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 2010 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	For the six months ended		
	30 June 2010	30 June 2009	Change
	RMB'000	*RMB'000*	
	(unaudited)	*(unaudited)*	
Revenue	**2,777,432**	2,550,468	9%
Profit attributable to equity holders of the Company	**38,569**	22,208	74%
Basic earnings per share	**RMB0.09**	RMB0.05	80%

- The revenue of the Group for the six months ended 30 June 2010 was approximately RMB2,777,432,000, representing an increase of approximately RMB226,964,000 or 9% as compared to the same period in 2009.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2010 was approximately RMB38,569,000, representing an increase of approximately RMB16,361,000 or 74% as compared to the same period in 2009.
- As at 30 June 2010, basic earnings per share was RMB0.09.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.
- On 25 June 2010, the shareholders of the Company at the annual general meeting approved the payment of the first dividend of 2010 of RMB0.098 per ordinary share (pre-tax) or equivalent to RMB0.088 (after-tax).

The board of directors (the "**Board**") of Guangdong Nan Yue Logistics Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the ''**Group**'') for the six months ended 30 June 2010. The unaudited consolidated interim results of the Group have been reviewed by the audit committee of the Company (the "**Audit Committee**"), comprising a majority of independent non-executive directors of the Company.

The unaudited condensed consolidated interim balance sheet of the Group, the unaudited condensed consolidated interim income statement of the Group, the unaudited condensed consolidated interim statement of comprehensive income and the unaudited condensed consolidated interim statement of changes in equity and the explanatory notes 1 to 10 as presented below are extracted from the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2010.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		As at	
	Note	**30 June 2010**	31 December 2009
ASSETS		***Unaudited***	*Audited*
Non-current assets			
Fixed assets		**371,061**	360,829
Leasehold land and land use rights		**145,072**	147,182
Intangible assets		**222,288**	227,569
Investment properties		**5,781**	5,834
Interests in associates		**60,860**	65,156
Interest in joint ventures		**19,237**	18,906
Available-for-sale financial assets		**200**	200
Deferred income tax assets		**156,965**	148,792
		981,464	974,468
Current assets			
Inventories		**347,980**	320,977
Due from customers on construction contracts		**306,534**	226,146
Trade and other receivables	4	**2,061,065**	1,484,277
Cash and bank balances		**930,554**	1,494,821
		3,646,133	3,526,221
Total assets		**4,627,597**	4,500,689

	Note	As at 30 June 2010 *Unaudited*	As at 31 December 2009 *Audited*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**417,642**	417,642
Other reserves		**341,996**	343,110
Retained earnings		**352,808**	355,375
		1,112,446	1,116,127
Non-controlling interests		**185,874**	196,281
Total equity		**1,298,320**	1,312,408
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**277**	277
Trade and other payables	5	**165,642**	136,383
		165,919	136,660
Current liabilities			
Trade and other payables	5	**2,791,526**	3,011,464
Dividend payables	10	**47,106**	—
Current income tax payables		**24,726**	40,157
Bank borrowings	6	**300,000**	—
		3,163,358	3,051,621
Total liabilities		**3,329,277**	3,188,281
Total equity and liabilities		**4,627,597**	4,500,689
Net current assets		**482,775**	474,600
Total assets less current liabilities		**1,464,239**	1,449,068

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	**For the six months ended 30 June 2010 *Unaudited***	30 June 2009 *Unaudited*
Revenue	3	**2,777,432**	2,550,468
Cost of sales	7	**(2,550,461)**	(2,277,776)
Gross profit		**226,971**	272,692
Other income		**10,216**	8,861
Operating expenses	7	**(173,756)**	(229,822)
Operating profit		**63,431**	51,731
Finance costs		**(13,291)**	(14,664)
Share of results of associates and joint ventures		**(1,104)**	(2,338)
Profit before income tax		**49,036**	34,729
Income tax expense	8	**(13,798)**	(11,282)
Profit for the period		**35,238**	23,447
Profit attributable to:			
Equity holders of the Company		**38,569**	22,208
Non-controlling interests		**(3,331)**	1,239
		35,238	23,447
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)	9	**0.09**	0.05
Dividend	10	**40,929**	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	For the six months ended	
	30 June 2010	30 June 2009
	Unaudited	*Unaudited*
Profit for the period	**35,238**	23,447
Other comprehensive income:		
Exchange differences	**(2,196)**	(420)
Total comprehensive income for the period	**33,042**	23,027
Total comprehensive income attributable to:		
Equity holders of the Company	**37,248**	21,978
Non-controlling interests	**(4,206)**	1,049
	33,042	23,027

