



越 秀 交 通 有 限 公 司

GZI Transport Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1052)

2006 INTERIM RESULTS ANNOUNCEMENT

The directors of GZI Transport Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company, its subsidiaries, associates and jointly controlled entities (collectively the “Group”) for the six months ended 30th June 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
	Note	Six months ended 30th June	
		2006	2005
		HK\$'000	HK\$'000
Turnover	3	211,362	204,006
Other gains		4,867	349
Amortisation/depreciation of interests in toll highways and bridges		(53,728)	(52,423)
Toll highways and bridges maintenance expenses	4	(37,743)	(39,195)
General and administrative expenses	4	(25,118)	(16,373)
Business tax		(9,637)	(10,171)
Operating profit		90,003	86,193
Bank interest income		3,672	870
Interest income on loans to associates		16,068	15,934
Finance costs		(9,183)	(5,034)
Share of profits less losses of associates		103,783	84,854
Share of profits of jointly controlled entities		30,489	20,066
Profit before income tax		234,832	202,883
Income tax expense	5	(19,128)	(16,587)
Profit for the period		215,704	186,296
Attributable to:			
Equity holders of the Company		198,804	168,645
Minority interests		16,900	17,651
		215,704	186,296
Earnings per share for profit attributable to the equity holders of the Company during the period	6		
- Basic		<u>HK17.82 cents</u>	<u>HK15.13 cents</u>
- Diluted		<u>HK17.82 cents</u>	<u>HK15.12 cents</u>
Interim dividend	7	<u>72,504</u>	<u>55,772</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	(Unaudited) 30th June 2006 <i>HK\$'000</i>	(Audited) 31st December 2005 <i>HK\$'000</i>
ASSETS		
Non-current assets		
Interests in toll highways and bridges	1,923,886	1,980,017
Leasehold land	709	718
Property, plant and equipment	23,098	23,541
Investment properties	8,210	8,210
Investments in jointly controlled entities	603,634	475,549
Investments in associates	1,664,473	1,686,542
Deferred income tax assets	403	417
Available-for-sale financial assets	<u>65,803</u>	<u>65,925</u>
	4,290,216	4,240,919
Current assets		
Trade receivables	8,792	13,428
Other receivables, deposits and prepayments	11,791	7,862
Bank balances and cash	<u>344,523</u>	<u>368,883</u>
	365,106	390,173
Total assets	<u>4,655,322</u>	<u>4,631,092</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	111,544	111,544
Reserves	<u>3,784,984</u>	<u>3,641,015</u>
	3,896,528	3,752,559
Minority interests	<u>215,769</u>	<u>245,111</u>
Total equity	<u>4,112,297</u>	<u>3,997,670</u>

	(Unaudited) 30th June 2006 <i>HK\$'000</i>	(Audited) 31st December 2005 <i>HK\$'000</i>
LIABILITIES		
Non-current liabilities		
Borrowings	424,418	421,864
Deferred income tax liabilities	5,740	5,985
	430,158	427,849
Current liabilities		
Due to		
A minority shareholder of subsidiaries	2,890	5,919
Holding companies	3,084	3,652
Accounts payables and accrued charges	46,793	38,750
Current income tax liabilities	12,023	13,021
Borrowings	48,077	144,231
	112,867	205,573
Total liabilities	543,025	633,422
Total equity and liabilities	4,655,322	4,631,092
Net current assets	252,239	184,600
Total assets less current liabilities	4,542,455	4,425,519

NOTES:

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

2 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2005. The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st December 2006.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKAS 4 (Amendment)	Financial Guarantee Contracts

HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

These standards, amendments and interpretations do not have significant impacts to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

Management do not expect HK(IFRIC)-Ints 7, 8 and 9 to be relevant to the Group. The Group has assessed the impact of HKFRS 7 and HKAS 1 (Amendment) and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by HKAS 1 (Amendment). The Group will apply HKFRS 7 and HKAS 1 (Amendment) from accounting periods beginning on or after 1st January 2007.

3 Turnover

Turnover recognised is toll revenue on highways and bridges.

