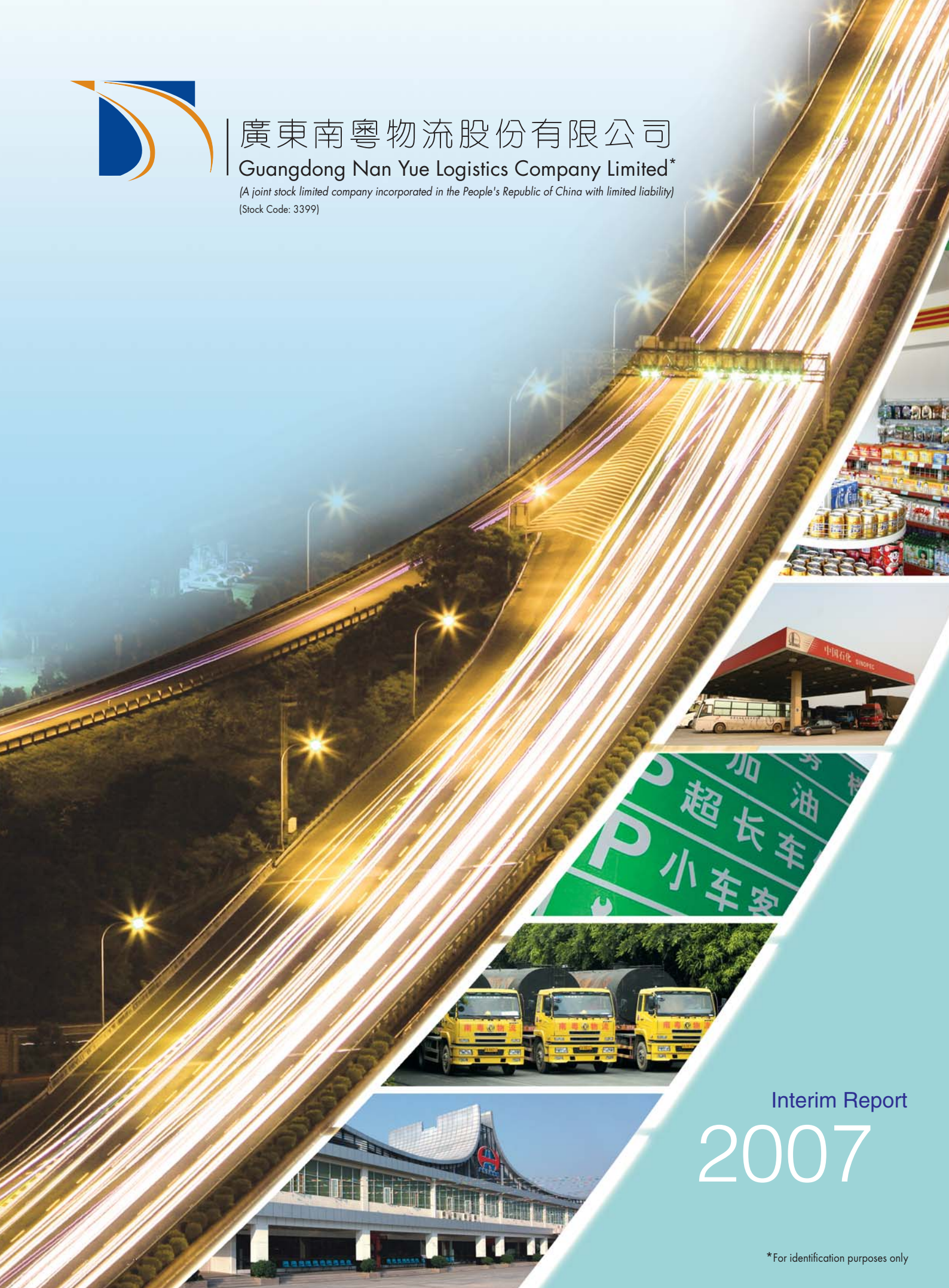




廣東南粵物流股份有限公司
Guangdong Nan Yue Logistics Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3399)



Interim Report
2007

*For identification purposes only

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

The report may contain certain forward-looking information and/or information that is not based on historical data and uses forward-looking terminology such as "anticipate", "believe", "intend", "could", "expect", "estimate", "may", "ought to", "should" or "will". Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements. In addition, the Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this report as a result of new information, future events or otherwise.

