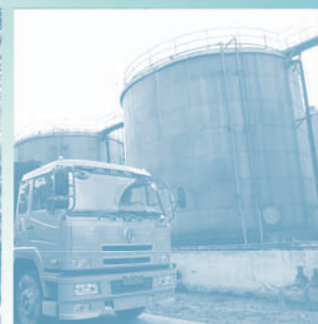




廣東南粵物流股份有限公司 Guangdong Nan Yue Logistics Company Limited*

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

* For identification purposes only



Interim Report 2010

Contents

Company Profile	2
Company Information	3
Financial Highlights	4
Chairman's Statement	6
Management Discussion and Analysis	10
Business Review	10
Financial Review	13
Other Information	19
Unaudited Condensed Consolidated Interim Financial Information	
Condensed Consolidated Interim Balance Sheet	25
Condensed Consolidated Interim Income Statement	27
Condensed Consolidated Interim Statement of Comprehensive Income	28
Condensed Consolidated Interim Statement of Changes in Equity	29
Condensed Consolidated Interim Cash Flow Statement	30
Notes to the Condensed Consolidated Interim Financial Information	31

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.

Guangdong Nan Yue Logistics Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the provision of integrated logistics services and expressway-related services. The controlling shareholder of the Company is Guangdong Provincial Communication Group Company Limited (“**GCGC**”), a state-owned enterprise established in the People’s Republic of China (the “**PRC**”).

The Group has four main businesses: (1) material logistics services, mainly including logistics management for expressway and other sizable infrastructure projects; (2) expressway service zones operation and related auxiliary services, such as operating food and beverage network, convenience stores, outdoor advertising for expressways, vehicle maintenance and gas stations; (3) transportation intelligence services, including safety facilities installation and maintenance and toll collection; and (4) cross-border transportation services, in particular operating routes between Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”) and the Guangdong Province, the PRC. The Group is also engaged in the toll collection and operation businesses at Tai Ping Interchange in the Guangdong Province, the PRC.

The aim of the Company is to establish itself as a modern logistics enterprise of international standard, which delivers first-class services to customers and provides good returns to shareholders of the Company (“**Shareholders**”). To achieve its business objective, the Company will strive to continuously improve its management system and to upgrade its operations in order to meet the market demand.

LEGAL NAME OF THE COMPANY

Guangdong Nan Yue Logistics Company Limited

STOCK CODE

03399

REGISTERED OFFICE

8th Floor
No.1731-1735 Airport Road
Guangzhou, Guangdong Province
The People's Republic of China

PLACE OF BUSINESS IN HONG KONG

Unit 4502
45th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

BOARD OF DIRECTORS

Executive Directors

Liu Hong
Wang Weibing
Deng Chongzheng
Lu Maohao
Zeng Gangqiang

Non-Executive Directors

Cao Xiaofeng
Lu Yaxing
Zheng Renfa
Cai Xiaojun
Cai Conghua (appointed on 25 June 2010)

Independent Non-Executive Directors

Gui Shouping
Liu Shaobuo
Peng Xiaolei

COMPANY SECRETARY

Fung Hon Tung

AUTHORISED REPRESENTATIVES

Wang Weibing
Deng Chongzheng

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China CITIC Bank
Shanghai Pudong Development Bank

LEGAL ADVISER

Paul, Hastings, Janofsky & Walker
22nd Floor, Bank of China Tower
1 Garden Road
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

	For the six months ended 30 June		
	2010 RMB'000	2009 RMB'000	Change
Results highlights			
Turnover			
Material logistics services	2,158,822	1,942,776	11.1%
Expressway service zones	182,624	192,826	-5.3%
Transportation intelligence services	247,219	243,184	1.7%
Cross-border transportation services	126,528	119,827	5.6%
Tai Ping Interchange	62,239	51,855	20.0%
Total turnover	2,777,432	2,550,468	8.9%
Gross profit			
Material logistics services	89,056	123,162	-27.7%
Expressway service zones	37,559	51,188	-26.6%
Transportation intelligence services	25,626	31,725	-19.2%
Cross-border transportation services	22,719	22,926	-0.9%
Tai Ping Interchange	52,011	43,691	19.0%
Total gross profit	226,971	272,692	-16.8%
Other income	10,216	8,861	15.3%
Operating expenses	(173,756)	(229,822)	-24.4%
Operating profit	63,431	51,731	22.6%
Finance costs	(13,291)	(14,664)	-9.4%
Share of results of associates and joint ventures	(1,104)	(2,338)	-52.8%
Profit before income tax	49,036	34,729	41.2%
Income tax expense	(13,798)	(11,282)	22.3%
Profit for the period	35,238	23,447	50.3%
Non-controlling interests	3,331	(1,239)	N/A
Profit attributable to equity holders of the Company	38,569	22,208	73.7%
Basic earnings per share (RMB)	0.09	0.05	80.0%

Financial Highlights

	As at		
	30 June 2010 RMB'000	31 December 2009 RMB'000	Change
Results highlights			
Total assets	4,627,597	4,500,689	2.8%
Total net assets	1,298,320	1,312,408	-1.1%
Shareholder's equity of the Company	1,112,446	1,116,127	-0.3%
Net assets per share attributable to the Company's Shareholders (in RMB)	2.66	2.67	-0.4%

	For the six months ended 30 June	
	2010	2009
Ratios		
Gross profit margin (%)	8.17	10.69
Interest covered ratio (times)	4.7	3.4
Current ratio (times)	1.15	1.32
Liabilities to assets ratio (%)	71.94	65.66

Gross profit margin = Gross profit / Turnover

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

Current ratio = Total current assets / Total current liabilities

Liabilities to assets ratio = Total liabilities / Total assets

I am pleased to take this opportunity to present a review of the business activities of the Group in the first six months of 2010 and a preview of our future development:

BUSINESS REVIEW

Against the background of international economic recovery in the first quarter of 2010, China's economic recovery further stabilized, momentum for economic growth remained adequate and the domestic economy maintained steady, rapid growth. Beginning from the second quarter, however, with the outbreak of the debt crisis in Europe which brought the global financial markets into a new turbulence, and the prospects for world economic recovery have become very unclear, China's economic development has become more complex and uncertain. Due to state controls on credit grants and strengthened property market regulation, economic growth started to slow down. In light of domestic economic environment, the Group actively participated in various GCGC expressway projects such as expressway materials logistics, service zones and transportation intelligence services, while continuing to leverage on the Group's strengths to expand the business, resulting in good operational performance.

In respect of material logistics, in the first half of 2010, the Group (1) continued to provide material logistics services to various GCGC expressway projects such as Jiangzhao Expressway, Zhanxu Expressway, Nanhuan Expressway, Shanjie Expressway and Guangfo Expressway Extension, while at the same time was actively involved in materials logistics for expressway projects outside Guangdong Province; (2) continued to play the role as central warehouse and port for asphalt in Dongguan and actively expanded asphalt logistics business.

In the first half of 2010, in respect of its expressway service zones business, the Group not only enhanced business efficiency through tapping the operating potential of existing businesses, it also continued to explore new businesses and created new economic value, with a focus on: (1) increasing revenues diversify through actively promoting investments and proprietary businesses using existing resources in the service zones according to their particular geographical features; (2) continuously improving the marketing environment of catering and retail projects in the service zones to attract high-quality brands to operate in the zones, and enhancing its corporate image and overall profitability through both proprietary and licensed operations; (3) strengthening local CSE (clean, safe and environment) management quality and continuously improving service standards; (4) continuously promoting expressway advertising operating scale, improving the planning and integration of advertising resources around the expressways, and speeding up the construction of expressway advertising networks.

In respect of its transportation intelligence business, the Group focused on: (1) continuously strengthening the development of transportation intelligence market within and outside Guangdong Province, persistently enhancing its corporate and brand image, and increasing its market share; (2) improving service quality and timely completion of transportation intelligence projects of new expressways; (3) improving market competitiveness through researching new topics in the industry and developing and innovating high-end hardware and software products; (4) refining the maintenance workflow of transportation intelligence services and enhancing customer satisfaction through outstanding maintenance technologies and efficient services.

In respect of cross-border transportation services, based on market conditions, the Group consolidated existing medium and long-term passenger routes and endeavored to develop new passenger routes. Through cooperation with other companies, industry competition has become industry cooperation and creation of shared passenger transportation routes to contend for market shares. Operating income was increased through grasping business opportunities during festivals and holidays while reasonably arranging for vehicle trips. The Group also actively developed new freight customers through quality services and group incentives.

OUTLOOK AND STRATEGIES

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

1, Material logistics services

- i. Improve the material supply assurance system for GCGC expressway projects and implement standardized management to ensure that requirements for quality and supply progress of expressway project materials are met.
- ii. Increase market share gradually by actively engaging in material logistics services for large infrastructure projects within and outside Guangdong Province.
- iii. Continue to progress with logistics infrastructure construction and fully utilize the asphalt warehouse in Dongguan Logistics Centre to further expand asphalt logistics business.
- iv. Constantly study and improve asphalt-refined products of self-owned brands and further explore emulsified asphalt market for including high-speed railway projects.

2. Expressway service zones

- i. Fully utilize the new expressway service zones to increase the economic efficiency of the Company.
- ii. Further use existing resources in the service zones to continuously explore business opportunities and promote investment solicitation business in the service zones to attract well-known brand customers to operate in the zones, and improve the profitability of catering and retail business through management innovation.
- iii. Improve software and hardware equipment within the service zones and use innovative marketing methods to increase customers.
- iv. Continue to develop CSE management and establish our corporate brand through providing excellent service, quality products and a clean environment.
- v. Continue to promote the construction of an expressway advertising network, optimize and consolidate existing advertising networks, and enhance the maintenance and management of projects to improve customer satisfaction and create win-win situation with customers.

3. Transportation intelligence services

- i. Actively involve in market tendering to further increase market shares.
- ii. Enhance the management standards of projects under construction and ensure timely completion of the task of transportation intelligence projects.
- iii. Through independent research and special research projects, and development of advanced, high-end industry hardware and software products in the industry and increase technology contents of the products.
- iv. Leverage on our advantages in mechanical and electrical engineering business to upgrade our professional maintenance technology, and through standardized management to increase the profitability of technological maintenance projects.

4. Cross-border transportation services

- i. Reasonably layout passenger routes and tighten cost controls to increase passenger transportation revenue.
- ii. Consolidate existing cargo customers and develop new customers.
- iii. Refine the construction of our external web sites and customer service centers to enhance corporate brand image.

Yours faithfully,

Liu Hong

Chairman

Guangzhou, the PRC

25 August 2010

BUSINESS REVIEW

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

- (i) material logistics services;
- (ii) expressway service zones;
- (iii) transportation intelligence services; and
- (iv) cross-border transportation services.

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

Material logistics services

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

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

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

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

Expressway service zones

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

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

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

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

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

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

Transportation intelligence services

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

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

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

Cross-border transportation services

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

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

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

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

Tai Ping Interchange

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

FINANCIAL REVIEW

TURNOVER

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

Turnover by business segment

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

Material logistics services

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

Expressway service zones

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

Transportation intelligence services

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

Cross-border transportation services

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

Tai Ping Interchange

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

GROSS PROFIT

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

Gross profit by business segment

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

Material logistics services

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

Expressway service zones

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

Transportation intelligence services

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

Cross-border transportation services

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

Tai Ping Interchange

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

Operating expenses

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

Finance costs

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

LIQUIDITY AND CAPITAL STRUCTURE

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

Cash flow

In the first half of the year, the Group satisfied its requirement for cash in respect of payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings.

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

Cash and cash equivalents:

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

Operating activities

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

Investing activities

The net cash used in investing activities of the Group in the first half of the year amounted to RMB215 million, mainly including (i) RMB183 million of time deposits have been charged for an application for a charging order against the defendants' assets under a litigation in the PRC as disclosed on page 24 in this report under section headed "Material Litigation and Arbitration"; (ii) RMB15 million for investment on material logistics asphalt warehouse; (iii) RMB16 million for construction of service zones; (iv) RMB11 million for expenses of the Tai Ping Interchange enhancement project.

Financing activities

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

Borrowings

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

Material acquisitions and disposals

As at 30 June 2010, the Group was not involved in any material acquisition or disposal of assets or merger by absorption.

Post balance sheet date events

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

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in Renminbi, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2010, the working capital and liquidity of the Group were slightly affected by the fluctuations in currency exchange rate. The Directors believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of Renminbi, and based on its operating needs will adopt proper measures to reduce the currency risk exposures of the Group.