No analysis of the Group's turnover and contribution to operating profit by activity and geographic area is presented as they were principally derived from the operations of the Group's toll highways and bridges projects in China.

Business segment information is not required as the revenue, results and assets of the toll operations represent more than 90 per cent of the total revenue, results and assets of the Group respectively.

4 Expenses by nature

Expenses included in toll highways and bridges maintenance expenses and general and administrative expenses are analysed as follows:

	Six months ended 30th June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of prepaid leasehold land	9	21
Depreciation of property, plant and equipment	1,167	1,257
Staff costs (including directors' remuneration)		
- Wages and salaries	22,720	14,821
- Pension costs - defined contribution plans	1,197	863
- Social security costs	805	426
- Staff welfare	1,183	527
Net exchange loss	<u>—</u>	<u>1,607</u>

5 Income tax

- (a) No provision for Hong Kong profits tax has been made in the financial statements as the Group has no income assessable to Hong Kong profits tax during the period (2005: Nil).
- (b) China enterprise income tax is provided on the profits of the Group's investments in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). Under the China Tax Law, the Group's investments in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years. The principal income tax rate is 18 per cent. Certain of the Group's investments in China are qualified for the aforesaid tax holiday.
- (c) The amount of income tax charged to the condensed consolidated income statement represents:

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Current income tax		
- China enterprise income tax	19,359	17,387
Deferred income tax	(231)	(800)
	<u>19,128</u>	<u>16,587</u>

6 Earnings per share

Basic

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.

	Six months ended 30th June	
	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	<u>198,804</u>	<u>168,645</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,115,442</u>	<u>1,114,732</u>
Basic earnings per share (HK cents)	<u>17.82</u>	<u>15.13</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the period which are dilutive potential ordinary shares.

	Six months ended 30th June	
	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	<u>198,804</u>	<u>168,645</u>
Weighted average number of ordinary shares in issue ('000)	1,115,442	1,114,732
Adjustments for share options ('000)	<u>93</u>	<u>659</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,115,535</u>	<u>1,115,391</u>
Diluted earnings per share (HK cents)	<u>17.82</u>	<u>15.12</u>

7 Dividend

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
2006 interim, proposed of HK\$0.065 (2005: HK\$0.05) per share	<u>72,504</u>	<u>55,772</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in investment, operation and management of expressways and national toll highways and bridges mainly located in Guangzhou area. As at 30th June 2006, the Group has already invested in a total of 13 toll road and bridge projects with current attributable length of 315.2 kms. These projects include Guangzhou Northern Ring Road, Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway, Guangdong Humen Bridge and Shantou Bay Bridge; Guangshan Highway, Guangshan Highway, Guangcong Highway Sections I and II, Guanghua Highway and Qinglian Highways all of which connect the traffic hub of Guangzhou City and inter-provincial traffic between Guangdong, Hunan and Jiangxi provinces; Xian Expressway in Shaanxi Province and Xiang Jiang Bridge II in Xiangtan City of Hunan Province. Except for Guangzhou Western Second Ring Expressway that is now under construction, all toll projects are already operating and collecting toll.

Summary Information of Operating Toll Roads and Bridges in the first half of 2006

	Length (kms)	Width (lanes)	Toll station	Road type	Attributable interest (%)	Remaining operating year term
Subsidiaries						
Guangshen Highway	23.1	6	1	Class I highway	80.00	20
Guangshan Highway	64.0	4	2	Class II highway	80.00	20
Guangcong Highway Section I	33.3	6	1	Class I highway	80.00	20
Guangcong Highway Section II	33.1	6	1	Class I highway	51.00	20
& Provincial Highway 1909	33.3	4	1	Class I highway	51.00	
Guanghua Highway	20.0	6	1	Class I highway	55.00	21
Xian Expressway	20.1	4	3	Expressway	100.00	10
Xiang Jiang Bridge II	1.8	4	1	Rigid frame bridge	75.00	15
Associates and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension bridge	25.00	23
Northern Ring Road	22.0	6	11	Expressway	24.30	17
Qinglian Highways						
National Highway 107	253.0	2	4	Class II highway	23.63	
Highway between Qingyuan and Lianzhou cities	215.2	4	5	Class I highway	23.63	22
Shantou Bay Bridge	6.5	6	1	Suspension bridge	30.00	22
GNSR Expressway	42.4	6	9	Expressway	40.00	26

