



越 秀 交 通 有 限 公 司

GZI Transport Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1052)

2007 INTERIM RESULTS ANNOUNCEMENT

The directors of GZI Transport Limited (“Company”) are pleased to announce the unaudited consolidated results of the Company, its subsidiaries, associates and jointly controlled entities (collectively, “Group”) for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30 June	
	Note	2007	2006
		HK\$'000	HK\$'000
Revenue	3	348,345	211,362
Other income		195	138
Other gains — net		5,156	4,729
Amortisation/depreciation of interests in toll highways and bridges		(92,001)	(53,728)
Toll highways and bridges maintenance expenses	4	(36,884)	(37,743)
General and administrative expenses	4	(35,127)	(25,118)
Business tax		(13,559)	(9,637)
Operating profit		176,125	90,003
Interest income on loans to associates		11,875	16,068
Finance costs — net		(28,261)	(5,511)
Share of profits less losses of associates		147,138	103,783
Share of profits less losses of jointly controlled entities		1,870	30,489
Profit before income tax		308,747	234,832
Income tax	5	(18,304)	(19,128)
Profit for the period		290,443	215,704
Attributable to:			
Equity holders of the Company		250,241	198,804
Minority interests		40,202	16,900
		290,443	215,704
Earnings per share for profit attributable to the equity holders of the Company	6	HK22.43 cents	HK17.82 cents
- Basic and diluted			
Interim dividend	7	96,207	72,504

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2007 (Unaudited) <i>HK\$'000</i>	31 December 2006 (Audited) <i>HK\$'000</i>
ASSETS		
Non-current assets		
Interests in toll highways and bridges	6,645,340	1,943,682
Leasehold land	691	700
Property, plant and equipment	27,755	26,662
Investment properties	8,650	8,650
Investments in jointly controlled entities	232,862	671,170
Investments in associates	1,834,770	1,745,816
Deferred income tax assets	299	312
Available-for-sale financial assets	47,702	46,271
Other non-current assets	—	132,580
Goodwill	<u>117,352</u>	<u>—</u>
	<u>8,915,421</u>	<u>4,575,843</u>
Current assets		
Asset held for sale	—	15,000
Trade receivables	12,084	4,016
Other receivables, deposits and prepayments	20,770	12,662
Bank balances and cash	<u>378,957</u>	<u>339,714</u>
	<u>411,811</u>	<u>371,392</u>
Total assets	<u>9,327,232</u>	<u>4,947,235</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	111,544	111,544
Reserves	<u>5,063,973</u>	<u>4,074,445</u>
	5,175,517	4,185,989
Minority interests	<u>1,408,479</u>	<u>235,146</u>
Total equity	<u>6,583,996</u>	<u>4,421,135</u>

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
LIABILITIES		
Non-current liabilities		
Borrowings	1,887,600	449,739
Deferred income tax liabilities	646,001	5,484
	<u>2,533,601</u>	<u>455,223</u>
Current liabilities		
Due to		
A minority shareholder of subsidiaries	3,044	1,196
Holding companies	4,150	4,025
Trade payables and accrued charges	136,444	56,059
Current income tax liabilities	10,533	9,597
Borrowings	55,464	—
	<u>209,635</u>	<u>70,877</u>
Total liabilities	<u>2,743,236</u>	<u>526,100</u>
Total equity and liabilities	<u>9,327,232</u>	<u>4,947,235</u>
Net current assets	<u>202,176</u>	<u>300,515</u>
Total assets less current liabilities	<u>9,117,597</u>	<u>4,876,358</u>

NOTES:

1 Basis of preparation

This condensed consolidated interim financial information for the six-months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” 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 31 December 2006.

2 Accounting policies

The accounting policies adopted are consistent with those of the Company’s annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007.

Amendment to HKAS 1	Presentation of Financial Statements: 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
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new standards, amendments to standards and interpretations did not have material impact to the Group's condensed consolidated interim financial information.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for 2007 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008

Management considers that the adoption of HKAS 23 (Revised), HKFRS 8 and HK(IFRIC)-Int 11 will not have material impact to the Group's financial statements.

HK(IFRIC)-Int 12 requires recognition of costs incurred on toll infrastructure as intangible asset under public-to-private service concession arrangements. The Group has already commenced an assessment of the related impact of adopting HK(IFRIC)-Int 12 to the Group but is not yet in a position to state whether substantial change to the Group's financial statements will be resulted.

3 Revenue

Revenue recognised for the period represents toll revenue on highways and bridges.

No analysis of the Group's revenue 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 30 June	
	2007	2006
	HK\$'000	HK\$'000
Amortisation of prepaid operating lease payments	9	9
Depreciation of property, plant and equipment	1,785	1,167
Toll roads maintenance expenses	25,793	26,838
Staff costs (including Directors' remuneration)		
- Wages and salaries	28,723	22,720
- Pension costs (defined contribution plans)	1,697	1,197
- Social security costs	1,541	805
- Staff welfare	<u>2,145</u>	<u>1,183</u>

5 Income tax

- (a) No provision for Hong Kong profits tax has been made for the period as the Group has no income assessable to Hong Kong profits tax during the period (2006: Nil).
- (b) China enterprise income tax is provided on the profits of the Group's subsidiaries, associates and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). The principal income tax rate is 18 per cent.