Contingent liabilities

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

EMPLOYEES AND REMUNERATION POLICIES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

INTERESTS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2010, the interests (or long positions) and short positions of the Directors, supervisors and chief executive of the Company 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 notified to the Company and to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listings Rules, were as follows:

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

As at 30 June 2010, none of the Directors, the supervisors or the chief executive of the Company held 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 (approx.)	Notes
Guangdong Provincial Expressway Development Co. Ltd. ("Guangdong Expressway")	Liu Hong	Personal	11,972	0.001	(1)
Guangdong Expressway	Lu Maohao	Personal	18,421	0.002	(2)
Guangdong Expressway	Rao Fengsheng	Personal	2,602	0.0003	(3)
Guangdong Expressway	Chen Chuxuan	Personal	5,987	0.0007	(4)

Notes:

- (1) Liu Hong is taken to be interested in 11,972 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.
- (2) Lu Maohao is taken to be interested in 18,421 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.
- (3) Rao Fengsheng is taken to be interested in 2,602 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.
- (4) Chen Chuxuan is taken to be interested in 5,987 shares of Guangdong Expressway as a result of him being beneficially interested in the said shares of Guangdong Expressway.

Except as disclosed above, as at 30 June 2010, none of the Directors, the supervisors or the chief executive of the Company had any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) were notified to the Company and the Stock Exchange pursuant to the 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 were recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as it was known to the Directors, as at 30 June 2010, the following persons (not being any of the Directors, the supervisors and the chief executive of the Company) had an interest (or long position) or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Class of shares	Number of		Percentage in	
		shares/ underlying shares held	Capacity	the relevant class of share capital (approx.)	Percentage in total share capital (approx.)
GCGC (Note 1)	Domestic shares	142,266,080	Beneficial owner	50.87	34.06
	Domestic shares	137,375,787	Interests of controlled corporations	49.13	32.89
Guangdong Provincial Highway Construction Company Limited ("Guangdong Highway Construction")	Domestic shares	96,476,444	Beneficial owner	34.50	23.10

Other Information

Name of Shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital (approx.)	Percentage in total share capital (approx.)
Guangdong Communication Enterprise Investment Company ("GCGC Investment")	Domestic shares	22,371,349	Beneficial owner	8.05	5.36
Pope Asset Management, LLC	H shares	25,103,000	Investment manager	18.19	6.01
Sinopec (Hong Kong) Limited	H shares	21,000,000	Beneficial owner	15.22	5.03
Sky Investment Counsel Inc.	H shares	12,365,884	Investment manager	8.96	2.96
Guangdong Province Road and Bridge Construction Development Company Limited	Domestic shares	10,346,749	Beneficial owner	3.70	2.48
Guangdong Weisheng Transportation Enterprise Company Limited	Domestic shares	8,181,245	Beneficial owner	2.93	1.96

Note:

- (1) 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.

Except as disclosed above, as at 30 June 2010, the Company has not been notified of any other interests or short positions in the shares or 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.

SUBSTANTIAL SHAREHOLDERS WITH SHAREHOLDING OF 10% OR MORE IN THE COMPANY

As at 30 June 2010, GCGC held 142,266,080 domestic shares of the Company, representing 34.06% of the total issued share capital of the Company, while Guangdong Highway Construction held 96,476,444 domestic shares of the Company, representing 23.10% of the total share capital of the Company, without any changes during the reporting period.

GCGC is a controlling Shareholder of the Company. Its legal representative is Zhu Xiaoling and its registered capital as at 30 June 2010 was RMB26,800,000,000. It is principally engaged in investment, construction and management of the majority of roads and expressways networks in the Guangdong province.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

BOARD OF DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

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

The primary duties of the audit committee of the Company (the "Audit Committee") are, among others, to appoint external auditors, review and supervise the financial reporting process, review interim and annual results and internal control system of the Group and provide advice and comments to the Board. As at 30 June 2010, the audit committee consisted of three member, Mr. Peng Xiaolei (Chairman), Mr. Liu Shaobuo and Mr. Cao Xiaofeng. The committee reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2010. The auditor of the Company, PricewaterhouseCoopers, also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

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

INTERIM DIVIDEND

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

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

MATERIAL LITIGATION AND ARBITRATION

As at the latest practicable date of the Report, the Board was aware of the following material litigations involving the Company:

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

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the following continuing connected transactions of the Group as at 30 June 2010 are required to be disclosed in the interim report of the Company:

On 27 September 2005, the Company and GCGC entered into the Material Logistics Services Master Agreement, pursuant to which the Group provides the material logistics services to the GCGC Group in the construction of expressway and other infrastructure projects. The initial term of the Material Logistics Services Master Agreement was for a period of three years from 27 September 2005, which, subject to compliance with the relevant requirements under the Listing Rules, should be automatically renewed unless a notice of non-renewal was given by either party to the other party at least three months prior to the expiry of such initial term. The Material Logistics Services Master Agreement was automatically renewed. The approved annual cap of the Material Logistics Services Master Agreement for the year ending 31 December 2010 was determined on the basis that there would be 15 expressway construction projects in respect of which Material Logistics Services would be required from the GCGC Group under the Material Logistics Services Master Agreement in the year of 2010. However, such number of the expressway construction projects is now expected to increase to 17. In addition, the prices of raw materials (such as steel bar and asphalt) have increased significantly since late 2009. Accordingly, the Directors expect that the annual transaction value of the transactions contemplated under the Material Logistics Services Master Agreement for the year ending 31 December 2010 will exceed the relevant annual cap which was approved on 29 December 2009. The annual caps for the transactions contemplated under the Material Logistics Services Master Agreement for the year ending 31 December 2010 were approved at the general meeting held on 25 June 2010 and revised from RMB2,485,949,000 to RMB2,956,736,000.

For further information relating to the above transaction, please refer to the Company's announcement dated 16 April 2010 and the Company's circular dated 27 April 2010.

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2010 Unaudited	31 December 2009 Audited
ASSETS			
Non-current assets			
Fixed assets	5	371,061	360,829
Leasehold land and land use rights	5	145,072	147,182
Intangible assets	5	222,288	227,569
Investment properties	5	5,781	5,834
Interests in associates		60,860	65,156
Interest in joint ventures		19,237	18,906
Available-for-sale financial assets		200	200
Deferred income tax assets		156,965	148,792
		<u>981,464</u>	<u>974,468</u>
Current assets			
Inventories		347,980	320,977
Due from customers on construction contracts	6	306,534	226,146
Trade and other receivables	7	2,061,065	1,484,277
Cash and bank balances	8	930,554	1,494,821
		<u>3,646,133</u>	<u>3,526,221</u>
Total assets		<u><u>4,627,597</u></u>	<u><u>4,500,689</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	9	417,642	417,642
Other reserves		341,996	343,110
Retained earnings		352,808	355,375
		<u>1,112,446</u>	<u>1,116,127</u>
Non-controlling interests		<u>185,874</u>	<u>196,281</u>
Total equity		<u><u>1,298,320</u></u>	<u><u>1,312,408</u></u>

Condensed Consolidated Interim Balance Sheet

(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at	
		30 June 2010 Unaudited	31 December 2009 Audited
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		277	277
Trade and other payables	10	165,642	136,383
		<u>165,919</u>	<u>136,660</u>
Current liabilities			
Trade and other payables	10	2,791,526	3,011,464
Dividend payables	15	47,106	—
Current income tax payable		24,726	40,157
Bank borrowings	11	300,000	—
		<u>3,163,358</u>	<u>3,051,621</u>
Total liabilities		<u>3,329,277</u>	<u>3,188,281</u>
Total equity and liabilities		<u>4,627,597</u>	<u>4,500,689</u>
Net current assets		<u>482,775</u>	<u>474,600</u>
Total assets less current liabilities		<u>1,464,239</u>	<u>1,449,068</u>

The notes on pages 31 to 51 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 2010 Unaudited	30 June 2009 Unaudited
Revenue	4	2,777,432	2,550,468
Cost of sales	12	(2,550,461)	(2,277,776)
Gross profit		226,971	272,692
Other income		10,216	8,861
Operating expenses	12	(173,756)	(229,822)
Operating profit		63,431	51,731
Finance costs		(13,291)	(14,664)
Share of results of associates and joint ventures		(1,104)	(2,338)
Profit before income tax		49,036	34,729
Income tax expense	13	(13,798)	(11,282)
Profit for the period		35,238	23,447
Profit attributable to:			
Equity holders of the Company		38,569	22,208
Non-controlling interests		(3,331)	1,239
		35,238	23,447
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)	14	0.09	0.05
Dividend	15	40,929	—

The notes on pages 31 to 51 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

The notes on pages 31 to 51 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				Non- controlling interests	Total equity
	Share capital Unaudited (Note 9)	Other reserves Unaudited	Retained earnings Unaudited	Total Unaudited	Unaudited	Unaudited
Balance at 1 January 2009	417,642	336,234	598,553	1,352,429	191,340	1,543,769
Total comprehensive income for the period ended 30 June 2009	—	(230)	22,208	21,978	1,049	23,027
Dividends to the Company's equity holders	—	—	(45,523)	(45,523)	—	(45,523)
Dividends to non-controlling shareholders	—	—	—	—	(6,364)	(6,364)
Appropriation from retained earnings	—	319	(319)	—	—	—
Balance at 30 June 2009	<u>417,642</u>	<u>336,323</u>	<u>574,919</u>	<u>1,328,884</u>	<u>186,025</u>	<u>1,514,909</u>
Balance at 1 January 2010	417,642	343,110	355,375	1,116,127	196,281	1,312,408
Total comprehensive income for the period ended 30 June 2010	—	(1,321)	38,569	37,248	(4,206)	33,042
Dividends to the Company's equity holders	—	—	(40,929)	(40,929)	—	(40,929)
Dividends to non-controlling shareholders	—	—	—	—	(6,201)	(6,201)
Appropriation from retained earnings	—	207	(207)	—	—	—
Balance at 30 June 2010	<u>417,642</u>	<u>341,996</u>	<u>352,808</u>	<u>1,112,446</u>	<u>185,874</u>	<u>1,298,320</u>

The notes on pages 31 to 51 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 2010 Unaudited	30 June 2009 Unaudited
Cash flows from operating activities - net	(827,210)	(909,368)
Cash flows from investing activities		
- Purchases of fixed assets	(40,482)	(85,970)
- Purchases of intangible assets	(1,782)	(1,125)
- Payment for incorporation of a subsidiary	—	(10,095)
- Decrease in amount due from associated companies	540	360
- Proceeds from disposal of interests in an associate	2,026	—
- Dividend received from an associate	299	—
- Increase in restricted time deposits	(178,516)	—
- Other investing cash flows - net	3,131	1,247
Cash flows used in investing activities - net	(214,784)	(95,583)
Cash flows from financing activities		
- Proceeds from bank borrowings	350,000	1,010,000
- Repayments of bank borrowings	(50,000)	(670,000)
- Dividend paid to non-controlling shareholders	(24)	(6,364)
Cash flows from financing activities - net	299,976	333,636
Net decrease in cash and cash equivalents	(742,018)	(671,315)
Cash and cash equivalents at beginning of period	1,487,437	1,108,833
Exchange losses on cash and cash equivalents	(765)	(186)
Cash and cash equivalents at end of period	744,654	437,332

The notes on pages 31 to 51 form an integral part of this condensed interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(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 8 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.

The Company and its subsidiaries (together the “Group”) are principally engaged in the following businesses: (1) Material logistics service: purchase and sale of materials mainly for construction work and provision of related logistics arrangement services; (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 Guangdong Province of Mainland China; (5) Tai Ping Interchange: share of toll income from toll stations connecting to Tai Ping Interchange of the Group.

This condensed consolidated interim financial information was approved for issue on 25 August 2010.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

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

3. ACCOUNTING POLICIES

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

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

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

- HKFRS 3 (Revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group does not have business combinations occurred during the period.
- HKFRS 1 (Revised), 'First-time adoption of HKFRSs' is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as the Group is an existing HKFRS preparer.
- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group has not made any non-cash distributions.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (CONTINUED)

- HKFRS 1 (Amendment) 'Additional exemptions for first-time adopters' is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as the Group has no hedging activities.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group has no such share-based payment transactions.
- First improvements to HKFRS (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.
- Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

4. SEGMENT INFORMATION

The management of the Group reviews the Group's internal report in order to assess its performance and allocate resources. The Group's internal reporting is measured in a manner consistent with that in the financial information.

