



越 秀 交 通 有 限 公 司

GZI Transport Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1052)

2008 INTERIM RESULTS ANNOUNCEMENT

The directors of GZI Transport Limited (“Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, “Group”) for the six months ended 30 June 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30 June	
	Note	2008	2007
		HK\$'000	HK\$'000
Revenue	3	493,695	348,345
Other income		5,590	195
Other gains - net		37,438	5,156
Amortisation of intangible operating rights		(113,877)	(92,001)
Toll highways and bridges maintenance expenses	4	(59,081)	(36,884)
General and administrative expenses	4	(49,294)	(35,127)
Business tax		(18,119)	(13,559)
Impairment losses on goodwill		(2,366)	—
Operating profit		293,986	176,125
Interest income on loans to associates		4,632	11,875
Finance costs - net		(9,428)	(28,261)
Share of profits less losses of associates		165,041	147,138
Share of profits less losses of jointly controlled entities		(19,084)	1,870
Profit before income tax		435,147	308,747
Income tax	5	(40,098)	(18,304)
Profit for the period		395,049	290,443
Attributable to:			
Equity holders of the Company		329,958	250,241
Minority interests		65,091	40,202
		395,049	290,443
Earnings per share for profit attributable to the equity holders of the Company			
- Basic and diluted	6	HK19.72 cents	HK22.43 cents
Interim dividend	7	133,853	96,207

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2008 (Unaudited) <i>HK\$'000</i>	As at 31 December 2007 (Restated) <i>HK\$'000</i>
ASSETS		
Non-current assets		
Intangible operating rights	7,115,085	6,795,284
Leasehold land	674	683
Property, plant and equipment	34,115	34,854
Investment properties	9,550	9,550
Investment in a jointly controlled entity	222,920	227,873
Investments in associates	2,129,827	1,755,521
Deferred income tax assets	107	127
Available-for-sale financial assets	131,620	114,285
Other non-current assets	—	17,375
Goodwill	<u>124,334</u>	<u>119,186</u>
	<u>9,768,232</u>	<u>9,074,738</u>
Current assets		
Trade receivables	9,590	11,365
Other receivables, deposits and prepayments	10,461	7,822
Bank balances and cash	<u>2,331,690</u>	<u>2,293,016</u>
	<u>2,351,741</u>	<u>2,312,203</u>
Total assets	<u>12,119,973</u>	<u>11,386,941</u>

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Restated) HK\$'000
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	167,316	167,316
Reserves	<u>8,158,568</u>	<u>7,613,939</u>
	8,325,884	7,781,255
Minority interests	<u>1,611,161</u>	<u>1,502,450</u>
Total equity	<u>9,937,045</u>	<u>9,283,705</u>
LIABILITIES		
Non-current liabilities		
Borrowings	992,318	1,002,655
Deferred income tax liabilities	<u>739,406</u>	<u>680,746</u>
	<u>1,731,724</u>	<u>1,683,401</u>
Current liabilities		
Trade and other payables and accrued charges	166,324	141,524
Amounts due to a minority shareholder of subsidiaries	211	2,873
Amounts due to holding companies	3,018	3,269
Current income tax liabilities	9,998	6,974
Borrowings due within one year	<u>271,653</u>	<u>265,195</u>
	<u>451,204</u>	<u>419,835</u>
Total liabilities	<u>2,182,928</u>	<u>2,103,236</u>
Total equity and liabilities	<u>12,119,973</u>	<u>11,386,941</u>
Net current assets	<u>1,900,537</u>	<u>1,892,368</u>
Total assets less current liabilities	<u>11,668,769</u>	<u>10,967,106</u>

NOTES:

1 Basis of preparation

This interim financial information for the six months ended 30 June 2008 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 2007.

2 Accounting policies

The accounting policies adopted are consistent with those of the Company’s annual financial statements for the year ended 31 December 2007, except for changes in accounting policies as mentioned below.

The following interpretations are mandatory for adoption for the financial year beginning 1 January 2008 for the Group.

HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Services Concession Arrangements
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for HK(IFRIC)-Int 12, the adoption of these interpretations does not have significant impact on the Group’s financial statements.

HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of HK(IFRIC)-Int 12 resulted in a retrospective change in accounting policy for the Group’s toll highways and bridges. Before the adoption of HK(IFRIC)-Int 12, certain of the Group’s toll highways and bridges were recorded as tangible infrastructures. Following the adoption of HK(IFRIC)-Int 12, these tangible infrastructures are recognised as intangible operating rights to the extent that the Group receives a right (a license) to charge users of the public service. In addition, management applies units-of-usage method as amortisation method for the Group’s intangible operating rights retrospectively.

As a toll roads contractor, the Group accounts for revenue and costs relating to toll roads construction or upgrade services in accordance with HKAS 11 “Construction Contracts”. During the six months ended 30 June 2007 and 2008, no construction work was in progress in relation to the Group’s toll highways and bridges. Accordingly, no construction revenue and cost are recognised for the six months ended 30 June 2007 and 2008.