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
	Note	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
Balance at 1 January 2009		417,642	336,234	598,553	1,352,429	191,340	1,543,769
Total comprehensive income for the six months ended 30 June 2009		—	(230)	22,208	21,978	1,049	23,027
Dividends to the Company's equity holders		—	—	(45,523)	(45,523)	—	(45,523)
Dividends to non-controlling shareholders		—	—	—	—	(6,364)	(6,364)
Appropriation from retained earnings		—	319	(319)	—	—	—
Balance at 30 June 2009		417,642	336,323	574,919	1,328,884	186,025	1,514,909
Balance at 1 January 2010		**417,642**	**343,110**	**355,375**	**1,116,127**	**196,281**	**1,312,408**
Total comprehensive income for the six months ended 30 June 2010		**—**	**(1,321)**	**38,569**	**37,248**	**(4,206)**	**33,042**
Dividends to the Company's equity holders	10	**—**	**—**	**(40,929)**	**(40,929)**	**—**	**(40,929)**
Dividends to non-controlling shareholders		**—**	**—**	**—**	**—**	**(6,201)**	**(6,201)**
Appropriation from retained earnings		**—**	**207**	**(207)**	**—**	**—**	**—**
Balance at 30 June 2010		**417,642**	**341,996**	**352,808**	**1,112,446**	**185,874**	**1,298,320**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected annual earnings.

Standards, amendments and interpretations to standards effective for financial year beginning 1 January 2010 but not currently relevant to the Group's operations

- HKFRS 3 (Revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group does not have business combinations occurred during the period.

- HKFRS 1 (Revised), 'First-time adoption of HKFRSs' is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as the Group is an existing HKFRS preparer.

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group has not made any non-cash distributions.

- HKFRS 1 (Amendment) 'Additional exemptions for first-time adopters' is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual periods on or after 1 July 2009. That is not currently applicable to the Group, as the Group has no hedging activities.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group has no such share-based payment transactions.

- First improvements to HKFRS (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual periods on or after 1 July 2009.

- Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

3. Segment information

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.

Considering different nature of business, the board identifies five operating segments of 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.

Total assets exclude deferred income tax assets and available-for-sale financial assets.

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Unallocated	Group
Six months ended 30 June 2010							
Total revenue	**2,187,661**	**182,996**	**249,558**	**126,528**	**62,239**	**–**	**2,808,982**
Inter-segment revenue	**(28,839)**	**(372)**	**(2,339)**	**–**	**–**	**–**	**(31,550)**
Revenue from external customers	**2,158,822**	**182,624**	**247,219**	**126,528**	**62,239**	**–**	**2,777,432**
Operating profit / (loss)	**38,174**	**6,204**	**(17,443)**	**9,683**	**50,225**	**(23,412)**	**63,431**
Six months ended 30 June 2009							
Total revenue	1,958,220	192,826	244,290	119,827	51,855	–	2,567,018
Inter-segment revenue	(15,444)	–	(1,106)	–	–	–	(16,550)
Revenue from external customers	1,942,776	192,826	243,184	119,827	51,855	–	2,550,468
Operating profit / (loss)	539	21,284	(5,592)	10,180	42,256	(16,936)	51,731
Total assets							
As at 30 June 2010							
Total segment assets	**2,366,103**	**364,317**	**820,311**	**327,735**	**563,668**	**28,298**	**4,470,432**
As at 31 December 2009							
Total segment assets	2,270,927	327,554	763,640	322,523	547,586	119,467	4,351,697

Segment assets are reconciled to total assets as follows:

	As at	
	30 June	31 December
	2010	2009
Total segment assets	**4,470,432**	4,351,697
Deferred income tax assets	**156,965**	148,792
Available-for-sale financial assets	**200**	200
Total assets per balance sheet	**4,627,597**	4,500,689

4. Trade and other receivables

	As at	
	30 June	31 December
	2010	2009
Trade receivables (note a)	**477,974**	546,720
Less: provision for impairment of receivables	**(37,206)**	(43,541)
Trade receivables - net	**440,768**	503,179
Bills receivable	**42,000**	82,834
Other receivables	**228,509**	127,341
Prepayments	**276,480**	315,102
Due from related parties (note b)	**1,073,308**	455,821
	2,061,065	1,484,277

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

The various companies of the Group have different credit policy, dependent on the requirements of their markets and the business in which they operate. For material logistics services business and transportation intelligence services business, certain percentage of the trade receivables is retained by customers as quality assurance and is repaid upon finalisation of the relevant construction projects.