Overview of Operating Performance

In the first half of 2006, the Group mainly benefited from the rapid economic development in the Pearl River Delta Region. According to the preliminary statistic figures of GDSTATS.GOV.CN and GZSTATS.GOV.CN as of 16th August 2006, the GDP of Guangdong Province and Guangzhou City in the first half of 2006 grew by 14.4 per cent and 14.2 per cent to Rmb1,141.68 billion and Rmb272.12 billion respectively over the first half of 2005. The per capita personal income of residents in the urban area of Guangzhou in the first half of 2006 increased by 10.2 per cent to Rmb10,491.5 over the first half of 2005. The tourist and cargo turnovers handled by Guangzhou City in the first half of 2006 increased by 13.2 per cent and 14.0 per cent respectively over same period in 2005.

Owing to Guangdong Province's expressway network gradually maturing and the growth in business and commercial activities; the continual rise in the car ownership rate per person as well as the quality of life resulting in the increase of outbound travel, passenger and freight forwarding volume grew rapidly. The average daily toll traffic volume and average daily toll revenue of a majority of the expressways and bridge projects of the Group in the first half of 2006 recorded a higher growth rate. Conversely, the average daily toll traffic volume and average daily toll revenue of Class I and II highway projects in the first half of 2006 declined as compared to same period in 2005. The decline was mainly due to traffic diversion caused by the upgrading of expressway network, the hike in fuel price, the continual heavy rainfall in May and June 2006 and opening of "green channels" commencing from 1st October 2005, allowing delivery vehicles carrying fresh agricultural produce and livestock to enjoy toll concessions.

In order to enhance toll collection and service standard, the Group is always committed to putting toll collection as its focus, toll management as its major mission, and quality service as its objective and to increasing toll collection rate. As at 30th June 2006, Humen Bridge, Northern Ring Road, GNSR Expressway and Xian Expressway have already commenced unified toll collection which promoted the traffic efficiency and management standard of toll stations.

Average Daily Toll Traffic Volume and Average Daily Toll Revenue of Toll Highways and Bridges

Six months ended 30th June 2006

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll fare per vehicle	
	vehicle/day	Change	Rmb/day	Change	Rmb	Change
Subsidiaries						
Guangshen Highway	27,834	-8.9%	167,248	-7.8%	6.01	1.3%
Guangshan Highway	22,516	-0.3%	224,294	-3.1%	9.96	-2.8%
Guangcong Highway Section I	12,426	-1.0%	150,426	-7.3%	12.11	-6.3%
Guangcong Highway Section II & Provincial Highway 1909	22,330	6.2%	172,077	4.0%	7.71	-2.1%
Guanghua Highway	10,336	-12.0%	83,974	-12.3%	8.12	-0.4%
Xian Expressway	30,367	15.7%	360,516	15.6%	11.87	-0.1%
Xiang Jiang Bridge II	5,131	-13.8%	55,920	7.1%	10.90	24.3%
Total	<u>130,940</u>	0.2%	<u>1,214,455</u>	1.2%		
Associates & Jointly Controlled Entity						
Humen Bridge	48,199	16.1%	2,123,313	19.8%	44.05	3.2%
North Ring Road	147,968	15.2%	1,727,188	7.4%	11.67	-6.8%
Qinglian Highways	16,514	-3.2%	316,309	-11.3%	19.15	-8.4%
Shantou Bay Bridge	10,246	7.5%	379,107	10.0%	37.00	2.4%
GNSR Expressway	53,294	27.8%	886,299	19.8%	16.63	-6.3%
Total	<u>276,221</u>	15.9%	<u>5,432,216</u>	12.7%		

Performance of Subsidiaries

Guangshen Highway Guangzhou Section (“Guangshen Highway”)

The impact from the opening of the neighboring Yonghe Tunnel that is still under toll free period and the opening of the Cangtuo toll station of Guangyuan Express Road with lower toll fare have weakened the traffic volume of Guangshen Highway. In the first half of 2006, average daily toll traffic volume apparently declined by 8.9 per cent to 27,834 vehicles as compared to first half of 2005. Weighted average toll fare per vehicle amounted to Rmb6.01, representing a rise of 1.3 per cent over the same period in 2005.

Guangshan Highway Guangzhou Section (“Guangshan Highway”)

The improvement work being carried out in the Lungdong to Daiguanlukou section and the opening of the nearby Guangyuan Road East and Guanghui Expressway had caused a number of vehicles to divert traffic. The average daily toll traffic volume in the first half of 2006 slightly decreased by 0.3 per cent to 22,516 vehicles as compared to the first half of 2005 and weighted average toll fare per vehicle decreased by 2.8 per cent to Rmb9.96 as compared to same period in 2005.

Guangcong Highway connecting Guangzhou Institute of Foreign Language and Tai Ping Chang (“Guangcong Highway Section I”)

Owing to the toll station of Guangcong Highway Section I being built along National Highway 105 fell within the “green channel” toll fare zone and the continuing traffic diversion caused by the Jingzhu Expressway, average daily toll traffic volume in the first half of 2006 dropped by 1.0 per cent to 12,426 vehicles as compared to the first half of 2005. Weighted average toll fare per vehicle amounted to Rmb12.11 which was 6.3 per cent lower than same period in 2005.

Guangcong Highway connecting Tai Ping Chang and Wenquan (“Guangcong Highway Section II & Provincial Highway 1909”)

Owing to the intermittent closure of the northern section of Jingzhu Expressway from January to March 2006, certain traffic was diverted to Guangcong Highway Section II. Average daily toll traffic volume in the first half of 2006 has increased by 6.2 per cent to 22,330 vehicles as compared to same period in 2005. Weighted average toll fare per vehicle decreased by 2.1 per cent to Rmb7.71 as compared to same period in 2005 due to increase in ratio of small sized vehicles.

Guanghua Highway

With the upgrading of the highway network connecting the urban area section of the Airport Expressway and the rise in fuel price, certain drivers preferred to travel via expressways. In the first half of 2006, average daily toll traffic volume of Guanghua Highway apparently dropped by 12.0 per cent to 10,336 vehicles as compared to same period in 2005. Weighted average toll fare per vehicle was Rmb8.12 which was 0.4 per cent slightly below the first half of 2005.

Xian Expressway in Shaanxi Province (“Xian Expressway”)

Being situated along Shaanxi Province’s key international tourist route, Xian Expressway benefited from the blooming commercial and tourism activities in the first half of 2006 and natural traffic growth. Simultaneously, due to the redevelopment work in progress in the neighboring road network of Xian Expressway such as Xian Third Ring Road and Huaqing Expressway, certain vehicles are attracted to take Xian Expressway in the short term. The average daily toll traffic volume in the first half of 2006 increased by 15.7 per cent to 30,367 vehicles as compared to the first half of 2005. Weighted average toll fare per vehicle amounted to Rmb11.87 which was similar to the first half of 2005.

Xiang Jiang Bridge II in Xiang Tan City of Hunan Province (“Xiang Jiang Bridge II”)

With the abolishment of toll charge on motorcycles in Hunan Province since October 2005, average daily toll traffic volume in the first half of 2006 declined by 13.8 per cent to 5,131 vehicles as compared to same period in 2005. However, through strengthening toll management, the average daily toll revenue had realized a 7.1 per cent growth over the same period in 2005 amounted to Rmb55,920.0. Since the decline in traffic mainly were small sized vehicles, weighted average toll fare per vehicle increased by 24.3 per cent to Rmb10.90 as compared to same period in 2005.