Company Profile

REGISTERED OFFICE

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No. 1731-1735 Airport Road
Guangzhou
The PRC

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Room 3108-3112
31st Floor
Hong Kong Plaza
188 Connaught Road West
Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lu Mao Hao
Zeng Hong An
Wang Wei Bing
Guo Jun Fa
Chen Bing Heng

Non-Executive Directors

Liu Wei
Huang Guo Xuan
Ren Mei Long
Chen Guo Zhang
Lu Ya Xing

Independent Non-Executive Directors

Gui Shou Ping
Liu Shao Buo
Peng Xiao Lei

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Fung Hon Tung

AUTHORISED REPRESENTATIVES

Zeng Hong An
Wang Wei Bing

AUDITORS

PricewaterhouseCoopers

BANKERS

Industrial and Commercial Bank of China
China Construction Bank

LEGAL ADVISER

Paul, Hastings, Janofsky & Walker

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

	For the six months ended 30 June		Change Increase/ (Decrease)
	2007 RMB'000	2006 RMB'000	
Result highlights			
Turnover			
Material logistics services	2,454,503	1,642,469	49.44%
Expressway service zones	180,762	150,712	19.94%
Transportation Intelligence services	162,033	170,364	(4.89%)
Cross-border transportation services	135,802	131,450	3.31%
Tai Ping Interchange	57,960	48,666	19.10%
Others	742	8,155	(90.90%)
Total turnover	2,991,802	2,151,816	39.04%
Gross profit			
Material logistics services	97,747	85,290	14.61%
Expressway service zones	43,833	48,925	(10.41%)
Transportation intelligence services	36,769	30,008	22.53%
Cross-border transportation services	35,898	37,014	(3.02%)
Tai Ping Interchange	49,177	41,222	19.30%
Others	279	5,083	(94.51%)
Total gross profit	263,703	247,542	6.53%
Other income	19,139	13,792	38.77%
Operating expenses	(157,431)	(137,383)	14.59%
Operating profits	125,411	123,951	1.18%
Finance costs	(11,450)	(5,538)	106.75%
Share of results in associates and a joint venture	(197)	144	(236.81%)
Profit before income tax	113,764	118,557	(4.04%)
Income tax expenses	(35,425)	(36,391)	(2.65%)
Profit for the period	78,339	82,166	(4.66%)
Minority interest	8,190	10,860	(24.59%)
Equity holder of the Company	70,149	71,306	(1.62%)
Basic earnings per Share (RMB)	0.17	0.17	

Financial Highlights

	For the six months end 30 June	
	2007	2006
	RMB'000	RMB'000
Ratios		
Gross profit margin (%)	8.81%	11.50%
Liability equity ratio (%)	9%	21%
Interest covered ratio (times)	10.9	22.4
Current ratio (times)	1.32	1.25

	As at		
	30 June	31 December	Change %
	2007	2006	
RMB'000	RMB'000		
Total assets	4,199,317	3,750,896	11.96%
Total net assets	1,325,780	1,305,534	1.55%
Shareholder's equity of the Company	1,172,792	1,149,216	2.05%
Net assets per share (RMB)	3.17	3.13	1.27%

Gross profit margin = Gross profit/turnover

Liability equity ratio = Bank borrowings/shareholder's equity of the Company

Interest covered ratio = Profit before income tax and interests/(interest expenses + capitalized interests)

Current ratio = Total Current assets/Total current liabilities)

I am pleased to take this opportunity to present a review of the business activities of Guangdong Nan Yue Logistics Company Limited (the "Company") and its subsidiaries (together, the "Group") in the first half of 2007 and a preview of our future development:

BUSINESS REVIEW

In the first half of 2007, due to the rapid growth of China's economy, the State continued to implement macroeconomic measures and there has been a slowdown in the speed of the construction of highways in Guangdong province. The construction of the newly built highways has been delayed and the business of the Group is closely connected with newly built highways. Due to the shrinking of the construction of highways in Guangdong province, the Group is actively exploring its market business.

In the first six months of 2007, turnover of the Group amounted to RMB2,992,000,000, representing an increase of RMB840,000,000 over the same period of 2006. Profit attributable to equity holders of the Company amounted to RMB70,000,000, representing a decrease of 1.62% over the same period of 2006.