The adoption of HK(IFRIC)-Int 12 resulted in:

	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000
<u>Balance Sheet</u>		
Increase in intangible operating rights	2,955,923	2,807,912
Decrease in tangible infrastructures	(2,932,472)	(2,807,912)
Increase in deferred income tax liabilities	(5,863)	—
Increase in minority interests	(7,035)	—
Increase in retained earnings	<u>(10,553)</u>	<u>—</u>
	Six months ended 30 June 2008 HK\$'000	Six months ended 30 June 2007 HK\$'000
<u>Income Statement</u>		
Decrease in amortisation of intangible operating rights	23,451	—
Increase in income tax	(5,863)	—
Increase in minority interests	(7,035)	—
Increase in basic and diluted earnings per share (in HK cent per share)	<u>0.63</u>	<u>—</u>

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (amendment)	Borrowing Costs	1 January 2009
HKAS 27 (revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 and HKAS 1 (amendment)	Financial Instruments: Presentation	1 January 2009
HKFRS 2 (amendment)	Share-based Payment	1 January 2009
HKFRS 3 (amendment)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008

Management is in the process of making an assessment of the impact of these new standards, amendments to standards and interpretations and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial positions.

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 Mainland 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	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of prepaid operating lease payments	9	9
Depreciation of property, plant and equipment	2,717	1,785
Toll highways and bridges maintenance expenses	34,720	25,793
Staff costs (including Directors' remuneration)		
- Wages and salaries	43,510	28,723
- Pension costs (defined contribution plans)	2,313	1,697
- Social security costs	2,972	1,541
- Staff welfare	<u>3,605</u>	<u>2,145</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 (2007: Nil).
- (b) During the six months ended 30 June 2007, the People's Republic of China's (the "PRC") enterprises income tax was provided on the profits of the Group's subsidiaries, associates and jointly controlled entities in Mainland China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises. The principal income tax rate was 18%.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (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% with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard tax rate of 25% in a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the six months ended 30 June 2008 is 18%.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at a tax rate of 5% or 10%. The applicable withholding tax rate for the six months ended 30 June 2008 is 5%.

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

	Six months ended	
	30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
China enterprise income tax		
Current income tax	23,555	19,406
Deferred income tax	<u>16,543</u>	<u>(1,102)</u>
	<u>40,098</u>	<u>18,304</u>

6 Earnings per share

Basic and diluted 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	
	2008	2007
Profit attributable to equity holders of the Company (HK\$'000)	<u>329,958</u>	<u>250,241</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,115,442</u>
Basic and diluted earnings per share (HK cents)	<u>19.72</u>	<u>22.43</u>

7 Dividend

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Interim, proposed, of HK\$0.08 (2007: HK\$0.0575 per share)	<u>133,853</u>	<u>96,207</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Dividend

The operating revenue of the Group for the first half of 2008 (“reporting period”) was HK\$493.7 million, representing an increase of 41.7 percent over the same period in 2007; the profit attributable to equity holders of the Company was HK\$330.0 million, representing an increase of 31.9 percent over the same period in 2007.

The Directors has resolved to declare an interim dividend for 2008 of HK\$0.08 (2007: HK\$0.0575) per share.

BUSINESS REVIEW

Overview of Operating Performance

For the five consecutive years from 2002 to 2007, profit attributable to equity holders of the Company had maintained double-digit average growth each year, representing an average annual compound growth rate of 30.1 percent. Riding on such momentum and under the painstaking efforts of all staff, despite the various difficulties arising from the snowstorm in southern China in early 2008 and the strong earthquake in Sichuan in May 2008, rocketing fuel prices and the decreasing traffic volume of Class I and II highways, the Group still posted remarkable performance in achieving a record high profit attributable to equity holders of the Company of HK\$330.0 million, representing an increase of 31.9 percent over the same period last year.

The management attributed such excellent results mainly to the significant adjustment of the operating strategy by the Group in recent years: an investment direction focusing on expressways and bridges; and the successful implementation of the operating strategy of ceasing to invest in Class I and II highways and progressively reducing their percentage. In particular, from April 2007 to January 2008, the Group successively acquired 20.0 percent interests in GNSR Expressway and 2.78 percent interest in Humen Bridge, leading the Group to enter a booming operating period of long-term steady growth in income.

Performance of Expressways and Bridges

Inside Guangdong Province

GNSR Expressway

During the reporting period, the average daily toll traffic volume was 78,012 vehicles and the average daily toll revenue was RMB1,293,783, representing an increase of 17.9 percent and 6.6 percent over the first half of 2007 respectively.

Although the Huocun toll station of the GNSR Expressway was affected by the complete one-way closure of Guangzhou-Shenzhen Superhighway (“GS Superhighway”) (Shenzhen towards Guangzhou direction) for maintenance from mid-February to early July 2008 and vehicles were unable to reach other areas through Huocun toll station, the closure of the Ren He Bridge for maintenance from March to June 2008 helped divert more vehicles to use the Beicun to Banghu section of the GNSR Expressway. In addition, toll service standards have been enhanced and improved by participating in courtesy service competition for toll station staff organized by the Guangdong Province and Guangzhou City. Since the GNSR Expressway is the leader of ring-shaped expressways in the Pearl River Delta region (“PRD”) and also part of the Guangzhou section of the Jingzhu Expressway, the main arterial expressway of the state planned “Two Vertical and Two Horizontal” skeleton, it benefits from the prosperous economic and trade activities in the region which promotes the natural growth of traffic volume and leads to a continual growth of average daily toll traffic volume of the GNSR Expressway in the first half of 2008.

It is expected that Eastern Second Ring Expressway will be completed and open to traffic within 2008, by which time the Group believes there would be more vehicles going to the northern Guangdong, eastern Guangdong and western Guangdong areas or heading south to the PRD from areas such as Huangpu and Panyu via the GNSR Expressway, which would promote the continual growth of toll traffic of the GNSR Expressway.

