



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 GROUP RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

FINANCIAL HIGHLIGHTS:

- Turnover of the Group in 2006 was approximately RMB5,635,395,000, representing an increase of approximately RMB1,283,373,000 or 29% over 2005.
- Profit attributable to equity holders of the Company for the year was approximately RMB155,750,000, representing an increase of approximately RMB19,162,000 or 14% over 2005.
- Basic earnings per share for profit attributable to the equity holders of the Company for the year of 2006 was RMB0.37 per share.
- The Board proposes the distribution of a final dividend of RMB0.11 per share (pre-tax) for the year of 2006.

The board of directors (the “Board”) of Guangdong Nan Yue Logistics Company Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006, together with the comparative figures for the year ended 31 December 2005 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as follows.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Year ended 31 December	
		2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	5,635,395	4,352,022
Cost of sales		<u>(5,037,654)</u>	<u>(3,823,056)</u>
Gross profit		597,741	528,966
Other income		28,565	17,866
Selling expenses		(131,266)	(98,564)
Administrative expenses		(219,869)	(203,352)
Other operating expenses		<u>(2,835)</u>	<u>(3,976)</u>
Operating profit	3	272,336	240,940
Finance costs	4	(16,012)	(16,263)
Share of results of associates and a joint venture		<u>2,657</u>	<u>1,761</u>
Profit before income tax		258,981	226,438
Income tax expense	5	<u>(77,709)</u>	<u>(65,684)</u>
Profit for the year		<u><u>181,272</u></u>	<u><u>160,754</u></u>
Attributable to:			
Equity holders of the Company		155,750	136,588
Minority interest		<u>25,522</u>	<u>24,166</u>
		<u><u>181,272</u></u>	<u><u>160,754</u></u>
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	6	<u><u>0.37</u></u>	<u><u>0.43</u></u>
Dividends	7	<u><u>45,941</u></u>	<u><u>33,411</u></u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2006	2005
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Fixed assets		474,168	426,108
Investment properties		—	7,329
Leasehold land and land use rights		115,012	11,151
Intangible assets		8,717	6,520
Interest in associates		65,933	33,280
Interest in a joint venture		14,709	15,000
Available-for-sale investment		200	200
Deferred income tax assets		<u>12,061</u>	<u>9,895</u>
		<u>690,800</u>	<u>509,483</u>
Current assets			
Inventories		413,740	298,139
Due from customers on construction contracts		139,805	233,341
Trade and other receivables	8	1,835,914	1,501,915
Cash and cash equivalents		<u>670,637</u>	<u>840,180</u>
		<u>3,060,096</u>	<u>2,873,575</u>
Total assets		<u><u>3,750,896</u></u>	<u><u>3,383,058</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		417,642	417,642
Other reserves	10	312,896	292,757
Retained earnings			
- Proposed final dividend	6	45,941	33,411
- Others		<u>372,737</u>	<u>285,725</u>
		1,149,216	1,029,535
Minority interest		<u>156,318</u>	<u>142,512</u>
Total equity		<u><u>1,305,534</u></u>	<u><u>1,172,047</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2006	2005
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,895	2,386
Trade and other payables	9	<u>125,050</u>	<u>—</u>
		<u>126,945</u>	<u>2,386</u>
Current liabilities			
Due to customers on construction contracts		56,061	47,222
Trade and other payables	9	2,085,294	1,991,484
Current income tax payable		37,062	29,990
Bank borrowings		<u>140,000</u>	<u>139,929</u>
		<u>2,318,417</u>	<u>2,208,625</u>
Total liabilities		<u>2,445,362</u>	<u>2,211,011</u>
Total equity and liabilities		<u>3,750,896</u>	<u>3,383,058</u>
Net current assets		<u>741,679</u>	<u>664,950</u>
Total assets less current liabilities		<u>1,432,479</u>	<u>1,174,433</u>

NOTES:

1. Summary of significant accounting policies

1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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.

Certain standards, amendments and interpretation to existing standards issued by HKICPA are mandatory for the Group’s accounting periods beginning on or after 1 January 2006. They are either not relevant for the Group’s operations, or are not expected to have material impact on the Group’s consolidated financial statements.