(a) Trade receivables

The ageing analysis of the trade receivables are as follows:

	As at	
	30 June 2010	31 December 2009
Within 3 months	**235,307**	301,607
Over 3 months and within 6 months	**44,146**	107,974
Over 6 months and within 1 year	**121,975**	55,201
Over 1 year and within 2 years	**26,729**	34,301
Over 2 years and within 3 years	**27,395**	20,557
Over 3 years	**22,422**	27,080
	477,974	546,720

(b) Due from related parties

	As at	
	30 June 2010	31 December 2009
Trade receivables	**502,738**	146,526
Less: provision for impairment of receivables	**(10,443)**	(10,443)
Trade receivables - net	**492,295**	136,083
Other receivables	**49,223**	19,183
Less: provision for impairment of receivables	**(1,821)**	(3,088)
Other receivables - net	**47,402**	16,095
Prepayments	**533,611**	303,643
	1,073,308	455,821

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

	As at 30 June 2010	As at 31 December 2009
Within 3 months	**402,329**	78,625
Over 3 months and within 6 months	**37,063**	3,684
Over 6 months and within 1 year	**29,218**	15,653
Over 1 year and within 2 years	**24,118**	23,306
Over 2 years and within 3 years	**7,055**	4,789
Over 3 years	**2,955**	20,469
	502,738	146,526

5. **Trade and other payables**

	As at 30 June 2010	As at 31 December 2009
Trade payables (note a)	**757,327**	793,354
Bills payable	**1,163,406**	1,583,579
Advance from customers	**492,287**	243,335
Accrued expenses and other payables	**354,978**	281,230
Due to related parties (note b)	**189,170**	246,349
	2,957,168	3,147,847
Less: Non-current portion	**(165,642)**	(136,383)
Current portion	**2,791,526**	3,011,464

(a) **Trade payables**

The ageing analysis of the trade payables are as follows:

	As at 30 June 2010	As at 31 December 2009
Within 3 months	**598,158**	676,222
Over 3 months and within 6 months	**30,654**	34,162
Over 6 months and within 1 year	**81,671**	46,771
Over 1 year and within 2 years	**20,584**	10,704
Over 2 years and within 3 years	**9,183**	8,637
Over 3 years	**17,077**	16,858
	757,327	793,354

(b) Due to related parties

	As at	
	30 June 2010	31 December 2009
Trade payables	**174,260**	75,542
Advance from customers	**10,036**	166,210
Other payables	**4,874**	4,597
	189,170	246,349

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

	As at	
	30 June 2010	31 December 2009
Within 3 months	**113,019**	34,381
Over 3 months and within 6 months	**13,556**	7,049
Over 6 months and within 1 year	**14,670**	6,941
Over 1 year and within 2 years	**16,498**	13,531
Over 2 years and within 3 years	**9,569**	6,698
Over 3 years	**6,948**	6,942
	174,260	75,542

6. Bank borrowings

	As at	
	30 June 2010	31 December 2009
Current bank borrowings:		
- Unsecured	**300,000**	—

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

As at 30 June 2010 and 31 December 2009, the Group has the following undrawn banking facilities:

	As at	
	30 June 2010	31 December 2009
Floating rate		
- expiring within one year	**2,978,554**	2,406,240

7. Expenses by nature

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

	For the six months ended	
	30 June 2010	30 June 2009
Charge/(reverse)		
Cost of inventories sold	**2,108,887**	1,868,437
Employee benefits expense	**131,142**	99,194
(Reversal of)/provision for impairment losses	**(6,769)**	35,346
Depreciation and amortisation	**43,106**	38,772

8. Income tax expense

Except for three subsidiaries as mentioned below, all the other group's subsidiaries incorporated in mainland China are subject to Mainland China Corporate Income Tax ("CIT"), which has been calculated on the estimated assessable profit for the period at a rate of 25%. Of the three subsidiaries, two of which are regarded as New-High Technology Enterprise by the relevant government authorities and are subject to CIT at a rate of 15%, and one of which is located in Shenzhen Special Economic Zone and is subject to a preferential tax rate of 22% (2009:20%).