Northern Ring Road

During the reporting period, the average daily toll traffic volume was similar to the same period in 2007 of 160,234 vehicles, whereas the average daily toll revenue was 10.9 percent lower than the same period in 2007 to RMB1,593,920.

This was mainly attributable to the complete one-way closure of GS Superhighway (Shenzhen towards Guangzhou direction) for maintenance for about four months starting from 18 February 2008, resulting in a significant decrease in traffic volume from the Guangdan entrance of the Northern Ring Road. Moreover, there was a change in the vehicle type ratio in the first half of 2008. The East-South-West Ring Road near the Northern Ring Road stopped charging toll fee from the second half of 2007, leading to a great number of large vehicles such as trucks diverting to the East-South-West Ring Road. On the other hand, there was a significant increase in the traffic volume percentage of private cars that belong to Type I vehicles, which are charged a lower toll fee. Such vehicles accounted for approximately 51.5 percent of the total toll traffic volume. On the contrary, the percentage of Type II to Type V vehicles declined. Besides, from 26 January 2008, the entire Northern Ring Road was included in the implementation of “green channels”, resulting in an increase in toll free vehicles as compared with the same period in 2007.

Humen Bridge

During the reporting period, the average daily toll traffic volume was 68,948 vehicles and the average daily toll revenue was RMB2,972,617, representing an increase of 21.3 percent and 16.9 percent over the first half of 2007 respectively.

In September 2007, by taking advantage of the divestment by SDIC Communications Co., the original shareholder of Humen Bridge Co., of 10.0 percent of its equity interest, the Group exercised its pre-emptive right to acquire, on a pro-rata basis, an additional 2.78 percent interest. Upon completion of the acquisition in late January 2008, the Group’s equity interest in Humen Bridge Co. has increased to 27.78 percent.

Benefiting from the rapid economic growth of the PRD, the average daily toll traffic volume and average daily toll revenue of Humen Bridge recorded stable natural growth. The Shigu interchange to Xin Tang interchange section of the Northern Dongguan Bridge of the GS Superhighway (Shenzhen towards Guangzhou direction) underwent overhaul works from mid-February 2008 to early July 2008 and was subject to complete closure of one-way traffic for maintenance. All trucks and large passenger vehicles bound for Guangzhou, Zhaoqing, northern Guangdong that originally used the Guangshen Expressway passed through the Humen Bridge now in going to different areas, which led to a continued growth of the average daily toll traffic volume of the Humen Bridge in the first half of 2008.

In addition, the Humen Bridge is making preliminary preparations for the unified toll fee collection networks with the Shenzhen region and PRD. This will be beneficial to upgrading service standard and enhancing the traffic capacity of expressway networks in the future.

Shantou Bay Bridge

During the reporting period, the average daily toll traffic volume was 11,797 vehicles, up by 2.1 percent compared to the same period in 2007. The average daily toll revenue was RMB434,460, slightly down by 0.6 percent as compared to the same period last year.

In view of the impact of the snowstorm in early 2008, the State Council urgently extended the time for the implementation of the “green channel” toll fee waiver policy and expanded its scope of implementation. The Shantou Bay Bridge was included in the implementation of “green channel”, waiving toll fees for vehicles legally carrying fresh farm produce and livestock. After the Sichuan earthquake, the Guangdong provincial government issued an emergency notice requiring all toll stations to waive toll fees for vehicles transporting relief materials between Guangdong Province and Sichuan Province, resulting in an increase in the number of toll free vehicles as compared with the first half of 2007. There was a change in the vehicle type ratio in the first half of 2008; and the toll traffic percentage of small passenger vehicles belonging to Type I, which are charged a lower toll fee, increased significantly and accounted for approximately 57.7 percent of the total toll traffic volume, while the toll traffic percentage of light, medium and large sized cargo trucks that belong to Type II to Type IV decreased significantly. As a result, while the average daily toll traffic volume of the Shantou Bay Bridge maintained an upward trend in the first half of 2008, its average daily toll road revenue dropped slightly as compared with the same period in 2007.

GWSR Expressway

During the reporting period, the average daily toll traffic volume was 8,912 vehicles, up by 84.8 percent compared to the same period in 2007. The average daily toll revenue during the reporting period was RMB281,326, which was a onefold increase as compared to the same period last year.

The GWSR Expressway is in the second year after opening to traffic and in order to let more car owners get familiar with it, the project company has reinforced its connection with Jingzhu Expressway, Guangzhao Expressway and Jiebei Expressway. With focus on the Foshan First Ring Line, it will renew and improve road signs of the surrounding areas in order to attract more vehicles to use the GWSR Expressway. On 1 September 2007, the interchange ramp of GWSR Expressway’s Xiaotang

Viaduct in the direction of Sanshui to GWSR Expressway was officially opened to traffic. And in December 2007, the southern section of the GWSR Expressway was opened to traffic; vehicles from the Western Guangdong area can reach Baiyun Airport directly via the Fokai Expressway and Guangsan Expressway, or reach the northern Guangdong and eastern Guangdong areas via the GWSR Expressway. These factors have driven up the toll traffic volume of the GWSR Expressway in the first half of 2008, which doubled the figure for the same period in 2007. The GWSR Expressway is a project that is regarded to possess a better growth potential among the Group's projects. It is expected that it will bring stable investment returns to the Group in the future.

Outside Guangdong Province

Xian Expressway

During the reporting period, the average daily toll traffic volume was 36,099 vehicles and the average daily toll revenue was RMB483,030, representing an increase of 2.7 percent and 4.8 percent over the first half of 2007 respectively.