As for our material logistics services segment, during the first half of 2007, the Group: (1) participated in seven projects involving the provision of steel, cement, asphalt supply management, in locations such as Western Coastal Expressway Zhuhai Section, Pearl River Delta West Wing Expressway South Section, Jingzhu South Expressway Extension Construction, and Fokai Expressway Extension Construction, and Hubei Suiyue expressway asphalt supply. 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 aggregate supply value of approximately RMB 370,000,000 being accomplished; (2) 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 the phase II of the Guangwu (廣梧) Expressway; (3) continued to expand its market operations, participated in supplying materials for 13 large-scale infrastructure projects including Guangzhou Metro Nos. 4, 5, and 6, Wu-Guang Railway, Inter-city Railway between Guangzhou and Zhuhai, Guangzhou-Shenzhen-HongKong (廣深港) Railway, Dongxin Expressway. With the supply of large-scale infrastructure projects and the market sales business proceeding simultaneously, a total of 585,000 tonnes of steel (including project supply), 58,000 tonnes of cement (including project supply), 149,100 tonnes of coal and 303,300 tonnes of iron ore powder were sold. Total sales (supply) amounted to RMB 1,820,000,000.

As for our expressway service zone segment, the Group strived to work on the standardized chain operation of the service zones during the first half of 2007, the Group: (1) standardized the types of food and beverage and expanded the scale of operation of food and beverage network; (2) built up a distribution network for agricultural by-products through franchise operation; (3) introduced world-renowned enterprises (such as McDonald's) to enter into partnership in the service zones; (4) advanced the enlarged-scaled operation of outdoor advertising for expressways; (5) speeded up the construction of a vehicle maintenance network; (6) facilitated the construction of distribution warehouses, strengthened centralized procurement management and enhanced operational efficiency of the service zones as a whole.

As for transportation intelligence services, in the first half of 2007, the Group: (1) by focusing on the expressway transportation intelligence business, ensured the continued development of the transportation construction business; (2) strengthened the exploration of market operations, resulting in the continuous enhancement in market competitiveness; (3) strengthened the innovations in transportation intelligence related technologies; (4) continued the exploration of expressway transportation intelligence system maintenance.

In relation to cross-border transportation services, with the increase of economic and trading activities between Mainland and Hong Kong as well as the continuous increase in number of businessmen and travellers entering in and out of Hong Kong, the Group adopted an appropriate operating strategy and management tactics which resulted in a better economy of scale. The Group has raised the operation carriage rate of medium to long term route by adjusting passenger transportation routes and organizing of schedules, thus ensured the market share of short express routes and completed the preparation work for the opening up of the Western Passage. The pre-operational preparation work targeting business vehicles for high-end passenger transportation clients was completed.

OUTLOOK AND STRATEGIES

According to the construction plan of expressway in Guangdong province, the mileage of expressway in Guangdong province will reach 5,000km by 2010, the current mileage of expressway in Guangdong province is 3,340km. Accordingly, 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 main business goals of the Group in the second half year of 2007 are:

(1) Material Logistics Services

1. Actively enlarge the types of material logistics business and extend the logistics service chain;
2. Expedite the pace of construction of the Company's asphalt network according to the Group's asphalt development plan;
3. Exert great efforts in developing the asphalt market of the Pan-Pearl River Delta regions, and strengthen the production, quality control and sales of emulsified asphalt;
4. Participate in steel procurement and bidding for the New Guangzhou Station and related projects;
5. Strengthen liaison and communication with manufacturers, ensure the organization and implementation of the supply of goods.

(2) Expressway Service Zones

The Company mainly consummates the following work with standardization and specialization of the expressway service zones as its target:

1. Extend the standardized catering operations to the entire service network;
2. Further introduce franchisees for operation and expand the scale of distribution network of agricultural by-products;
3. Strive to facilitate the construction of the vehicle maintenance plant of the Guangzhou Centre and improve vehicle maintenance network;
4. Develop indoor advertising business within the service zones and exert great efforts in facilitating large-scale advertising operation;
5. Strengthen the construction of distribution warehouses and procurement management and continue to enhance the operating efficiency of the service zones.