As approved by the relevant tax authorities, one of the subsidiaries in Chongqing was entitled to 50% CIT reduction for the period (2009: 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 period at a rate of 16.5% (2009: 16.5%).

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

	For the six months ended	
	30 June 2010	30 June 2009
Current income tax		
- Mainland China current CIT	**21,634**	22,766
- Hong Kong profits tax	**337**	(92)
Deferred income tax	**(8,173)**	(11,392)
	13,798	11,282

9. Earnings per share

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

	For the six months ended	
	30 June 2010	30 June 2009
Profit attributable to equity holders of the Company	**38,569**	22,208
Weighted average number of ordinary shares in issue (thousands)	**417,642**	417,642
Basic earnings per share (RMB per share)	**0.09**	0.05

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

10. Dividend

	As at	
	30 June 2010	31 December 2009
Payable to the Company's equity holders (Note a)	**40,929**	—
Payable to non-controlling shareholders	**6,177**	—
	47,106	—

(a) No dividend was paid for the year ended 31 December 2009. A first dividend for 2010 of RMB0.098 per ordinary share (pre-tax) totaling RMB40,929,000 has been approved at the annual general meeting on 25 June 2010 (for the six months ended 30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 30 June 2010, the four main businesses of the Group are categorised as below:

(i) material logistics services;

(ii) expressway service zones;

(iii) transportation intelligence services; and

(iv) cross-border transportation services.

Apart from the above businesses, the Group also has a toll collection business at Tai Ping Interchange.

Material logistics services

In the first half of 2010, as expressway construction in Guangdong Province progressed on schedule, the Group actively participated in providing material logistics services for new expressway transportation projects with Guangdong Provincial Communication Group Company Limited ("GCGC"), and at the same time has been actively expanding material logistics services for other major infrastructure projects.

The Group has undertaken material logistics services for various GCGC expressway projects such as Jiangzhao Expressway, Zhanxu Expressway, Nanhuan Expressway and Shanjie Expressway, and at the same time also provided material logistics services for various expressway construction projects outside Guangdong Province such as Mawu Expressway in Hubei. In the first half of 2010, the Group supplied a total of 352,300 tons of steel, 1,135,000 tons of cement, and 93,900 tons of asphalt.

In the first half of 2010, the Group continued to proceed with logistics infrastructure construction. The substantial completion of the asphalt warehouse and related ports in Dongguan, coupled with the asphalt warehouse which had commenced operation in the first half of the year, has significantly strengthened the Group's asphalt logistics business in the Pearl River Delta region.

The Group continued to focus on its asphalt processing business, supplying processed asphalt to the Guangzhou-Zhuhai Intercity Railway and Guangzhou-Shenzhen-Hong Kong Railway emusified asphalt project for which the Group has won the tenders.

Expressway service zones

In the first half of 2010, the Group continued to utilize the advantages of its service zone network and introduced domestic and foreign brands enterprises through investment promotion, further enhancing its corporate image and increasing cost effectiveness.

Based on market demands, the Group strengthened its effort on attracting investment and completed investment negotiations with well-known domestic and overseas catering brands which have planned to enter the service zones in stages. The Group also introduced leisure services projects to improve the operating environment of the service zones and meet the needs of different customers.

The Group actively promoted a bonus-reward membership marketing program, and in particular strengthened marketing efforts on passenger buses running on the expressways by taking various measures to attract passenger buses in order to accumulate a long-term and stable source of customers.

The Group has also hired professional design firms to carry out overall VI (Visual Identity) image design for convenience stores in the service zones. This concept will be implemented in the service zones in stages and is intended to establish the corporate brand of "Le Relay" convenience stores within the service zones.

The Group continued to develop the scale of expressway network advertising, to enhance the recycling and integration of expressway advertising resources together with the construction of advertising posts. Currently there are 28 sections with 718 advertising posts and points in expressway. According to market demand, the Group will cooperate with major clients by way of direct sales, and develop powerful source of new customers to further improve the operational effectiveness of expressway advertising.