Due to the snowstorm and the strong earthquake in the Sichuan Province in 2008, the Shaanxi Province has required all roads in the province to waive toll fees for vehicles transporting relief materials. Being affected by the natural disasters, inter and intra provincial passenger and cargo turnover dropped drastically; and the tourism industry of Shaanxi Province almost came to a halt. For the first half of 2008, the total number of visitors of Xian was approximately 1,241,000 representing a decrease of 11.9 percent over the same period in 2007. As an important economic and tourist thoroughfare in Shaanxi Province, the Xian Expressway was affected in both natural disasters, therefore, although the average daily toll traffic volume and average daily toll revenue of Xian Expressway in the first half of 2008 recorded an increase over the same period in 2007, the growth has shown a slowdown.

The Group believes that with the commencement of reconstruction and the resumption of construction works after the disasters, daily economic activities will be gradually restored to normal. It is expected that the tourism market will gradually pick up in the second half of 2008 and passenger and cargo turnover will rise again. However, the Huaqing Expressway adjacent to the Xian Expressway will complete its expansion and be opened to traffic in October 2008. It is expected this will divert part of the traffic of Xian Expressway. However, as the toll fee to be charged by the Huaqing Expressway is still unknown, it is difficult to size the impact arising from the traffic diversion.

With the rapid development of the economy of the western region of the PRC, the traffic volume of the Xian Expressway is gradually showing signs of saturation. Considering the saturation of traffic volume and the remaining eight-year term of operation of the Xian Expressway, the Group is actively studying various proposals for road improvement and their feasibility, including the reconstruction of the Xian Expressway into a two-way eight-lane expressway subject to the approval of the extension of the toll collection period by the relevant approval authorities (conditions to be agreed through negotiation).

Performance of Class I and II Highways and Bridges

Inside Guangdong Province

Guangshen Highway

During the reporting period, the average daily toll traffic volume was 14,587 vehicles and the average daily toll revenue was RMB95,861, representing a decrease of 27.3 percent and 23.0 percent over the first half of 2007 respectively.

In light of the maturing expressway network, a large part of Guangshen Highway's toll traffic has been diverted by the nearby Guangyuan East Road which was charging a lower toll fare. The opening of the Yonghe Tunnel has also diverted a majority of container vehicles.

Guangshan Highway

During the reporting period, the average daily toll traffic volume was 18,823 vehicles and the average daily toll revenue was RMB175,458, representing a decrease of 14.9 percent and 14.8 percent over the first half of 2007 respectively.

Since the implementation of the unified toll collection system among GNSR Expressway, Guanghui Expressway and Huanan Expressway, a transportation network connecting Guangshan Highway has been formed. Guangshan Highway is within the "green channel" zone and in view of the impact of natural disasters in the first half of 2008, there was an increase in toll free vehicles over the same period of 2007, causing continual decline in toll revenue.

Guangcong Highway Section I

During the reporting period, the average daily toll traffic volume was 10,169 vehicles and the average daily toll revenue was RMB120,062, representing a decrease of 14.2 percent and 13.2 percent over the first half of 2007 respectively.

Since the implementation of the unified network toll collection system among GNSR Expressway, Airport Expressway, Huanan Expressway and Jingzhu Expressway, a transportation network heading south or north to Guangzhou has been formed, which led to a majority of trucks heading south to other areas diverted to GNSR Expressway or via the toll free rural roads in the vicinity of Guangcong Highway Section I.

Guangcong Highway Section II and Provincial Highway 355 (originally, Provincial Highway 1909)

During the reporting period, the average daily toll traffic volume was 16,698 vehicles and the average daily toll revenue was RMB122,707, representing a decrease of 14.1 percent and 12.7 percent over the first half of 2007 respectively.

The connection of Jiebei Expressway to Jingzhu Expressway and Airport Expressway as well as the opening of Yuegong Expressway further improved the expressway network. With the persistent rise in fuel prices, most vehicles heading south or north to Guangzhou diverted to Jingzhu Expressway situated outside the toll station at Guangcong Highway Section II and Provincial Highway 355 which deepened the diversion situation.

Guanghua Highway

During the reporting period, the average daily toll traffic volume was 11,340 vehicles and the average daily toll revenue was RMB96,466, representing an increase of 10.5 percent and 8.7 percent over the first half of 2007 respectively.

There are two main routes leading to Huadu City from Guangzhou City: one is from Taicheng Exit of Airport Expressway to Huadu City; and another one is from S114 Huangshi Junction to Xinhua, Huadu City via the Guanghua Highway toll station. As the latter route enjoys a greater advantage in terms of toll cost for the same class of vehicles, Guanghua Highway maintains a relatively stable vehicle traffic volume. The closure of the Ren He Bridge of National Highway 106 for maintenance from March to June 2008 led to a portion of vehicles diverting to Guanghua Highway.

Qinglian Highways

During the reporting period, the average daily toll traffic volume was 9,712 vehicles and the average daily toll revenue was RMB121,420, representing a decrease of 42.1 percent and 60.8 percent over the first half of 2007 respectively.

With the closure of the entire Qinglian Class I Highway for reconstruction into an expressway, as well as Qinglian Class II Highway's Xiaochongao Station under sectional construction and the collapse of Dayanshan section at Qigong Station due to the effect of torrential rain caused a substantial drop in the overall toll traffic volume of Qinglian Highways as compared with the same period in 2007.