Considering different nature of business, the board identifies five operating segments of material logistics services, expressway service zones, transportation intelligence services, cross-border transportation services and Tai Ping Interchange. Each operating segment provides different products or services.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

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

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

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

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

	Fixed assets	Leasehold land and land use rights	Intangible assets	Investment properties
Six months ended 30 June 2010				
Opening net book amount				
1 January 2010	360,829	147,182	227,569	5,834
Additions	46,636	—	1,782	—
Disposals	(1,530)	—	(40)	—
Depreciation/amortisation	(34,374)	(1,721)	(7,011)	—
Exchange differences	(500)	(389)	(12)	(53)
Closing net book amount 30 June 2010	<u>371,061</u>	<u>145,072</u>	<u>222,288</u>	<u>5,781</u>
Six months ended 30 June 2009				
Opening net book amount				
1 January 2009	298,485	150,790	184,050	4,864
Additions	77,792	—	1,125	—
Disposals	(3,003)	—	(265)	—
Depreciation/amortisation	(31,551)	(1,561)	(5,660)	—
Reversal of impairment losses	—	—	184	—
Exchange differences	(143)	(80)	—	(9)
Closing net book amount				
30 June 2009	<u>341,580</u>	<u>149,149</u>	<u>179,434</u>	<u>4,855</u>

As at 30 June 2010, land use rights of which net assets value was RMB94,655,000 has been charged for an application for a charging order against the defendants' assets under a litigation in the PRC as disclosed on page 24 in this report under section headed "Material Litigation and Arbitration".

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. DUE FROM CUSTOMERS ON CONSTRUCTION CONTRACTS

	As at	
	30 June 2010	31 December 2009
Contract costs incurred plus recognised profits (less foreseeable losses to date)	3,230,994	3,441,892
Less: progress billings to date	(2,921,793)	(3,213,607)
provision for impairment of construction contracts	(2,667)	(2,139)
	306,534	226,146

7. TRADE AND OTHER RECEIVABLES

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

At 30 June 2010 and 31 December 2009, the ageing analysis of the trade receivables before provision were as follows:

(a) Trade receivables

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

(b) Due from related parties

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES (CONTINUED)**(b) Due from related parties** (Continued)

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

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

8. CASH AND BANK BALANCES

	As at	
	30 June 2010	31 December 2009
Cash and cash equivalents	744,654	1,487,437
Restricted cash (Note a)	185,900	7,384
	930,554	1,494,821

(a) As at 30 June 2010, RMB183 million of time deposits have been charged for an application for a charging order against the defendants' assets under a litigation in the PRC as disclosed on page 24 in this report under section headed "Material Litigation and Arbitration". Other restricted cash represents bank balances pledged against bank acceptance notes issued by the Group, which will be released upon maturity of the bank acceptance notes.

9. SHARE CAPITAL

At 30 June 2010, the total authorised number of ordinary shares is 417,641,877 shares (31 December 2009: 417,641,877 shares) with a par value of RMB1 per share. All issued shares have been fully paid.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. TRADE AND OTHER PAYABLES

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

(a) Trade payables

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. TRADE AND OTHER PAYABLES (CONTINUED)**(b) Due to related parties**

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. BANK BORROWINGS

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

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

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

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

12. EXPENSES BY NATURE

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

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. INCOME TAX EXPENSE

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

As approved by the relevant tax authorities, one of the subsidiaries in Chongqing was entitled to 50% CIT reduction for the period (2009: 50% CIT reduction). Such beneficial treatments were granted to newly incorporated companies under the relevant tax regulations.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax, which has been provided on the estimated assessable profit for the period at a rate of 16.5% (2009: 16.5%).

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

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. EARNINGS PER SHARE

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

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

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

15. DIVIDEND PAYABLES

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

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

16. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. COMMITMENTS**(a) Capital commitments**

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

	As at	
	30 June 2010	31 December 2009
Fixed assets		
Contracted but not provided for	10,540	57,998
	<u>10,540</u>	<u>57,998</u>

(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:

	As at	
	30 June 2010	31 December 2009
Not later than 1 year	50,930	50,858
Later than 1 year and not later than 5 years	254,652	255,160
Later than 5 years	541,370	547,066
	<u>541,370</u>	<u>547,066</u>
	846,952	853,084
	<u>846,952</u>	<u>853,084</u>

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

17. 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 2010	31 December 2009
Not later than 1 year	3,049	4,052
Later than 1 year and not later than 5 years	3,697	4,553
Later than 5 years	5,792	6,097
	<u>12,538</u>	<u>14,702</u>

(d) Future operating lease receivables

The Group has subcontracted several expressway service zones as a whole or partially to third parties. Under such contracts, the Group receives rent during the subcontract period.

The future aggregate minimum lease rental receivables under operating leases in respect of expressway service zone rental income are as follows:

	As at	
	30 June 2010	31 December 2009
Not later than 1 year	114,157	100,686
Later than 1 year and not later than 5 years	380,032	334,416
Later than 5 years	700,280	614,499
	<u>1,194,469</u>	<u>1,049,601</u>

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. 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 and associates) were carried out by the Group during the period:

a) Related-party transactions

	For the six months ended	
	30 June 2010	30 June 2009
i) Revenue		
Material logistics services:		
– fellow subsidiaries	734,185	427,776
Expressway service zones:		
– Parent Company	—	44
– fellow subsidiaries	149	148
	149	192
Transportation intelligence services:		
– fellow subsidiaries	135,008	37,052
– fellow associates	809	1,330
– associates	1,642	3,530
	137,459	41,912
	871,793	469,880

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (CONTINUED)

a) Related-party transactions (Continued)

	For the six months ended	
	30 June 2010	30 June 2009
ii) Purchases of materials and services		
Purchases of materials:		
– fellow subsidiaries	519,622	3,503
Purchases of services:		
– Management fee for collection of toll income to fellow associates	2,400	2,100
– Transportation fee paid to a fellow subsidiary	598	640
– Construction services from fellow subsidiaries	—	275
	522,620	6,518
iii) Lease of land use right, office buildings and warehouse from a fellow subsidiary	1,576	1,169
iv) Sub-contracting fee for management of expressway service zones		
– fellow subsidiaries	26,234	26,005
– fellow associates	2,366	1,259
– associates	—	567
	28,600	27,831

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (CONTINUED)**b) Balances with related parties**

	As at	
	30 June 2010	31 December 2009
Due from customers on construction contracts	137,921	124,906
Due from related parties (Note 7)		
– Trading nature	1,025,906	439,726
– Non-trading nature	47,402	16,095
	1,073,308	455,821
Due to related parties (Note 10)		
– Trading nature	184,296	241,752
– Non-trading nature	4,874	4,597
	189,170	246,349

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.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (CONTINUED)

c) Additional information on Other State-owned Enterprises

The Company is controlled by the Parent Company, and is ultimately controlled by 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 18), are also defined as related parties of the Company ("Other State-owned Enterprises").

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 2010	30 June 2009
Revenue:		
– Material logistics services	1,396,207	760,207
– Expressway service zones	39,961	47,976
– Transportation intelligence services	84,550	175,654
	<u>1,520,718</u>	<u>983,837</u>
Purchase of materials	<u>992,308</u>	<u>657,734</u>
Purchase of services	<u>13,462</u>	<u>879</u>
Interest income from state-owned banks	<u>2,285</u>	<u>2,116</u>
Interest expenses to state-owned banks	<u>2,363</u>	<u>12,440</u>

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. 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 2010	31 December 2009
Due from Other State-owned Enterprises included in:		
– Due from customers on construction contracts	138,289	91,643
– Trade receivables	350,943	317,256
– Other receivables	92,741	42,528
– Prepayments	69,285	114,377
	651,258	565,804
	651,258	565,804

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

	As at	
	30 June 2010	31 December 2009
Due to Other State-owned Enterprises included in:		
– Trade payables	209,892	157,839
– Bills payable	546,198	665,239
– Other payables	25,092	165,991
– Advance from customers	270,824	26,555
	1,052,006	1,015,624
	1,052,006	1,015,624

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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in Renminbi Yuan thousands unless otherwise stated)

18. RELATED-PARTY TRANSACTIONS (CONTINUED)

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

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

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

	As at	
	30 June 2010	31 December 2009
Bank deposits in state-owned banks	<u>899,538</u>	<u>1,423,582</u>
Bank borrowings from state-owned banks (Note 11)	<u>300,000</u>	<u>—</u>