Based on the actual situation of the service zones, the Group strengthened its supervision on CSE (cleaning, security and environmental) management of the service zones, established a sound supervision system, and took various measures to further standardize CSE management of the service zones.

Transportation intelligence services

In the first half of 2010, the Group continued to explore markets in Guangdong, Hubei, Shanxi, Fujian, Guizhou and other provinces, and actively participated in market bidding, with contract sums of newly awarded projects exceeding RMB200 million.

As scheduled, the Group promoted its transportation intelligence business for various expressway projects in Guangdong such as Guangzhou-Zhuhai West Line Phrase II and Guangwu Expressway Phrase II, at the same time stepping up the construction of large mechanical and electrical projects outside Guangdong such as the mechanical and electrical engineering project in Yuyi of Chongqing, and the expressway management system in Taiyuan of Shanxi.

In the first half of 2010, the Group continued to perform well in the mechanical and electrical maintenance of expressways. Through standardizing the regional management, maintenance costs have been substantially reduced and the cost effectiveness improved.

Cross-border transportation services

In the first half of 2010, the national economy continued to recover, the Pearl River Delta Region recorded increased import and export trades activities, cross-border transportation services recorded significant growth compared with the same period in 2009; market competition has also become increasingly fierce. The Group adopted a number of responsive measures to ensure the stable development of transport operations based on market demand.

In respect of its cross-border passenger transportation business, the Group made suitable adjustments to the frequency of passenger vehicles and improved operation efficiency by increasing the frequency of passenger vehicles during festivals and holidays. Following medium to long term plans, the Group developed new operational routes and strengthened cooperation with other transportation companies to jointly build passenger routes and secure market shares.

In respect of transport operations, control of operating cost was enhanced. A cooperation agreement was made for the development of a handheld computer ticketing system to reduce the cost of the computer ticketing process. Quality services were provided in order to establish the "Yue Gang" brand.

The Group actively gathered market information, promptly and appropriately adjusted management of freight business, implemented effective delivery of group incentives, consolidated existing customers, and strived to develop new markets and identify new customers to ensure the smooth development of its freight business.

Tai Ping Interchange

The Group has the right to collect fees in the Tai Ping Interchange. In the first half of 2010, the Group has substantially completed the overhaul of the Tai Ping Interchange. Due to the completion of overhaul works and the economic recovery in the Pearl River Delta Region, the revenue from toll collection at Tai Ping Interchange increased approximately 20% in the first half of 2010 as compared with the same period of last year.

Outlook and strategies

In the second half of 2010, China's economy is expected to develop more steadily and continue to recover. There will be positive change in dynamic structure of economic growth which will become more stable and sustainable. The pace of expressway construction within Guangdong Province will remain relatively rapid and as the Group's various business are closely related to expressway construction, the four main businesses of the Group will be further developed.

FINANCIAL REVIEW

TURNOVER

The turnover of the Group mainly derived from four business areas, including material logistics services, transportation intelligence services, expressway service zones operation and cross-border transportation services between Hong Kong and Guangdong Province, the PRC. Revenue from toll collection business at the Tai Ping Interchange was also accounted in the turnover of the Group. Turnover of the Group for the six months ended 30 June 2010 amounted to RMB2,777 million (2009: RMB2,550 million), representing an increase of 9% as compared to the same period in 2009 (unless otherwised specified, the comparative figures shall be the financial information for the six months ended 30 June 2009). Such increase was mainly attributable to the increase in revenue from our material logistics services.

Turnover by business segment

	Six months ended 30 June			
	2010		2009	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Material logistics services	**2,158,822**	**77.7%**	1,942,776	76.2%
Expressway service zones	**182,624**	**6.6%**	192,826	7.6%
Transportation intelligence services	**247,219**	**8.9%**	243,184	9.5%
Cross-border transportation services	**126,528**	**4.6%**	119,827	4.7%
Tai Ping Interchange	**62,239**	**2.2%**	51,855	2.0%
Total	**2,777,432**	**100.0%**	2,550,468	100.0%

Material logistics services

Material logistics services was the largest source of income of the Group. During the first half of the year, the turnover for the material logistics service of the Group amounted to RMB2,159 million (2009: RMB1,943 million), which accounted for 77.7% (2009: 76.2%) of the total turnover of the Group, representing an increase of 11%. The increase in turnover was mainly attributable to (1) the growth of our asphalt operations; (2) the higher materials price during the current period as compared with the same period of last year.

