



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

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

(Stock code: 3399)

ANNOUNCEMENT OF 2007 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

| | For the six months ended | | Change |
|---|--------------------------|------------------------|--------|
| | 30 June 2007 | 30 June 2006 | |
| | RMB'000 (unaudited) | RMB'000 (unaudited) | |
| Turnover | 2,991,802 | 2,151,816 | 39.04% |
| Operating profit | 125,411 | 123,951 | 1.18% |
| Profit before income tax | 113,764 | 118,557 | -4.04% |
| Profit attributable to equity holders of the Company | 70,149 | 71,306 | -1.62% |
| Basic earnings per share | RMB0.17 | RMB0.17 | |

- The Group's revenue for the six months ended 30 June 2007 was RMB2,991,802,000, representing an increase of RMB839,986,000 or 39.04% over the same period in 2006.
- Profits attributable to equity holders of the Company dropped slightly by 1.62% over the same period in 2006 to RMB70,149,000.
- Basic earnings per share was RMB0.17.
- The Board would not recommend the payment of an interim dividend for the six months ended 30 June 2007.

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 2007. The Group's unaudited consolidated interim results have been reviewed by the Company's Audit Committee, comprising a majority of independent non-executive directors of the Company.

The Group's unaudited condensed consolidated interim balance sheet and the unaudited condensed consolidated interim income statement and explanatory notes 1 to 11 as presented below are extracted from the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi Yuan thousands unless otherwise stated)

| | | As at | |
|---|------|-------------------------|-------------------------|
| | | 30 June | 31 December |
| | Note | 2007 | 2006 |
| | | Unaudited | Audited |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | 449,945 | 474,168 |
| Leasehold land and land use rights | | 120,088 | 115,012 |
| Intangible assets | | 9,248 | 8,717 |
| Interests in associates | | 64,606 | 65,933 |
| Interest in a joint venture | | 14,709 | 14,709 |
| Available-for-sale investment | | 200 | 200 |
| Deferred income tax assets | | <u>12,575</u> | <u>12,061</u> |
| | | <u>671,371</u> | <u>690,800</u> |
| Current assets | | | |
| Inventories | | 372,591 | 413,740 |
| Due from customers on construction contracts | | 154,055 | 139,805 |
| Trade and other receivables | 4 | 2,085,058 | 1,835,914 |
| Cash and cash equivalents | | <u>916,242</u> | <u>670,637</u> |
| | | <u>3,527,946</u> | <u>3,060,096</u> |
| Total assets | | <u><u>4,199,317</u></u> | <u><u>3,750,896</u></u> |
| EQUITY | | | |
| Capital and reserves attributable to the | | | |
| Company's equity holders | | | |
| Share capital | | 417,642 | 417,642 |
| Other reserves | 5 | 312,597 | 312,896 |
| Retained earnings | 5 | <u>442,553</u> | <u>418,678</u> |
| | | 1,172,792 | 1,149,216 |
| Minority interests | | <u>152,988</u> | <u>156,318</u> |
| Total equity | | <u><u>1,325,780</u></u> | <u><u>1,305,534</u></u> |

| | | As at | |
|--|-------------|------------------|--------------------|
| | <i>Note</i> | 30 June | 31 December |
| | | 2007 | 2006 |
| | | <i>Unaudited</i> | <i>Audited</i> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 1,946 | 1,895 |
| Trade and other payables | 6 | <u>195,900</u> | <u>125,050</u> |
| | | <u>197,846</u> | <u>126,945</u> |
| Current liabilities | | | |
| Due to customers on construction contracts | | 51,951 | 56,061 |
| Trade and other payables | 6 | 2,495,454 | 2,085,294 |
| Current income tax payable | | 28,286 | 37,062 |
| Bank borrowings | 7 | <u>100,000</u> | <u>140,000</u> |
| | | <u>2,675,691</u> | <u>2,318,417</u> |
| Total liabilities | | <u>2,873,537</u> | <u>2,445,362</u> |
| Total equity and liabilities | | <u>4,199,317</u> | <u>3,750,896</u> |
| Net current assets | | <u>852,255</u> | <u>741,679</u> |
| Total assets less current liabilities | | <u>1,523,626</u> | <u>1,432,479</u> |

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi Yuan thousands unless otherwise stated)

| | | For the six months ended | |
|--|------|--------------------------|--------------------|
| | | 30 June | 30 June |
| | Note | 2007 | 2006 |
| | | Unaudited | Unaudited |
| Revenue | | 2,991,802 | 2,151,816 |
| Cost of sales | 8 | <u>(2,728,099)</u> | <u>(1,904,274)</u> |
| Gross profit | | 263,703 | 247,542 |
| Other income | | 19,139 | 13,792 |
| Operating expenses | 8 | <u>(157,431)</u> | <u>(137,383)</u> |
| Operating profit | | 125,411 | 123,951 |
| Finance costs | | (11,450) | (5,538) |
| Share of results of associates | | <u>(197)</u> | <u>144</u> |
| Profit before income tax | | 113,764 | 118,557 |
| Income tax expense | 9 | <u>(35,425)</u> | <u>(36,391)</u> |
| Profit for the period | | <u>78,339</u> | <u>82,166</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 70,149 | 71,306 |
| Minority interests | | <u>8,190</u> | <u>10,860</u> |
| | | <u>78,339</u> | <u>82,166</u> |
| Basic earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share) | 10 | <u>0.17</u> | <u>0.17</u> |
| Dividends | 11 | <u>—</u> | <u>—</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements of the Group for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations have been effective in the current interim period:

| | |
|--------------------|--|
| HKAS 1 (Amendment) | ‘Presentation of Financial Statements: Amendments to Capital Disclosures’, effective for annual periods beginning on or after 1 January 2007. |
| HKFRS 7 | ‘Financial Instruments: Disclosures’, effective for annual periods beginning on or after 1 January 2007. |
| HK(IFRIC)-Int 7 | ‘Applying the Restatement Approach under HKAS29, Financial Reporting in Hyperinflationary Economies’, effective for annual periods beginning on or after 1 March 2006. It is not relevant to the Group’s operations. |
| HK(IFRIC)-Int 8 | ‘Scope of HKAS 2, Share-based Payment’, effective for annual periods beginning on or after 1 May 2006. It is not relevant to the Group’s operations. |
| HK(IFRIC)-Int 9 | ‘Reassessment of Embedded Derivatives’, effective for annual periods beginning on or after 1 June 2006. It is not relevant to the Group’s operations. |
| HK(IFRIC)-Int 10 | ‘Interim Financial Reporting and Impairment’, effective for annual periods beginning on or after 1 November 2006. It does not have significant impact on the Group’s operations. |