The reconstruction work of Qinglian Class I Highway is expected to be completed within 2008. After upgrading to an expressway, the new Qinglian Expressway will be one of the arterial expressways of the “Sixth Vertical Line” under Guangdong Province’s expressway planning. Upon its opening, the travel time from Qingyuan to Lianzhou will be shortened, from more than 4.0 hours to approximately 2.0 hours. Besides, the route of Qinglian Expressway is approximately 40.0 km shorter than Jingzhu Expressway and its lower altitude means there would be no frozen or foggy areas on the route. All these make Qinglian Expressway a safer and more convenient route to travel to Hunan. It is believed that Qinglian Expressway will become more competitive and generate impressive investment returns for the Group.

Outside Guangdong Province

Xiang Jiang Bridge II

During the reporting period, the average daily toll traffic volume was 7,045 vehicles and the average daily toll revenue was RMB75,956, representing an increase of 16.8 percent and 17.1 percent over the first half of 2007 respectively.

Despite the snowstorm and torrential rain during the first half of 2008, the overall provincial economy maintained a steady growth in the first half year with the vigorous promotion of the recovery and reconstruction works by the Hunan Provincial Government. Xiang Tan City, where Xiang Jiang Bridge is located, recorded a Gross Domestic Product of approximately RMB28.5 billion for the first half of 2008, representing an increase of 14.3 percent over the same period in 2007, and ranking among the top three cities in Hunan Province in terms of the increase. The strong economy of Xiang Tan City helped boom economic and trade activities, maintaining a natural growth trend in traffic. The project company was active in raising the actual toll revenue rate by upgrading the toll system and commencing toll target competition in April 2008, coupled with the adoption of proper emergency countermeasures which effectively reduced losses from the disasters, maintaining stable growth in the average daily traffic volume and average daily toll revenue in the first half of 2008.

With the continual integration of the Chang(sha)-Zhu(zhou)-Xiang(tan), the regional economy will become more active which helped facilitate traffic volume growth at Xiang Jiang Bridge II from where local residents will have newer demands on traffic convenience. The Group will be keen to keep an eye on the socio-economic development of the region and make timely adjustments on its operating policies to maintain reasonable gains for this project.

FINANCIAL REVIEW

Operating Results Key Figures

	Six months ended		Change %
	30 June		
	2008 HK\$'000	2007 HK\$'000	
Profit attributable to equity holders of the Company	329,958	250,241	31.9
Revenue	493,695	348,345	41.7
Operating profit	293,986	176,125	66.9
Finance costs - net	9,428	28,261	-66.6
Net contributions from associates	169,673	159,013	6.7
Net (loss)/contributions from jointly controlled entities	(19,084)	1,870	-1,120.5
Income tax	40,098	18,304	119.1
Interest coverage	15 times	19 times	

Analysis of operating results

Profit attributable to equity holders of the Company

The Group reported its profit attributable to equity holders in the first half of 2008 of approximately HK\$330.0 million, representing a substantial increase of 31.9 percent over the same period last year. The remarkable growth in profit was mainly derived from revenue growth brought about by the continual increase in traffic volume of a number of expressways and bridges under the Group's portfolio and with the various effective operating and maintenance costs control measures adopted by internal management, has led to a substantial profit growth. This was better reflected through the attributable profit growth rate of GNSR Expressway, Humen Bridge, Xian Expressway and Xiang Jiang Bridge II of approximately 51.9 percent, 26.9 percent, 8.3 percent and 16.5 percent respectively.

Revenue

The Group reported revenue of HK\$493.7 million in the first half of 2008, a surge of 41.7 percent when compared with same period in 2007. The significant growth in revenue was derived from GNSR Expressway Co., with its full six months' revenue of HK\$259.3 million consolidated to the Group in the first half of 2008 (after acquisition, i.e. commencing second quarter, revenue of GNSR Expressway Co. of

HK\$120.0 million was consolidated to the Group in the first half of 2007). Revenue growth in the first half 2008 was also derived from Xian Expressway, Xiang Jiang Bridge II and Guanghua Highway with their respective growth of 12.5 percent, 25.8 percent and 16.7 percent.

Revenue structure and proportion

<i>(HK\$'000)</i>	Revenue for the six months ended 30 June 2008	Proportion to total revenue	Change
Subsidiaries			
Guangshen Highway	19,212	3.9%	-17.3%
Guangshan Highway	35,164	7.1%	-8.5%
Guangcong Highway Section I	24,063	4.9%	-6.8%
Guangcong Highway Section II & Provincial Highway 355 ⁽¹⁾	24,593	5.0%	-6.3%
Guanghua Highway	19,334	3.9%	16.7%
GNSR Expressway ⁽²⁾	259,298	52.5%	116.2%
Xian Expressway	96,808	19.6%	12.5%
Xiang Jiang Bridge II	<u>15,223</u>	<u>3.1%</u>	25.8%
Total	<u>493,695</u>	<u>100.0%</u>	41.7%
Associates & Jointly Controlled Entity (attributable to the Group)			
Humen Bridge	165,543	56.0%	39.5%
Northern Ring Road	77,853	26.3%	-4.4%
Qinglian Highways	6,263	2.1%	-56.3%
Shantou Bay Bridge	26,122	8.9%	6.8%
GWSR Expressway	<u>19,734</u>	<u>6.7%</u>	100.4%
Total	<u>295,515</u>	<u>100.0%</u>	18.8%

(1) Provincial Highway 355 originally called Provincial Highway 1909.

(2) The comparison as presented here is based on recognising the revenue from January to June in 2008 and only from April to June in 2007 (GNSR Expressway Co., Ltd. became a subsidiary of the Group on 1 April 2007). For comparison purpose, the GNSR Expressway's revenue for the first six months of 2008 grew by 14.5 percent when compared to the first six months of 2007.

Operating profit

The Group's operating profit for the first six months of 2008 grew tremendously by 66.9 percent to HK\$294.0 million as compared with the first half of 2007. An analysis of this growth showed that the full six months' operating profit from GNSR Expressway Co. of HK\$171.8 million was consolidated to the Group in the first half of 2008 whereas in the first half of 2007, only second quarter operating profit of GNSR Expressway Co. of HK\$73.0 million was consolidated to the Group. For comparison purposes, operating profit of GNSR Expressway for the six months ended 30 June 2008 was 12.4 per cent higher than the operating profit for the six months ended 30 June 2007 of HK\$152.9 million. As for other subsidiaries, Xian Expressway and Xiang Jiang Bridge II with respective growth of 12.1 percent and 55.9 percent had also contributed to the increase in operating profit of the Group during the six months ended 30 June 2008. Moreover, operating profit has further improved due to decline in head office operating loss by 125.2 percent mainly due to higher exchange gain recognized from translation of monetary assets and liabilities in the first half of 2008 over the same period in 2007 that had more than offsetting the increase in profit-based directors' bonus.

Finance costs — net

Finance costs (net of interest income) dropped sharply by 66.6 percent to HK\$9.4 million in the first half of 2008. The sharp drop was mainly due to bank interest income (derived from the cash raised by the open offer in August 2007) being 914.5 percent higher than the first half of 2007. Gross finance costs for the current period was approximately HK\$37.4 million, which was 20.5 percent higher than the same period in 2007 mainly because of the full six months' finance costs of GNSR Expressway Co. amounting to approximately HK\$31.7 million was consolidated to the Group in the first half of 2008 whereas in the first half of 2007, only second quarter's finance costs of approximately HK\$17.3 million was consolidated to the Group.

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

The overall net contributions from the Group's associates posted a growth of 6.7 percent in the first half of 2008 amounting to HK\$169.7 million. Humen Bridge's net contribution recorded a 26.9 percent growth and increased to HK\$123.1 million. As normal toll operation was interrupted by the redevelopment work in progress (upgrade from class I highway into an expressway), Qinglian Highways continued to post negative result. Northern Ring Road experienced its first time drop of 11.9

percent in the first half of 2008 mainly due to the repairs and maintenance work in progress of the neighboring GS Superhighway (Shenzhen to Guangzhou direction) since February 2008 for a period of approximately four months which prevented vehicles from traveling through to the Northern Ring Road. Shantou Bay Bridge's first half result in 2008 had also recorded its first time drop of 14.6 percent when its tax concession period ended in 2007.

Share of profit less losses of jointly controlled entity

As a matter of accounting classification, the full six months' result of GNSR Expressway Co. was consolidated to the Group as a subsidiary during the six months ended 30 June 2008 whereas during the same period last year, only the result of the second quarter was consolidated while the first quarter result amounted to HK\$21.6 million was treated as share of profit of a jointly controlled entity. Another jointly controlled entity of the Group, the GWSR Expressway Co. had just commenced its operation in late December 2006. Stepping into its second year of operation, GWSR Expressway was still operating at a loss which was expected because in the initial stage of operation of a toll road, traffic flow has not yet reached the normal level and that revenue generated was not yet sufficient to cover the finance costs. The attributable operating loss of GWSR Expressway in the first half of 2008 was HK\$19.1 million and the comparative figure in the first half of 2007 was HK\$19.7 million. Aggregating the results of these two entities, the Group recorded a net loss in its share in the operating result of the jointly controlled entities of HK\$19.1 million in the first half of 2008 as compared to share of profit in same period last year of HK\$1.9 million.

Income tax

With the implementation of the New Corporate Income Tax Law ("CITL") of the PRC, income tax rates of two subsidiaries were adjusted from 15.0 percent to 18.0 percent, while income tax rates of the rest of the subsidiaries for the two periods ended 30 June 2008 and 2007 were the same being 18.0 percent. Moreover, corporate withholding income tax (no such tax required prior to the implementation of the new CITL) amounted to HK\$17.2 million were provided on estimated undistributed profit from PRC joint ventures for the first half of 2008. As a result, total income tax in the first half of 2008 amounted to HK\$40.1 million, representing a 119.1 percent increase over the comparative figure in 2007.

Interest coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation (“EBITDA”) to interest expenses (with cashflow effect). With the increase in gross finance costs, interest coverage for the six months ended 30 June 2008 was 15 times (30 June 2007: 19 times).

Interim dividend

The Directors has resolved to declare an interim dividend for 2008 of HK\$0.08 (2007 HK\$0.0575) per share payable on 22 October 2008 to shareholders whose names appear on the register of members on 6 October 2008. Interim dividend pay out ratio will be 40.6 percent (2007: 38.4 percent).

Financial Position Key Figures

	30 June 2008 HK\$'000	31 December 2007 HK\$'000	Change %
Non-current assets	9,768,232	9,074,738	7.6
Non-current liabilities	1,731,724	1,683,401	2.9
Cash and cash equivalent	2,331,690	2,293,016	1.7
Total borrowings	1,263,971	1,267,850	-0.3
Bank borrowings	908,161	934,430	-2.8
Current ratio	5.2 times	5.5 times	
Capital and reserves attributable to the Company's equity holders	8,325,884	7,781,255	7.0

Non-current assets

The Group is principally engaged in investment in and development, operation and management of toll highways and bridges. The non-current assets are mainly intangible operating rights in toll expressways and bridges. As at 30 June 2008, the Group's non-current assets amounted to HK\$9.8 billion, which increased by 7.6 percent over the figure as at 31 December 2007. Such increase was mainly derived from appreciation of Rmb, acquisition of the additional 2.78 percent of equity interest in Humen Bridge Co. and also from profit contributions from equity investments.

Non-current liabilities

As at 30 June 2008, the Group's non-current liabilities amounted to HK\$1.7 billion which was almost similar to the closing figure as at year end 2007. Non-current liabilities of the Group included long term borrowings (i.e. maturity beyond one year) and deferred income tax liabilities. Long term borrowings amounted to HK\$1.3 billion which included long term bank borrowings of approximately HK\$636.5 million and loans from minority shareholders of subsidiaries of HK\$355.8 million which are all denominated in Rmb. Deferred income tax liabilities of approximately HK\$739.4 million as at 30 June 2008 were mainly due to accelerated depreciation of approximately HK\$116.7 million, fair value gain on interest in a toll highway arising from acquisition of a subsidiary amounted to approximately HK\$605.5 million and from undistributed profits of subsidiaries, associates and jointly controlled entities of HK\$17.2 million. Deferred income tax liabilities (denominated in Rmb) as at 30 June 2008 was 8.6 percent higher than the year end figure in 2007, which was mainly due to appreciation of Rmb and the deferred tax provisions on undistributed profits which was only required commencing 1 January 2008.

Cash flows

The Group's cash and cash equivalent as at 30 June 2008 amounted to approximately HK\$2.3 billion which was similar to the level as at 31 December 2007.

Net cash generated from operating activities during the period ended 30 June 2008 amounted to approximately HK\$336.9 million (30 June 2007: HK\$224.0 million) which was after deduction of interest expenses of approximately HK\$37.4 million (30 June 2007: HK\$22.4 million) and China enterprise income tax of approximately HK\$20.5 million (30 June 2007: HK\$18.6 million).

Net cash used in investing activities during the period ended 30 June 2008 amounted to approximately HK\$59.2 million (30 June 2007: HK\$405.3 million). On the outflow side, approximately HK\$193.5 million was paid for the acquisition of additional equity interest in an associate/joint venture (30 June 2007: HK\$532.8 million). On the inflow side, investment returns from associates amounted to approximately HK\$108.9 million (30 June 2007: HK\$110.2 million); bank interest income amounted to approximately HK\$27.9 million (30 June 2007: HK\$2.8 million); and no disposal proceeds from available-for-sale financial asset were received in the first half of 2008 (30 June 2007: approximately HK\$15.5 million).

Net cash used in financing activities during the period ended 30 June 2008 amounted to approximately HK\$257.8 million (30 June 2007: net cash inflow of HK\$214.8 million). No new bank loans were drawn in the current period (30 June 2007: approximately HK\$415.5 million). Cash used in financing activities mainly were repayments of bank loans amounted to approximately HK\$81.2 million (30 June 2007: HK\$89.7 million); investment returns to minority shareholders of subsidiaries of approximately HK\$46.9 million (30 June 2007: HK\$32.4 million); and dividends paid of HK\$129.7 million (30 June 2007: HK\$78.1 million).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2008 was 5.2 times (2007: 5.5 times). Cash and cash equivalents are the major components of the Group's current assets. Included in the Group's current liabilities as at 30 June 2008 was a short term bank borrowing (i.e. maturity within one year) of approximately HK\$271.7 million (2007: HK\$265.2 million). In the opinion of the management, with such a large amount of cash sitting in the balance sheet at 30 June 2008 coupled with a 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

During the first six months of 2008, a significant acquisition related to the additional 2.78 percent equity interest in Humen Bridge Co. was completed with capital expenditure amounted to approximately HK\$193.5 million being the balance consideration of the said acquisition (a deposit of approximately HK\$17.4 million was paid in late 2007). Apart from the aforesaid, there were no material capital expenditures in the first half of 2008.

Capital structures

	30 June 2008	31 December 2007
	HK\$'000	HK\$'000
Bank borrowings	908,161	934,430
Loans from minority shareholders	<u>355,810</u>	<u>333,420</u>
Total borrowings	1,263,971	1,267,850
Capital and reserves attributable to Company's equity holders	<u>8,325,884</u>	<u>7,781,255</u>
Total capitalization	<u>9,589,855</u>	<u>9,049,105</u>
Gross gearing ratio (total borrowings/total capitalization)	13.2%	14.0%

Bank borrowings of the Group as at 30 June 2008 amounted to approximately HK\$908.2 million which are RMB floating rate loans obtained in mainland China and was secured by way of pledge of the toll collection right of GNSR Expressway Co. About 29.9 percent of total bank borrowings amounted to approximately HK\$271.7 million are repayable within one year and about 70.1 percent or approximately HK\$636.5 million are long term. The effective interest rate of these bank borrowings as at 30 June 2008 was 7.047 percent per annum.

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 joint venture agreements to set up those subsidiaries. These loans are unsecured and denominated in RMB. Except for minority shareholder's loan of one subsidiary in the amount of approximately HK\$146.6 million which bore interest at the prevailing RMB long term lending rate of 7.83 percent per annum promulgated by The People's Bank of China in the first half of 2008, the rest are interest-free loans stated at fair values.