Expressway service zones

As at 30 June 2010, the number of service zones of the Group was 47.5 pairs (2009: 46 pairs). The turnover of expressway service zones of the Group amounted to approximately RMB183 million (2009: RMB193 million), which accounted for approximately 6.6% (2009: 7.6%) of the total turnover of the Group, representing a decrease of RMB10 million or approximately 5% as compared to the same period in 2009. Such decrease was mainly attributable to the decline in one-off admission fee revenue from the petrol station as compared with the same period of last year.

Transportation intelligence services

During the first half of the year, turnover of transportation intelligence services amounted to RMB247 million (2009: RMB243 million), which accounted for an increase of 2% as compared with the same period of last year, representing approximately 8.9%(2009: 9.5%), of the total turnover of the Group. Such increase was mainly attributable to accelerated construction of expressways in Guangdong.

Cross-border transportation services

The turnover from the cross-border transportation services of the Group amounted to RMB127 million (2009: RMB120 million) in the first half of the year, which accounted for approximately 4.6% (2009: 4.7%) of the total turnover of the Group, representing an increase of 6% as compared with the same period in 2009. Such increase was mainly attributable to increase in both passenger and cargo flow volumes as a result of economic recovery after the financial crisis.

Tai Ping Interchange

During the first half of the year, the turnover of the Group from Tai Ping Interchange amounted to RMB62 million (2009: RMB52 million), which accounted for approximately 2.2% (2009: 2.0%) of the total turnover of the Group, representing an increase of 20% as compared to the same period in 2009. Such increase was mainly due to increase in traffic volume for the current period with the completion of the Tai Ping Interchange upgrade project in September 2009 and the economic recovery after the financial crisis, as compared with the same period last year when turnover decreased due to the ongoing Tai Ping Interchange enhancement project and the financial crisis which had an impact on turnover for the Pearl River Delta Region.

GROSS PROFIT

The gross profit of the Group for the first half year amounted to RMB227 million (2009: RMB273 million), representing a decrease of RMB46 million or 17% as compared to the same period in 2009 due to decrease in gross profit of material logistics services and expressway service zones. The gross profit margin of the Group decreased from 10.7% of the same period in 2009 to 8.2%.

Gross profit by business segment

	Six months ended 30 June			
	2010		2009	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Material logistics services	**89,056**	**39.2%**	123,162	45.2%
Expressway service zones	**37,559**	**16.5%**	51,188	18.8%
Transportation intelligence services	**25,626**	**11.3%**	31,725	11.6%
Cross-border transportation services	**22,719**	**10.1%**	22,926	8.4%
Tai Ping Interchange	**52,011**	**22.9%**	43,691	16.0%
Total	**226,971**	**100.0%**	272,692	100.0%

Material logistics services

In the first half of the year, the gross profit from material logistics services of the Group amounted to RMB89 million (2009: RMB123 million), which accounted for 39.2% (2009: 45.2%) of the total gross profit of the Group, representing a decrease of 28% as compared to the same period in 2009. The gross profit margin was 4.1% (2009: 6.3%). The decrease in gross profit was mainly attributable to the delayed construction progress of some projects due to bad weather. The decrease in gross profit margin was mainly attributable to (1) the higher steel prices during the current period as compared with the same period of last year, steel prices had exceeded the price ceiling required for charging to logistics management fee in some projects; (2) the increase in asphalt projects within the province but a decrease in asphalt projects outside the province during the current period, resulting in a decrease in revenue from the logistics delivery services which had a higher gross profit margin.

Expressway service zones

In the first half of the year, the gross profit from expressway service zones of the Group amounted to RMB38 million (2009: RMB51 million), which accounted for 16.5% (2009: 18.8%) of the total gross profit of the Group. The gross profit margin was 20.6% (2009: 26.6%). The decrease in gross profit margin was mainly due to decrease in one-off admission fee revenue of petrol stations in the service zones this period as compared with the same period of last year.