The followings new standards and interpretations are not yet effective and have not been adopted by the Group:

| | |
|------------------|--|
| HKFRS 8 | ‘Operating Segments’, effective for annual periods beginning on or after 1 January 2009. |
| HK(IFRIC)-Int 11 | HKFRS2 -‘Group and Treasury Share Transactions’, effective for annual periods beginning on or after 1 March 2007 |
| HK(IFRIC)-Int 12 | ‘Service Concession Arrangements’, effective for annual periods beginning on or after 1 January 2008. |

3. Segment information

Primary reporting format — business segments

The Group has five main business segments:

- (1) Material logistics services — purchase and sale of materials for construction and production, and provision of related logistics arrangement service;
- (2) Expressway service zones — development and operation of expressway service zones, provision of support and related services in expressway service zones and sub-contract of certain services in expressway service zones to third parties;
- (3) Transportation intelligence services — construction of ancillary systems for toll roads and provision of related engineering work;
- (4) Cross-border transportation services — cross-border coach and freight transportation services between Hong Kong and Mainland China; and
- (5) Tai Ping Interchange — share of toll income from toll stations connecting to Tai Ping Interchange of the Group.

Other operations of the Group mainly comprise provision of other services. None of these constitutes a separately reportable segment.

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

| | Material logistics services | Expressway service zones | Transportation intelligence services | Cross-border transportation services | Tai Ping Interchange | Others | Unallocated | Group |
|---|-----------------------------------|--------------------------------|--|--|-------------------------|------------|-------------|------------------|
| <i>Revenue</i> | | | | | | | | |
| Total gross segment revenue | 2,454,503 | 180,762 | 176,761 | 135,802 | 57,960 | 4,668 | — | 3,010,456 |
| Inter-segment revenue | — | — | (14,728) | — | — | (3,926) | — | (18,654) |
| | <u>2,454,503</u> | <u>180,762</u> | <u>162,033</u> | <u>135,802</u> | <u>57,960</u> | <u>742</u> | <u>—</u> | <u>2,991,802</u> |
| Operating profit/(loss) | 46,749 | 22,766 | 218 | 21,001 | 46,517 | (501) | (11,339) | 125,411 |
| Finance costs | | | | | | | | (11,450) |
| Share of results of associates and a joint venture | | | | | | | | (197) |
| Profit before income tax | | | | | | | | 113,764 |
| Income tax expense | | | | | | | | (35,425) |
| Profit for the period | | | | | | | | <u>78,339</u> |
| Depreciation | 2,930 | 9,266 | 2,801 | 15,169 | 4,743 | 61 | 3,062 | 38,032 |
| Amortisation | 1,500 | 159 | 196 | — | — | — | 121 | 1,976 |
| Provision for impairment of receivables | 666 | — | 1,532 | — | — | — | — | 2,198 |
| Capital expenditure | <u>10,653</u> | <u>7,857</u> | <u>1,054</u> | <u>2,731</u> | <u>1,901</u> | <u>23</u> | <u>256</u> | <u>24,475</u> |

The segment results, capital expenditure and other segment information for the six months ended 30 June 2006 are as follows:

| | Material logistics services | Expressway service zones | Transportation intelligence services | Cross-border transportation services | Tai Ping Interchange | Others | Unallocated | Group |
|--|-----------------------------------|--------------------------------|--|--|-------------------------|--------------|--------------|------------------|
| <i>Revenue</i> | | | | | | | | |
| Total gross segment revenue | 1,672,477 | 150,712 | 170,364 | 131,450 | 48,666 | 10,269 | — | 2,183,938 |
| Inter-segment revenue | (30,008) | — | — | — | — | (2,114) | — | (32,122) |
| | <u>1,642,469</u> | <u>150,712</u> | <u>170,364</u> | <u>131,450</u> | <u>48,666</u> | <u>8,155</u> | <u>—</u> | <u>2,151,816</u> |
| Operating profit/(loss) | 46,656 | 25,379 | (2,422) | 26,758 | 38,723 | 2,127 | (13,270) | 123,951 |
| Finance costs | | | | | | | | (5,538) |
| Share of results of associates | | | | | | | | 144 |
| Profit before income tax | | | | | | | | 118,557 |
| Income tax expense | | | | | | | | (36,391) |
| Profit for the period | | | | | | | | <u>82,166</u> |
| Depreciation | 2,526 | 5,317 | 2,819 | 16,000 | 4,427 | 345 | 2,227 | 33,661 |
| Amortisation | — | 291 | 483 | — | — | 88 | 281 | 1,143 |
| Reversal of impairment of fixed assets | — | — | — | (1,961) | — | — | — | (1,961) |
| Provision for / (Reversal of) impairment of receivables | (407) | — | — | 100 | — | — | — | (307) |
| Capital expenditure | <u>3,225</u> | <u>21,080</u> | <u>1,819</u> | <u>9,908</u> | <u>12,179</u> | <u>1,183</u> | <u>1,484</u> | <u>50,878</u> |

Unallocated costs represent corporate expenses.

Capital expenditure comprises additions to fixed assets, leasehold land and land use rights and intangible assets.