(3) Transportation Intelligence Services

1. Enhance the technical innovation capability of the transportation intelligence business;
2. Based on the electrical and mechanical market situation within and outside the province, continue with tender submission in the market, ensure the accomplishment of the annual production and operation goals;
3. Increase the investment in scientific research, promote project research plans.

(4) Cross-border Coaching Services

1. Fully implement computer ticket-selling network in ticket selling points in China;
2. Open up boundary crossing buses going through the Western Passage;
3. Increase the market share of border crossing transportation market by increasing bus frequency and adjusting capacity and consolidating transportation resources.

Yours faithfully,

Lu Mao Hao

Chairman

Guangzhou, the PRC
September 2007

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 .

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

Safety Facility Projects		Electrical and Mechanical Engineering Projects	
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 of 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 of last year.

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 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 of 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 of 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			
	2007		2006	
	'000	Percentage to total	'000	Percentage to total
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%
Others	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 of 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 of 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 (ii) 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 of 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 of last year. Gross profit margin decreased from 11.50% to 8.81%.

Gross profit by business segment:

	Six months ended 30 June			
	2007		2006	
	'000	Percentage to total	'000	Percentage to total
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%
Others	279	0.11%	5,083	2.05%
Total	263,703	100%	247,542	100%

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 of 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 of 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 of 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 of 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 of 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 of 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 of last year. The percentage it accounted of the total trade receivables decreased substantially to 6% (30 June 2006: 21%).

Cash flows

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

Management Discussion and Analysis

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 '000	2006 '000	Change Increase/ (Decrease)
Cash from/(used in)			
Operating activities	312,211	(94,353)	231%
Investing activities	(23,465)	(70,878)	67%
Financing activities	(40,000)	68,755	(158%)
Increase/(Decrease) of cash and cash equivalents	248,746	(96,476)	358%

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; (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 of 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company:

None of the directors and supervisors of the Company holds any interests in the shares, underlying shares and debentures of the Company.

(b) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of director/supervisor	Type of interests	Number of shares held	Percentage in the relevant class of share capital	Notes
Guangdong Provincial Expressway Development Co. Ltd.	Lu Mao Hao	Personal	18,421	0.002%	(1)
Guangdong Provincial Expressway Development Co. Ltd.	Zeng Hong An	Family	9,209	0.001%	(2)
Guangdong Provincial Expressway Development Co. Ltd.	Ren Mei Long	Personal	2,391	0.0003%	(3)
Guangdong Provincial Expressway Development Co. Ltd.	Wu Wei Jia	Personal	8,155	0.001%	(4)
Guangdong Provincial Expressway Development Co. Ltd.	Rao Feng Sheng	Personal	2,602	0.0003%	(5)

Notes:

- (1) Lu Mao Hao is taken to be interested in 18,421 shares as a result of his being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (2) Zeng Hong An is taken to be interested in 9,209 shares as a result of his spouse being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (3) Ren Mei Long is taken to be interested in 2,391 shares as a result of his being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..
- (4) Wu Wei Jia is taken to be interested in 8,155 shares as a result of his being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd.. Mr. Wu retired from his position as a supervisor of the Company as from 11 June 2007.
- (5) Rao Feng Sheng is taken to be interested in 2,602 shares as a result of his being beneficially interested in the said shares of Guangdong Provincial Expressway Development Co. Ltd..

Save as disclosed above, as at 30 June 2007, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to any director of the Company, as at 30 June 2007, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
GCGC (Note)	Domestic shares	142,266,080	Beneficial owner	51.00	34.06
	Domestic shares	137,375,787	Interests of controlled corporations	49.00	32.89
Guangdong Provincial Highway Construction Company Limited ("Guangdong Construction")	Domestic shares	96,476,444	Beneficial owner	34.50	23.10
Guangdong Communication Enterprise Investment Company ("GCGC Investment")	Domestic shares	22,371,349	Beneficial owner	8.00	5.36
Sinopec (Hong Kong) Limited	H shares	21,000,000	Beneficial owner	15.22	5.03
Liberty Square Asset Management, L.P.	H shares	11,000,000	Investment manager	7.97	2.63
Sky Investment Counsel Inc.	H shares	7,127,800	Investment manager	5.17	1.71

Note: Guangdong Construction and GCGC Investment are wholly-owned subsidiaries of GCGC. Accordingly, GCGC is deemed to be interested in the domestic shares held by Guangdong Construction and GCGC Investment. GCGC is also deemed to be interested in the 18,527,994 Domestic Shares held by its other subsidiaries, namely Guangdong province Road & Bridge Construction Development Company Limited and Guangdong Weisheng Transportation Enterprise Company Limited.