Performance of Associates

Humen Bridge

Since Humen Bridge’s opening to traffic in May 1997, traffic flow demonstrates a steady and stable growth trend. This is due to the rapid but healthy economic development condition in the Pearl River Delta Region bringing forth natural traffic growth. Average daily toll traffic volume in the first half of 2006 increased by 16.1 per cent to 48,199 vehicles as compared to same period in 2005. Weighted average toll fare per vehicle increased by 3.2 per cent to Rmb44.05 when compared with same period in 2005.

Shantou Bay Bridge

Year 2006 is the second year after Queshi Bridge, which is parallel to Shantou Bay Bridge, has joined the “annual pass policy” of Shantou City. In the first half of 2006, traffic diversion caused by Queshi Bridge has been stabilised. The rising private car ownership in Shantou City and the increasing cargo traffic volume in the vicinity have led the average daily traffic volume in the first half of 2006 to increase by 7.5 per cent to 10,246 vehicles as compared to same period in 2005. Weighted average toll fare per vehicle amounted to Rmb37.00 which was 2.4 per cent higher than same period in 2005.

Guangzhou City Northern Ring Road (“Northern Ring Road”)

Benefited from the natural growth in traffic volume brought forth by the continuous rapid economic growth in the Pearl River Delta region, average daily toll traffic volume in the first half of 2006 increased by 15.2 per cent to 147,968 vehicles as compared to the same period in 2005. Weighted average toll fare per vehicle decreased by 6.8 per cent in the first half of 2006 to Rmb11.67 because the increment ratio of small sized vehicles was higher than that of large sized vehicles.

Qinglian Highways

Qinglian Highways continued to experience traffic diversion caused by Jingzhu Expressway. Simultaneously, with the tightening of control over coal mining enterprises in Hunan Province, the number of Class III and IV coal carrying trucks using Qinglian Highways have reduced substantially. Moreover, with the introduction of the “green channel” policy to national highways, allowing qualified vehicles to enjoy toll concession, toll revenue was likewise affected. The average daily toll traffic volume in the first half of 2006 decreased by 3.2 per cent to 16,514 vehicles as compared to same period in 2005. Weighted average toll fare per vehicle declined by 8.4 per cent to Rmb19.15 as compared to same period in 2005.

In order to enhance the competitiveness of Qinglian Highways, redevelopment work to upgrade Qinglian Class I Highway to an expressway has already commenced at the end of 2005. The redevelopment is expected to be completed by 2008. The redevelopment costs (inclusive of interest) amounting to approximately Rmb4.2 billion would be funded by the project company through bank finance. The Guangdong Provincial People’s Government has already granted Qinglian Expressway a 25-year operating rights commencing from completion of redevelopment. It is planned that Qinglian Expressway will be constructed as a four-lane, closed system expressway. It will link Yilian Highway (in Hunan Province) and Jingzhu Expressway in the north. It will pass through Guangqing Expressway towards the south and will link up with the transportation network of the Pearl River Delta Region. Upon completion, Qinglian Expressway will serve as a major route in the commercial development of the Pearl River Delta Region, to further promote business exchanges between Guangdong Province and the less developed but resourceful regions in the northern part of Guangdong Province.

Performance of Jointly Controlled Entities

Guangzhou Northern Second Ring Expressway (“GNSR Expressway”)

Benefited from the synergy effect resulting from the development of expressway network such as the opening of Jingzhu Expressway and Guanghui Expressway (both connecting GNSR Expressway) and the new Guangzhou Airport, average daily toll traffic volume in the first half of 2006 continued to increase by 27.8 per cent to 53,294 vehicles. With the increase in ratio of small size vehicles, weighted average toll fare per vehicle decreased by 6.3 per cent to Rmb16.63 as compared with same period in 2005.

Guangzhou Western Second Ring Expressway (“GWSR Expressway”)

The Group holds 35.0 per cent shareholdings in GWSR Expressway (under construction), the total investment of which amounted to approximately Rmb3.0 billion. Apart from registered capital, the remaining investment is funded by way of project finance. As at 15th July 2006, total cost injected into the construction amounted to Rmb2.12 billion, representing 70.5 per cent of the total estimated investment cost. It is expected to be completed ahead of schedule by December 2006.

Future Strategies and Prospects

To sustain a steady and stable economic growth, Mainland China would continue to increase its infrastructure investments and to upgrade and expand from time to time its expressway network; which in turn would create good opportunities to the Group. On the other hand, with the increasing commercialization of the operation of toll road projects, it is expected that there would be more market players and competition would intensify. As a major toll road operator in Guangdong Province, the Group will capitalize on its own advantageous position to strengthen the toll management of its existing operating projects, to improve and enhance service quality level; to vigorously control and streamline its operating cost; to strictly monitor the expenditure for the redevelopment of Qinglian Class I Highway and the construction of GWSR Expressway. At the same time, the Group will actively and cautiously explore new potential expressway projects; to enlarge its market share through investments and new acquisitions; to enhance the Group’s profit earning capability; and to further promote the Group’s status in the toll business industry with the aim of securing better return to our shareholders and investors.

FINANCIAL REVIEW

Results Highlights

<i>(HK\$'000)</i>	Six months ended		Change
	2006	2005	
Profit attributable to equity holders of the Company	198,804	168,645	17.9%
Turnover	211,362	204,006	3.6%
Operating profit	90,003	86,193	4.4%
Profits after tax and interest income from associates and jointly controlled entity	150,340	120,854	24.4%
Interest coverage	214 times	53 times	
Basic earnings per share	HK\$0.178	HK\$0.151	17.9%
Dividend per share	HK\$0.065	HK\$0.05	
Return to equity holders of the Company	5.1%	4.8%	6.3%

Analysis of Results

Despite traffic diversion and surging oil prices affecting the traffic volume of certain Class I and II highways; expressways such as Xian Expressway still maintain strong growth. Total

turnover grew 3.6 per cent, operating profit grew 4.4 per cent and contribution from associates and jointly controlled entity grew 24.4 per cent. In the first half of 2006, profit attributable to equity holders of the Company amounted to HK\$198.8 million, being 17.9 per cent higher than same period in 2005. Basic earnings per share in the first half of 2006 increased by HK\$0.027 over same period in 2005 to HK\$0.178 and return to equity holders of the Company increased from 4.8 per cent in the first half of 2005 to 5.1 per cent in first half of 2006.

Turnover

For the six months ended 30th June 2006, the Group's turnover amounted to HK\$211.4 million representing a 3.6 per cent increment over same period in 2005. Xian Expressway, Xiang Jiang Bridge II and Guangcong Highway Section II with turnover growth of 18.4 per cent, 9.7 per cent and 6.5 per cent respectively were the main growth contributors to the Group's overall turnover growth.

Income structure and proportion

<i>(HK\$'000)</i>	Toll income for the six months ended 30th June 2006	Proportion to total toll income	Change
Subsidiaries			
Guangshen Highway	29,108	13.8%	-5.5%
Guangshan Highway	39,036	18.4%	-0.8%
Guangcong Highway Section I	26,180	12.4%	-5.0%
Guangcong Highway Section II & Provincial Highway 1909	29,948	14.2%	6.5%
Guanghua Highway	14,615	6.9%	-10.2%
Xian Expressway	62,743	29.7%	18.4%
Xiang Jiang Bridge II	<u>9,732</u>	<u>4.6%</u>	9.7%
Total	<u>211,362</u>	<u>100.0%</u>	3.6%
Associates & Jointly Controlled Entity (attributable to the Group)			
Humen Bridge	92,388	35.4%	22.7%
Northern Ring Road	73,266	28.0%	10.0%
Qinglian Highways	13,983	5.4%	-7.1%
Shantou Bay Bridge	19,794	7.6%	12.6%
GNSR Expressway	<u>61,700</u>	<u>23.6%</u>	22.6%
Total	<u>261,131</u>	<u>100.0%</u>	16.1%

Other gains

Included in other gains mainly were exchange differences resulting from settlement of foreign currency transactions and translation of monetary assets and liabilities denominated in foreign currencies.

Amortisation / depreciation of interests in toll highways and bridges

Except for one subsidiary which adopts the unit of usage method of depreciation, the rest adopt the straight line method. The Group's amortization / depreciation of interests in toll highways and bridges for the six months ended 30th June 2006 amounted to HK\$53.7 million which was 2.5 per cent higher than same period in 2005.

Toll highways and bridges maintenance expenses

In the first half of 2006, toll highways and bridges maintenance expenses declined by HK\$1.5 million or 3.7 per cent to HK\$37.7 million mainly because of heavy rainfalls during May and June 2006 which stalled certain repair and maintenance works to be carried out in certain highway sections.

General and administrative expenses

General and administrative expenses incurred during the six months ended 30th June 2006 amounted to HK\$25.1 million, being HK\$8.7 million higher than same period in 2005 as directors' profit-based bonus was provided for in proportion to the profit in the first half of 2006 whereas in prior years, directors' bonus was accrued for in the year end.

Bank interest income

With the continued upward adjustment in bank interest rate, bank interest income during the six months ended 30th June 2006 increased 4.0 times to HK\$3.7 million as compared to same period in 2005.

Finance costs

Finance costs in the first half of 2006 amounted to HK\$9.2 million, in which, a fair value adjustment (non-cash accounting adjustment) on interest free loans from minority shareholders of subsidiaries amounted to HK\$7.8 million as required by HKAS 39 was included (no such adjustment made during the six months ended 30th June 2005). Finance costs related to interest on bank borrowings amounted to HK\$1.4 million was declined by 65.2 per cent as compared to same period in 2005 due to continued repayment of bank borrowings. Finance costs in the first half of 2005 had also included interest related to an interest bearing loan due to a minority shareholder amounting to HK\$1.0 million and this loan was fully repaid in December 2005.

Share of after tax profits less losses and interest income of associates

For the six months ended 30th June 2006, except for Qinglian Highways still recording operating losses, Humen Bridge, Northern Ring Road and Shantou Bay Bridge all had

recorded positive profit growth of 25.7 per cent, 10.5 per cent and 18.9 per cent respectively. Profit contributions from the Group's associates grew by 18.9 per cent to HK\$119.9 million in the first half of 2006. The speedy and healthy economic development in the Pearl River Delta Region leading to natural traffic growth of expressways is the main profit growth factor of the Group's associates and the business tax rate of these related expressways and bridges had already been reduced by 2.0 per cent since June 2005.

Share of profit after tax of a jointly controlled entity

The group's operating jointly controlled entity GNSR Expressway continued to demonstrate its strong traffic growth in the first half of 2006 with profit contribution of HK\$30.5 million representing a 51.9 per cent increment over the first six months' profit in 2005.

Income tax expense

As the overall taxable profit in the first half of 2006 was comparatively higher than 2005, taxation increased by 15.3 per cent to HK\$19.1 million.

Interest Coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses. For the six months ended 30th June 2006, interest coverage was 214 times (2005: 53 times) due to increase in EBITDA and decline in interest expenses.

Interim Dividend

The Board of Directors has resolved to declare an interim dividend for 2006 of HK\$0.065 (2005: HK\$0.05) per share payable on 18th October 2006 to shareholders whose names appear on the register of members on 11th October 2006. Interim dividend pay out ratio will be 36.5 per cent (2005: 33.1 per cent).

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2006, except for the following deviation:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-laws. All the non-executive directors of the Company had retired by rotation and have been re-elected during the past three years.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements for the six months ended 30th June 2006 have been reviewed by the Audit Committee and the Company's auditors, PricewaterhouseCoopers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9th October 2006 to Wednesday, 11th October 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 6th October 2006.

By order of the Board
Ou Bingchang
Chairman

Hong Kong, 6th September 2006

As at the date of this announcement, the Board of the Company comprises:

Executive Directors: Ou Bingchang, Li Xinmin, Li Zhuo, Chen Guangsong, Liang Ningguang, Liang Yi, Du Xinrang, He Zili, Zhang Siyuan, Tan Yuande, He Baiqing and Zhang Huping.

Non-executive Director: Poon Jing.

Independent Non-executive Directors: Fung Ka Pun, Lau Hon Chuen Ambrose and Cheung Doi Shu.