Secondary reporting format — geographical segments

Except for certain revenue from the cross-border transportation services, which are operated in Hong Kong, all of the Group's business are operated in Mainland China.

| | For the six months ended | |
|----------------|---------------------------------|-------------------------|
| | 30 June | 30 June |
| | 2007 | 2006 |
| Revenue | | |
| Mainland China | 2,883,505 | 2,049,680 |
| Hong Kong | <u>108,297</u> | <u>102,136</u> |
| | <u><u>2,991,802</u></u> | <u><u>2,151,816</u></u> |

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

| | For the six months ended | |
|----------------------------|---------------------------------|----------------------|
| | 30 June | 30 June |
| | 2007 | 2006 |
| Capital expenditure | | |
| Mainland China | 22,570 | 41,253 |
| Hong Kong | <u>1,905</u> | <u>9,625</u> |
| | <u><u>24,475</u></u> | <u><u>50,878</u></u> |

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

4. Trade and other receivables

| | As at | |
|---|-------------------------|-------------------------|
| | 30 June | 31 December |
| | 2007 | 2006 |
| Trade receivables (note a) | 804,807 | 743,502 |
| Less: provision for impairment of receivables | <u>(8,354)</u> | <u>(7,757)</u> |
| Trade receivables — net | 796,453 | 735,745 |
| Bills receivable | 11,691 | 6,691 |
| Other receivables | 87,796 | 87,937 |
| Prepayments | 748,935 | 548,853 |
| Due from related parties (note b) | <u>440,183</u> | <u>456,688</u> |
| | <u><u>2,085,058</u></u> | <u><u>1,835,914</u></u> |

At 30 June 2007 and 31 December 2006, the ageing analysis of the trade receivables were as follows:

(a) **Trade receivables**

| | As at | |
|-----------------------------|-----------------|---------------------|
| | 30 June 2007 | 31 December 2006 |
| Less than 3 months | 683,431 | 654,346 |
| Within 3 months to 6 months | 30,859 | 33,956 |
| Within 6 months to 1 year | 67,396 | 37,219 |
| Within 1 year to 2 years | 8,641 | 4,268 |
| Within 2 years to 3 years | 8,360 | 7,348 |
| Over 3 years | <u>6,120</u> | <u>6,365</u> |
| | <u>804,807</u> | <u>743,502</u> |

(b) **Due from related parties**

| | As at | |
|---|-----------------|---------------------|
| | 30 June 2007 | 31 December 2006 |
| Trade receivables | 410,889 | 412,965 |
| Less: provision for impairment of receivables | <u>(7,846)</u> | <u>(6,935)</u> |
| Trade receivables — net | <u>403,043</u> | <u>406,030</u> |
| Other receivables | 23,200 | 30,102 |
| Less: provision for impairment of receivables | <u>(2,000)</u> | <u>(1,899)</u> |
| Other receivables — net | <u>21,200</u> | <u>28,203</u> |
| Prepayments | <u>15,940</u> | <u>22,455</u> |
| | <u>440,183</u> | <u>456,688</u> |

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

| | As at | |
|-----------------------------|-----------------|---------------------|
| | 30 June 2007 | 31 December 2006 |
| Less than 3 months | 265,639 | 340,197 |
| Within 3 months to 6 months | 5,287 | 7,878 |
| Within 6 months to 1 year | 92,694 | 18,929 |
| Within 1 year to 2 years | 24,667 | 18,543 |
| Within 2 years to 3 years | 3,263 | 2,554 |
| Over 3 years | <u>19,339</u> | <u>24,864</u> |
| | <u>410,889</u> | <u>412,965</u> |

5. **Retained earnings and other reserves**

| | For the six months ended | |
|---|---------------------------------|----------------|
| | 30 June | 30 June |
| | 2007 | 2006 |
| Balances at the beginning of the period | 731,574 | 611,893 |
| Profit for the period | 70,149 | 71,306 |
| Dividends | (45,941) | (33,412) |
| Acquisition of minority interests | 3,220 | — |
| Currency translation differences | <u>(3,852)</u> | <u>71</u> |
| Balances at the end of the period | <u>755,150</u> | <u>649,858</u> |

6. **Trade and other payables**

| | As at | |
|-------------------------------------|------------------|--------------------|
| | 30 June | 31 December |
| | 2007 | 2006 |
| Trade payables (note a) | 311,343 | 442,726 |
| Bills payable | 1,663,627 | 1,155,623 |
| Advance from customers | 374,483 | 267,697 |
| Accrued expenses and other payables | 223,423 | 210,713 |
| Due to related parties (note b) | <u>118,478</u> | <u>133,585</u> |
| | 2,691,354 | 2,210,344 |
| Less: Non-current portion | <u>(195,900)</u> | <u>(125,050)</u> |
| Current portion | <u>2,495,454</u> | <u>2,085,294</u> |

(a) **Trade payables**

| | As at | |
|-----------------------------|----------------|--------------------|
| | 30 June | 31 December |
| | 2007 | 2006 |
| Less than 3 months | 158,936 | 374,774 |
| Within 3 months to 6 months | 53,706 | 4,827 |
| Within 6 months to 1 year | 48,462 | 12,242 |
| Within 1 year to 2 years | 24,965 | 34,508 |
| Within 2 years to 3 years | 9,202 | 5,794 |
| Over 3 years | <u>16,072</u> | <u>10,581</u> |
| | <u>311,343</u> | <u>442,726</u> |

(b) **Due to related parties**

| | As at | |
|------------------------|-----------------|---------------------|
| | 30 June 2007 | 31 December 2006 |
| Trade payables | 72,325 | 90,847 |
| Advance from customers | 39,198 | 38,327 |
| Other payables | <u>6,955</u> | <u>4,411</u> |
| | <u>118,478</u> | <u>133,585</u> |

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

| | As at | |
|-----------------------------|-----------------|---------------------|
| | 30 June 2007 | 31 December 2006 |
| Less than 3 months | 30,580 | 68,097 |
| Within 3 months to 6 months | 10,192 | 90 |
| Within 6 months to 1 year | 14,575 | 461 |
| Within 1 year to 2 years | 8,474 | 9,699 |
| Within 2 years to 3 years | 48 | 8,741 |
| Over 3 years | <u>8,456</u> | <u>3,759</u> |
| | <u>72,325</u> | <u>90,847</u> |

7. **Bank borrowings**

| | As at | |
|--------------------------|-----------------|---------------------|
| | 30 June 2007 | 31 December 2006 |
| Current bank borrowings: | | |
| - Unsecured | <u>100,000</u> | <u>140,000</u> |

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

The weighted average effective interest rate at 30 June 2007 was 5.091% (31 December 2006: 4.812%) per annum.