Transportation intelligence services

During the first half of the year, the gross profit from transportation intelligence services of the Group amounted to RMB26 million (2009: RMB32 million), which accounted for 11.3% (2009: 11.6%) of the total gross profit of the Group, representing a decrease of RMB6 million or 19%. The gross profit margin decreased to 10.4% (2009: 13.1%), which was mainly due to the lower gross profit margin of some projects as compared with the same period of last year.

Cross-border transportation services

In the first half of the year, the gross profit from cross-border transportation services of the Group amounted to RMB23 million (2009: RMB23 million), which accounted for 10.1% (2009: 8.4%) of the total gross profit of the Group, which is basically the same as the same period in 2009. The gross profit margin was 18.0% (2009: 19.1%), such decrease was mainly attributable to the increase in cost such as vehicle fuel fees.

Tai Ping Interchange

In the first half of the year, the gross profit from the Tai Ping Interchange operation of the Group, increased by 19% from RMB44 million to RMB52 million, which accounted for 22.9% (2009: 16.0%) of the total gross profit of the Group, representing a decrease as compared with the same period of last year. The gross profit margin was 83.6% (2009: 84.3%), representing a decrease as compared to the same period of last year, mainly attributable to an increase in depreciation costs in the current period as compared with the same period of last year upon the completion of the Tai Ping Interchange enhancement project and the installation of new street lights in the second half of 2009.

Operating expenses

In the first half of the year, the operating expenses of the Group decreased to RMB174 million (2009: RMB230 million), representing a decrease of 24% as compared to the same period of last year. The decrease in operating expenses was mainly attributable to (1) the reversal of provision charged in the amount of RMB7 million during the current year, the provision charged in the same period of last year was RMB35 million; (2) the decrease in materials transportation expenses as compared with the same period of last year due to a decrease in projects outside the province in the current year.

Finance costs

Finance costs decreased to RMB13 million from RMB15 million in the same period of last year, representing a decrease of 9%. The decrease was mainly attributable to the decrease in the use of bank loans by increasing the usage of bills payable of lower financial cost for making payments.

LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2010, cash and cash equivalents of the Group amounted to RMB745 million (2009: RMB437 million). As at 30 June 2010, balance of bills payable amounted to RMB1,163 million (2009: RMB1,067 million); the net current assets of the Group amounted to RMB483 million (2009: RMB874 million); current ratio of the Group was 1.15 times (2009: 1.32 times).

Cash flow

In the first half of the year, 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 and bank borrowings.

As at 30 June 2010, cash and cash equivalents (after deducting the effect of the foreign exchange) were as follows:

Cash and cash equivalents:

	Six months ended 30 June		
	2010	2009	Change
Cash from/(used in)	***RMB'000***	*RMB'000*	
Operating activities	**(827,210)**	(909,368)	-9.0%
Investing activities	**(214,784)**	(95,583)	124.7%
Financing activities	**299,976**	333,636	-10.1%
Decrease in cash and cash equivalents	**(742,018)**	(671,315)	10.5%

Operating activities

The net cash outflow from operating activities amounted to RMB827 million (2009: RMB909 million) in the first half of the year, representing an decrease of RMB82 million, which was mainly attributable to the decrease in the purchase volume of materials for non-projects related material logistics services as compared with the same period of last year.

Investing activities

The net cash used in investing activities of the Group in the first half of the year amounted to RMB215 million, mainly including (i) RMB183 million of time deposits have been charged for an application for a charging order against the defendants' assets under a litigation in the PRC as disclosed in this announcement under section headed "Material Litigation and Arbitration"; (ii) RMB15 million for investment on material logistics asphalt warehouse; (iii) RMB16 million for construction of service zones; (iv) RMB11 million for expenses of the Tai Ping Interchange enhancement project.

Financing activities

The net cash inflow from financing activities amounted to RMB300 million, which was mainly attributable to increase in short term bank borrowing.

Borrowings

As at 30 June 2010, all outstanding borrowings of the Group, which were short-term unsecured bank loans, with a total amount of RMB300 million (2009: RMB560 million), representing a decrease of RMB260 million year-on-year. As at 30 June 2010, the Group had unutilised bank facility of RMB2,979 million.

Acquisitions

As at 30 June 2010, the Group had no acquisitions pending for completion.