Under the China Tax Law, certain of the Group's subsidiaries, associates and jointly controlled entities 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.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25 per cent with effect from 1 January 2008. The new CIT Law provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that interim financial information is approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact of the new CIT Law on the Group's China enterprise income tax and China withholding tax. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and will account for any resultant change in accounting estimate prospectively.

(c) The amount of income tax charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
China enterprise income tax		
Current income tax	19,406	19,359
Deferred income tax	<u>(1,102)</u>	<u>(231)</u>
	<u>18,304</u>	<u>19,128</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 30 June	
	2007	2006
Profit attributable to equity holders of the Company (HK\$'000)	<u>250,241</u>	<u>198,804</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,115,442</u>	<u>1,115,442</u>
Basic earnings per share (HK cents)	<u>22.43</u>	<u>17.82</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 had share options outstanding during the last period which were dilutive potential ordinary shares. Calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. For the six months ended 30 June 2007, there are no share options outstanding which are dilutive potential ordinary shares.

	Six months ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company (HK\$'000)	<u>250,241</u>	<u>198,804</u>
Weighted average number of ordinary shares in issue ('000)	1,115,442	1,115,442
Adjustments for share options ('000)	<u>—</u>	<u>93</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,115,442</u>	<u>1,115,535</u>
Diluted earnings per share (HK cents)	<u>22.43</u>	<u>17.82</u>

7 **Dividend**

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, proposed, of HK\$0.0575 (2006: HK\$0.065) per share	<u>96,207</u>	<u>72,504</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Toll Projects Summary

The Group is principally engaged in investment, operation and management of toll expressways and national highways and bridges mainly located in Guangzhou area. In March 2007, the Group completed the acquisition of an additional 20.0 per cent equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. (“GNSR Expressway Co., Ltd.”) from Guangzhou Development Infrastructure Investments Co., Ltd. The Group’s equity interest in GNSR Expressway Co., Ltd. increased to 60.0 per cent immediately following the completion.

As at 30 June 2007, the Group’s major investments include Northern Ring Road, GNSR Expressway, GWSR Expressway, Humen Bridge and Shantou Bay Bridge, all of which are located within Guangdong Province; Guangshen Highway Guangzhou section which connects Guangzhou City to Shenzhen City; and toll projects passing through Guangdong, Hunan and Jiangxi provinces as Guangshan Highway along NH324 Guangzhou section, Guangcong Highway Sections I and II along NH105 Guangzhou section, Guanghua Highway and Qinglian Highways along NH107 Qingyuan to Lingzhou section, as well as Xian to Lintong Expressway in Shaanxi Province and Xiang Jiang Bridge II in Xiangtan City of Hunan Province. Following the increase in the Group’s equity interest in GNSR Expressway Co., Ltd., the Group’s attributable length of toll roads and bridges increased from 315.4 km at the end of 2006 to 323.9 km as at 30 June 2007.

SUMMARY INFORMATION OF OPERATING TOLL ROADS AND BRIDGES

	TOLL LENGTH	WIDTH	TOLL STATION(S)	ROAD TYPE	ATTRIBUTABLE INTEREST	REMAINING OPERATING TERM
	(KM)	(LANES)			(%)	(YEARS)
SUBSIDIARIES						
GUANGSHEN HIGHWAY	23.1	6	1	CLASS I HIGHWAY	80.00	19
GUANGSHAN HIGHWAY	64.0	4	2	CLASS II HIGHWAY	80.00	19
GUANGCONG HIGHWAY SECTION I	33.3	6	1	CLASS I HIGHWAY	80.00	19
GUANGCONG HIGHWAY SECTION II & PROVINCIAL HIGHWAY 1909	33.1	6	1	CLASS I HIGHWAY	51.00	19
GUANGHUA HIGHWAY	33.3	4	1	CLASS I HIGHWAY	51.00	
GUANGHUA HIGHWAY	20.0	6	1	CLASS I HIGHWAY	55.00	20
GNSR EXPRESSWAY	42.4	6	9	EXPRESSWAY	60.00	25
XIAN EXPRESSWAY	20.1	4	3	EXPRESSWAY	100.00	9
XIANG JIANG BRIDGE II	1.8	4	1	RIGID FRAME BRIDGE	75.00	14
ASSOCIATES AND JOINTLY CONTROLLED ENTITY						
HUMEN BRIDGE	15.8	6	4	SUSPENSION BRIDGE	25.00	22
NORTHERN RING ROAD	22.0	6	11	EXPRESSWAY	24.30	16
QINGLIAN HIGHWAYS NATIONAL HIGHWAY 107	253.0	2	4	CLASS II HIGHWAY	23.63	
HIGHWAY BETWEEN QINGYUAN AND LIANZHOU CITIES ⁽¹⁾	215.2	4	5	CLASS I HIGHWAY	23.63	21
SHANTOU BAY BRIDGE	6.5	6	1	SUSPENSION BRIDGE	30.00	21
GWSR EXPRESSWAY	39.6	6	5	EXPRESSWAY	35.00	25

- (1) Redevelopment work to upgrade Qinglian Class I Highway to an expressway commenced at the end of 2005. It is expected to be completed and open to traffic by 2008. Operating term will be 25 years commencing from completion of redevelopment.