As at 30 June 2008, the capital and reserves attributable to the Company's equity holders amounted to HK\$8.3 billion which accounted for 86.8 percent of the Group's total capitalisation. As at 31 December 2007, the capital and reserves attributable to the Company's equity holders amounted to HK\$7.8 billion being 86.0 percent of the Group's total capitalisation. Capital and reserves attributable to the Company's

equity holders as at 30 June 2008 was 7.0 percent higher than the figure as at 31 December 2007 which was due to the increase in net profit retained for the year after appropriation of 2007 final dividend and increase in exchange fluctuation reserve resulted from appreciation of RMB.

TREASURY POLICIES

The treasury policy of the Group has always focused on risk prevention and strict liquidity control. As the Group's business continues to develop, while making external acquisition of new projects, decisions on project funding would be placed first on internal funds. Besides, the Group will endeavor to maintain an excellent good banking relationship with commercial banks both in Hong Kong and the mainland China to fully capitalise on the different levels and different currencies of funding offered by these two markets. The management has been attentive to the potential impact of the upward trend of Rmb to HK dollars exchange rate since 2005 and will strive for foreign currency-denominated equity investments and debt financing, so as to achieve a reasonable financial gain for the shareholders in the long run.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2008, the Group had financial commitments to a jointly controlled entity in respect of equity capital balance to be injected to GWSR Expressway Co. of RMB105.0 million (equivalent to approximately HK\$119.3 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.

Except for the aforementioned financial commitments, the Group has no other material capital commitments as at 30 June 2008.

There were no significant contingent liabilities as at 30 June 2008.

EMPLOYEES

As at 30 June 2008, the Group had 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 would award its employees according to the performance of the Group and individual employees.

Future Prospects and Development Strategy

Major investment choice: Guangdong Province

Despite the continued expansion of its highway infrastructure for years, Guangdong Province has yet to catch up the rapid development of the society and the soaring increase in passenger and cargo turnovers, resulting in frequent traffic congestions in certain PRD areas. The snowstorm during the Spring Festival Exodus in 2008 exposed the immature structure of the highway network in Guangdong Province, demonstrating the outbound channels are hardly able to handle the huge flows of passengers and vehicles during such period. The post-disaster recovery and reconstruction works, including those related to infrastructure, will increase and boost investment demand for infrastructure. The Guangdong provincial government plans to invest RMB220.0 billion in the construction of expressways for the next five years, aiming first to speed up the construction of outbound channels and second, to further improve the PRD expressway network, so as to increase the number of outbound expressway channels from the existing 7 to 24, and to extend the length from the current 3,520km to 5,200km, and even up to 5,500km. It is expected there will be abundant investment opportunities in various toll road projects. Serving as the centre of Pan PRD and the southern gateway to China, Guangzhou City has maintained its key role in the economic development of China.

Another important investment choice: The Pan-Bohai region and the central and western regions in China.

Meanwhile, the Group will also leverage on the know-how accumulated in the successful venture in Xian Expressway, Shaanxi Province to actively consider new and operating expressways in tourist hotspots or other fast emerging regions in PRC with satisfactory returns potentials, for instance: given the further development of the economy of the Pan-Bohai region and under the policy adopted by China of enhancing investment in and promoting the development of the central and western regions, this will create numerous investment opportunities in the regions in terms of both traffic and infrastructure. The Group is actively enhancing the ratio of expressways and portfolio mix of the Group so as to further strengthen and consolidate the core competitiveness and sustained development capability of the Group's principal operations. The Company will make timely disclosures in accordance with the Listing Rules once negotiations on investment projects come to fruition.

Fully capitalizing on its advantages of ample funds, smooth financing channels and strong financing capability, the Group will take full advantage of its professional experience of over ten years in the toll road industry to actively promote the new leap-forward development of its core businesses in a proactive and pragmatic manner and strive to identify, acquire, invest in and develop quality toll expressway projects which will generate satisfactory economic benefits and substantial returns.

The Group will continue to strengthen the supervision and management of its existing operating projects; to provide quality service at its toll stations, initiate courtesy service competition and further improve performance appraisal and management so as to raise service quality and the actual toll rate, to increase and create income; as well as to coordinate with the local governments on the management of peripheral rural roads in the vicinity of Class I and II highways, improve the conditions of Class I and II highways and minimize the number of toll vehicles passing through toll-free rural roads. The Group will impose strict quality control on repair and maintenance projects and supervise closely on their implementation progress and expenses to ensure satisfactory completion of maintenance as well as safe and smooth traffic.

Of course, with the rapid development of the PRC economy, the speeding up of the enactment of and the continued improvement in relevant applicable laws, specific regulations have been formulated on toll rights approval and toll operating rights assignment. Accordingly, the investment, construction and management of toll roads in PRC are becoming increasingly regulated and market oriented along with increasing market participants, resulting in increasing difficulties for the acquisition of new or operating toll road projects. Besides, persistent price rise and soaring cost of land appropriation had pushed up the construction cost of a new expressway project. Moreover, the Group is also aware of the proposed adjustment on the number of toll road stations and toll fare standard, and even the repurchase of toll roads, by the Guangdong Province. While some of the measures have already been put in trial in certain areas, we will follow closely any changes in the situation and will make timely disclosures once the Group is affected.

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 2008, 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 Audit Committee and the Company's auditor, PricewaterhouseCoopers, have reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2008.

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 2008. 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 Thursday, 2 October 2008 to Monday, 6 October 2008, 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, 30 September 2008.

By order of the Board
Zhang Zhaoxing
Chairman

Hong Kong, 10 September 2008

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

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