Post balance sheet date events

There have not been any significant events affecting the Group which have occurred since 30 June 2010.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in Renminbi, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2010, the working capital and liquidity of the Group 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 Renminbi, and based on its operating needs will adopt proper measures to reduce the currency risk exposures of the Group.

Contingent liabilities

As at 30 June 2010, the Group had no material contingent liabilities.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company and its subsidiaries have not purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance in the Group and the Board considers that effective corporate governance is crucial to the success of a company and to enhance shareholder's value. The Company has adopted and complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited) ("the Listing Rules") during the six months ended 30 June 2010, as its own code on corporate governance practices.

None of the Directors was aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions as set out in the Corporate Governance Code during the six months ended 30 June 2010.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors and Supervisors, on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors and Supervisors, each of the Directors and Supervisors confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2010.

BOARD OF DIRECTORS

The Board was re-elected upon expiration on 25 June 2010. As at 30 June 2010, the Board consisted of thirteen members, including five executive Directors, Mr. Liu Hong (appointed on 10 February 2010 as the Chairman of the Board), Mr. Wang Weibing, Mr. Deng Chongzheng, Mr. Lu Maohao and Mr. Zeng Gangqiang; five non-executive Directors, Mr. Cao Xiaofeng, Mr. Lu Yaxing, Mr. Zheng Renfa, Mr. Cai Xiaoju and Mr. Cai Conghua (first appointed on 25 June 2010 as non-executive Directors) and three independent non-executive Directors, Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The Company has complied with the requirements on the audit committee set out in Rule 3.21 to the Listing Rules during the six months ended 30 June 2010.

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 30 June 2010, the audit committee consisted of three member, Mr. Peng Xiaolei (Chairman), Mr. Liu Shaobuo and Mr. Cao Xiaofeng. The committee reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2010. The auditor of the Company, PricewaterhouseCoopers, also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

The supervisory committee was re-elected upon expiration on 25 June 2010. As at 30 June 2010, the supervisory committee consisted of seven members, two of which were independent Supervisors (namely Ms. Zhou Jiede and Ms. Cheng Zhuo), two of which were shareholder Supervisors (namely Mr. Chen Chuxuan and Ms. Xiao Li) and three of which were Supervisors representing the staff of the Group (namely Mr. Rao Fengsheng, Ms. Li Hui and Ms. Zhang Li).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 3,238 employees as at 30 June 2010. Total staff cost for the Group for the six months ended 30 June 2010, including remuneration of the Directors, amounted to RMB131 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

On 13 April 2010, the Board recommended the payment of the first dividend of 2010 of RMB0.098 per ordinary share (pre-tax) or equivalent to RMB0.088 (after-tax). On 25 June 2010, such proposal was approved by the shareholders of the Company at the annual general meeting. For details please refer to the circular of the Company dated 27 April 2010.

Material Litigation and Arbitration

The Board was aware of the following material litigations involving the Company:

The Company brought a legal proceeding before Guangzhou Intermediate People's Court against Tangshanshi Shuihou Zhagang Yi Chang# (唐山市税後軋鋼一廠), Tangshan Xingye Gongmao Jituan Co., Ltd# (唐山興業工貿集團有限公司) and Tangshanshi Kaipingqu Xingye Zhazhichang# (唐山市開平區興業軋製廠) to recover the sum paid in advance by the Company for purchase of steel products in the amount of RMB472,397,000 due to the Company from the above defendants. The Company has applied to the court for a charging order against the defendants' assets. The Guangzhou Intermediate People's Court has already served the relevant charging order and the writ of summons to the defendants. The Company has made provision amounting to RMB435 million in respect of the prepayments relating to the above litigation in 2009.

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 interim report for the year ended 30 June 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

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

Guangzhou, the People's Republic of China

25 August 2010

As at the date of this announcement, the Board comprises Mr. Liu Hong, Mr. Wang Weibing, Mr. Deng Chongzheng, Mr. Lu Maohao and Mr. Zeng Gangqiang as executive directors of the Company, Mr. Cao Xiaofeng, Mr. Lu Yaxing, Mr. Zheng Renfa, Mr. Cai Xiaoju, and Mr. Cai Conghua as non-executive directors of the Company, and Mr. Gui Shouping, Mr. Liu Shaobuo and Mr. Peng Xiaolei as independent non-executive directors of the Company.

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

\# *English translation denoted for identification propose only.*