Overview of Operating Performance

Owing to the continuous rapid growth in the economic development of China in the first half of 2007 with Guangdong Province's growth rate standing above the national average, traffic flow and toll revenue of the Group's expressways and bridges in first half of 2007 continued to maintain a stable growth trend. According to the statistics of GDSTATS.GOV.CN and GZSTATS.GOV.CN, the Gross Domestic Product ("GDP") of Guangdong Province and Guangzhou grew by 14.3 per cent and 14.0 per cent respectively to approximately Renminbi ("RMB") 1,354.4 billion and approximately RMB319.8 billion respectively for the six months ended 30 June 2007. As Guangzhou's economy enjoyed a continuous and stable growth, per capita personal income of Guangzhou's urban residents in the first half of 2007 rose 10.1 per cent to RMB11,559.5 compared to the same period in 2006. Moreover, in tandem with the booming domestic stock market in the first half of 2007, domestic consumption level in Guangzhou manifested steady growth with motor vehicles posting strong sales and the total car ownership in Guangzhou broke 1.0 million units as at 15 August 2007. Such growth is expected to stimulate the demand for more traffic infrastructures in Guangzhou and its vicinity areas. Another growth driver for the Group's expressways is the improving expressway networking effect in Guangdong Province and vicinity areas which provided improved environment for logistics and transportation businesses with Guangzhou tourist and cargo turnover in the first half of 2007 grew approximately 15.4 per cent and 5.4 per cent respectively as compared to same period in 2006.

For the same reason as growth in traffic for expressways, the Group's Class I and II highways experienced continual traffic diversion. Coupled with the green channel policy and fuel price hike, average daily toll vehicle and average daily toll revenue of the Group's Class I and II highways for the first six months in 2007 fell below the same period 2006. In view of the lagging performance of Class I and II highways, the Company is planning to increase the composite ratio of expressway projects in its portfolio over time. The completion of acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. at the end of March 2007 is the first step in the realization of such plan. Overall, the Group's toll traffic flow and toll revenue growth in the first half of 2007 remained stable.

Simultaneously, the Group will continuously look into various measures of effective cost management, maintenance expenses control, strengthen budget planning, strict control of non-budgeted expenses, vigorously achieve toll revenue target, improve service quality and optimize toll collection system.

Average Daily Toll Traffic Volume and Average Daily Toll Revenue

Six months ended 30 June 2007

	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	20,060	-27.9%	124,427	-25.6%	6.2	3.2%
Guangshan Highway	22,127	-1.7%	205,960	-8.2%	9.3	-6.5%
Guangcong Highway Section I	11,847	-4.7%	138,371	-8.0%	11.7	-3.6%
Guangcong Highway Section II & Provincial Highway 1909	19,428	-13.0%	140,586	-18.3%	7.2	-6.1%
Guanghua Highway	10,265	-0.7%	88,771	5.7%	8.7	6.5%
GNSR Expressway	66,151	24.1%	1,213,888	37.0%	18.4	10.3%
Xian Expressway	35,145	15.7%	461,008	27.9%	13.1	10.5%
Xiang Jiang Bridge II	6,030	17.5%	64,865	16.0%	10.8	-1.3%
Total	<u>191,053</u>	3.7%	<u>2,437,876</u>	16.0%		
Associates and Jointly Controlled Entity						
Humen Bridge	56,862	18.0%	2,542,216	19.7%	44.7	1.5%
Northern Ring Road	159,737	8.0%	1,789,046	3.6%	11.2	-4.0%
Qinglian Highways	16,767	1.5%	310,055	-2.0%	18.5	-3.5%
Shantou Bay Bridge	11,550	12.7%	436,880	15.2%	37.8	2.2%
GWSR Expressway ⁽¹⁾	4,823	N/A	140,694	N/A	29.2	N/A
Total	<u>249,739</u>	15.9%	<u>5,218,891</u>	14.8%		

(1) GWSR Expressway commenced its operation on 19 December 2006

Performance of Expressways and Bridges

Guangzhou Northern Second Ring Expressway (“GNSR Expressway”)

The linkage of GNSR Expressway to Guangshen Expressway, Guangqing Expressway, Jingzhu Expressway and Guanghui Expressway created synergy effect on GNSR Expressway. The opening of Meihe Expressway and Yuegong Expressway drives up traffic running from Guanghui to GNSR Expressway section. The completion of acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. has increased its equity interest held by the Group from 40.0 per cent to 60.0 per cent. The average daily toll traffic volume in the first half of 2007 was 66,151 vehicles which grew satisfactorily by 24.1 per cent over same period in 2006 and even surpassed the projected daily toll traffic (excluding non-toll traffic) under the optimistic scenario prepared by the independent traffic consultant as disclosed in the Company’s circular dated 18 December 2006 by 2.8 per cent. Weighted average toll fare per vehicle rose by 10.3 per cent to RMB18.4 as compared with same period in 2006.