1.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Segment information

Primary reporting format — business segments

Revenues recognised during the year are as follows:

	2006	2005
	<i>RMB’000</i>	<i>RMB’000</i>
Turnover		
— Material logistics services	4,255,555	3,243,842
— Expressway service zones	369,969	278,535
— Transportation intelligence services	623,130	474,303
— Cross-border transportation services	261,891	256,806
— Tai Ping Interchange	104,359	84,826
— Others	<u>20,491</u>	<u>13,710</u>
	<u><u>5,635,395</u></u>	<u><u>4,352,022</u></u>

The segment results, capital expenditure and other segment information for the year ended 31 December 2006 and the segment assets and liabilities at 31 December 2006 are as follows:

	Material logistics services <i>RMB'000</i>	Expressway service zones <i>RMB'000</i>	Transportation intelligence services <i>RMB'000</i>	Cross-border transportation services <i>RMB'000</i>	Tai Ping Interchange <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Group <i>RMB'000</i>
Revenue								
Total gross segment revenue	4,261,909	369,969	644,051	261,891	104,359	30,110	—	5,672,289
Inter-segment revenue	<u>(6,354)</u>	<u>—</u>	<u>(20,921)</u>	<u>—</u>	<u>—</u>	<u>(9,619)</u>	<u>—</u>	<u>(36,894)</u>
	<u>4,255,555</u>	<u>369,969</u>	<u>623,130</u>	<u>261,891</u>	<u>104,359</u>	<u>20,491</u>	<u>—</u>	<u>5,635,395</u>
Operating profit	89,896	71,574	18,208	37,340	84,325	5,922	(34,929)	272,336
Finance costs								(16,012)
Share of results of associates and a joint venture								<u>2,657</u>
Profit before income tax								258,981
Income tax expense								<u>(77,709)</u>
Profit for the year								<u>181,272</u>
Depreciation	5,750	21,620	6,005	30,684	10,135	538	4,542	79,274
Amortisation	735	520	497	813	642	142	—	3,349
Reversal of impairment of fixed assets	—	—	—	(2,339)	—	—	—	(2,339)
(Reversal of) / Provision for impairment of receivables	<u>(31)</u>	<u>(1,738)</u>	<u>(2,300)</u>	<u>117</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,952)</u>
Total gross segment assets	2,117,924	413,567	473,429	288,924	378,930	25,843	67,656	3,766,273
Inter-segment	<u>(16,600)</u>	<u>(70,022)</u>	<u>(8,845)</u>	<u>—</u>	<u>(4,879)</u>	<u>(7,934)</u>	<u>—</u>	<u>(108,280)</u>
	2,101,324	343,545	464,584	288,924	374,051	17,909	67,656	3,657,993
Interest in associates								65,933
Interest in a joint venture								14,709
Available-for-sale investment								200
Deferred income tax assets								<u>12,061</u>
Total assets								<u>3,750,896</u>
Total gross segment liabilities	1,675,994	246,958	301,240	61,429	215,969	13,095	—	2,514,685
Inter-segment	<u>(2,734)</u>	<u>(5,818)</u>	<u>(16,020)</u>	<u>—</u>	<u>(77,518)</u>	<u>(6,190)</u>	<u>—</u>	<u>(108,280)</u>
	1,673,260	241,140	285,220	61,429	138,451	6,905	—	2,406,405
Current income tax payable								37,062
Deferred income tax liabilities								<u>1,895</u>
Total liabilities								<u>2,445,362</u>
Capital expenditure	<u>107,752</u>	<u>60,907</u>	<u>3,156</u>	<u>38,082</u>	<u>19,332</u>	<u>1,538</u>	<u>2,799</u>	<u>233,566</u>

The segment results, capital expenditure and other segment information for the year ended 31 December 2005 and the segment assets and liabilities at 31 December 2005 are as follows:

