held two meetings.

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 2009.

Pre-emptive Rights

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

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 2009. 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' AGM.

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 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the website of the Stock Exchange in due course.

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

Guangzhou, the PRC
13 April 2010

As at the date of this announcement, the Board comprises of Mr.Liu Hong, Mr.Wang Weibing, Mr. Deng Chongzheng, Mr. Lu Maohao and Mr. Zeng Gangqiang as executive Directors, Mr. Cao Xiaofeng, Mr. Lu Yaxing, Mr. Zhen Renfa, 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".*