Xian Expressway in Shaanxi Province (“Xian Expressway”)

Situated along Xian City’s key international tourist route, Xian Expressway benefited from the blooming commercial and tourism activities that led to natural traffic growth. While redevelopment work of the neighboring Huaqing Expressway is still in progress, certain vehicles can still be attracted to take Xian Expressway. Average daily toll traffic volume in the first half of 2007 still maintained a sustainable growth with increment of 15.7 per cent to 35,145 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle amounted to RMB13.1 which was 10.5 per cent higher than same period in 2006.

Humen Bridge

Owing to the rapid economic development in the Pearl River Delta Region (“PRD Region”) and further improvement of expressway network leading to speedy development of the logistics and transportation industry which in turn enable Humen Bridge to maintain consistent stable traffic growth. Average daily toll traffic volume in first half of 2007 increased by 18.0 per cent to 56,862 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle increased by 1.5 per cent to RMB44.7 when compared with same period in 2006.

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

Benefiting from the natural growth in traffic volume brought forth by the continuous rapid economic growth in the PRD Region, average daily toll traffic volume in first half of 2007 increased by 8.0 per cent to 159,737 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle was 4.0 per cent lower than same period in 2006 to RMB11.2.

Shantou Bay Bridge

To match up the local area’s economic development, Shantou City is vigorously expanding its air routes and flight frequencies. Cargo handling capacities of its ports are also increasing. With the flourishing commercial activities in Shantou City, freight and passenger turnover increased which in turn led to gradual natural traffic growth. Average daily toll traffic volume in first half of 2007 increased by 12.7 per cent to 11,550 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle amounted to RMB37.8 which was 2.2 per cent higher than same period in 2006.

Guangzhou Western Second Ring Expressway (“GWSR Expressway”)

GWSR Expressway is interconnected with GNSR Expressway, Guangsan Expressway, Guanghua Expressway, Jingzhu Expressway and Guangzhou Airport Expressway. On 19 December 2006, GWSR Expressway officially commenced operation which further enhanced the expressway networking impact. Average daily toll traffic volume in the first half of 2007 was 4,823 vehicles, weighted average toll fare per vehicle amounted to RMB29.2.

Performance of Class I and II Highways and Bridges

Guangshen Highway Guangzhou Section (“Guangshen Highway”)

Guangshen Highway’s diversion was affected by Guangyuan East Road which was charging a lower toll fare. Moreover, redevelopment work in nearby rural roads weakened traffic performance of Guangshen Highway. In first half of 2007, average daily toll traffic volume largely declined by 27.9 per cent to 20,060 vehicles as compared to same period in 2006 due to higher number of small sized vehicles than larger sized vehicles in the traffic mix composition. Weighted average toll fare per vehicle amounted to RMB6.2, representing a rise of 3.2 per cent over same period in 2006.

Guangshan Highway Guangzhou Section (“Guangshan Highway”)

Guangshan Highway continued to be affected by nearby roads causing diversion. The average daily toll traffic volume in first half of 2007 decreased by 1.7 per cent to 22,127 vehicles as compared to same period in 2006 and weighted average toll fare per vehicle decreased by 6.5 per cent to RMB9.3 as compared to same period in 2006.

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

Due to adverse effect from improving expressway network, average daily toll traffic volume in first half of 2007 dropped by 4.7 per cent to 11,847 vehicles as compared to same period in 2006. Guangcong Highway Section I is within the “green channel” zone and majority of the vehicles traveling Guangcong Highway Section I was exempted from toll fare causing continual decline in toll revenue. Weighted average toll fare per vehicle in the first half of 2007 amounted to RMB11.7 which was 3.6 per cent lower than same period in 2006.

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

The reopening of Jingzhu Expressway Northern section after its road maintenance completed in February 2007 created significant diversion impact to Guangcong Highway Section II. Average daily toll traffic volume in first half of 2007 dropped by 13.0 per cent to 19,428 vehicles as compared to same period in 2006. Guangcong Highway Section II is within the “green channel” zone and since vehicles traveling the “green channel” are increasing, toll revenue obviously declined. Weighted average toll fare per vehicle in the first half of 2007 decreased by 6.1 per cent to RMB7.2 as compared to same period in 2006.

Guanghua Highway

With the banning of motorcycles running within the urban area of Guangzhou coming into effect since January 2007, average daily toll traffic volume of Guanghua Highway slightly dropped by 0.7 per cent to 10,265 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle in first half of 2007 has increased by 6.5 per cent to RMB8.7 as there was large drop in motorcycles and rise in medium to large sized vehicles.

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

The economic development in Hunan Province helped promotion of its cargo volume and private car ownership kept on growing. Average daily toll traffic volume in first half of 2007 increased by 17.5 per cent to 6,030 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle slightly dropped by 1.3 per cent to RMB10.8 as compared to same period in 2006.