	Material logistics services	Expressway service zones	Transportation intelligence services	Cross-border transportation services	Tai Ping Interchange	Others	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
Total gross segment revenue	3,305,724	278,715	476,118	256,806	84,826	24,764	—	4,426,953
Inter-segment revenue	<u>(61,882)</u>	<u>(180)</u>	<u>(1,815)</u>	<u>—</u>	<u>—</u>	<u>(11,054)</u>	<u>—</u>	<u>(74,931)</u>
	<u>3,243,842</u>	<u>278,535</u>	<u>474,303</u>	<u>256,806</u>	<u>84,826</u>	<u>13,710</u>	<u>—</u>	<u>4,352,022</u>
Operating profit	67,195	72,559	17,075	40,881	68,115	4,237	(29,122)	240,940
Finance costs								(16,263)
Share of results of associates								1,761
Profit before income tax								226,438
Income tax expense								<u>(65,684)</u>
Profit for the year								<u>160,754</u>
Depreciation	3,366	16,287	6,402	27,359	8,248	764	4,786	67,212
Amortisation	353	508	584	339	271	144	—	2,199
Reversal of impairment of fixed assets	—	—	—	(1,700)	—	—	—	(1,700)
Provision for/ (Reversal of) impairment of receivables	<u>7,457</u>	<u>13</u>	<u>79</u>	<u>(16)</u>	<u>—</u>	<u>(3,819)</u>	<u>—</u>	<u>3,714</u>
Total gross segment assets	1,642,798	342,532	577,892	277,188	271,645	19,041	231,387	3,362,483
Inter-segment	<u>(22,453)</u>	<u>(584)</u>	<u>(7,858)</u>	<u>—</u>	<u>(1,213)</u>	<u>(5,692)</u>	<u>—</u>	<u>(37,800)</u>
	1,620,345	341,948	570,034	277,188	270,432	13,349	231,387	3,324,683
Interest in associates								33,280
Interest in a joint venture								15,000
Available-for-sale investment								200
Deferred income tax assets								9,895
Total assets								<u>3,383,058</u>
Total gross segment liabilities	1,357,103	145,252	418,569	77,941	205,792	11,778	—	2,216,435
Inter-segment	<u>(1,908)</u>	<u>(4,125)</u>	<u>(21,502)</u>	<u>—</u>	<u>(2,512)</u>	<u>(7,753)</u>	<u>—</u>	<u>(37,800)</u>
	1,355,195	141,127	397,067	77,941	203,280	4,025	—	2,178,635
Current income tax payable								29,990
Deferred income tax liabilities								2,386
Total liabilities								<u>2,211,011</u>
Capital expenditure	<u>15,890</u>	<u>7,374</u>	<u>10,377</u>	<u>37,849</u>	<u>7,180</u>	<u>839</u>	<u>5,304</u>	<u>84,813</u>

Secondary reporting format — geographical segments

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

Revenue

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Mainland China	5,426,132	4,149,628
Hong Kong	<u>209,263</u>	<u>202,394</u>
	<u><u>5,635,395</u></u>	<u><u>4,352,022</u></u>

Total assets

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Mainland China	3,334,246	2,868,492
Hong Kong	<u>256,091</u>	<u>224,804</u>
	3,590,337	3,093,296
Interest in associates	65,933	33,280
Interest in a joint venture	14,709	15,000
Available-for-sale investment	200	200
Unallocated assets	<u>79,717</u>	<u>241,282</u>
	<u><u>3,750,896</u></u>	<u><u>3,383,058</u></u>

Capital expenditure

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Mainland China	198,295	50,005
Hong Kong	<u>35,271</u>	<u>34,808</u>
	<u><u>233,566</u></u>	<u><u>84,813</u></u>

3. **Operating profit**

Operating profit is arrived at after charging of loss on disposal of fixed assets amounting to RMB2,835,000 (2005: RMB1,512,000), depreciation of fixed assets amounting to RMB79,274,000 (2005: RMB67,212,000), amortisation of intangible assets amounting to RMB2,249,000 (2005: RMB1,643,000) and amortisation of leasehold land and land use rights amounting to RMB1,100,000 (2005: RMB556,000).

4. Finance costs

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Interest expense:		
— bank borrowings	10,773	9,414
— bills payable	<u>5,239</u>	<u>6,849</u>
	<u>16,012</u>	<u>16,263</u>

5. Income tax expense

The group companies incorporated in Mainland China are subject to income tax at rates ranging from 15% to 33%. A Mainland China subsidiary of the Company is entitled to a 50% reduction from income tax for the year ended 31 December 2006 (2005: exempted from income tax).

The group companies 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 17.5% (2005: 17.5%).

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

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Current income tax		
— Hong Kong profits tax	895	187
— Mainland China current EIT	79,386	65,891
Deferred income tax	<u>(2,572)</u>	<u>(394)</u>
Income tax expense	<u>77,709</u>	<u>65,684</u>

6. Earnings per share

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

	2006	2005
Profit attributable to equity holders of the Company (RMB'000)	<u>155,750</u>	<u>136,588</u>
Weighted average number of ordinary shares in issue (thousands)	<u>417,642</u>	<u>315,216</u>
Basic earnings per share (RMB per share)	<u>0.37</u>	<u>0.43</u>

There were no dilutive potential shares during the year.

7. Dividends

The dividends paid in 2006 and 2005 were RMB33,411,000 (RMB0.08 per share) and RMB30,000,000 (RMB1.027 per share), respectively.

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, is to be proposed at the annual general meeting on 12 June 2007. These financial statements do not reflect this dividend payable.

8. **Trade and other receivables**

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade receivables	735,745	226,578
Bills receivable	6,691	4,200
Other receivables	87,937	34,660
Prepayments	548,853	567,232
Due from related parties	<u>456,688</u>	<u>669,245</u>
	<u>1,835,914</u>	<u>1,501,915</u>

The credit terms of trade receivables are normally within three months. For material logistics services business and transportation intelligence services business, certain percentage of the trade receivables is retained by customers as quality assurance and is repaid upon finalisation of the relevant construction projects. The ageing analysis of the trade receivables, including those under amounts due from third parties and related parties, is as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Within 3 months	994,543	549,145
Over 3 months but within 6 months	41,834	21,911
Over 6 months but within 1 year	56,148	43,202
Over 1 year but within 2 years	22,811	85,889
Over 2 years but within 3 years	9,902	54,884
Over 3 years	<u>31,229</u>	<u>10,336</u>
	<u>1,156,467</u>	<u>765,367</u>

9. **Trade and other payables**

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade payables	442,726	702,089
Bills payable	1,155,623	707,896
Advance from customers	267,697	194,386
Accrued expenses and other payables	210,713	304,997
Amounts due to related parties	<u>133,585</u>	<u>82,116</u>
	2,210,344	1,991,484
Less: Non-current portion	<u>(125,050)</u>	—
Current portion	<u>2,085,294</u>	<u>1,991,484</u>

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

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Within 3 months	442,871	636,649
Over 3 months but within 6 months	4,917	8,857
Over 6 months but within 1 year	12,703	16,057
Over 1 year but within 2 years	44,207	47,722
Over 2 years but within 3 years	14,535	16,309
Over 3 years	<u>14,340</u>	<u>9,301</u>
	<u>533,573</u>	<u>734,895</u>

10. **Other reserves**

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Balance at 1 January	292,757	127,054
Appropriation from retained earnings	22,797	33,117
Effect on merger of equity interests in subsidiaries	—	(163,837)
Waiver of amounts due to the Parent Company and a fellow subsidiary	—	8,174
Acquisition of minority interest	—	2,683
Issue of share capital	—	329,867
Share issuance costs	—	(41,729)
Currency translation differences	(4,261)	(2,572)
Others	<u>1,603</u>	<u>—</u>
Balance at 31 December	<u>312,896</u>	<u>292,757</u>

11. **Events after the balance sheet date**

The New Corporate Income Tax Law (the “New CIT Law”) was passed by the National People’s Congress of Mainland China on 16 March 2007. The New CIT Law will take effect on 1 January 2008.

Up to the date of this results announcement, there are no further details announced by the State Council.

The Group will evaluate the impact of the New CIT Law on the operating results and the financial position of the Group upon enactment of the New CIT Law and more detailed regulations are announced.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of logistic services and expressway-related services. The four main business segments of the Group are set out below:-

- Material logistics services: planning, procurement and logistics management of construction materials mainly for expressway and other infrastructure projects;
- Expressway service zones: operation of expressway service zones and provision of the related auxiliary services in Guangdong Province including petrol stations, convenience stores, restaurants, car maintenance centres and advertisement;
- Transportation intelligence services: provision of transportation intelligence services including development, construction and maintenance of transportation intelligence system, installation and construction of safety and toll collection facilities mainly for the expressways; and
- Cross-border transportation services: provision of cross-border transportation services between Hong Kong and Guangdong Province.

Apart from the main business segments as abovementioned, our Group's business also includes toll income from the Tai Ping Interchange and other businesses.

Material logistics services

As a large material logistics service provider of large-scale projects, the Group is principally responsible for the planning, procurement, storage, and transportation management of construction materials mainly for expressway and other large-scale infrastructure projects.

In 2006, the Group has participated in material logistics business of 24 large-scale infrastructure projects. During the year, other than providing approximately 1,227,000 tonnes of cement, 1,147,800 tonnes of steel bar, 110,600 tonnes of asphalt, the Group also developed logistics business on coal and iron ore powder. The Group provided logistics services for 401,300 tonnes of coal and 301,200 tonnes of iron ore powder.

The Group participated in supply management works of projects in Zhanjiang Gulf Bridge, the Zhuhai Section of the Western Coastal Expressway of Guangdong Province, the South Section of the Zhujiang Delta Western Ring Expressway, the South Section of Jingzhu Expressway, the Western Ring of Meizhou Expressway, Meilong Expressway, Shanjie Expressway, Guanghe Expressway, Taiao Expressway, Fokai Expressway expansion, Route 6 subway of Guangzhou, Inter-city Railway between Guangzhou and Zhuhai and the First Ring Expressway of Foshan. The Group will strengthen the management of the logistics supply chain from the point of purchasing, warehousing, quality control and settlement on completion, in order to ensure that the logistics supply chain for the projects of the Group is efficient and smooth.

Expressway service zones

In 2006, the five major networks including convenience stores, catering, car maintenance, petrol stations and advertisement enjoyed significant progress. Based on changes of market demand, the Group made timely changes to the product structure of our convenience stores and pushed forward with consignment sales of native products as well as sales of commodities during major holidays and festivals, and as a result, the sales of these convenience stores during holidays and festivals accounted for over two-thirds of the annual turnover and we have also introduced the franchise model. The Group adopted a set meal sales model to speed up the pace of development of our catering network. The Group have introduced the set meal model in seven pairs of service zones and focused on the pilot test of the distribution of fast food in the service zones along the Yuegan Expressway, and this has provided the momentum for the development of the catering network. The Group has stressed on the basics for the vehicle repairs and maintenance network and speeded up the pace of network construction, focusing on the recruitment and training of people and standardising the workflow of purchase of components and parts for vehicles and speeding up the formalities for license application. By the end of 2006, the Group had 12 pairs of vehicle repairs depots, which initially formed our vehicle repairs network on the expressway. The Group is also heedful of the development of the network of petrol stations and follows up the implementation of the “Eleventh-Five Development Planning for the Stations of the Service Zones along the Expressways of Guangdong”. The Group pushed forward the integration of advertisement network resources to speed up the development of advertisement network. The Group has also pushed forward with the construction of an information platform for the service zones, developing an information network platform for the service zones. In 2006, the Group completed the virtual special network for the self-operated service zones and made possible the long-distance maintenance and monitoring of the operation of each system in the service zones. The Group has made further research and development on the information platform of the service zones, and by now, development of the information platform for the retail chain will be completed soon; development of the information platform for vehicle repairs is heatedly underway, which laid a solid foundation for the development and use of the information platform systems of service zones when they are completed in 2007.

Transportation intelligence services

Guangdong Xinyue Investment Company Limited and Guangdong Oriental Thought Technology Company Limited are the Company’s two subsidiaries providing electro-mechanical systems for expressways of transportation intelligence services with research and development, installation and construction services, etc.

In 2006, our group completed the monitoring and control and communication works of Guangzhou Guangyuan Highway, the mechanical and electrical works for the ducting of Tianshan Expressway, the mechanical and electrical works for the ducting of Guangzhou West Second Ring Expressway, the mechanical and electrical works for the ducting of Guangzhou North Third Ring Expressway. The total value of these services upon completion will amount to RMB440 million. The Group has also completed the expansion works of the South Section of Beijing — Zhuhai Expressway, Guizhou Sankai Expressway, Guizhou

Xingding Expressway, overhaul to the eastern section of Shenzhen — Shantou Expressway, the transport works of Foshan First Ring Expressway, North Third Ring Expressway and West Second Ring Expressway. The value of these works upon completion will amount to approximately RMB168 million.

During the year, the Group undertook and completed the construction of 17 major electro-mechanical system projects and 7 safety facility projects.

Cross-border transportation services

Taking the advantage from the increased flow of cross-border passengers between Hong Kong and Guangdong Province, the Group continues to be one of the major cross-border transportation operators in Hong Kong by fleet size, bus frequency and routes operated. During 2006, we have acquired the right to operate the bus terminal in Austin Road for four years by tender. In order to further enhance our market share along the “golden route”, we also put more effort in our market sales and management, strengthen our working relation with other cross-boarder transport sector, and open up new cross-provincial transport routes. In 2006, our Group’s bus fleet carried a total of 3.89 million passengers on its cross-border and domestic routes.

Tai Ping Interchange and others

The Group owns the toll collection right of Tai Ping Interchange in Guangdong Province. As the economy of Guangdong Province continued to grow rapidly, the number of vehicles using the expressway maintained a stable growth. The toll collected from Tai Ping Interchange increased 23% over that of 2005.

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 our turnover. Our turnover for the year amounted to RMB5.635 billion (2005: RMB4.352 billion) (unless otherwise specified, the amounts stated herein below shall be in RMB), representing an increase of 29% over last year, which was mainly attributable to the development in material logistic services and the transportation intelligence services, of which their turnover increased by 1.012 billion and by 0.149 billion respectively.

Material logistics services

Revenue generated from material logistics services is our Group’s major source of income. The Group has recorded turnover of 4.256 billion this year (2005:3.244 billion), representing

an increase of 31%, contributed 76% to the Group's total turnover (2005:75%). The increase of turnover was principally due to the increase in scale of services and types of materials serving, which increased the source of income and profit as well as provided diversification of market risks.

Expressway service zones

For the year ended 31 December 2006, the number of our service zones increased to 43 pairs (2005: 40 pairs), the turnover of expressway service zones attributed to 7% (2005:6%) of the Group's turnover, which amounted to 370 million (2005: 279 million), representing an increase of 33%, principally because (i) the income contribution from the new service zones at the end of 2005 and (ii) the sales of the service zones have increased due to the enhancement of the service zones network and the marketing promotion effort.

Transportation intelligence services

Transportation intelligence services attributed to approximately 11% (2005:11%) of the Group's total turnover this year. Turnover of 2006 amounted to 623 million (2005:474 million), representing an increase of 31%, because (i) the number of projects completed increased by 14 and the involved amounts increased by 113 million and (ii) the income of software and technical services rendering increased by 20 million as compared with the previous year.

Cross-border transportation services

Revenue from cross-border transportation services this year was 262 million (2005:257 million), representing an increase of 2% as compared to last year, and attributed to 5% (2005:6%) of the Group's total turnover, primarily due to the co-operation with other coach operators to rearrange bus schedules, enhance resource utilization rate and obtain competitive strength, which attributed the passenger kilometres turnover (total distance of all passengers travelled) by 8% to 354 million passenger km (2005:329 million passenger km) approximately.

Tai Ping Interchange and others

Toll fee collected from Tai Ping Interchange attributed to 2% (2005:2%) of the total turnover this year, which increased by 23% to 104 million (2005:85 million), mainly because the opening of Jiangzhong Expressway, resulting in increasing vehicles via Tai Ping Interchange from West Guangdong and Pearl Delta to Dongguan, Shenzhen and Huizhou. The average traffic volume for 2006 was 50,612 vehicle per day (2005: 42,737 vehicle per day), representing an increase of 18%.

Gross profit

The gross profit of the Group in 2006 increased by 69 million or 13% to 598 million (2005:529 million) as compared to that of 2005 as a result of growth in turnover. The gross profit margin slightly decreased to 10.61% as compared to 12.15% of 2005.

Material logistics services

Gross profit of material logistics services this year attributed to 35% (2005:31%) of the Group's total gross profit, representing an increase of 30% to 210 million (2005:162 million), which was in line with the increase in turnover. The gross profit margin remains stable at 4.94% (2005:4.99%) as compared to last year.

Expressway service zones

Gross profit of expressway service zones attributed to 21% (2005:26%) of the Group's total gross profit this year, which amounted to 126 million (2005:139 million) and representing a decrease of 9%. Gross profit margin reduced to 34.05% (2005:49.75%). The decrease was mainly because revenue from some of the newly operating service zones was not enough to cover the operating costs of these zones.

Transportation intelligence services

Gross profit of transportation intelligence services attributed to 17% of the Group's total gross profit (2005:16%) this year, which amounted to 99 million (2005: 85 million) and representing an increase of 17%. Compared to that of 2005, gross profit margin decreased to 15.87% (2005:17.84%), which was principally due to the fierce market competition and the Group's low price strategy in entering the markets outside Guangdong Province.

Cross-border transportation services

Gross profit of cross-border transportation services attributed to 11% (2005:13%) of the Group's total gross profit this year, decreasing from 67 million of last year by 3% to 65 million. Gross profit margin decreased to 24.86% (2005:26.25%) as compared to 2005, primarily because of an increase in the price of gasoline during the year.

Tai Ping Interchange and others

Gross profit of Tai Ping Interchange and others attributed to 16% (2005:14%) of the Group's total gross profit this year. Gross profit earned by Tai Ping Interchange increased from 72 million in the previous year to 88 million, representing an increase of 22%. The completed upgrading of integrated toll collection raised the depreciation and offset part of benefits resulted from increase of traffic flows. Therefore, gross profit margin remained unchanged as 84.15% (2005: 84.33%) as compared to 2005.

Other income

Other income of the Group increased to 28.57 million this year (2005:17.89 million), representing an increase of 60%. The increase was mainly due to interest income increased by 122% or 8.06 million to 14.64 million (2005: 6.58 million).

Selling expenses

The selling expenses of the Group increased to 131 million (2005:99 million) this year, representing 2% (2005:2%) of the Group's turnover, which have remained stable.

Administrative expenses

Administrative expenses increased to 220 million (2005:203 million) this year, representing an increase of 8%. The increase was primarily due to (i) growth of business tax and surcharges as a result of the increase of turnover and (ii) increase of expenses as the first year being a listed company, including legal advisers fee, auditors' remuneration, printing fee and other consultation fees.

Finance costs

Under the circumstances of growing interest rate and expansion of the Group's business, finance costs decreased by 2% to 16.01 million (2005:16.26 million) this year. The decrease was mainly due to the advantage of expansion of scales of operation which increased amount of bank facilities to 2.8 billion (2005:1.2 billion) and the reduction in the discount rate for bills receivable from 0.3% per month last year to between 0.27% and 0.285% per month.

Taxation

The effective tax rate was 30% for the year (2005: 29.0%) which was comparable to that of last year.

Liquidity and capital structure

The Group continues to maintain a robust financial position. On 31 December 2006, cash and cash equivalent amounted to 671 million (2005:840 million). As at 31 December 2006, balance of bill payables was 1.156 billion, which required approximately 243 million as reserves upon the maturity of the bills; net current assets was 742 million (2005:665 million); current ratio was 1.3 times (2005:1.3 times); liabilities equity ratio (the ratio of unpaid bank borrowings balance to the equity attributable to equity holders of the Company) was 12% (2005:14%); interest covering ratio was 17 times (2005:15 times).

Management of trade receivables

In 2006, the Group enhanced the management of trade receivables. As at the end of 2006, trade receivables aged above one year (including amounts due from third parties and related parties) amounted to 63.94 million (2005: 151.11 million), representing a significant decrease of 58%. It accounted for 6% of the total trade receivables (2005:20%).

Borrowings

As at 31 December 2006, all outstanding bank borrowings of the Group were unsecured short-term bank loans, which amounted to 140 million in total (2005:140 million), which shown to have remained stable compared with 2005.

Acquisitions

The Group acquired 30% equity interest of Guangdong Feida Traffic Engineering Company Limited and 25% equity interest of Nanfang United Properties Exchange Center Company Limited this year. As at 31 December 2006, the Group had no incompleting acquisitions in progress.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure related to the cross-border transportation business. In 2006, the Group's operation or liquidity was not materially affected by the fluctuations in currency exchange rate. The directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will take appropriate arrangement, based on its operating needs to mitigate the Group's currency exposures.

Contingent liabilities

As at 31 December 2006, the Group did not have any material contingent liabilities.

PROSPECTS

The Group achieved good results in production operations in 2006. At present, the Group faced both opportunities and challenges. The various segments of our business have made to the leading position in Guangdong Province. Our supply of cement, steel bar and asphalt of our material logistics has been ranked the first in Guangdong Province, the transportation intelligence services has been ranked among the top three in the PRC, our service zone chain comprises over 80% of expressway services zones of the province, and the successful listing in Hong Kong has taken us further to the creation of a sound platform for future development.

The key objectives of our future development are:

(1) *Material logistics service*

1. We aim at maintaining the standard of our traditional material logistics business and to further enhance the logistics infrastructure construction of our traditional material logistics services.
2. The main asphalt warehouse in Donguan is scheduled to be in operation in the second half of 2007 and our Group will continue to make further improvements to the asphalt warehouses network in Guangdong Province.
3. We aim to develop new logistic services, in particular focusing on new service varieties such as coal, heavy oils and mineral ores.

(2) *Expressway service zones*

We will continue to innovate in our service brand name and to enhance the service quality and we will put more efforts to cooperate with major multi-national corporations (such as McDonald's restaurants) and also continue to further identify derivative benefits from our service zones network.

(3) *Transportation intelligence service*

1. We aim at maintaining our strength in the industry of traditional transportation intelligence operation and to capture a larger market share.
2. We aim to make our transportation safety facilities to becoming the leader within the industry by strengthening our operating strategy and sales and marketing.
3. We will continue to emphasize on the research and development of transportation intelligence products and their technology, and launch them onto the wider market including the city light rail and municipal transportation.

(4) *Cross-border transportation services*

In 2007, we will take the initiative to explore both provincial and cross-border transportation and try to integrate the internal resources of our transportation group and to take steps to effect merger and acquisition with depot resources both within and beyond the province.

OTHER INFORMATION

Closure of register of members

The registers of members of the Company will be closed from 14 May 2007 to 12 June 2007, both days inclusive, during which period no transfer of shares 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 11 May 2007 at 4:30 p.m. are entitled to attend the annual general meeting to be held on 12 June 2007.

Final dividends

The Board proposes the payment of a final dividend of RMB0.11 per share (pre-tax) before 31 July 2007 to the shareholders whose names appear on the registers of shareholders of the Company on 12 June 2007. In order to qualify for the final dividends, all share certificates accompanied by the duly completed transfer forms must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited (address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) not later than 4:30 p.m. on 11 May 2007.

Corporate governance

The Company believes that the incessant upgrading of its standard of corporate governance is the underlying cornerstone for safeguarding the interests of shareholders and investors as

well as enhancing corporate value of the Company. The Company, with reference to the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the Articles of Association of the Company and other relevant laws and regulations, and taking into considerations of its own characteristics and requirements, has been making enormous efforts in enhancing its standard of corporate governance.

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period for the year ended 31 December 2006, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Model code for securities transactions by directors

The Company has adopted the model code for securities transactions by directors ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding its directors' and supervisors' securities transactions in 2006. Having made specific enquiries of all Directors and supervisors of the Company ("Supervisors") who confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2006.

Board committees

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

Audit committee

The Company has an audit committee consisting of two independent non-executive Directors, Mr. Peng Xiao Lei and Mr. Liu Shao Buo, and one non-executive Director, Mr. Huang Guo Xuan. The committee appoints external auditors, reviews and supervises the financial reporting process and internal control system of the Group and provides advice and comments to the Board. The committee members met regularly with management and external auditors and reviewed the external audit reports and the annual accounts of the Group. It has reviewed the annual results of the Group for the year ended 31 December 2006. The figures in respect of the preliminary announcement of the Group's results for the year have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year 2006. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Purchase, sale or repurchase of shares of the Company

During the year, 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.

Service contracts

Each of the Directors and Supervisors has entered into a service contract with the Company.

Pre-emptive rights

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

Auditors

The Company has appointed PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company for the year ended 31 December 2006. Resolutions for re-appointments of PricewaterhouseCoopers and Guangdong Zhengzhong Zhujiang Certified Public Accountants as the international and PRC auditors of the Company for the year ending 31 December 2007 will be proposed at the forthcoming shareholders' annual general meeting of the Company on 12 June 2007.

Change of principal place of business in Hong Kong

The board also announces that the principal place of business of the Company in Hong Kong will be changed to Rooms 3108-3112, Hong Kong Plaza, 188 Connaught Road West, Hong Kong with effect from 16 April 2007.

Change of use of proceeds

The Board is also pleased to announce that it has today approved the change of application of proceeds from the initial public offer of the Group when the Company was listed on The Stock Exchange of Hong Kong on 26 October 2005. The original proposed use of the proceeds in the amount of HK\$46.03 million are as follows:

- (1) HK\$13.50 million — for the use as additional working capital of The Motor Transport Company of Guangdong and Hong Kong Limited;
- (2) HK\$13.76 million — for the use to finance the expansion of material logistics services;
- (3) HK\$14.83 million — for the use to develop the Group's information system platform and communication network in order to improve and enhance its quality of services; and
- (4) HK\$3.94 million — for the use to finance the expansion of transportation intelligence services.

In the wake of the further development of the Company's logistic services for production materials, in order to enhance the efficiency of logistic distribution and minimize the cost of warehousing, thereby improving the quality of services of our logistic operations, hence our competitiveness, the Board considers that it is in the best interest of the Group and its shareholders to change the above-mentioned use of proceeds and proposes to allocate the above proceeds in the total amount of HK\$46.03 million for the acquisition or construction of material logistics warehouses.

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 (<http://www.hkex.com.hk>). An annual report for the year ended 31 December 2006 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

By Order of the Board of
Guangdong Nan Yue Logistics Company Limited
Lu Mao Hao
Chairman of the Board

Guangzhou, the People's Republic of China

16 April 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".*

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

Please also refer to the published version of this announcement in South China Morning Post.