Save as disclosed above, as at 30 June 2007, the Company has not been notified of any other interests or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 have met 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 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.

INVESTOR RELATIONS

The Company had "one to one" interviews with more than 40 institutional investors and telephone conferences with 20 institutional investors during the first six months of 2007. The Company also held roadshows in Hong Kong and the management of the Company has met with a number of fund managers.

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2007 Unaudited	31 December 2006 Audited
ASSETS			
Non-current assets			
Fixed assets	5	449,945	474,168
Leasehold land and land use rights	5	120,088	115,012
Intangible assets	5	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		12,575	12,061
		<u>671,371</u>	<u>690,800</u>
Current assets			
Inventories		372,591	413,740
Due from customers on construction contracts	6	154,055	139,805
Trade and other receivables	7	2,085,058	1,835,914
Cash and cash equivalents		916,242	670,637
		<u>3,527,946</u>	<u>3,060,096</u>
Total assets		<u>4,199,317</u>	<u>3,750,896</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	417,642	417,642
Other reserves		312,597	312,896
Retained earnings		442,553	418,678
		<u>1,172,792</u>	<u>1,149,216</u>
Minority interests		<u>152,988</u>	<u>156,318</u>
Total equity		<u>1,325,780</u>	<u>1,305,534</u>

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

		As at	
	Note	30 June 2007 Unaudited	31 December 2006 Audited
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,946	1,895
Trade and other payables	9	<u>195,900</u>	<u>125,050</u>
		<u>197,846</u>	<u>126,945</u>
Current liabilities			
Due to customers on construction contracts	6	51,951	56,061
Trade and other payables	9	2,495,454	2,085,294
Current income tax payable		28,286	37,062
Bank borrowings	10	<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>

The notes on pages 30 to 48 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	For the six months ended	
		30 June	30 June
		2007	2006
		Unaudited	Unaudited
Revenue	4	2,991,802	2,151,816
Cost of sales	11	(2,728,099)	(1,904,274)
Gross profit		263,703	247,542
Other income		19,139	13,792
Operating expenses	11	(157,431)	(137,383)
Operating profit		125,411	123,951
Finance costs		(11,450)	(5,538)
Share of results of associates and a joint venture		(197)	144
Profit before income tax		113,764	118,557
Income tax expense	12	(35,425)	(36,391)
Profit for the period		78,339	82,166
Attributable to:			
Equity holders of the Company		70,149	71,306
Minority interests		8,190	10,860
		78,339	82,166
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)	13	0.17	0.17
Dividends	14	—	—

The notes on pages 30 to 48 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company			Minority interests Unaudited	Total Unaudited
		Share capital Unaudited (Note 8)	Other reserves Unaudited	Retained earnings Unaudited		
Balance at 1 January 2006		417,642	292,757	319,136	142,512	1,172,047
Profit for the period		—	—	71,306	10,860	82,166
Dividends		—	—	(33,412)	—	(33,412)
Dividends payable to minority shareholders		—	—	—	(8,278)	(8,278)
Currency translation differences		—	71	—	—	71
Balance at 30 June 2006		<u>417,642</u>	<u>292,828</u>	<u>357,030</u>	<u>145,094</u>	<u>1,212,594</u>
Balance at 1 January 2007		417,642	312,896	418,678	156,318	1,305,534
Profit for the period		—	—	70,149	8,190	78,339
Dividends	14	—	—	(45,941)	—	(45,941)
Dividends payable to minority shareholders		—	—	—	(5,938)	(5,938)
Acquisition of minority interests		—	3,220	—	(3,220)	—
Appropriation from retained earnings		—	333	(333)	—	—
Currency translation differences		—	(3,852)	—	(2,362)	(6,214)
Balance at 30 June 2007		<u>417,642</u>	<u>312,597</u>	<u>442,553</u>	<u>152,988</u>	<u>1,325,780</u>