Qinglian Highways

The Class I highway of Qinglian Highways is undergoing redevelopment, during which, sectional closures would be implemented in accordance to work progress, as such, toll traffic would be reduced. Due to lower standard toll fares, vehicles from Class I highway switched to Class II highway thus increased its traffic volume. The overall average daily toll traffic volume of Qinglian Highways in first half of 2007 has slightly increased by 1.5 per cent to 16,767 vehicles as compared to same period in 2006 whereas average daily toll revenue lower than same period in 2006 by 2.0 per cent. Weighted average toll fare per vehicle in first half of 2007 declined by 3.5 per cent to RMB18.5 as compared to same period in 2006. Redevelopment work to upgrade Qinglian Class I Highway to an expressway is expected to be completed by 2008.

FINANCIAL REVIEW

Results Highlights

	Six months ended		Change
	2007	2006	
	HK\$'000	HK\$'000	
Profit attributable to equity holders of the Company	250,241	198,804	25.9%
Revenue	348,345	211,362	64.8%
Operating profit	176,125	90,003	95.7%
Profit after income tax and interest income from associates and jointly controlled entities	160,883	150,340	7.0%
Interest coverage	19 times	214 times	
Basic earnings per share	HK\$0.2243	HK\$0.1782	25.9%
Dividend per share	HK\$0.0575	HK\$0.065	
Return to equity holders of the Company	4.8%	5.1%	-5.9%

Analysis of Results

Upon completion of the additional acquisition of 20.0 per cent equity interests in GNSR Expressway Co., Ltd. (formerly a jointly controlled entity) at the end of March 2007, GNSR Expressway Co., Ltd. became a subsidiary of the Group and its earnings, assets and liabilities were consolidated into the Group's accounts commencing second quarter of 2007. By virtue of an asset revaluation surplus representing the fair value increase in respect of the 40.0 per cent equity interest in GNSR Expressway Co., Ltd. held by the Group immediately before completion of the acquisition, the capital and reserves attributable to the equity holders of the Company increased by approximately HK\$672.4 million. GNSR Expressway posted impressive growth during the period with its traffic volume and revenue both above projection and together with the satisfactory performance of a majority of toll projects in the portfolio, contributed to the Group's remarkable results in the first half of 2007. The Group's revenue grew 64.8 per cent, with its operating profit grew 95.7 per cent, contribution from associates and jointly controlled entity grew 7.0 per cent despite loss shared from Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR Expressway Co., Ltd.") and GNSR Expressway Co., Ltd. ceased to be a jointly controlled entity in the second quarter of 2007. Profit and basic earnings per share attributable to equity holders of the Company amounted to HK\$250.2 million and HK\$0.2243 respectively, both rose by 25.9 per cent over the same period last year.

With capital and reserves attributable to equity holders of the Company enlarged by 23.6 per cent after GNSR Expressway Co., Ltd. became a subsidiary of the Group, return to equity holders of the Company was reduced from 5.1 per cent to 4.8 per cent.

Revenue

The Group reported revenue of HK\$348.3 million for the six months ended 30 June 2007, an increase of 64.8 per cent compared with same period last year. The significant growth in revenue was derived from GNSR Expressway Co., Ltd., with its revenue being 100.0 per cent consolidated to the Group after it was changed from a jointly controlled entity to a subsidiary and its contribution amounted to approximately HK\$120.0 million during the period from date of its consolidation into the Group as a subsidiary up to 30 June 2007. Apart from the positive impact brought about by GNSR Expressway Co., Ltd., revenue from existing subsidiaries recorded aggregate growth of 8.1 per cent with Xian Expressway, Xiang Jiang Bridge II and Guanghua Highway grew 37.1 per cent, 24.4 per cent and 13.3 per cent respectively.

Income structure and proportion

<i>(HK\$'000)</i>	Toll income for the six months ended 30 June 2007	Proportion to total toll income	Change
Subsidiaries			
Guangshen Highway	23,218	6.7%	-20.2%
Guangshan Highway	38,432	11.0%	-1.5%
Guangcong Highway Section I	25,820	7.4%	-1.4%
Guangcong Highway Section II & Provincial Highway 1909	26,233	7.5%	-12.4%
Guanghua Highway	16,564	4.8%	13.3%
GNSR Expressway ⁽¹⁾	119,951	34.4%	N/A
Xian Expressway	86,023	24.7%	37.1%
Xiang Jiang Bridge II	12,104	3.5%	24.4%
Total	<u>348,345</u>	<u>100.0%</u>	64.8%
Associates & Jointly Controlled Entities (attributable to the Group)			
Humen Bridge	118,643	40.7%	28.4%
Northern Ring Road	81,432	28.0%	11.1%
Qinglian Highways	14,335	4.9%	2.5%
Shantou Bay Bridge	24,456	8.4%	23.6%
GNSR Expressway ⁽²⁾	42,623	14.6%	N/A
GWSR Expressway ⁽³⁾	9,849	3.4%	N/A
Total	<u>291,338</u>	<u>100.0%</u>	11.6%

(1) Upon completion of the acquisition of the additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. at the end of March 2007, its equity holding held by the Group has increased from 40.0 per cent to 60.0 per cent. The revenue was attributable to period from April to June 2007, up by 50.3 per cent as compared to same period last year (for reference purpose).

(2) The revenue represented the attributable share of the Group from January to March 2007, up by 43.1 per cent compared to the attributable revenue from January to March 2006 (for reference purpose).

(3) GWSR Expressway commenced its operation on 19 December 2006.