As at 30 June 2007 and 31 December 2006, the Group has the following undrawn banking facilities:

| | As at | |
|----------------------------|------------------|---------------------|
| | 30 June 2007 | 31 December 2006 |
| Floating rate | | |
| — expiring within one year | <u>1,332,848</u> | <u>1,504,776</u> |

8. Expenses by nature

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

| | For the six months ended | |
|---|--------------------------|-----------------|
| | 30 June 2007 | 30 June 2006 |
| Charging/(Crediting) | | |
| Depreciation and amortisation | 40,008 | 34,804 |
| Employee benefit expenses | 94,631 | 87,209 |
| Cost of inventories sold | 2,393,495 | 1,618,486 |
| Provision for/(Reversal of) impairment of receivables | <u>2,198</u> | <u>(307)</u> |

9. Income tax expense

The group companies incorporated in Mainland China are subject to Mainland China Enterprise Income Tax (“EIT”), which has been calculated on the estimated assessable profit for the year at a rate of 33%. Certain subsidiaries are regarded as high-technology enterprises by the relevant governmental authorities and are entitled to a preferential EIT rate of 15%, which is subject to annual review and approval by the relevant tax authorities. The group companies incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit at a rate of 17.5%.

On 16 March 2007, the National People’s Congress approved the Corporate Income Tax Law of the PRC (the “new CIT Law”), which will be effective from 1 January 2008. Under the new CIT Law, group companies which currently adopt income tax at the rate of 33% will be subject to the rate of 25% from 1 January 2008. For the subsidiaries which are subject to preferential tax rate of 15%, the applicable tax rates will gradually increase from the current preferential tax rates to 25% over a period of 5 years from 1 January 2008.

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

| | For the six months ended | |
|-------------------------|--------------------------|-----------------|
| | 30 June 2007 | 30 June 2006 |
| Current income tax | | |
| - Hong Kong profits tax | 391 | 482 |
| - Mainland China EIT | 35,497 | 35,505 |
| Deferred income tax | <u>(463)</u> | <u>404</u> |
| | <u>35,425</u> | <u>36,391</u> |

10. 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 2007 | 30 June 2006 |
| Profit attributable to equity holders of the Company | <u>70,149</u> | <u>71,306</u> |
| Weighted average number of ordinary shares in issue (thousands) | <u>417,642</u> | <u>417,642</u> |
| Basic earnings per share (RMB per share) | <u>0.17</u> | <u>0.17</u> |

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

11. Dividends

A dividend in respect of the year ended 31 December 2006 of RMB0.11 per share, amounting to a total dividend of approximately RMB45,941,000, has been approved at the annual general meeting on 12 June 2007.

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW OF RESULTS

Although the number of newly built expressways in Guangdong province has been decreasing as a result of macroeconomic measures of the People's Republic of China (the "PRC"), the Group has actively explored business opportunities in other provinces and all its core businesses remained stable in the first half of 2007.

REVIEW OF SEGMENT OPERATIONS

Material Logistics Services

During the first half of 2007, due to the drastic decrease in the number of new construction projects of Guangdong Provincial Communication Group Company Limited, the controlling shareholder of the Company, and its subsidiaries ("GCGC"), the Company's business of material logistics with GCGC dropped substantially. Under the unfavorable situation of tight material supply, the Company actively developed market business. As at 30 June 2007, the turnover reached RMB2,455,000,000 and operating profits amounted to RMB46,750,000. The major tasks completed included the followings:

1. *Material Logistics business*

During the first half of 2007, the Company participated in seven projects involving the provision of steel, cement, asphalt and asphalt supply management, in locations such as Western Coastal Expressway Zhuhai Section, Pearl River Delta West Wing Expressway South Section, Jingzhu South Expressway expansion, and Fokai Expressway expansion. A total of 189,000 tonnes of cement, 47,000 tonnes of steel products and 25,900 tonnes of asphalt were supplied in these projects with an aggregated supply value of approximately RMB370,000,000 being accomplished.

a. *Supply Management*

In order not to incur additional operating costs, the Company made preparations to increase the number of steel bar types ahead of schedule and sought for supply units ahead of schedule. During the first half of the year, it did not encounter any delay in steel products supply.

Following the unusual fluctuations of the steel strand market which was in a state of cut-throat competition in previous years, the Company kept sufficient reserves of materials in stock ahead of schedule and communicated with the winning bidder in a timely manner so as to urge the supply unit to perform the contract promptly. Accordingly, the supply was basically met in the first half of the year.

b. *Stock Distribution*

The steel warehouse had a total intake of 91,400 tonnes during the first half of the year, with the economy of scale and integrated benefits starting to emerge. The clients recognized the Company's steel bar distribution base, thereby laying a solid foundation for the steel bar distribution for future projects.

2. *Tender Invitation Management*

During the first half of 2007, the Company completed the asphalt procurement tender work of Pearl River Delta West Wing Expressway South Section and Western Coastal Expressway Zhuhai Section, the cement procurement tender work of the Huaiji Section of the Guanghe Expressway and the pre-evaluation of the steel strand procurement tender qualification for phase II of the Guangwu Expressway (廣梧高速二期).

3. *Market Operations*

During the first half of 2007, the Company continued to develop its market businesses, participated in supplying materials for 13 large-scale infrastructure projects including Route Nos. 4, 5, and 6 subway of Guangzhou, Wu-Guang Railway, Inter-city Railway between Guangzhou and Zhuhai, Inter-city Railway between Guangzhou, Shenzhen and Hong Kong (廣深港鐵路), and Dongxin Expressway. A total of 585,000 tonnes of steel, 58,000 tonnes of cement, 149,100 tonnes of coal and 303,300 tonnes of iron ore powder were supplied. Total supply amounted to RMB1,820,000,000.

a. *Material Supply for Large-scale Infrastructure Projects*

During the process of supplying materials for the 13 large-scale infrastructure projects including Route Nos. 4, 5, and 6 subway of Guangzhou, Wu-Guang Railway, Inter-city Railway between Guangzhou and Zhuhai, and Inter-city Railway between Guangzhou, Shenzhen and Hong

Kong, even though the material supply was tight in the market, with the Company's well-established relationships with the manufacturers and its competitive edge in centralized resources allocation, the Company has ensured the supply of materials for all projects.

b. Active Participation in Competitive Bidding in the Market

During the first half of 2007, the Company has participated in material supply tenders for five large-scale construction projects, including the steel bar procurement tender for the accessory facilities of main exhibition hall project for the Pazhou Exhibition Hall of the Canton Fair (廣交會琶洲展館).

c. Coal and Iron Ore Powder Sales Business

During the first half of 2007, coal sales amounted 149,100 tonnes and sales of iron ore powder amounted 303,300 tonnes.

According to the characteristic of the coal and iron ore powder business, the Company shifted its business focus from importing hard coal from Vietnam to securing domestic supply of electrical coal. Meanwhile, the Company has stepped up its efforts in demanding payment for goods.

d. Active Expansion of the Asphalt Business

After winning the bids for supplying asphalt for the Foshan First Ring Road and the Hubei Suiyue Expressway projects, the Company has made a solid step into expanding the business in both the local and external asphalt markets by capitalizing on the brand name of Nan Yue Logistics.

Expressway Service Zones

In the first half of the year, the Group emphasized on the chained operation of expressway service zones, and leveraged on the advantage of scale in the service zones as well as further explored the operating potential of the service zones, the Group fully emerged itself into professional management for the five major expressway service zone networks and increased its speed in developing innovative new operations. The service zone business recorded an income from principal operations of RMB180,760,000 with operating profit of RMB22,770,000. A summary of major tasks completed in the first half of the year are as follows:

1. With respect to the operation of the food and beverage network, by standardizing the type of food and beverages, the Company drove the integrated and chained operation of the food and beverage industry. In addition, the Company also enhanced its brand image by introducing quality franchisees.

In March this year, the Company cooperated with McDonald's to jointly develop the McDonald's drive-through restaurant in the Houmen service zone. The joint cooperation this time with large multinational enterprise such as McDonald's has enabled customers to increase their recognition of the Company's brand, resulting in an effective enhancement in the Company's brand image.

2. With respect to the operation of the convenience stores network, it mainly involves the establishment of a distribution network of agricultural by-products through franchise operation. The establishment of such network can fully explore the advantages of multiple points, widespread distribution and the proximity to the production place of by-products of the service zones, which enriched the operating varieties in convenience stores. The franchise projects have satisfied customers' needs and created additional operating channels for the Company as well as increasing its operating revenue.
3. Exerting great efforts in enlarging the scale of operation of outdoor advertising for expressways. This mainly involved conducting research on the operation of red-line advertising along expressways throughout the province and compiled the proposal of "Strategic Planning for Enlarged-scale Operation of Advertising for Expressways in the Guangdong province"; driving the construction of a platform for the unified operation of the advertising network within service zones; completing the initial planning and design of all types of advertising for expressways in the service zones; developing information inquiry system software for service zones, this has significantly driven the progress in the operation of advertising unification.
4. Expediting the construction of vehicle maintenance network. The Company actively drove the construction of the vehicle maintenance centre of Guangzhou, developed the supply channels for auto parts and accessories, regulated the procurement process, introduced new suppliers with strong capability, commenced the sales and marketing of auto parts and accessories, improved the water-filling charging system and regulated the automobile water-filling business.
5. Facilitating the construction of distribution warehouses and strengthening centralized procurement management. During the first half of the year, the Company completed the maintenance work on Houman warehouses and the construction of the Liangjinshan warehouse. It also strengthened centralised procurement management and centralised procurement and settlement for catering items, fully exploring the network advantage of the service zones and enhanced operational efficiency of the service zones.

Transportation Intelligence Services

During the first half of 2007, with respect to transportation intelligence business, the Company has successfully completed the expressway transportation construction projects which were under construction and newly built and continued to maintain its core technology competitiveness and made remarkable achievements in the research and development of new products. Details of its specific works in the first half of the year were as follows:

1. *Focusing on expressway intelligence technology system to ensure the continuous development of its transportation construction business*

In accordance with the Company's production and operation strategic plan for the year of 2007, the Company fully commenced its existing and new transportation construction projects in the first half of the year with commitments to reinforce the management of such projects with effective management systems and ensure the premium quality of such projects. On one hand, the Company strengthened the management work of the projects it successfully bid to reduce the expenses on management costs, improved the gross margins and strengthen the measurement and payment works, with a view to ensure our incomes from core businesses. On the other hand, it made every effort to handle the preparation works in respect of newly bid projects, so as to complete such projects in strict accordance with respective contracts with assured quality and quantity.

Major construction projects in the first half of 2007

| <u>Safety Facility Projects</u> | | <u>Electrical and Mechanical Engineering Projects</u> | |
|---|--------------------|---|--------------------|
| Name of Project | District | Name of Project | District |
| Jingzhu South Enlargement | Guangdong province | Guizhou Zhensheng | Guizhou Province |
| Guizhou Zhensheng | Guizhou Province | Xierhuan South | Guangdong province |
| Guizhou Zhanan Expressway | Guizhou Province | Shanfen Electrical and Mechanical Modification | Guangdong province |
| Xierhuan South | Guangdong province | Guangzhou Traffic Monitoring | Guangdong province |
| Beisanhuan | Guangdong province | | |
| The eleventh bidding section of Jiujiang Bridge | Guangdong province | | |
| Reconstruction of National Highway No. 325 | Guangdong province | | |

2. *Striving for development via technology innovation and expanding transportation intelligence business*

- (a) In 2007, portable and handheld toll collection devices for roads and bridges were sold in ten provinces within the PRC with strong sales momentum and were among the top in the industry in the PRC in terms of sales volume.
- (b) Promising results were achieved in its car-plate identification products, which were successfully installed and tested in the South and North sections of Jingzhu Expressway. Such products are ready for mass production and marketing campaigns for such products are underway.
- (c) The automatic cards device business has entered into the stage of comprehensive promotion. Currently, such devices are being produced with a view to upgrade the Guang-Qing Expressway, Mei-He Expressway, Shen-Shan West Expressway, He-Long Expressway, He-Hui Expressway and Yue-Gan Expressway.
- (d) The usage of the unattended automatic card devices in Shan-Fen Expressway and Guang-Qing Expressway projects are in good status and are well received by clients. Currently such devices are being installed and tested for new projects in Xierhuan Expressway and we have made breakthroughs in selling such devices in Hubei.
- (e) The use of the large-scale information display terminals in Tian-Shan Expressway was satisfactory and comprehensive promotion in respect of the terminals is underway.
- (f) The Company upgraded and renovated the information platform of the Ministry of Communications of the PRC, the platform of the Department of Communications of Heibei Province, the expressway platform of Guangdong province, the platform of the Department of Communications of Guizhou Province and the platform of the Quality Monitoring Station of Guangdong province. Meanwhile, the Company streamlined its products such as softwares for the management system of highway construction projects, with a view to further improve the quality and market competitiveness of its products.
- (g) The Company continued to increase its strength in the research and development of science and technology in the first half of the year. Three projects were approved by the Department of Science and Technology and the Department of Communications of Guangdong province.

3. *Reinforcing market expansion with an aim to capture the market*

- (a) With respect to electrical and mechanical engineering market, in the first half of 2007, the Company succeeded in bidding for four projects.
- (b) With respect to safety facilities market, in the first half of the year, the Company succeeded in bidding for four projects.

In view of the business figure, during the year of 2007, the value of successful bids for projects outside of Guangdong province increased remarkably when compared with the same period last year which was mainly due to the rich experience accumulated by the Company in the markets outside Guangdong province as well as the continuous increase of competition edge of the Company in the market.

4. *Continue the technical maintenance work for expressways*

After the Company completed the share acquisition in Guangdong Feida Traffic Engineering Company Limited, it has consolidated the technical maintenance work for expressways. The amount of technical maintenance contracts amounted to RMB12,790,000 during the first half of the year, doubling the amount of maintenance contracts in the entire year of last year.

Cross-border Transportation Services

During the first half of the year, the cross-border transportation business of Guangdong and Hong Kong companies continued to maintain favorable development. With regards to coaching business, the Company focused on the adjustment of coaching routes and the organizational work of the source of customer and schedules, emphasizing on enhancing the carriage rate of medium and long routes and ensuring its market share for short routes. The Company also adjusted the stops and schedules of routes with low carriage rate in a timely manner according to change of source of customers in the coaching market, which has increased the carriage rate of coaching business as a whole in the first half of the year. The Company also grasped the opportunities to open new routes crossing different provinces so as to increase its market share. The Company actively carried out preparation work for opening up routes to the Western Passage. At present, there are 19 schedules passing the Western Passage, with the total bus fleet reaching 1,860,000 persons and passenger turnover rate of 183,020,000 person/km.

With respect to goods transportation services, the Company maintained its existing market share by paying regular visits to major clients and big clients and firmly secured existing clients. The operating income in the first half of the year remained the same as that of the same period last year.

Others

The Group owns the toll collection right of Tai Ping Interchange in Guangdong province. As the economy of Guangdong province continues to grow rapidly, the number of vehicles using the expressway maintained a stable growth. The toll collected from Tai Ping Interchange increased by 19% as compared with the same period last year.

FINANCIAL REVIEW

Turnover

The Group's turnover is mainly derived from four business segments, including the provision of material logistic services, transportation intelligence services, operation of the expressway service zones and revenue from cross-border transportation services between Hong Kong and Guangdong province. Revenues from Tai Ping Interchange and other businesses are also included in the Group's turnover. Turnover for the six months ended 30 June 2007 amounted to RMB2,992,000,000 (2006: RMB2,152,000,000) (unless otherwise specified, the amounts stated herein below shall be in RMB), representing an increase of 39% over same period last year, which was mainly attributable to the development in the business of material logistics services and expressway service zones, of which the turnover of material logistics services business increased by RMB813,000,000, whereas the turnover of expressway service zones business increased by RMB30,000,000 respectively.

Turnover by segment:

| | Six months ended 30 June | | 2006 | |
|--------------------------------------|---------------------------------|-----------------|-------------------|-----------------|
| | 2007 | | | |
| | <i>Percentage</i> | | <i>Percentage</i> | |
| | <i>'000</i> | <i>to total</i> | <i>'000</i> | <i>to total</i> |
| Material logistic services | 2,454,503 | 82.04% | 1,642,469 | 76.33% |
| Transportation intelligence services | 180,762 | 6.04% | 150,712 | 7.00% |
| Expressway service zones | 162,033 | 5.42% | 170,364 | 7.92% |
| Cross-border transportation services | 135,802 | 4.54% | 131,450 | 6.11% |
| Tai Ping Interchange | 57,960 | 1.94% | 48,666 | 2.26% |
| Other | 742 | 0.02% | 8,155 | 0.38% |
| Total | <u>2,991,802</u> | <u>100%</u> | <u>2,151,816</u> | <u>100%</u> |

Material Logistics Services

Revenue generated from material logistics services is our Group's largest source of income. Turnover for the first half of the year amounted to RMB2,455,000,000 (2006: RMB1,642,000,000), representing an increase of 49% and accounting for approximately 82% of the Group's total turnover (2006: 76%). The increase in turnover was primarily due to the expansion of customer base and the increase in the types of materials serving, which increased the source of income and reducing the impact of delay in construction of expressway projects in Guangdong province as a result of austerity measures.

Expressway Service Zones

In the first half of the year, the number of the Group's service zones increased to 43.5 pairs (2006: 42 pairs), the turnover of expressway service zones attributed to approximately 6% (2006: 7%) of the Group's turnover, which amounted to RMB181,000,000 (2006: RMB151,000,000), representing an increase of 20%, principally because (i) there was improvement in expressway service zones network as well as the sales and marketing and (ii) the natural growth of traffic volume.

Transportation Intelligence Services

Transportation intelligence services attributed to approximately 5% (2006: 8%) of the Group's total turnover for the first half of the year amounted to RMB160,000,000 (2006: RMB170,000,000), representing a slight decrease over the same period last year. This was mainly attributable to the fact that the construction of expressway projects in Guangdong province was delayed as a result of austerity measures. Such impact was partially offset by increasing turnover of business from markets outside the Guangdong province.

Cross-border Transportation Services

Cross-border transportation services accounted for approximately 4.5% (2006: 6.1%) of the Group's total turnover. The income for the first half of the year amounted to RMB136,000,000 (2006: RMB131,000,000), representing an increase of 3% over the same period last year. This is mainly benefited by the increase of number of visitors between Hong Kong and Guangdong province resulting from the closer economic partnership arrangement between Mainland and Hong Kong.

Tai Ping Interchange and others

In the first half of the year, toll fee collected from Tai Ping Interchange attributed to 1.9% (2006: 2.3%) of the Group's total turnover, which increased by 19% to RMB58,000,000 (2006: RMB49,000,000), which was mainly due to (i) the natural growth in traffic volume and (b) the opening of Jiangzhong Expressway in the second half of 2006, resulting in increasing vehicles via Tai Ping Interchange from West Guangdong and Pearl River Delta to Dongguan, Shenzhen and Huizhou. The traffic volume was increased by 19% over the same period last year by the above reasons.

Gross profit

The gross profit of the Group in the first half of 2007 increased by RMB16,000,000 or 6.5% to RMB264,000,000 (2006: RMB248,000,000) over the same period last year. Gross profit margin decreased from 11.50% to 8.81%.

Gross profit by business segment:

| | Six months ended 30 June | | Six months ended 30 June | |
|--------------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | <i>Percentage</i> | <i>Percentage</i> | <i>Percentage</i> | <i>Percentage</i> |
| | <i>'000</i> | <i>to total</i> | <i>'000</i> | <i>to total</i> |
| Material logistics services | 97,747 | 37.07% | 85,290 | 34.46% |
| Expressway service zones | 43,833 | 16.62% | 48,925 | 19.77% |
| Transportation intelligence services | 36,769 | 13.94% | 30,008 | 12.12% |
| Cross-border transportation services | 35,898 | 13.61% | 37,014 | 14.95% |
| Tai Ping Interchange | 49,177 | 18.65% | 41,222 | 16.65% |
| Other | <u>279</u> | <u>0.11%</u> | <u>5,083</u> | <u>2.05%</u> |
| Total | <u>263,703</u> | <u>100%</u> | <u>247,542</u> | <u>100%</u> |

Material Logistics Services

In the first half of the year, gross profit from material logistics services attributed to 37% (2006: 34%) of the Group's total gross profit, representing an increase of 15% to RMB98,000,000 (2006: RMB85,000,000). The gross profit margin decreased to 3.98% (2006: 5.19%) as compared with that in the same period last year, which was mainly due to the expansion of customer base of the Group so as to reduce the impact of austerity measures in delaying construction of expressway projects in Guangdong province. The initial costs for the new business were relatively high with a relatively lower gross profit margin.

Expressway Service Zones

In the first half of the year, gross profit from expressway service zones attributed to 17% (2006: 20%) of the Group's total gross profit, which amounted to RMB44,000,000 (2006: RMB49,000,000), decrease to 10%. Gross profit margin decreased to 24.25% (2006: 32.46%) as compared with the same period last year, which was mainly due to the followings: (i) according to the plan of opening of expressways in Guangdong province, the mileage of new expressway was substantially decreased; there was no new service zones in the first half of the year resulting in a reduction in the one-off start-up service fee income from gasoline stations as compared with the same period last year which directly affected the gross profit margin in this business as a whole; (ii) this temporary impact was partially offset by the increasing gross profit of gasoline stations, convenience stores and restaurants.

Transportation Intelligence Services

Gross profit of transportation intelligence services attributed to 14% of the Group's total gross profit (2006: 12%), which amounted to RMB37,000,000 (2006: RMB30,000,000) and representing an increase of 23%. As compared to that of the same period last year, gross profit margin increased to 22.69% (2006: 17.61%), which was principally due to the higher gross profit of certain new projects.

Cross-border Transportation Services

In the first half of the year, gross profit from cross-border transportation services attributed to 14% (2006: 15%) of the Group's total gross profit, reaching RMB36,000,000 (2006: RMB37,000,000), representing a decrease of 3%. Gross profit margin decreased to 26.43% (2006: 28.16%) as compared with the same period last year, primarily due to (i) increase in the price of petroleum and (ii) the increased depreciation cost of newly purchased vehicles.

Tai Ping Interchange and others

In the first half of the year, gross profit of Tai Ping Interchange and others attributed to 19% of the Group's total gross profit, of which the gross profit of Tai Ping Interchange accounted for 19% (2006: 17%) of the Group's total gross profit, reaching RMB49,000,000 (2006: RMB41,000,000), representing an increase of 19%. Gross profit margin remained stable as 84.85% (2006: 84.70%), as compared with the same period last year, which was mainly due to the maintenance of Tai Ping Interchange.

Operating expenses

The Group's operating expenses increased to RMB157,000,000 from RMB137,000,000 of the first half of 2006, representing an increase of 15%. The increase in operating expenses was mainly due to the continuous expansion of the material logistics business, the relevant costs (such as transportation costs, loading charges and storage fees) increased accordingly.