The notes on pages 30 to 48 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Cash Flow Statement

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	For the six months ended	
	30 June 2007 Unaudited	30 June 2006 Unaudited
Cash flows from operating activities - net	312,211	(94,353)
Cash flows from investing activities		
- purchases of fixed assets	(14,329)	(48,861)
- purchases of intangible assets, leasehold land and land use right	(15,420)	—
- decrease in amount due from associated companies	1,130	—
- acquisition of an associate	—	(20,000)
- other investing cash flows - net	5,154	(2,017)
Cash flows from investing activities - net	(23,465)	(70,878)
Cash flows from financing activities		
- dividends paid to minority shareholders	—	(8,278)
- proceeds from bank borrowings	300,000	247,500
- repayments of bank borrowings	(340,000)	(164,929)
- other finance cash flows - net	—	(5,538)
Cash flows from financing activities - net	(40,000)	68,755
Net increase/(decrease) in cash and cash equivalents	248,746	(96,476)
Cash and cash equivalents at beginning of period	670,637	840,180
Exchange (loss)/gain on cash and cash equivalents	(3,141)	873
Cash and cash equivalents at end of period	916,242	744,577

The notes on pages 30 to 48 form an integral part of this condensed interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangdong Nan Yue Logistics Company Limited (the "Company") is a limited liability company incorporated in the People's Republic of China ("Mainland China") on 28 December 1999. The address of its registered office is 8th Floor, No. 1731-1735 Airport Road, Guangzhou, Mainland China. The Company's ultimate holding company is 廣東省交通集團有限公司 (Guangdong Provincial Communication Group Company Limited, the "Parent Company").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 26 October 2005.

This condensed consolidated interim financial information was approved for issue on 12 September 2007.

2. 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.

3. 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

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.

4. 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

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
Revenue								
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>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

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
Revenue								
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 (Note 5).

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

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 2007	30 June 2006
Revenue		
Mainland China	2,883,505	2,049,680
Hong Kong	108,297	102,136
	2,991,802	2,151,816

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

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

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

5. FIXED ASSETS, LEASEHOLD LAND AND LAND USE RIGHTS AND INTANGIBLE ASSETS

	Fixed assets	Leasehold land and land use rights	Intangible assets	Total
Six months ended 30 June 2007				
Opening net book amount 1 January 2007	474,168	115,012	8,717	597,897
Additions	16,731	6,796	948	24,475
Disposals	(11)	—	—	(11)
Depreciation/amortisation	(38,032)	(1,559)	(417)	(40,008)
Currency translation differences	(2,911)	(161)	—	(3,072)
	<u>449,945</u>	<u>120,088</u>	<u>9,248</u>	<u>579,281</u>
Six months ended 30 June 2006				
Opening net book amount 1 January 2006	426,108	11,151	6,520	443,779
Additions	48,861	522	1,495	50,878
Disposals	(11)	—	—	(11)
Depreciation/amortisation	(33,661)	(560)	(583)	(34,804)
Reversal of impairment	1,961	—	—	1,961
	<u>443,258</u>	<u>11,113</u>	<u>7,432</u>	<u>461,803</u>

6. CONSTRUCTION CONTRACTS

	As at 30 June 2007	31 December 2006
Contract costs incurred plus recognised profits less foreseeable losses to date	3,306,956	3,223,689
Less: progress billings to date	(3,204,852)	(3,139,945)
	<u>102,104</u>	<u>83,744</u>
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers on construction contracts	154,055	139,805
Amounts due to customers on construction contracts	(51,951)	(56,061)
	<u>102,104</u>	<u>83,744</u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2007	31 December 2006
Trade receivables (note a)	804,807	743,502
Less: provision for impairment of receivables	(8,354)	(7,757)
	<hr/>	<hr/>
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)	440,183	456,688
	<hr/>	<hr/>
	2,085,058	1,835,914
	<hr/> <hr/>	<hr/> <hr/>

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	6,120	6,365
	<hr/>	<hr/>
	804,807	743,502
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES (continued)

(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	(7,846)	(6,935)
Trade receivables – net	403,043	406,030
Other receivables	23,200	30,102
Less: provision for impairment of receivables	(2,000)	(1,899)
Other receivables – net	21,200	28,203
Prepayments	15,940	22,455
	440,183	456,688