Operating profit

The Group's operating profit for the six months ended 30 June 2007 surged by HK\$86.1 million or 95.7 per cent to HK\$176.1 million, compared to HK\$90.0 million achieved during the same period last year. This was mainly due to the Group's acquisition of the additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. and its rapid revenue growth. For the period from GNSR Expressway Co., Ltd. became a subsidiary up to 30 June 2007, operating profit amounted to approximately HK\$73.0 million. Excluding contribution from GNSR Expressway Co., Ltd., operating profit of the Group increased by 14.5 per cent mainly attributable to the significant operating result of Xian Expressway which increased by approximately 52.5 per cent in the first half of 2007 as compared to same period last year. Head office expenses rose by 12.1 per cent to HK\$21.8 million mainly due to increased directors' profit-based bonus.

Finance costs — net

Net finance costs increased tremendously by 412.8 per cent or HK\$22.8 million to HK\$28.3 million in the first half of 2007 which mainly related to the acquisition of GNSR Expressway Co., Ltd. in late March 2007 when it then became a subsidiary and that its net finance cost amounting to approximately HK\$17.3 million was 100.0 per cent consolidated to the Group. Besides, finance costs arising from extra borrowing raised in relation to the acquisition of additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. amounted to HK\$5.4 million.

Share of profits less losses of associates and interest income on loans to associates

Economy in the PRD Region continued to expand speedily in the first half of 2007. Rapid development of transport and logistics businesses brought forth by further improvement of expressway network has in turn triggered traffic growth. Being benefited from these favorable macro economic factors, contributions from the Group's associates for the six months ended 30 June 2007 has increased by 32.7 per cent to HK\$159.0 million. Except for Qinglian Highways of which its normal toll operation was interrupted by the redevelopment work in progress of its Class I Highway, contributions from Shantou Bay Bridge, Humen Bridge and North Ring increased by 32.8 per cent, 30.1 per cent and 10.0 per cent respectively in the first half of 2007.

Share of profit less losses of jointly controlled entities

The Group's share of profit less losses of jointly controlled entities for the six months ended 30 June 2007 was down by 93.9 per cent to HK\$1.9 million as compared to HK\$30.5 million for same period last year. This downward situation was due to two factors: the loss shared from GWSR Expressway Co., Ltd. and change in status of GNSR Expressway Co., Ltd. from jointly controlled entity to subsidiary since 1 April 2007. On 19 December 2006, GWSR Expressway officially commenced operation. For the period from commencement to 30 June 2007, GWSR Expressway Co., Ltd. recorded loss attributable to the Group of HK\$19.7 million. Such negative result was typical for expressway at its initial stage of operation when traffic flow has not yet reached its normal level and that revenue generated is not yet sufficient to cover the high finance costs burden in the initial years of operation. The Group recorded share of profit of GNSR Expressway Co., Ltd. as a jointly controlled entity only for the first quarter of 2007 for an amount of HK\$21.6 million, commencing second quarter of 2007, GNSR Expressway Co., Ltd. became a subsidiary of the Group and its results were consolidated into the Group. The share of profit of jointly controlled entity of HK\$30.5 million in the first half of 2006 represented the full six months' results of GNSR Expressway Co., Ltd.

Income tax

Income tax for the six months ended 30 June 2007 decreased by 4.3 per cent to HK\$18.3 million compared to same period in 2006. The slight drop was mainly due to the deferred income tax credit from revaluation of assets of GNSR Expressway Co., Ltd.

Interest Coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses. With the increase in finance costs in relation to the acquisition of GNSR Expressway Co., Ltd., interest coverage for the six months ended 30 June 2007 was narrowed down to 19 times compared to 214 times for the same period last year.

Interim Dividend

The Directors has resolved to declare an interim dividend for 2007 of HK\$0.0575 (2006: HK\$0.065) per share payable on 18 October 2007 to shareholders whose names appear on the register of members on 5 October 2007. Interim dividend pay out ratio will be 38.4 per cent (2006: 36.5 per cent).

LIQUIDITY AND FINANCIAL RESOURCES

Financial Highlights

	30 June 2007 HK\$'000	31 December 2006 HK\$'000	Change
Bank balances and cash	378,957	339,714	11.6%
Bank borrowings	1,479,382	—	100.0%
Current ratio	196.4%	524.0%	-62.5%
Capital and reserves attributable to the Company's equity holders	5,175,517	4,185,989	23.6%
Gearing ratio (net of bank balances and cash)	23.2%	2.6%	792.3%
Net asset per share	HK\$4.64	HK\$3.75	23.7%

Cash flows

The Group's bank balances and cash at 30 June 2007 was approximately HK\$379.0 million which was 11.6 per cent higher than the balance at 31 December 2006 of HK\$339.7 million. The moderate increase in cash and bank balances was mainly attributable to surplus from operating activities.

Net cash generated from operating activities during the six months ended 30 June 2007 amounted to HK\$229.2 million (2006: HK\$126.6 million) which was after deduction of interest expenses of HK\$22.4 million (2006: HK\$1.5 million) and China enterprise income tax of HK\$18.6 million (2006: HK\$20.4 million).

