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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 03399)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

- Revenue of the Group in 2010 was approximately RMB6,112,214,000, representing a decrease of approximately RMB97,617,000 or 2% over 2009.
- Profit attributable to equity holders of the Company for the year of 2010 was approximately RMB112,002,000.
- Basic earnings per share attributable to equity holders of the Company for the year of 2010 was RMB0.27 per share.
- The Directors recommend the payment of final dividend of 2010 of RMB0.066 per share (pre-tax).

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 2010, together with the comparative figures for the year ended 31 December 2009 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as follows.

Consolidated income statement

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue	2	6,112,214	6,209,831
Cost of sales	3	(5,549,950)	(5,551,655)
Gross profit		562,264	658,176
Other income		28,542	42,455
Selling expenses	3	(114,301)	(162,356)
Administrative expenses	3	(282,350)	(733,861)
Other operating expenses		(6,918)	(6,572)
Operating profit/(loss)		187,237	(202,158)
Finance costs	4	(28,952)	(34,468)
Share of results of associates and joint ventures		2,342	1,735
Profit/(loss) before income tax		160,627	(234,891)
Income tax (expense)/benefit	5	(42,091)	57,951
Profit/(loss) for the year		118,536	(176,940)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		112,002	(190,399)
Non-controlling interests		6,534	13,459
		118,536	(176,940)
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in RMB per share)	6	0.27	(0.46)
Dividends	7	68,489	—

Consolidated statement of comprehensive income

	Year ended 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
Profit/(loss) for the year	118,536	(176,940)
Revaluation gain on investment properties, net of tax	2,843	—
Exchange differences	(8,013)	(675)
Total comprehensive income/(loss) for the year	113,366	(177,615)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	108,842	(190,779)
Non-controlling interests	4,524	13,164
	113,366	(177,615)

Consolidated balance sheet

		As at 31 December		As at 1 January
		2010	**2009**	**2009**
			(Restated)	**(Restated)**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Fixed assets		454,585	404,418	343,258
Leasehold land and land use rights		100,445	103,593	106,017
Intangible assets		220,862	227,569	184,050
Investment properties		18,577	5,834	4,864
Interests in associates		63,893	65,156	65,032
Interests in joint ventures		22,186	18,906	16,195
Available-for-sale financial assets		3,359	200	200
Deferred income tax assets		157,713	148,792	29,750
		1,041,620	974,468	749,366
Current assets				
Inventories		289,859	320,977	896,577
Due from customers on construction contracts		273,344	226,146	155,558
Trade and other receivables	8	1,016,817	1,484,277	1,854,048
Cash and bank balances		1,682,099	1,494,821	1,121,054
		3,262,119	3,526,221	4,027,237
Total assets		4,303,739	4,500,689	4,776,603

		As at 31 December		As at 1 January
		2010	2009	2009
			(Restated)	(Restated)
	Note	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		417,642	417,642	417,642
Other reserves		360,983	343,110	336,234
Retained earnings				
- Proposed final dividend		27,560	—	45,523
- Others		378,510	355,375	553,030
		1,184,695	1,116,127	1,352,429
Non-controlling interests		194,820	196,281	191,340
Total equity		1,379,515	1,312,408	1,543,769
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities		190	277	1,465
Trade and other payables	9	178,803	136,383	157,383
		178,993	136,660	158,848
Current liabilities				
Trade and other payables	9	2,727,761	3,011,464	2,822,609
Current income tax payable		17,470	40,157	31,377
Bank borrowings		—	—	220,000
		2,745,231	3,051,621	3,073,986
Total liabilities		2,924,224	3,188,281	3,232,834
Total equity and liabilities		4,303,739	4,500,689	4,776,603
Net current assets		516,888	474,600	953,251
Total assets less current liabilities		1,558,508	1,449,068	1,702,617

Consolidated statement of changes in equity

		Attributable to equity holders of the Company			Non-controlling interests	Total
		Share capital	Other reserves	Retained earnings		
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 – Group		—	(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 to non-controlling shareholders		—	—	—	(8,223)	(8,223)
Dividends to the Company's equity holders	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

		Attributable to equity holders of the Company			Non-controlling interests	Total
		Share capital	**Other reserves**	**Retained earnings**		
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010		417,642	343,110	355,375	196,281	1,312,408
Comprehensive income						
Profit for the year		—	—	112,002	6,534	118,536
Other comprehensive income /(loss)						
Revaluation gain on investment properties, net of tax		—	1,763	—	1,080	2,843
Exchange differences - Group		—	(4,923)	—	(3,090)	(8,013)
Total comprehensive (loss)/income		—	(3,160)	112,002	4,524	113,366
Transactions with owners						
Appropriation from retained earnings		—	20,378	(20,378)	—	—
Additions in other reserves		—	655	—	212	867
Dividends to non-controlling shareholders		—	—	—	(6,197)	(6,197)
Dividends to the Company's equity holders	7	—	—	(40,929)	—	(40,929)
Total transactions with owners		—	21,033	(61,307)	(5,985)	(46,259)
Balance at 31 December 2010		417,642	360,983	406,070	194,820	1,379,515

1. **Summary of significant accounting policies**

1.1 ***Basis of preparation***

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets 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 2010.