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	19,339	24,864
	410,889	412,965

8. SHARE CAPITAL

At 30 June 2007, the total authorised number of ordinary shares is 417,641,877 shares (31 December 2006: 417,641,877 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. TRADE AND OTHER PAYABLES

	As at	
	30 June 2007	31 December 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)	118,478	133,585
	<hr/>	<hr/>
	2,691,354	2,210,344
Less: Non-current portion	(195,900)	(125,050)
	<hr/>	<hr/>
Current portion	<u>2,495,454</u>	<u>2,085,294</u>

(a) Trade payables

	As at	
	30 June 2007	31 December 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	16,072	10,581
	<hr/>	<hr/>
	<u>311,343</u>	<u>442,726</u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. TRADE AND OTHER PAYABLES (continued)

(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	6,955	4,411
	118,478	133,585
	118,478	133,585

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	8,456	3,759
	72,325	90,847
	72,325	90,847

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. 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>

11. 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>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. 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 profit 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. The preferential EIT rate for high-technology enterprises of 15% applicable to certain subsidiaries will continue to be subject to annual review and approval by the relevant tax authorities.

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	(463)	404
	<u>35,425</u>	<u>36,391</u>

13. 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	70,149	71,306
Weighted average number of ordinary shares in issue (thousands)	417,642	417,642
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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. 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).

15. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2007 (31 December 2006: Nil).

16. COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	30 June 2007	As at 31 December 2006
Fixed assets		
Contracted but not provided for	5,226	6,253

(b) Operating lease under contracts for management of expressway service zones

The Group subcontracted from certain fellow subsidiaries which are expressway operators, the right to manage expressway service zones. Under such contracts, the Group pays subcontract fee to the fellow subsidiaries during the subcontract period.

At the period end, the Group had future aggregate minimum payments under such contracts for management of expressway service zones with fellow subsidiaries of the Company as follows:

	30 June 2007	As at 31 December 2006
Not later than 1 year	43,007	42,172
Later than 1 year and not later than 5 years	172,026	207,446
Later than 5 years	690,456	642,046
	905,489	891,664

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

16. COMMITMENTS (continued)

(c) Operating lease for land and buildings

Tai Ping Interchange of the Group was constructed on a piece of land of Guangshenzhu Freeway Company Limited (廣深珠高速公路有限公司), a fellow subsidiary of the Company. Pursuant to an agreement dated 15 June 2000, the Group was entitled to use the land for free until 30 June 2027. Pursuant to a supplemental agreement dated 7 February 2005, the arrangement was changed to an operating lease for a period starting from 25 November 2004 to 25 November 2024. The rental is approximately RMB616,000 per annum.

The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2007	31 December 2006
Not later than 1 year	3,202	3,152
Later than 1 year and not later than 5 years	4,045	3,604
Later than 5 years	7,748	7,388
	<hr/>	<hr/>
	14,995	14,144
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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. RELATED-PARTY TRANSACTIONS

The directors of the Company are of the view that the following material related party transactions with the Parent Company and its related entities (including its subsidiaries, joint ventures and associates) were carried out by the Group during the period:

(a) Related-party transactions

(i) Revenue

	For the six months ended	
	30 June 2007	30 June 2006
Material logistics services:		
- fellow subsidiaries	133,414	166,571
- fellow associates	17,390	11,219
	<u>150,804</u>	<u>177,790</u>
Expressway service zones:		
- fellow subsidiaries	104	170
Transportation intelligence services:		
- fellow subsidiaries	70,989	134,209
- fellow associates	9,033	2,361
	<u>80,022</u>	<u>136,570</u>
Others:		
- fellow subsidiaries	2,521	6,715
- fellow associates	508	34
	<u>3,029</u>	<u>6,749</u>
	<u><u>233,959</u></u>	<u><u>321,279</u></u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. RELATED-PARTY TRANSACTIONS (continued)

(a) Related-party transactions (continued)

(ii) Purchases of materials and services

	For the six months ended	
	30 June 2007	30 June 2006
Purchases of materials:		
- fellow subsidiaries	105,888	103,357
- fellow associates	—	15,126
	105,888	118,483
Purchases of services:		
- Management fee for collection of toll income to fellow associates	2,825	2,308
- Transportation fee paid to a fellow subsidiary	1,562	3,301
- Construction services from fellow subsidiaries	3,882	2,440
	114,157	126,532
(iii) Lease of land use right, office buildings and warehouse from a fellow subsidiary	890	703
(iv) Sub-contracting fee for management of expressway service zones		
- fellow subsidiaries	20,857	19,124
- fellow associates	1,067	563
	21,924	19,687

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. RELATED-PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	As at	
	30 June 2007	31 December 2006
Due from customers on construction contracts (Note 6)	56,924	55,433
Due to customers on construction contracts (Note 6)	48,442	51,060
Due from related parties (Note 7)		
- Trading nature	418,983	428,485
- Non-trading nature	21,200	28,203
	440,183	456,688
Due to related parties (Note 9)		
- Trading nature	111,523	129,174
- Non-trading nature	6,955	4,411
	118,478	133,585

Balances with related parties as at the balance sheet date were unsecured and non-interest bearing.

Other receivables and payables from/to related parties mainly represented certain taxes and insurance premium withheld by/from related parties, which are trade related.

(c) Additional information on Other State-owned Enterprises

The Company is controlled by the Parent Company, and is ultimately controlled by Mainland China government, which also controls a significant portion of the productive assets and entities in the Mainland China. In accordance with HKAS 24 "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than the Parent Company and its related entities (Note 17), are also defined as related parties of the Company ("Other State-owned Enterprises").

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. RELATED-PARTY TRANSACTIONS (continued)

(c) Additional information on Other State-owned Enterprises (continued)

In its expressway service zones business, Tai Ping Interchange business and the cross-border transportation services business, the Group is likely to have extensive transactions with the employees of state-owned enterprises while such employees are on corporate business as well as key management personnel and their close family members. These transactions are carried out on terms that are consistently applied to all customers and are made on a cash basis. Due to the vast volume and the pervasiveness of the Group's retail transactions in its expressway service zone business, Tai Ping Interchange and cross-border transportation service, the Group is unable to determine the aggregate amount of such transactions for disclosure. Therefore, the revenue disclosed below does not include the retail sales to, toll income and transportation income from related parties. Management believes that meaningful information relative to related party balances and transactions has been adequately disclosed.

(i) Summary of significant transactions with Other State-owned Enterprises

	For the six months ended	
	30 June 2007	30 June 2006
Revenue:		
- Material logistics services	664,084	468,168
- Expressway service zones	40,159	56,989
- Transportation intelligence services	45,819	33,942
- Others	—	7,004
	<u>750,062</u>	<u>566,103</u>
Purchase of materials	<u>642,736</u>	<u>712,209</u>
Purchase of fixed assets	<u>—</u>	<u>2,575</u>
Purchase of services	<u>8,037</u>	<u>31,272</u>
Interest income from state-owned banks	<u>5,127</u>	<u>8,262</u>
Interest expenses to state-owned banks	<u>11,450</u>	<u>5,538</u>

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. RELATED-PARTY TRANSACTIONS (continued)

(c) Additional information on Other State-owned Enterprises (continued)

(ii) Summary of balances with Other State-owned Enterprises

	As at	
	30 June 2007	31 December 2006
Due from Other State-owned Enterprises included in:		
- Due from customers on construction contracts	80,622	65,988
- Trade receivables	303,714	250,831
- Other receivables	28,187	27,667
- Prepayments	291,212	196,306
	<u>703,735</u>	<u>540,792</u>

Balances with Other State-owned Enterprises were unsecured and non-interest bearing.

	As at	
	30 June 2007	31 December 2006
Due to Other State-owned Enterprises included in:		
- Due to customers on construction contracts	2,336	2,449
- Trade payables	54,790	90,206
- Bills payables	561,289	468,967
- Other payables	25,014	30,899
- Advance from customers	282,216	211,136
	<u>925,645</u>	<u>803,657</u>

Balances with Other State-owned Enterprises were unsecured and non-interest bearing.

Bills payable with Other State-owned Enterprises have maturity dates within six months.

	As at	
	30 June 2007	31 December 2006
Bank deposits in state-owned banks	<u>805,854</u>	<u>637,136</u>
Bank borrowings from state-owned banks (Note 10)	<u>100,000</u>	<u>140,000</u>