Finance costs

Under the environment of the increase in interest rates and the expansion of the Group's business, finance costs increased to RMB11,450,000 (2006: RMB5,538,000), representing an increase of 107%. This was mainly because (i) the People's Bank of China increased its interest rates for three times consecutively from August 2006 to June 2007; (ii) following the expansion of business, the demand for capital increased, resulting in higher average balance of short-term loans and (iii) with the increased usage of bills, the interest of discounted bill was increased accordingly.

Liquidity and capital structure

The Group continues to maintain a robust financial position. On 30 June 2007, cash and cash equivalent amounted to RMB916,000,000 (30 June 2006: RMB745,000,000). As at 30 June 2007, the balance of bill payables was RMB1,663,000,000 (30 June 2006: RMB804,000,000), net current assets was RMB852,000,000 (30 June 2006: RMB667,000,000), current ratio was 1.3 times (30 June 2006: 1.2 times), liabilities equity ratio was 9% (30 June 2006: 21%), interest covering ratio was 10.9 times (30 June 2006: 22 times).

Management of trade receivables

In the first half of the year, the Group continued to enhance the management of trade receivables. As at 30 June 2007, trade receivables aged one year or above (including amounts due from third parties and related parties) amounted to RMB70,390,000 (30 June 2006: RMB144,346,000), representing a decrease of 51% over the same period last year. The percentage it accounted of the total trade receivables decreased substantially to 6% (30 June 2006: 21%).

Cash flows

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

For the six months ended 30 June 2007, cash and cash equivalents (after deducting the effect of exchange) are as follows:

| | Six months ended 30 June | | |
|--|---------------------------------|-----------------|---------------|
| | 2007 | 2006 | <i>Change</i> |
| | <i>'000</i> | <i>'000</i> | |
| Cash from/(used in) | | | |
| Operating activities | 312,211 | (94,353) | 231% |
| Investing activities | (23,465) | (70,878) | 67% |
| Financing activities | <u>(40,000)</u> | <u>68,755</u> | <u>(158%)</u> |
| Increase/(Decrease) of cash and cash equivalents | <u>248,746</u> | <u>(96,476)</u> | <u>358%</u> |

Operating activities

The net cash flows from operating activities for the first half of this year amounted to RMB312,000,000 (2006: cash outflow of RMB94,353,000), representing an increase of cash inflow RMB407,000,000, which is mainly the result of (i) enhancement in managing operating capital and (ii) the substantial use of bills for settlement, reducing the payment in cash.

Investing activities

The cash used in investing activities during the first half of the year was RMB23,465,000, principally comprised (i) RMB12,700,000 for acquiring the rights to use Donguan pier coastline and the investment for new construction for asphalt and; (ii) investment in service zones of RMB6,000,000; and (iii) renewal of vehicles for RMB2,500,000.

Financing activities

The financing activities for the first half of this year was mainly the payment of principal and interest for bank loans amounting RMB340,000,000.

Borrowings

As at 30 June 2007, all outstanding bank borrowings of the Group were unsecured short-term bank loans, the balance of which was RMB100,000,000 (30 June 2006: RMB223,000,000) which was lower than that of the same period last year. This was mainly due to the enhancement of the utilization of the Group's internal funds.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure related to the cross-border

transportation business. In the first half of 2007, the Group's operation or liquidity was not affected by the fluctuations in currency exchange rate. At present, the Group will continue to pay close attention to the currency fluctuations of RMB, and will take appropriate arrangement, based on its operating needs to mitigate the Group's currency exposures.

Contingent liabilities

As at 30 June 2007, the Group did not have any material contingent liabilities.

PROSPECTS

According to the construction plan of expressway in Guangdong province, the mileage of expressway in Guangdong province will reach 5,000km by the year 2010, the current mileage of expressway in Guangdong province is 3,340km. Therefore, from 2008 to 2010, the construction of expressway in Guangdong province will accelerate, which will benefit the business of material logistics, service zones of expressway and transportation intelligence services of the Group.

The Group will continue to enhance its business integration and strengthen the optimal allocation of resources, enlarge the consolidation and optimisation of the current major business and expand the service scope to enhance the operation quality, strengthen the marketing effort and expand the market share in the markets which it operates in.

The Group believes that, with its solid strength and resources, together with its persistent and well-structured existing development strategies, and pursuing the opportunities of rapid economic growth in the PRC, each of the Group's business segments will maintain a stable, healthy and sustainable development and will thus enhance the interest of its shareholders.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive directors, Mr. Peng Xiao Lei and Mr. Liu Shao Buo, and one non-executive director, Mr. Huang Guo Xuan, who will meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable,

and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2007, and recommended their adoption by the Board.

CORPORATE GOVERNANCE

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

None of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for any part of the period for the six months ended 30 June 2007.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 3,584 employees as at 30 June 2007. Total staff cost for the Group for the first six-month period, including directors' remuneration, totalled approximately RMB81,490,000.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors set out in Appendix 10 to the Listing Rules (“**Model Code**”) as its own code of conduct (“**Code of Conduct**”) regarding its directors' and supervisors' securities transactions in 2005. Having made specific enquiries of all directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code for the six-month ended 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30 June 2007.

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

An interim report for the six months ended 30 June 2007 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of The Stock Exchange of Hong Kong Limited in due course.

MEMBERS OF THE BOARD

As at the date hereof, the Board comprises of Mr. Lu Mao Hao, Mr. Zeng Hong An, Mr. Wang Wei Bing, Mr. Chen Bing Heng, as executive directors of the Company, Mr. Liu Wei, Mr. Lu Ya Xing, Mr. Huang Guo Xuan, Mr. Ren Mei Long, Mr. Chen Guo Zhang, and Mr. Guo Jun Fa, as non-executive directors of the Company, and Mr. Liu Shao Bo, Mr. Gui Shou Ping, and Mr. Peng Xiao Lei, as independent non-executive directors of the Company.

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

Guangzhou, the People's Republic of China
12 September 2007

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