Net cash used in investing activities for the six months ended 30 June 2007 amounted to HK\$405.3 million (2006: net surplus of HK\$44.5 million). By the end of March 2007, the Group completed its acquisition of the additional 20.0 per cent equity interest of GNSR Expressway Co., Ltd. with net cash outflow of approximately HK\$532.8 million. In June 2007, the group disposed one of its available-for-sale financial assets for net proceeds of approximately HK\$15.5 million. During the current period, cash inflows from investment in associates amounted to approximately HK\$110.2 million (2006: HK\$139.2 million).

Financing activities for the six months ended 30 June 2007 generated a net cash inflow of approximately HK\$214.8 million (2006: net cash outflow of HK\$195.7 million). New bank loans drawn during the current period amounted to approximately HK\$415.5 million, of which HK\$400.0 million was obtained to partially finance the acquisition of GNSR Expressway Co., Ltd. Repayments of bank loans in the current period which was entirely attributable to bank borrowings of GNSR Expressway Co.,

Ltd. amounted to approximately HK\$89.7 million (2006: HK\$96.2 million). In the first half of 2007, repayments and dividends to minority shareholders of subsidiaries were approximately HK\$32.9 million (2006: HK\$43.8 million) and dividends paid were HK\$78.1 million (2006: HK\$55.8 million).

Bank borrowings

Outstanding bank borrowings of the Group as at 30 June 2007 amounted to approximately HK\$1.48 billion (2006: Nil), of which approximately HK\$1.06 billion were bank borrowings of GNSR Expressway Co., Ltd. consolidated to the Group after it became a subsidiary. Included in the outstanding bank borrowings was a HK\$400.0 million extra bank borrowing obtained in relation to acquisition of the additional 20.0 per cent equity interest of GNSR Expressway Co., Ltd.

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2007 was 196.4 per cent (2006: 524.0 per cent). The management is of the opinion that with adequate cash balance, stable stream of operating cash flow and steady cash return from investments, liquidity risk is not an issue for the Group.

Capital expenditures and investments

In the first half of 2007, the Group completed the acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. with a net cash outflow of approximately HK\$532.8 million.

Capital Structure

The Group's capital structures as at 30 June 2007 and 31 December 2006 are summarised below:

	30 June 2007			31 December 2006		
	Composition		Average rate of interest	Composition		Average rate of interest
	HK\$'000	%	(% per annum)	HK\$'000	%	(% per annum)
Floating rate loans						
- RMB	1,079,382	16.0	6.19	—	—	—
- HKD	400,000	5.9	4.57	—	—	—
Loans from minority shareholders						
- interest bearing	132,990	2.0	7.10	129,000	3.0	6.56
- interest free	330,692	4.9	—	320,739	7.5	—
Total debts	1,943,064	28.8		449,739	10.5	
Less: Bank balances and cash	(378,957)	(5.6)		(339,714)	(7.9)	
Net debts (net of bank balances and cash)	1,564,107	23.2		110,025	2.6	
Capital and reserves attributable to the Company's equity holders	5,175,517	76.8		4,185,989	97.4	
Total capitalisation	<u>6,739,624</u>	<u>100.0</u>		<u>4,296,014</u>	<u>100.0</u>	
Gearing ratio (net of bank balances and cash)		23.2%			2.6%	

Total capitalisation of the Group as at 30 June 2007 and 31 December 2006 amounted to approximately HK\$6.70 billion and HK\$4.30 billion respectively. As a result of new acquisition and new bank loans, both net debt and capital and reserves attributable to the Company's equity holders have increased in different magnitudes, gearing ratio (net of bank balances and cash) as at 30 June 2007 was 23.2 per cent (2006: 2.6 per cent).

RMB floating rate loans are bank borrowings in mainland China which accounted for approximately 55.6 per cent of the total debts as at 30 June 2007. About 98.6 per cent of the RMB floating rate loans were long term bank borrowings and only 1.4 per cent were repayable within one year. Those long term RMB floating rate loans were obtained with the toll collection right of GNSR Expressway Co., Ltd. pledged to the bank.

HK dollar floating rate loan is an unsecured termed bank loan which accounted for approximately 20.6 per cent of the total debts as at 30 June 2007. About 90.0 per cent of the HK dollar floating rate loan were repayable from two to five years, and 10.0 per cent were repayable within one year.

Loans from minority shareholders are part of capital contributions made by minority shareholders in respect of their respective equity shareholdings in certain subsidiaries in accordance with the terms of the relevant shareholders' agreements to set up those subsidiaries. These loans are unsecured and denominated in RMB. Except for one subsidiary which minority shareholder's loan is interest bearing, the rest are non-interest bearing. The interest-free loans are stated at fair values.

As at 30 June 2007, the capital and reserves attributable to the Company's equity holders amounted to HK\$5.18 billion which accounted for 76.8 per cent of the Group's total capitalisation. As at 31 December 2006, the capital and reserves attributable to the Company's equity holders amounted to HK\$4.19 billion being 97.4 per cent of the Group's total capitalisation. Capital and reserves attributable to the Company's equity holders as at 30 June 2007 was enlarged after GNSR Expressway Co., Ltd. became a subsidiary of the Group at the end of March 2007 with its results and assets and liabilities being consolidated into the Group. The enlargement was also due to the increase in net profit retained for the period after appropriation of 2006 final dividend and increase in exchange fluctuation reserve resulted from appreciation of RMB.