- 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 period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The land interest of the Group that is held for own use is accounted for as fixed assets and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	As at 31 December		**As at 1 January**
	2010	**2009**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Decrease in leasehold land and land use rights	34,625	43,589	44,773
Increase in fixed asstes	34,625	43,589	44,773

Other than the above, other new/revised standards and amendments effective 1 January 2010 are not relevant to the Group's operations and did not have any 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 2010 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	4,552,968	447,195	783,916	261,578	129,360	—	6,175,017
Inter-segment revenue	(53,075)	—	(9,728)	—	—	—	(62,803)
Revenue from external customers	4,499,893	447,195	774,188	261,578	129,360	—	6,112,214
Operating profit/(loss)	75,800	35,630	8,346	16,429	102,263	(51,231)	187,237
Depreciation and amortisation	(11,570)	(32,494)	(5,512)	(28,318)	(12,965)	(1,106)	(91,965)
(Provision for)/reversal of impairment losses	(19,539)	2,682	(4,684)	(5)	—	—	(21,546)
Share of results of associates and joint ventures	—	1,418	(1,556)	121	—	2,359	2,342
Income tax (expense)/benefit	(20,767)	(10,592)	(2,088)	(1,242)	(25,506)	18,104	(42,091)
Total segment assets	1,940,398	392,415	868,056	326,455	577,037	38,306	4,142,667
Total segment assets include:							
Interests in associates	—	2,568	782	28,776	—	31,767	63,893
Interests in joint ventures	—	10,682	—	—	—	11,504	22,186
Additions to non-current assets (other than financial instruments and deferred income tax assets)	32,809	73,749	2,607	30,634	1,259	7,796	148,854
Total segment liabilities	2,013,656	370,038	462,823	33,364	26,683	—	2,906,564

Segment information 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 assets are reconciled to total assets as follows:

	2010 *RMB'000*	2009 *RMB'000*
Total segment assets	4,142,667	4,351,697
Deferred income tax assets	157,713	148,792
Available-for-sale financial assets	3,359	200
Total assets per consolidated balance sheet	4,303,739	4,500,689

Segment liabilities are reconciled to total liabilities as follows:

	2010 *RMB'000*	2009 *RMB'000*
Total segment liabilities	2,906,564	3,147,847
Current income tax payable	17,470	40,157
Deferred income tax liabilities	190	277
Total liabilities per consolidated balance sheet	2,924,224	3,188,281

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.

	2010 *RMB'000*	2009 *RMB'000*
Revenue		
Mainland China	5,902,570	6,016,557
Hong Kong	209,644	193,274
	6,112,214	6,209,831

Total of non-current assets are located as follows:

	2010 *RMB'000*	2009 *RMB'000*
Mainland China	735,904	686,616
Hong Kong	144,644	138,860
	880,548	825,476
Deferred income tax assets	157,713	148,792
Available-for-sale financial assets	3,359	200
Total non-current assets per consolidated balance sheet	1,041,620	974,468

Revenues of approximately RMB2,036,482,000 (2009: RMB1,053,902,000) 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:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Charge/(reverse)		
Cost of inventories sold	4,354,543	4,498,153
Cost of sales for construction contracts	642,212	605,410
Transportation expense	229,961	286,493
Business tax and other surcharges	53,049	53,684
Depreciation of fixed assets	75,800	62,843
Amortisation of leasehold land and land use rights	2,457	2,424
Amortisation of intangible assets	13,708	12,324
Loss on disposal of fixed assets and intangible assets	1,545	6,840
Employee benefits expense	276,655	225,015
Operating lease expense	74,446	62,597
Reversal of provision for impairment of intangible assets	—	(184)
Provision for impairment of receivables (Note a)	15,710	477,338
Provision for impairment of fixed assets	1,354	—
Provision for impairment of construction contracts	4,482	1,104
Auditor's remuneration	4,098	3,757
Research and development costs	7,197	9,425

Note a: The amount in 2009 mainly represented impairment provision made for prepayment advanced to certain steel suppliers who were not able to supply goods to the Group in accordance with the purchase contracts.

4. Finance costs

	2010	2009
	RMB'000	*RMB'000*
Interest expense:		
-bank borrowings	6,270	19,959
-bills payable	22,682	14,509
	28,952	34,468

5. **Income tax expense/(benefit)**

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 22% (2009: 20%).

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 expense/(benefit) charged/(credited) to the consolidated income statement represents:

	2010 *RMB'000*	**2009** *RMB'000*
Current income tax:		
- Hong Kong profits tax	342	—
- Mainland China current CIT	50,755	62,275
Deferred income tax	(9,006)	(120,226)
Income tax expense/(benefit)	42,091	(57,951)

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

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

	2010	**2009**
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	112,002	(190,399)
Weighted average number of shares in issue (thousands)	417,642	417,642
Basic earnings/(loss) per share (RMB per share)	0.27	(0.46)

There were no dilutive potential shares during the years presented.

7. **Dividends**

The first interm dividend relating to 2010 paid was RMB40,929,000 (RMB0.098 per share). The dividend relating to 2008 paid in 2009 was RMB45,523,000 (RMB0.109 per share).

The directors recommend the payment of a final dividend of RMB0.066 per share, totalling approximately RMB27,560,000. Such dividend is subject to approval by the shareholders at the annual general meeting on 8 June 2011. These financial statements do not reflect this dividend payable.

8. **Trade and other receivables**

	2010	**2009**
	RMB'000	*RMB'000*
Trade receivables	350,698	503,179
Bills receivable	32,384	82,834
Other receivables	167,894	127,341
Prepayments	127,721	315,102
Amounts due from related parties	338,120	455,821
	1,016,817	1,484,277

The various companies of the Group have different credit policies, 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:

	2010	**2009**
	RMB'000	*RMB'000*
Within 3 months	365,458	380,232
Over 3 months and within 6 months	95,392	111,658
Over 6 months and within 1 year	73,168	70,854
Over 1 year and within 2 years	35,697	57,607
Over 2 years and within 3 years	27,259	25,346
Over 3 years	46,532	47,549
	643,506	693,246

Provision of approximately RMB41,123,000 has been made for the above trade receivables as at 31 December 2010 (2009: RMB53,984,000).

9. **Trade and other payables**

	2010	2009
	RMB'000	*RMB'000*
Trade payables	721,519	793,354
Bills payable	705,783	1,583,579
Advances from customers	338,256	243,335
Accrued expenses and other payables	366,704	281,230
Amounts due to related parties	774,302	246,349
	2,906,564	3,147,847
Less: Non-current portion	(178,803)	(136,383)
Current portion	2,727,761	3,011,464

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

	2010	2009
	RMB'000	*RMB'000*
Within 3 months	859,519	710,603
Over 3 months and within 6 months	51,580	41,211
Over 6 months and within 1 year	34,093	53,712
Over 1 year and within 2 years	62,773	24,235
Over 2 years and within 3 years	11,207	15,335
Over 3 years	33,502	23,800
	1,052,674	868,896

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31 December 2010, the four main businesses of the Group are categorized as below:

(i) Material logistics services;

(ii) Expressway service zones;

(iii) Transportation intelligence services; and

(iv) Cross-border transportation services.

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

Material logistics services

In 2010, the Group has maintained distinct terms of reference, clear workflow and accurate information for its material logistics services by optimizing the management process and structure as well as enhancing the risk control mechanism. During the year, the cement, steel and asphalt supplied by us were approximately 2,340,000 tonnes, 560,000 tonnes and 310,000 tonnes respectively. As at the end of December 2010, projects for material supply of the Group, including Jiangzhao Expressway, Yangyang Expressway, Zhanxu Expressway, Shanjie Expressway and Nanhuan Expressway, have been delivered on time.

The Group has established a new business model for asphalt products with Jia Fu Centre as the production base in Dongguan and enhanced the maintenance and management of its equipment to ensure all equipment can satisfy the demand of its asphalt logistics business. The ancillary terminal project of Dongguan asphalt warehouse has been substantially completed and trial run is being commenced. The Group's application for environmental protection project of modified asphalt production lines has been approved by the Environmental Protection Bureau of Dongguan, Shatian Branch and was submitted to the Environmental Protection Bureau of Dongguan for further review and approval. The Group is dedicated to establishing a transit base for steel products and asphalt in Guangdong by capitalizing on the advantages of asphalt warehouses and terminals.

The Group has also enhanced the communication and relationship with its suppliers. The Group strived to improve the timely material supply from suppliers by organizing special seminars and conducting events, such as campaign of "Outstanding Manufacturer and Supplier（優秀生產廠家和供應商）".

To further secure a stable material supply, the Group has also established a contingency mechanism, which has played an important role when emergencies occur during the process of material supply. For example, the contingency plan was activated to avoid a delay of material supply when water transportation for concrete was affected by the drought in southwestern China and the production capacity downturn of manufacturers due to the power limits of certain regions.

The Group's material purchase has adopted a standardized management, which can guarantee timely purchase and overall control of risks. The prepayment of purchase has been limited within the cap determined in accordance with the business scale to ensure that capital risks have always been maintained under the control of the Group. As for significant and long term material manufacturers, the Group has conducted on-site inspection 24 hours a day during the term of purchase agreement to monitor the entire purchase process and to make prompt response accordingly.

To better control operating costs, the Group also adjusted its internal audit of material logistics business and the auditing staff conducted audit works in respect of each process.

Expressway service zones

In 2010, as for expressway service zones business, the Group has realized substantial economic effectiveness by enhancing its overall internal management and operation and grasping the opportunity of the rapid growing market of expressway construction.

The petrol station business of the Group has been on an upward track. In particular, the Group and Sinopec Guangdong Company have entered into a cooperation agreement for 24 pairs of petrol stations in expressway service zones in the next five years and a subcontracting agreement for operating petrol stations on new expressways in 2010, securing the economic benefits of petrol stations in the next few years. Moreover, the Group has actively expanded its petrol station business which are not owned by Guangdong Provincial Communication Group Company Limited ("GCGC"), the controlling shareholder of the Company, and has successfully completed a tender and entered into a contract in respect of Shunde petrol station.

The Group has also focused on establishing a brand new image of convenient stores under the brand "Le Relay", laying a solid foundation for expanding its market.

The Group has established a business service platform to attract investments. It has subsequently introduced 40 investment projects throughout the year, including catering chain brands such as "KFC", "Shenzhen Haokoufu（深圳好口福）", "Xiaoyuanman（小圓滿）" and "Zhengongfu（真功夫）".

The Group has duly adjusted the business model of its car maintenance business and broadened its potential by outsourcing certain car maintenance businesses. As such, the Group has recorded a steady growth in its car maintenance business in 2010.

In order to enhance its competitiveness in landscaping business, the Group has taken the initiative in participating in provincial market competition for landscaping as well as exploring markets outside the province where it operated. The Group has completed the landscaping and maintenance projects of four parts of Shaogan Expressway (韶贛高速四標段), Guiyang Monte Carlo phase 1, Jiangzhao Expressway, Hengshishui (the southern part of Beijing-Zhuhai Expressway) (京珠高速南橫石水) and Fogang service zone (佛岡服務區). The Group also proactively participated in the tender of landscaping projects.

The Group has made substantial improvements in respect of commercial land transformation construction business by completing the transformation projects in Liangjinshan (梁金山) and Dongsheng (東升) service zones and commencing the design of Yangjiang (陽江) service zone. The maintenance work of infrastructures has been carried out on schedule and improved the environment for overall operation environment and conditions.

The Group has actively acquired the operating rights of service zones, and has obtained the operating rights of Nan Erhuan Expressway (南二環高速), Yangyang Expressway (陽陽高速), Zhanxu Expressway (湛徐高速) service zone, Phase II of the Guangzhou — Zhuhai West (廣珠西線二期) and Jiangzhao Express (江肇高速) service zone. The Group has also entered into subcontracting agreements in respect of Danzao (丹灶) and Antang (安塘) service zones.

Transportation intelligence services

During 2010, the Group has ensured sustainable development of its transportation intelligence services by integrating its resource and maintaining its existing technical competitiveness.

The Group completed construction projects in a timely manner with satisfactory quality and quantity. In 2010, there were 23 electrical and mechanical projects and nine safety construction projects in progress, among which two electrical and mechanical projects were outside Guangdong and located in Guizhou and Chongqing three safety construction projects were outside Guangdong and located in Chongqing, Anhui and Guizhou; and four Asian Games Transportation projects have been completed as scheduled. As for the management system projects, the Capability Maturity Model Integration ("CMMI") ML3 system was fully implemented in the Hong Kong-Zhuhai-Macau Bridge Project. The system strictly monitored each process of the project and reduced risks and cost of research and development. As the system facilitated the establishment of management model of the project and ensured satisfactory management efficiency, the project was carried out smoothly.

The Group participated in the market tenders actively and won 28 electrical and mechanical projects with a total value of approximately RMB203 million and 11 safety construction projects with a value of approximately RMB235 million, among which nine are located in Guangdong whereas two are outside the province.

The Group strengthened its scientific research management, and has always maintained a technical advantage in the field of transportation intelligence. In order to enhance the management of expressway and to provide technological support for a smooth traffic flow of expressways, the Group has continued the research and development of provincial monitoring network, and completed a comprehensive upgrade and the networking of 291 information panels in 23 sections of expressways. The Group has also completed the upgrade of anti-toll evasion system in northern Guangdong, the networking of the eastern section of Shenzhen-Shantou Expressway and expressways in eastern Guangdong (深汕東粵東), the upgrade and improvement of Green Toll (綠通) in Guangdong and collection of local toll in Zhongshan. The Group has also formulated a software upgrade proposal for the toll of GCGC expressway network, and completed the research and development of IC card management system of western Guangdong to optimize and enhance the management of IC card in various sections and regions.

The Group has accelerated the upgrade of hardware products and improved the existing products, such as automatic card machines, license identification system, portable payment machines and vehicle controllers. Automatic card machines and licence identification system have passed the authorized inspection of quality inspection and testing centre under Ministry of Communications. Character adder (字元疊加器) and canopy lightings have passed the inspection of Guangdong Quality Inspection Institute (廣東省質檢站). Automatic card machines and ID station equipment (標識站設備) have passed the on-site testing of the owner of Guangzhou-Shenzhen Expressway. Products such as chassis of card machines have successfully passed patent certification.

The Group has also strived for the innovation of technology. In respect of project implementation, technical support, upgrade, research and development of products, reporting and conclusion of technology projects and application of intellectual property rights and patents, the Group acquired government-subsidized development projects, such as the project of "the development and implementation of highway network management system for sophisticated road networks (面向複雜路網的高速公路營運管理系統研發與推廣應用)" of the Economic and Information Commission of Guangdong Province, the project of "the technology research and development centre of collection of transport information and major construction in Guangzhou (廣州市交通信息採集與應用重點工程技術研究開發中心)" of the Guangzhou Scientific Information Bureau (廣州市科信局), the project of "the integrated information service platform for toll collection of regional expressway network (區域高速公路聯網收費綜合資訊服務平臺)" of the Department of Communications of Guangdong Province and the project of "the supporting platform of standardized operation and maintenance management of transportation intelligence electrical and mechanical system (智能交通機電系統運維標準化管理服務支撐平臺)" of the Science and Technology Department of Guangdong Province. During 2010, the Group successfully applied for nine new intellectual property rights, including four software copyrights and five patents, to consolidate its leading position in monitoring and regulating technologies within the industry

Cross-border transportation services

For cross-border passenger transportation services, the increasing oil price, deflation of Hong Kong dollar, higher cost and lower freight offered by other companies in 2010 have adversely affected the cross-border passenger transportation services and mainland passenger transportation services. The situation was further aggravated by the temporarily closure and renovation of the Man Kam To Control Point. In the face of the challenging situation, the Group strengthened its management, optimized its business structure and explored new markets.

The Group has won the tender of Austin Road Coach Terminus for three times in a row and has been in charge of the operation of the terminus for 12 years since its opening. Against such a favourable backdrop of sustainable development of cross-border passenger transportation services, the Group secured its favourable position among cross-border passenger transportation corporations.

In respect of passenger transportation services, the Group increased the sales revenue of cross-border passenger transportation services with its innovative management. The Group has further expanded its business by creating new medium-to-long distance passenger routes including Shaoguan, Shunde, Zhuhai, Wuhua and Longchuan, to 32 routes covering 17 cities in the province. The Group has increased the frequency of the existing medium-to-long distance passenger routes and enhanced the management of each route by implementing a new measure of sub-section management to improve the unsatisfactory management as a result of increasing routes. Besides, the Group introduced handheld ticketing machines on a trial basis for travellers' convenience and to prevent counterfeit tickets. The Group also capitalizes on its existing transport resources for strengthening its route operation and developing charter business to diversify it service portfolio.

For freight business, the Group optimized its business structure closely in line with the market trend. It secured a steady development in freight business by active participation in tenders and attracted more long-term and large customers. Among which, customers with turnover of exceeding HK$1 million increased from 6-7 to 11-12 at present. In addition, the Group endeavored to raise the actual transportation rate and focused on the import from Hong Kong, resulting in a more efficient operation for its freight business.

For business travel operation, the Group expanded the sales network to open the market in Shenzhen and successfully obtained the "Fly via Shenzhen" project which contributed to a steady growth in business travel operation. "Fly via Shenzhen" is a major service project launched by the Shenzhen government. Through designating the terminus as an off-site departure lounge of Shenzhen Airport, "Fly via Shenzhen" facilitated the development of the service industry in Shenzhen.

The Motor Transport Company of Guangdong and Hong Kong Limited ("MTC"), a company under the Group and the director unit of the Hong Kong Guangdong Boundary Crossing Bus Association, has strived to maintain the healthy development of the industry. MTC has completed the Report on the Development of Cross-border Transportation Industry (跨境巴士行業發展報告書) and submitted the report to the governments of Hong Kong and Guangdong under the name of Hong Kong Guangdong Boundary Crossing Bus Association. MTC maintained effective communication among the corporations in the association and made significant contributions to the development of the industry.

Tai Ping Interchange

The Group has the right of toll collection at Tai Ping Interchange. In the first half of 2010, the Group has completed the upgrade 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 by 17% in 2010 as compared with the same period 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 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 RMB6,112 million (2009: RMB6,210 million), representing a decrease of 2% over the same period last year, which was mainly because the Group's material logistics services focused on the material supply for construction projects, and continued to suspend the supply of steels and coals for non-construction projects.

Turnover by business segment:

	As at the end of 31 December			
	2010		**2009**	
	RMB'000	*Percentage*	*RMB'000*	*Percentage*
Material logistics	4,499,893	74%	4,697,526	76%
Expressway Service zones	447,195	7%	414,307	6%
Transportation intelligence	774,188	13%	739,242	12%
Cross-border transportation	261,578	4%	248,018	4%
Tai Ping Interchange	129,360	2%	110,738	2%
Total	6,112,214	100%	6,209,831	100%

Material Logistics Services

Material logistics service is the Group's largest source of income. Turnover attained for the year was RMB4,500 million (2009: RMB4,698 million), decreased by 4.2% and accounted for approximately 74% in the total turnover of the Group (2009: 75.6%). Such decrease was mainly attributable to the restructuring of the material logistics services in this year, by gradually reducing non-project related material logistics services and focusing on the material supply for construction projects in Guangdong province in order to reduce operational risk.

Expressway Service Zones

As at 31 December 2010, the number of the Group's expressway service zones was 58 pairs (2009: 46 pairs). The turnover of expressway service zones amounted to RMB447 million (2009: RMB414 million) and accounted for approximately 7% (2009: 6.6%) in the Group's total turnover, representing an increase of RMB33 million or approximately 7.9% 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, and revenue from investment solicitation and landscaping during the year, which had offset the decrease of revenue from catering services as a result of outsourcing catering services.

Transportation Intelligence Services

Turnover of transportation intelligence services for the year amounted to RMB774 million (2009: RMB739 million), an increase of 4.7% from last year, representing 13% (2009: 12%) of the Group's total turnover for the year. The increase in revenue was mainly attributable to expressway construction according to the government policies.

Cross-border Transportation Services

The revenue of the cross-border transportation services for the year was RMB262 million (2009: RMB248 million), representing an increase of 5.5% compared to last year, which attributed to approximately 4% (2009: 4%) of the Group's total turnover. Such increase was mainly attributable to the increased revenue of both freight and passenger transport resulting from the enhanced management and adjustment of the freight transport customer structure in line with the market trend, as well as the modification of existing routes and commencement of new passenger transport route.

Tai Ping Interchange business

Approximately 2% (2009: 1.8%) of the Group's turnover was derived from Tai Ping Interchange for the year. Its turnover amounted to RMB129 million (2009: RMB111 million), representing an increase of 17% from last year. Last year it was adversely affected by the enhancement works of the Tai Ping Interchange and the impact of the financial crisis on the Pearl River Delta region, while the recovery in this year brought an increase in turnover to the level prior to the financial crisis.

Gross profit

As the gross profit from material logistics services decreased and salary expenses of the service zones increased during the year as compared to last year, the gross profit of the Group for the year decreased by RMB96 million to RMB562 million (2009: RMB658 million) as compared to the previous year. Gross profit margin was 9.2%, which was lower than gross profit margin of 10.60% for the previous year.

Gross profit by business segment:

	As at the end of 31 December			
	2010		2009	
	RMB'000	*Percentage*	*RMB'000*	*Percentage*
Material logistics	199,316	36%	283,264	43%
Expressway Service zones	107,830	19%	129,214	20%
Transportation intelligence	107,550	19%	106,522	16%
Cross-border transportation	41,177	7%	50,110	8%
Tai Ping Interchange	106,391	19%	89,066	13%
Total	562,264	100%	658,176	100%

Material Logistics Services

Gross profit of transportation intelligence services accounted for 36% (2009: 43%) in the Group's total gross profit for the year, and amounted to RMB199 million (2009: RMB283 million), representing a decrease of 30%. The gross profit margin decreased to 4.43% (2009: 6%), primarily because the average price of materials increased as compared with last year, and prices of certain materials exceeded the ceiling of logistics management fees of most of the projects in Guangdong province.

Expressway Service Zones

Gross profit of expressway service zones amounted to RMB108 million (2009: RMB129 million) and accounted for approximately 19% (2009: 20%) in the Group's total gross profit, and the gross profit rate was 24.1%(2009: 31.2%). The decrease in gross profit rate of the year was principally due to the increase in the costs of operation for the additional salary expenses.

Transportation Intelligence Services

Gross profit of transportation intelligence services accounted for 19% (2009: 16%) in the Group's total gross profit for the year, and amounted to RMB108million (2009: RMB107 million), representing an increase of RMB1 million. The gross profit margin slightly decreased to13.89% (2009: 14%) as compared with last year, which was primarily due to the fierce competition, resulting in a decrease in the gross profit margin of projects.

Cross-border Transportation Services

Gross profit of cross-border transportation services accounted for 7% (2009: 8%) in the Group's total gross profit for the year, amounted to RMB41 million (2009: RMB50 million) and represented a decrease of 18% compared with last year. The gross profit margin was 15.7% (2009: 20.2%). The decreases in gross profit and gross profit margin were mainly attributable to (i) the intensifying competition in transportation industry; (ii) the rising cost followed by a substantial increase in oil price; (iii) the increase in the vehicle fuel costs, wages and salaries due to additional new operational routes and more frequent runs of vehicles.

Tai Ping Interchange business

Gross profit of Tai Ping Interchange business increased19% from RMB89 million to RMB106 million year on year and accounted for 19% (2009: 13%) of the Group's total gross profit. The gross profit margin was 82.24% (2009: 80.4%), representing a decrease from the previous year which was mainly caused by (i) an increase in turnover due to the economic recovery of the Pearl River Delta; (ii) a relatively stable cost of operations after the completion of the enhancement works at Tai Ping Interchange.

Operating expenses

The Group's operating expenses decreased by 55% to RMB404 million (2009: RMB903 million). An impairment provision of RMB435 million in respect of three steel suppliers in Tangshan was included in the operating expenses last year, without taking account into this effect, the operating expenses for last year would be RMB468 million. Accordingly, the amount for this year represented a decrease of RMB64 million, or 14% as compared to last year. Such decrease was mainly due to the decreases in sales, transportation and storage expenses as a result of the change in the income mix of material logistics services business with a focus on the supply of materials for construction projects within Guangdong Province.

Finance costs

Finance costs decreased by 16% from RMB34 million last year to RMB29 million this year, mainly due to the increasing use of discounted notes with lower finance costs and decrease in bank loans.

Liquidity and capital structure

As at 31 December 2010, cash and cash equivalents amounted to RMB1,682 million (2009: RMB1,495 million). As at 31 December 2010, the balance of bills payable was RMB706 million (2009: RMB1,584 million). Net current assets was RMB517 million (2009: RMB475 million) and the current ratio was 1.2 times (2009: 1.2 times).

Cash flows

The Group satisfied its cash requirement for payment of its obligations under contracts, expansion and development of core business, general working capital and capital expenditure mainly through cash generated from operating activities and bank borrowings.

Cash and cash equivalents, net of the effect of foreign exchange, during 2010 are as follows:

	For the year ended 31 December		
	2010	**2009**	**Change**
Cash generated from/(used in)	*RMB'000*	*RMB'000*	
Operating activities	357,652	780,015	-54%
Investing activities	(298,221)	(127,626)	-134%
Financing activities	(47,126)	(273,746)	83%
Net increase in cash and cash equivalents	12,305	378,643	-97%

Operating activities

The net cash flows from operating activities in 2010 amounted to RMB358 million (2009: RMB780 million), representing an decrease of RMB422 million. The decrease was mainly because in 2009, the Company prolonged payment terms by utilizing bills payment in view of its low interest rate, which has resulted in a significant decrease of cash outflow; while in this year, as the interest rate of discounted bills gradually increased, the proportion of bill payment for material logistics business decreased from 87% of last year to 78%.

Investing activities

Cash used in investing activities in 2010 was RMB298 million, which mainly comprised (i) RMB183 million of time deposits charged for an application for a charging order; (ii) RMB15 million for the enhancement works at the Tai Ping Interchange and RMB47 million for construction of service zones; (iii) RMB23 million for acquiring operating vehicles; (iv) RMB19 million for investment on material logistics asphalt warehouse.

Financing activities

Cash used in financing activities in 2010 was RMB47 million including (i) first interim dividend of RMB41 million paid to the shareholders for 2010; and (ii) dividends of RMB6 million paid to the minority shareholders.

Borrowings

As at 31 December 2010, the Group has no bank borrowings and the Group had unused banking facilities of RMB2,136 million.

Charges on assets

As at 31 December 2010, land use rights with net book amount of RMB89,285,000 (2009: Nil) and a fixed deposit of RMB183 million (2009: Nil) are used for an application for a charging order against the defendants' assets under a litigation in Mainland China.

Acquisitions

As at 30 November 2010, the shareholders of the Company has passed the resolution for the acquisition of equity interest in Guangdong Traffic Engineering Company Limited at the extraordinary general meeting, and the acquisition was not yet completed as at 31 December 2010.

Subsequent events

On 23 March 2011, the Board of the Company recommended the payment of final dividend of 2010 of RMB0.066 per share (pre-tax), aggregating to RMB27,560,000. Such dividends are subject to approval by the shareholders at the annual general meeting to be held on 8 June 2011. 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 from and expenditure of cross-border transportation services. In 2010, the fluctuation of foreign exchanges did not have material effect on the working capital and liquidity of the Group. The Directors believe that the Group has sufficient foreign currency to meet its requirement. 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 2010, the Group did not have any material contingent liabilities.

OUTLOOK AND STRATEGIES

In 2011, with lingering inflation pressure, China will manage to maintain its economic growth at a healthy pace. Emphasis of the fiscal policies will be on the restructuring of the economy while monetary policies will remain at a balanced position to ease the expectation of inflation. According to the Twelfth Five-Year Plan, national expressways and provincial expressways are designated as the core of the expressway construction in Guangdong to facilitate the establishment of a convenient expressway network in the Pearl River Delta Region accessible to every county with reasonable layout and satisfactory services. The Guangdong government targets to have the Guangdong expressways with the length of approximately 5,500 kilometres opened to traffic in 2012. As 2011 is the beginning year of the Twelfth Five-Year Plan, the investment and construction of expressways in Guangdong are expected to continue their rapid development momentum. Nevertheless, the growth will slow down. In 2011, the Group's development targets include: to integrate the existing business segments for capitalizing on their synergy effects and achieving mutual development; and to strive for better asset and operation management.

1. **Material logistics services**

   — Strengthen the professional management of material logistics services business, and enhance the efforts in expanding its market and the collection of market information. It will also actively participate in the material supply for major construction projects in the province to increase its market share.

   — Further facilitate the progress of the construction of the Dongguan warehouse centre. It will continue to optimize the management of asphalt storage and launch the research and development of asphalt processing. It will also strive to commence operation of terminals for the launch of its warehouse, transit and sales businesses.

— Expand its coverage to the industrial steel and wood markets by capitalizing on its logistics base in Dongguan. It will establish an integrated logistics network covering railway, waterway and highway in order to take the logistics business to a new level.

2. **Expressway service zones**

— Carry out the business of petrol stations through efficient planning, construction and licence registration for new petrol stations. It will also excavate petrol station resources to achieve better results.

— Establish a business service platform and an organized market research and analysis system of customer needs in order to facilitate the business planning and reasonable layout of service zones.

— Establish the brand of convenient store, continue to enhance the internal operation capability and promote the brand of "Le Relay". It will also enhance internal professional management of products variety, pricing, promotion, services, procurement and distribution. It will unify brand image for more effective brand promotion. A special team for store expansion will be set up to actively explore the expansion strategy for passenger terminals and business in tier 2 and 3 cities/towns where existing stores will be expanded.

— Develop integrated media resources to promote the establishment of a large-scale expressway advertising network. It will also enhance the system of media agencies and promote the use of sales management system of resources.

— Enhance CSE (Cleanliness, Safety and Environment) management to establish a unified inspection standard and operation guideline of CSE. A circulation mechanism of implementation, supervision, feedback and revision will be set up for the CSE standard system.

— Launch the expansion of new business and identify new profit growing point.

3. **Transportation intelligence services**

— Exert efforts in scientific research and maintain the leading position of information transmission of expressways of the Company in Guangdong and southern China.

— Upgrade the inter-road network toll collection and inter-road network supervision software system based on new inter-road network toll collection and supervision standards.

— Further develop the repair and maintenance service platform for electrical and mechanical systems of expressways. It will also enhance electrical and mechanical maintenance service and traffic information service of expressways to better facilitate expressway construction, operation and maintenance management.

— Carry out business transformation and shift its operation focus from tender projects to electrical and mechanical maintenance projects. By exerting greater efforts in the maintenance projects in the province, its maintenance scale will be expanded.

— Strive to obtain special projects such as electrical and mechanical transformation in the province.

— Enhance the research and development and promotion of its products and software to expand product markets. Aside from establishing an all-round information platform for the businesses of material logistics services and expressway service zones, it will also explore the business of the "Internet of Things" to consolidate and increase its market shares.

4. **Cross-border transportation services**

— Introduce innovative operation model to increase the transportation capacity. It will adjust the operation strategy of short-haul passenger transport to provide transit services for high speed rail and light rail for the avoidance of direct competition. It will also launch routes connecting Hong Kong directly for citizens of Shenzhen or commercial districts to increase short-haul transport business. The feasibility of individual transport and provision of point-to-point service will be examined.

- — Carry out market expansion through the development and expansion of business travel operations and the launch of more new routes. The Austin Road Coach Terminus will be used as a pick up point for travellers using Shenzhen Airport under the "Fly via Shenzhen" project which is a major service project launched by the Shenzhen government. Through designating the terminus as an off-site departure lounge of Shenzhen Airport, this project can effectively expand the business coverage of Shenzhen Airport and will facilitate the development of the service industry of Shenzhen. It will also promote the business of car rental and travel operation of the Group and will be favourable for the coach services provided for the third terminal of Shenzhen Airport.

- — Enhance brand promotion and marketing of the service brand, "Best in Guangdong and Hong Kong (粵港第一家)", by launching corporate image design and completing the design of vision identification ("VI") system.

- — Speed up the application of inter-network ticketing system by capitalizing on the development of handheld ticketing machines in order to facilitate travellers' ticket purchase and reduce counterfeit tickets.

OTHER INFORMATION

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had any 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 2010.

Closure of Register of Members

The registers of members of the Company will be closed from Saturday, 7 May 2011 to Wednesday, 8 June 2011, 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 Friday, 6 May 2011 at 4:30 p.m. are entitled to attend the AGM to be held on Wednesday, 8 June 2011.

Dividends

On 25 June 2010, the Board recommended the payment of the first interim dividend of 2010 of RMB0.098 per share (pre-tax), aggregating to RMB40,929,000. On 23 March 2011, the Board recommended the payment of the final dividend of 2010 of RMB0.066 per share (pre-tax), aggregating to RMB27,560,000. Such dividend is subject to approval by the shareholders at the annual general meeting to be held on 8 June 2011.

Upon approval, the final dividend will be paid to the holders of H shares whose names appear in the H share register of members of the Company on Friday, 6 May 2011. According to the Law on Enterprise Income Tax of the People's Republic of China and its implementing rules which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company. Any H shares registered in the name of the non individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations shall be deemed as shares held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax.

Corporate Governance

The Company believes that stringent corporate governance practices could enhance its credibility and transparency and are in the interests of the Shareholders. Accordingly, the Company has been making continuous efforts in enhancing its standard of corporate governance with reference to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the articles of association of the Company and applicable laws and regulations.

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 year ended 31 December 2010, 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 as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' and Supervisors' securities transactions for the year ended 31 December 2010. 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 2010.

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 2010, the Audit Committee, chaired by Mr. Peng Xiaolei, had a total of three members, namely Mr. Peng Xiaolei, Mr. Liu Shaobuo 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 2010, 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 2010, 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 two meetings in the year ended 31 December 2010 with an average attendance rate of 67% by each of its members.

The audit committee members' attendance records of audit committee meetings in the year ended 31 December 2010 are set out below:

	Meetings attended/held	**Attendance rate**
Peng Xiaolei (Chairman)	2/2	100%
Liu Shaobuo	1/2	50%
Cao Xiaofeng	1/2	50%

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 Shouping and Mr. Liu Shaobuo. Mr. Wang Weibing is the chairman of the Remuneration Committee.

During the year ended 31 December 2010, the Remuneration Committee held one meeting.

The remuneration committee members' attendance records of remuneration committee meetings in the year ended 31 December 2010 are set out below:

	Meetings attended/held	**Attendance rate**
Wang Weibing (Chairman)	1/1	100%
Gui Shouping	1/1	100%
Liu Shaobuo	1/1	100%

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 Ms. 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 2010, 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 2010, the Supervisory Committee held three 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 2010.

Pre-emptive Rights

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

Auditors

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and the PRC auditors of the Company for the year ended 31 December 2010. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS.

For any of the past three years, there was no change to the Company's auditors.

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 2010 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
23 March 2011

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. Cai Conghua 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".*