TREASURY POLICIES

The Group's overall treasury and funding policy mainly focuses on risk management and liquidity control. The Group will proactively maintain banking relationship with financial institutions both in Hong Kong and the mainland China to capitalise on the different levels of liquidity offered by these two markets. Bank balances are generally placed in short term fixed rate deposits in bank accounts in Hong Kong and the mainland China. No fund is placed in non-bank institutions or invested in securities.

The Group's principal operations are in the mainland China and most of the income is denominated in RMB, with the upward trend of RMB exchange rate since 2005, management will continue to keep an eye on its potential impact to the Group. Since RMB loan interest rate is at present comparatively higher than foreign currency loan interest rate, management will suitably increase equity and debt financing denominated in foreign currency unless capital expenditures required RMB funding. Consequently, management will adopt appropriate currency hedging measures to minimise any possible foreign currency risks.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2007, the Group had a financial commitment in respect of equity capital balance payable to a jointly controlled entity, GWSR Expressway Co.,Ltd. of RMB105.0 million (equivalent to approximately HK\$108.2 million). This balance would be paid by stages in such amount and by such date as to be determined by the board of directors of GWSR Expressway Co., Ltd.

Except for the aforementioned capital commitments, the Group has no other material capital commitments as at 30 June 2007.

There were no significant contingent liabilities as at 30 June 2007.

EMPLOYEES

As at 30 June 2007, the Group has approximately 1,278 employees of which about 1,091 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which awards its employees according to the performance of the Group and individual employees.

POST BALANCE SHEET EVENT

On 28 August 2007, the Company raised HK\$2.19 billion, before expenses, by way of an open offer of 557,720,765 shares in the capital of the Company at HK\$3.93 per share. The Directors consider that proceeds from the open offer will strengthen the financial position of the Company to participate in different toll road projects in the PRC.

FUTURE STRATEGY AND PROSPECTS

China's economy and export trades continued to maintain their rapid yet healthy development which serves as an major driver of the demand for highways and traffic infrastructures in China. In the first half of 2007, export of Guangdong Province

reached US\$166.0 billion representing 26.5 per cent increase over the same period in 2006, 95.8 percent of which was attributable to PRD Region of which export in the first half of 2007 was approximately US\$159.0 billion representing 26.9 per cent growth over same period in 2006. The Company reckoned that the 11th Five Year Plan (“Plan”) provides ample development potential and attractive business growth prospects in toll road business in Guangdong Province. The Plan clearly placed priority in the transportation industry and Guangdong Provincial Government is targeting to build approximately 2,773 km expressway projects in Guangdong Province during the period up to 2010. The acquisition of the additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. represented a first step in the Group’s expansion plan to substantially increase its investments in a series of new toll road projects and completed toll roads to capture the business opportunities offered by the construction of new expressways and highways, to build a more sophisticated transportation network for Guangzhou and its satellite cities.

In order to timely capture these investment opportunities provided by the Plan for Guangdong Province, the Company took advantage of the favourable market sentiments, and made an open offer of 557,720,765 shares in the capital of the Company at a price of HK\$3.93 per share. The open offer was successfully completed on 28 August 2007, and the Company raised approximately HK\$2.19 billion (before expenses). The proceeds of the open offer will provide the Company with the necessary funds to finance its planned expansion.

The Group is currently in discussion with Guangzhou Highways Development Company in relation to the joint development of two expressways, namely Guanghe Expressway Guangzhou Section (“GEGS”) and Zengcong Expressway (“Zengcong”), details of which were set out in the announcement dated 18 July 2007. There is, however, no assurance that these negotiations will be successful and the relevant joint ventures will be formed as described.

With the increasing commercialization of the operation of toll highways and increasingly intense competition, the Group will continue to focus on strengthening the toll management of its existing operating projects, vigorously controlling and streamlining its operating costs. Leveraging on its own strengths, the Group will continue to take advantage of various financial products available and to enlarge its debt and equity capital in the capital market as and when appropriate such as the open offer on 28 August 2007, proactively and pragmatically participate in market competition, to step up its efforts in exploring and investing in quality toll expressway projects with attractive returns (including construction projects with good potentials) and timely grasp business opportunities with a view to enlarging its market share, thereby further enhancing the Group’s position in the toll road industry as well as increasing the Group’s profitability and shareholders’ return.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2007, 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 30 June 2007 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 30 June 2007. 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 Wednesday, 3 October 2007 to Friday, 5 October 2007, 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, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 2 October 2007.

By order of the Board
Ou Bingchang
Chairman

Hong Kong, 10 September 2007

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

Executive Directors:	OU Bingchang (Chairman), LI Xinmin, QIAN Shangning, LIANG Ningguang, LIANG Yi, CAI Tielong, HE Zili, YUAN Hongping, CHEN Guanzhan, ZHANG Siyuan, LUO Jinbiao and ZHANG Huping
Non-executive Director:	POON Jing
Independent Non-executive Directors:	FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu