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## FINANCIAL HIGHLIGHTS

### Six months ended 30th June

	2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>	191,580	173,883
<b>Operating profit</b>	92,721	91,419
<b>Share of profits of associated companies</b>	87,441	70,723
<b>Profit attributable to shareholders</b>	113,081	77,728
<b>Basic earnings per share</b>	10.70 cents	7.44 cents
<b>Fully diluted earnings per share</b>	10.49 cents	7.23 cents
<b>Dividend per share</b>	4.0 cents	3.0 cents
<b>Interest coverage</b>	17 times	9 times

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
<b>Total assets</b>	4,762,584	4,646,288
<b>Total liabilities</b>	1,508,047	1,518,796
<b>Shareholders' funds</b>	3,254,537	3,127,492
<b>Net asset per share</b>	HK\$3.0	HK\$3.0
<b>Return on shareholders' funds</b>	3.5%	5.0%
<b>Gearing ratio</b>	16.5%	18.0%

## MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY INFORMATION ON OPERATING TOLL ROADS AND BRIDGES IN THE FIRST HALF OF 2003						
	Length (kms)	Width (lanes)	Attributable interest (%)	Road type	Average daily toll traffic volume (vehicle)	Weighted average toll fare / vehicle (Rmb)
<b>Subsidiaries</b>						
Guangshen Highway	23.1	6	80.00	Class I highway	32,291	6.21
Guangshan Highway	64.0	4	80.00	Class II highway	31,179	10.32
Guangcong Highway Section I	33.3	6	80.00	Class I highway	17,255	12.74
Guangcong Highway Section II	33.1	6	51.00	Class I highway	20,034	7.97
& Provincial Highway 1909	33.3	4	51.00	Class I highway		
Guanghua Highway	20.0	6	55.00	Class I highway	9,318	7.93
Xian Expressway	20.1	4	100.00	Expressway	15,661	11.53
Xiang Jiang Bridge II	1.8	4	75.00	Rigid frame bridge	4,057	10.50
<b>Associated Companies &amp; Jointly Controlled Entity</b>						
Humen Bridge	15.8	6	25.00	Suspension bridge	32,068	38.13
Northern Ring Road	22.0	6	24.30	Expressway	113,555	10.58
<b>Qinglian Highways</b>						
National Highway 107	253.0	2	23.63	Class II highway		
Highway between Qingyuan					29,604	23.30
and Lianzhou cities	215.2	4	23.63	Class I highway		
Shantou Bay Bridge	6.5	6	30.00	Suspension bridge	12,304	29.72
GNSR Expressway	42.4	6	46.00	Expressway	10,667	25.06

## BUSINESS REVIEW

The Group's toll road portfolio is consisted of expressways and national highways mainly located in Guangdong Province. Guangzhou Northern Ring Road, Guangzhou Northern Second Ring Expressway and Humen Bridge are expressways and bridge located in the Pearl River Delta of Guangdong Province, while Guangshen, Guangshan, Guangcong Sections I and II, Guanghua and Qinglian are national highways connecting the traffic hub of Guangzhou City and inter-provincial traffic between Guangdong, Hunan, Jiangxi Provinces. Shantou Bay Bridge is an expressway connecting traffic between the eastern coastal Guangdong and Fujian Provinces while Xian Expressway and Xiang Jiang Bridge II are located outside Guangdong Province. Currently, all of the Group's toll roads and bridges are operating and generating toll revenue.

### Performance of Subsidiaries

#### Guangshen Highway Guangzhou Section ("Guangshen Highway")

Guangshen Highway is a part of National Highway 107 connecting Guangzhou Municipality and Shenzhen City, which are two of the main growth engines of Guangdong Province.

Traffic volume of Guangshen Highway rebounded significantly as the adjacent Guang Yuan Road East started charging toll in late 2002 and its diversion effect eased. As a result, average daily toll traffic volume of Guangshen Highway increased by 363.4 per cent to 32,291 vehicles in the first half of 2003. Owing to the outbreak of SARS, the number of trucks declined and small vehicles accounted for a higher portion of the traffic mix. Consequently, the weighted average toll fare per vehicle during the period declined by 5.34 per cent to Rmb6.21.

#### Guangshan Highway Guangzhou Section ("Guangshan Highway")

Guangshan Highway is a part of National Highway 324 and is the major road connecting Guangzhou Municipality and Shantou City, which are major cities in Guangdong Province.

As Guang Yuan Road East started charging toll in late 2002 and its diversion effect eased, average daily toll traffic volume of the two toll stations on Guangshan Highway increased by 9.5 per cent to 31,179 vehicles during the first half of 2003. Weighted average toll fare per vehicle during the period was Rmb10.32, which was similar to first half of 2002.

#### Guangcong Highway connecting Tai Ping Chang and Wenquan ("Guangcong Highway Section II") & Provincial Highway 1909

Guangcong Highway Section II connects inter-provincial traffic between Guangdong Province and eastern provinces such as Jiangxi and intra-municipality traffic between Guangzhou City and Conghua City where a hot spring resort is located. Provincial Highway 1909 connects inter-provincial traffic between Guangdong and Hunan Provinces.

During the period, average daily toll traffic volume of Guangcong Highway Section II and Provincial Highway 1909 declined by 30.9 per cent to 20,034 vehicles due to expansion works of the 105 National Trunk at the north of Conghua Hot Spring Resort and traffic diversion by a recently completed section of Jing Zhu Expressway. Weighted average toll fare per vehicle in the period was Rmb7.97, which was similar to first half of 2002.

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

Guangcong Highway Section I comprise a section of National Highway 105 between Guangzhou City and Conghua City in the northeast where a hot spring resort is located. Guangcong Highway Section I mainly connects inter-provincial traffic between Guangdong Province and eastern provinces such as Jiangxi. It is also the main access from Guangzhou City to Conghua City located in the suburban area.

Average daily toll traffic volume of Guangcong Highway Section I rose healthily by 6.6 per cent to 17,255 vehicles during the period due to natural traffic growth and additional traffic, channeled by a recently completed section of Jing Zhu Expressway. Weighted average toll fare per vehicle was Rmb12.74, which was similar to first half of 2002.

### **Guanghua Highway**

Guanghua Highway mainly connects traffic between the urban area of Guangzhou City and suburb Huadu City, where the new Guangzhou International Airport is located.

The average daily toll traffic volume of Guanghua Highway grew healthily by 7.6 per cent to 9,318 vehicles in the first half of 2003 due to natural traffic growth. Weighted average toll fare per vehicle was Rmb7.93, which was similar to first half of 2002.

### **Xian Expressway in Shaanxi Province (“Xian Expressway”)**

Xian Expressway connects local traffic between Xian City and Lintong County where the world famous historical relic Terra-Cotta Warriors is located.

Average daily toll traffic volume of Xian Expressway decreased by 5.7 per cent during the period with 15,661 vehicles due to outbreak of SARS and reduction of arriving tourists. Weighted average toll fare per vehicle during the period was Rmb11.53, which was similar to first half of 2002.

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

Xiang Jiang Bridge II is located in Xiang Tan City of Hunan Province. It has been in operation since 1993 and is part of National Highway 107 linking the northern and southern banks of Xiang Jiang. The bridge primarily connects inter-provincial traffic between Guangdong Province and Hunan Province.

Owing to tightening of traffic management by the local government, the number of motor cycles declined. Average daily toll traffic volume of Xiang Jiang Bridge II decreased slightly by 3.6 per cent to 4,057 vehicles. However, the maintenance of the adjacent Changsha to Xiang Tan section of Jing Zhu Expressway since May 2003 caused more trucks travelling through Xiang Jiang Bridge II and the weighted average toll fare per vehicle increased by 9.03 per cent to Rmb10.50.

## **Performance of Associated Companies and Jointly Controlled Entity**

### **Humen Bridge**

Humen Bridge is an expressway with a six-lane suspension bridge linking Panyu District of Guangzhou Municipality and Dongguan City both located in the heart of the Pearl River Delta. Its two ends are connected to the Guangzhou Shenzhen Expressway and Guangzhou Zhuhai Eastern Expressway.

Average daily toll traffic volume of Humen Bridge in the first half of 2003 continued to grow healthily by 10.5 per cent to 32,068 vehicles due to natural traffic growth of the Pearl River Delta Region. Weighted average toll fare per vehicle during the period was Rmb38.13, which was similar to first half of 2002.

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

The Northern Ring Road located in Guangzhou City has been in operation since January 1994. It links the Guangzhou Foshan Expressway in the west and the Guangzhou Shenzhen Expressway in the east.

With the outbreak of SARS, average daily toll traffic volume of the Northern Ring Road decreased slightly during the period by 4.8 per cent to 113,555 vehicles. Weighted average toll fare per vehicle increased by 6.22 per cent to Rmb10.58.

### **Qinglian Highways**

Qinglian Highways are located in the northwestern part of Guangdong Province. They primarily connect inter-provincial traffic between Guangdong Province and Hunan Province.

Average daily toll traffic volume of the nine toll stations on Qinglian Highways was 29,604 vehicles during the first half of 2003, which decreased by 8.9 per cent due to the outbreak of SARS and traffic diversion by a recently completed section of Jing Zhu Expressway. Weighted average toll fare per vehicle during the period was Rmb23.30, which was similar to first half of 2002.

### Guangzhou Northern Second Ring Expressway (“GNSR Expressway”)

The six-lane 42.4 kms GNSR Expressway which has nine intersections and nine toll stations, connects eleven provincial, national highways and expressways in the north of Guangzhou Municipality. It serves southern bound traffic from the northern regions and connects the eastern and western bound traffic in the northern part of Guangzhou City. GNSR Expressway commenced toll collection in January 2002.

Improvement of the road network upon completion of Jing Zhu Expressway boosted the average daily toll traffic volume of GNSR Expressway in the first half of 2003 by 96.0 per cent to 10,667 vehicles. As family ownership of small passenger vehicles increased sharply and accounted for a higher portion of traffic mix of GNSR Expressway, weighted average toll fare per vehicle decreased by 12.80 per cent to Rmb25.06.

### Shantou Bay Bridge

Shantou Bay Bridge acquired in July 2002 is located in the strategic Shantou Harbour Huangsha Bay Sea Route. It connects the eastern entrance of Shantou Harbour linking Powai and Muishan Expressways in the east and Shenshan Expressway in the west. This six lanes bridge with total length of 6.495 kms has started operation since December 1995.

Average daily traffic volume in the first half of 2003 increased by 5.4 per cent to 12,304 vehicles due to natural traffic growth and the weighted average toll fare per vehicle was Rmb29.72, which was similar to levels in the first half of 2002. The Shantou Bay Bridge contributed full six months earnings to the Group in the first half of 2003.

### Future Investment

As a progressive toll road investor and operator, the Group continues to invest selectively in quality toll road projects. The Group is considering the investment of three major expressway projects located in the center of the Pearl River Delta in the coming four years.

These expressways, namely the Eastern Second Ring Road which connects the GNSR Expressway, crossing the Pearl River to Panyu District, the Western Second Ring Road which connects the western part of the GNSR Expressway and Nanhai, Guangzhao Expressway and the new Guangzhou Airport, and the Eastern Second Ring Road Extension Line which connects the Eastern Second Ring Road, leading to Panyu District and Shunde District in Foshan City. These three projects will cost approximately Rmb8.1 billion with total length of 77 kms.

The Group considers investing approximately 30 per cent stake in each expressway, which will be 30 per cent financed by equity and 70 per cent by non-recourse project loan. Estimated annual capital expenditure for the projects will be around HK\$200 million each year from 2004 to 2007. This shall be comfortably covered by the Group’s operating cash flow and partly by external borrowings. Expected internal rate of return of these projects will be no less than 15 per cent.

The construction of the Eastern Second Ring Road will start in the end of 2003 to be followed by the Western Second Ring Road and the Eastern Second Ring Road Extension Line in 2004. These three projects are expected to complete in 2007. Through the investment in these three expressways, the Group could explore the immense economic growth potential in the Pearl River Delta region.

### Prospects

The Group’s performance last year was affected by various temporary negative factors. However, their negative effects have diminished and performance turnaround has taken place in 2003 with substantial interim net profit increase of 45.5 per cent.

The Group will continue strengthening the management of existing projects and enhance return to shareholders. Upon completion, proposed new investments including the Eastern Second Ring Road, Western Second Ring Road, and Eastern Second Ring Road Extension Line will underpin future growth potential of the Group’s toll road portfolio. After the signing of the Closer Economic Partnership Arrangement (“CEPA”) between the Mainland of China and Hong Kong, economic activities will be speeded up substantially between Guangdong Province and Hong Kong. Accelerating growth and further economic integration of the Pearl River Delta is expected. As a major toll road operator in the Guangdong Province, the Group will become a major beneficiary of CEPA.

## FINANCIAL REVIEW

### Analysis of Results

In spite of the outbreak of SARS in the first half of 2003, the Group's overall traffic flow performance was satisfactory. Turnover for the six months ended 30th June 2003 rose by 10.2 per cent to HK\$191.6 million as compared to the same period of 2002. Specifically, traffic volume of Guangshen and Guangshan Highways rebounded substantially due to easing of diversion effect from new roads. The other major toll roads such as Guangcong Highway Section I also performed steadily and had offset negative growth of Guangcong Highway Section II & Provincial Highway 1909.

Amortisation of interests in toll highways and bridges increased by 2.9 per cent which was in line with the Group's amortisation policy.

Toll highways and bridges maintenance expenses increased slightly faster than turnover growth due to repair cost of HK\$1.1 million incurred by a toll bridge during the period.

Administrative expenses incurred during the period increased by 16.1 per cent to HK\$16.2 million due to full six months amortisation of goodwill from acquisition of 30 per cent stake of Shantou Bay Bridge in July 2002.

The first half of 2003 recorded a net other operating expense of HK\$6.0 million which included a HK\$2.2 million exchange loss. For the same period in 2002, the Group recorded a net other income of HK\$3.9 million which included a disposal gain of HK\$6.2 million and HK\$1.3 million exchange gain.

Finance costs declined by 38.3 per cent to HK\$12.6 million for the first half in 2003 as the Group repaid a portion of its outstanding bank borrowings and debts.

Share of profits from associated companies for the first half of 2003 increased substantially by 23.6 per cent to HK\$87.4 million as compared to same period in 2002. The full six months contribution from Shantou Bay Bridge acquired in July 2002 was recorded in the first half of 2003. Although traffic volume of Qinglian Highways was affected by a recently completed section of Jing Zhu Expressway, all associated companies achieved positive growth of profit contributions to the Group in the first half of 2003.

The share of loss of the Group's jointly controlled entity, GNSR Expressway, was also reduced substantially due to doubling of traffic volume in the first half of 2003.

Taxation rose by 27.2 per cent to HK\$21.8 million as a result of higher level of profit before taxation.

Minority interest for the first half of 2003 had no significant change because profit growth was partially off-set by the negative growth of Guangcong Highway Section II & Provincial Highway 1909.

For the six months ended 30th June 2003, the Group achieved a remarkable 45.5 per cent increase of attributable profit to shareholders of HK\$113.1 million as compared to HK\$77.7 million for same period in 2002. Basic earnings per share for the two periods were 10.7 cents and 7.44 cents respectively.

### Interim Dividend

The Board of Directors has resolved to declare an interim dividend for 2003 of 4.0 cents (2002: 3.0 cents) per share payable on 5th November 2003 to shareholders whose names appear on the register of members on 27th October 2003. Interim dividend pay out ratio will be 39.05 per cent (2002: 40.38 per cent).

## Liquidity and Financial Resources

### Cash flows and borrowings

Net cash inflow from operating activities during the period amounted to approximately HK\$102.0 million (2002: HK\$132.0 million). Interest paid during the period was only HK\$12.0 million (2002: HK\$23.4 million) as a result of repayments of bank borrowings. Overseas taxation paid in the Mainland of China (“China”) during the period amounted to HK\$14.7 million (2002: HK\$12.2 million).

Investing activities for the first half of 2003 generated net cash inflow amounted to HK\$40.5 million (2002: net cash outflow HK\$113.3 million). The net cash inflow from investing activities in 2003 was made up of total cash inflow of HK\$64.1 million (2002: HK\$37.2 million) and total cash used amounted to HK\$23.6 million (2002: HK\$150.5 million). Total cash inflow from investing activities included dividends received and shareholders’ loan repayment from associated companies amounted to HK\$60.6 million (2002: HK\$35.2 million) and bank interest income of HK\$3.5 million (2002: HK\$2.0 million). Total cash used for investing activities included capital expenditures and investments of HK\$8.1 million (2002: HK\$150.5 million).

Net cash used for financing activities amounted to HK\$43.5 million (2002: HK\$213.8 million). During the period, cash inflow from financing activities mainly included new bank loans of approximately HK\$9.4 million (2002: HK\$93.5 million) and proceeds from issuance of new shares through exercise of share options amounted to HK\$37.4 million (2002: HK\$1.1 million). Cash used for financing activities during the period were mainly repayment of bank loans of approximately HK\$59.5 million (2002: HK\$272.5 million); dividends and repayments to minority shareholders of HK\$35.4 million (2002: HK\$40.3 million).

As at 30th June 2003, the Group had bank balances and cash of approximately HK\$330.3 million which was increased by 53.5 per cent compared with 31st December 2002. Included in bank balances and cash was a charged account amounted to HK\$33.4 million (31st December 2002: HK\$17.8 million) in respect of the Group’s HIBOR based HK dollars floating rate loan.

As at 30th June 2003, the Group had outstanding bank borrowings of approximately HK\$545.8 million, which declined by 8.1 per cent compared with 31st December 2002.

The maturity profile of outstanding bank borrowings as at 30th June 2003 are shown below:

Bank borrowings	Repayable		Total HK\$’000
	within one year HK\$’000	in the second to fifth year to fifth year HK\$’000	
HK dollars loan	29,750	93,500	123,250
Rmb loans	227,230	195,305	422,535
	<u>256,980</u>	<u>288,805</u>	<u>545,785</u>

HK dollars and Rmb bank borrowings as at 30th June 2003 were almost in similar proportion as at 31st December 2002, of 22.6 per cent and 77.4 per cent respectively. Approximately 47.1 per cent of the total bank borrowings as at 30th June 2003 will mature within one year, of which 88.4 per cent were Rmb loans. As at 31st December 2002, approximately 81.8 per cent of the total bank borrowings were repayable within one year, of which 94.3 per cent were Rmb loans. In the past years a higher percentage of the total bank borrowings was repayable within one year. The management was in the opinion that upon maturity, short term Rmb bank borrowings will be extended for another two to three years based on the Group’s credit standing with its major bankers in China and the high level of liquidity in the Chinese banking system. Although management considered that liquidity risk in past years was insignificant, nevertheless, to further strengthen financial security of the Group in the medium term, an aggregate of Rmb200 million loans originally falling due in the second half of 2003 were converted to long term bank loans in June 2003.



### Capital expenditures and investments

During the first half of 2003, the Group had capital expenditures amounted to approximately HK\$8.1 million which were mainly for improving the physical structure of toll highways and bridges. There were no acquisitions in the first half of 2003.

### Capital Structure

The Group's capital structure as at 30th June 2003 is summarized below:

	30th June 2003			31st December 2002		
	HK\$'000	%	Average rate of interest (% per annum)	HK\$'000	%	Average rate of interest (% per annum)
Floating rate loans (Rmb)	422,535	10.9	5.3	457,944	12.0	5.3
Floating rate loan (HIBOR)	123,250	3.2	3.3	136,000	3.6	4.0
Amount due to a minority shareholder	56,635	1.4	4.0	53,468	1.4	4.0
Interest free loans	37,076	1.0	—	37,591	1.0	—
Total debts	<u>639,496</u>	<u>16.5</u>		<u>685,003</u>	<u>18.0</u>	
Shareholders' funds	<u>3,254,537</u>	<u>83.5</u>		<u>3,127,492</u>	<u>82.0</u>	
Total capitalisation	<u><u>3,894,033</u></u>	<u>100.0</u>		<u><u>3,812,495</u></u>	<u>100.0</u>	
Gearing Ratio	16.5%			18.0%		

Total capitalisation of the Group as at 30th June 2003 amounted to approximately HK\$3.9 billion which was slightly above the total capitalisation amount as at 31st December 2002.

As at 30th June 2003, the ratio of total debts to total capitalisation (Gearing Ratio) was 16.5 per cent as compared to 18.0 per cent as at 31st December 2002. Total debts declined slightly by HK\$45.5 million to HK\$639.5 million as at 30th June 2003.

Floating rate loans in Rmb accounted for 66.1 per cent of the total debts as at 30th June 2003 (2002: 66.9 per cent). During the period, the Group had drawn down new loan of Rmb10.0 million (approximately to HK\$9.4 million) and repaid Rmb50.0 million (approximately to HK\$46.9 million). All Rmb loans are unsecured.

The HIBOR based HK dollars floating rate loan which accounted for 19.3 per cent of total debts as at 30th June 2003 (2002: 19.9 per cent) was secured by the Group's interests in a toll road project in China. On 14th August 2003, the whole balance of this loan of HK\$123.25 million was prepaid from the Group's internal funds.

The amount due to a minority shareholder which represented part of the capital injection into a jointly controlled entity in 2001 is denominated in Rmb and unsecured.

The interest free loans are non-interest bearing loans from the minority shareholders of a subsidiary which are denominated in Rmb. During the period, Rmb0.74 million (approximately HK\$0.69 million) was repaid.

As at 30th June 2003, shareholders' funds amounted to HK\$3.25 billion and accounted for 83.5 per cent of the Group's total capitalisation. As at 31st December 2002, the amount of shareholders' funds was HK\$3.13 billion and represented 82.0 per cent of the total capitalisation. The increase in shareholders' funds represented the net profit retained for the period after appropriation of 2002 final dividend.

### Interest Coverage

The interest coverage was measured by the ratio of earnings before interests, tax, depreciation (including amortisation) and provisions for impairment loss (“EBITDA”) to interest expenses. For the six months ended 30th June 2003, interest coverage was 17 times (30th June 2002: 9 times) due to increase in EBITDA and decline in interest expenses.

### Treasury Policies

The Group continues to adopt the following treasury policies and hedging strategy similar to those disclosed in the 2002 annual report.

The Group’s overall treasury and funding policy is that of risk management and liquidity control. The Group will maintain banking relationship with financial institutions both in Hong Kong and China to capitalize 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 China. No fund is placed in non-bank institutions or invested in securities.

Since the Group’s principal operations are in China and most of the income is denominated in Rmb, the management is aware of possible currency exchange risk exposure. As a hedging strategy, the Group’s strategy is to use as much as practicable re-invested profits and debt financing denominated in Rmb to match with the Rmb capital expenditure requirements. Equity and debt financing denominated in foreign currency will also be used as supplementary funds. The Hong Kong dollar loan market may offer unexploited potential currently due to lower interest rate, longer maturity and flexible features such as interest rate swap. The Group is exploring the feasibility of increasing the ratio of Hong Kong dollar bank borrowings.

### Capital Commitments and Contingent Liabilities

There were no material capital commitments as at 30th June 2003. The contingent liabilities as at 30th June 2003 were not significantly different from those disclosed in the 2002 annual report.

### Employees

As at 30th June 2003, the Group had 274 employees of which 213 are directly engaging in the supervision and management 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.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the six months ended 30th June 2003*

		(Unaudited)	
		Six months ended 30th June	
	Note	2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>	2	191,580	173,883
<b>Other revenues</b>		4,102	2,267
<b>Amortisation of interests in toll highways and bridges</b>		(38,959)	(37,874)
<b>Toll highways and bridges maintenance expenses</b>		(41,782)	(36,787)
<b>Administrative expenses</b>		(16,181)	(13,934)
<b>Other operating (expenses)/income</b>		(6,039)	3,864
<b>Operating profit</b>	3	92,721	91,419
<b>Finance costs</b>		(12,614)	(20,437)
<b>Share of profits of associated companies</b>		87,441	70,723
<b>Share of loss of a jointly controlled entity</b>		(10,215)	(24,843)
<b>Profit before taxation</b>		157,333	116,862
<b>Taxation</b>	4	(21,838)	(17,169)
<b>Profit after taxation</b>		135,495	99,693
<b>Minority interests</b>		(22,414)	(21,965)
<b>Profit attributable to shareholders</b>		113,081	77,728
<b>Interim dividend</b>	5	44,159	31,388
<b>Basic earnings per share</b>	6	10.70 cents	7.44 cents
<b>Fully diluted earnings per share</b>	6	10.49 cents	7.23 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2003 and 31st December 2002

	Note	(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
<b>Goodwill</b>	7	213,189	216,746
<b>Interests in toll highways and bridges</b>	7	2,196,672	2,217,197
<b>Fixed assets</b>	7	28,785	30,171
<b>Investment in a jointly controlled entity</b>		346,338	357,355
<b>Investment in associated companies</b>		1,489,053	1,467,158
<b>Other investments</b>		134,515	133,931
		<u>1,969,906</u>	<u>1,958,444</u>
<b>Current assets</b>			
Other receivables, deposits and prepayments		23,689	8,491
Bank balances and cash		330,343	215,239
		<u>354,032</u>	<u>223,730</u>
<b>Current liabilities</b>			
Due to			
Minority shareholders		66,646	66,812
Holding companies		4,289	3,633
Other payables and accrued charges		48,477	35,074
Taxation		7,737	6,838
Short-term bank loans		37,559	271,028
Current portion of long-term liabilities	8	219,421	214,541
Dividend payable		31,511	—
		<u>415,640</u>	<u>597,926</u>
<b>Net current liabilities</b>		<u>(61,608)</u>	<u>(374,196)</u>
<b>Total assets less current liabilities</b>		<u>4,346,944</u>	<u>4,048,362</u>
<b>Financed by:</b>			
<b>Share capital</b>	9	109,226	104,979
<b>Reserves</b>		2,307,515	2,266,286
<b>Retained earnings</b>		793,637	724,724
<b>Proposed final dividend</b>	5	—	31,503
<b>Proposed interim dividend</b>	5	44,159	—
		<u>3,254,537</u>	<u>3,127,492</u>
<b>Shareholders' funds</b>		3,254,537	3,127,492
<b>Minority interests</b>		751,310	760,275
<b>Long-term liabilities</b>	8	325,882	145,966
<b>Deferred taxation</b>	10	15,215	14,629
		<u>4,346,944</u>	<u>4,048,362</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30th June 2003*

	(Unaudited)	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
<b>Net cash inflow from operating activities</b>	<b>102,038</b>	132,029
<b>Net cash generated from/(used in) investing activities</b>	<b>40,526</b>	(113,343)
<b>Net cash used in financing activities</b>	<b>(43,545)</b>	(213,786)
	<hr/>	<hr/>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>99,019</b>	(195,100)
<b>Cash and cash equivalents at 1st January</b>	<b>197,390</b>	717,426
<b>Effect of foreign exchange rate changes</b>	<b>545</b>	—
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30th June</b>	<b>296,954</b>	522,326
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	330,343	538,913
Less: Bank deposits with maturity date over three months	(33,389)	(16,587)
	<hr/>	<hr/>
	<b>296,954</b>	522,326
	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th June 2003*

	Share capital HK\$'000	Share premium HK\$'000	Reserve arising from consolidation HK\$'000	(Unaudited) Exchange fluctuation reserve HK\$'000	Statutory reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1st January 2003</b>	104,979	526,830	1,705,497	4,910	29,049	756,227	3,127,492
<b>Exchange differences</b>	—	—	—	8,070	—	—	8,070
<b>Net gain not recognised in profit and loss account</b>	—	—	—	8,070	—	—	8,070
<b>Issue of shares</b>	4,247	33,159	—	—	—	—	37,406
<b>Profit for the period</b>	—	—	—	—	—	113,081	113,081
<b>2002 final dividend</b>	—	—	—	—	—	(31,512)	(31,512)
<b>At 30th June 2003</b>	<u>109,226</u>	<u>559,989</u>	<u>1,705,497</u>	<u>12,980</u>	<u>29,049</u>	<u>837,796</u>	<u>3,254,537</u>
<b>At 1st January 2002</b>	104,458	853,018	1,705,497	4,910	25,098	331,348	3,024,329
<b>Issue of shares</b>	148	964	—	—	—	—	1,112
<b>Profit for the period</b>	—	—	—	—	—	77,728	77,728
<b>2001 final dividend</b>	—	—	—	—	—	(26,115)	(26,115)
<b>Transfer to retained earnings</b>	—	(330,370)	—	—	—	330,370	—
<b>At 30th June 2002</b>	<u>104,606</u>	<u>523,612</u>	<u>1,705,497</u>	<u>4,910</u>	<u>25,098</u>	<u>713,331</u>	<u>3,077,054</u>

### 1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has changed its accounting policy following its adoption of SSAP 12 (revised) “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

Under SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (revised) represents a change in accounting policy, but has no material effect on the Group’s result.

### 2 Turnover

The Group is principally engaged in the development, operation and management of toll highways and bridges in the Mainland of China (“China”).

No analysis of the Group’s turnover and contribution to operating profit by activity and geographic area had been prepared as they were principally derived from the operations of the Group’s toll projects in China.

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

### 3 Operating profit

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
The operating profit is stated after crediting and charging the following:		
<b>Crediting</b>		
Gain on partial disposal of a jointly controlled entity	—	6,240
Net exchange gain	—	1,322
	<u>          </u>	<u>          </u>
<b>Charging</b>		
Depreciation of fixed assets	1,458	1,488
Amortisation of interests in toll highways and bridges	38,959	37,874
Amortisation of goodwill	3,557	1,240
Net exchange loss	2,172	—
Staff costs		
Wages and salaries (including directors' remuneration)	8,046	7,515
Social security costs	143	111
Staff welfare	210	584
Pension costs - defined contribution plans	289	211
	<u>          </u>	<u>          </u>

### 4 Taxation

- (a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax during the period (2002: nil).
- (b) Overseas taxation is provided on the profits of the Group's subsidiaries and an associated company in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). Under the China Tax Law, the Group's subsidiaries, associated companies and a jointly controlled entity in China are entitled to an income tax holiday for two to five years from its first profit making year and a 50 per cent reduction in income tax for the next three to five years. The applicable reduced income tax rate is 15 per cent. The Group's subsidiaries, associated companies and jointly controlled entity in China are qualified for the aforesaid tax privileges during the period.
- (c) The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Overseas taxation	15,576	11,549
Deferred taxation	586	665
	<u>          </u>	<u>          </u>
Share of taxation attributable to an associated company	2,442	1,849
Share of deferred taxation attributable to associated companies	2,473	2,275
Share of deferred taxation attributable to a jointly controlled entity	761	831
	<u>          </u>	<u>          </u>
	<u>21,838</u>	<u>17,169</u>

The taxation on the Group's profit before taxation is not materially different from the theoretical amount that would arise using the taxation rate of China for both periods presented.



## 5 Dividend

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
2003 interim, proposed of HK\$0.04 (2002: HK\$0.03) per share	44,159	31,388

At a meeting held on 10th April 2003, the directors proposed a final dividend of HK\$0.03 per share for the year ended 31st December 2002, which was approved on 19th June 2003 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2003.

## 6 Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$113,081,000 (2002: HK\$77,728,000)

The basic earnings per share is based on the weighted average number of 1,056,811,375 (2002: 1,045,088,326) shares in issue during the period. The fully diluted earnings per share is based on 1,078,100,651 (2002: 1,075,483,988) shares which is the weighted average number of shares in issue during the period plus the weighted average of 21,289,276 (2002: 30,395,662) shares deemed to be issued at no consideration if all outstanding share options had been exercised.

## 7 Capital expenditures

	Goodwill HK\$'000	Interests in toll highways and bridges HK\$'000	Fixed assets HK\$'000
Opening net book amount at 1st January 2003	216,746	2,217,197	30,171
Exchange differences	—	10,409	21
Additions	—	8,025	51
Amortisation/depreciation charge	(3,557)	(38,959)	(1,458)
Closing net book amount at 30th June 2003	213,189	2,196,672	28,785

## 8 Long-term liabilities

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Bank loans		
Secured ( <i>note (a)</i> )	<b>123,250</b>	136,000
Unsecured	<b>384,977</b>	186,916
Loans from minority shareholders ( <i>note (b)</i> )	<b>37,076</b>	37,591
Less: current portion of long-term liabilities	<b>(219,421)</b>	(214,541)
	<b>325,882</b>	145,966

- (a) At 30th June 2003 and 31st December 2002, the Group's bank loans were secured by a charge on the Group's bank accounts of toll road projects in China and were wholly repayable within five years.
- (b) The loans from minority shareholders are unsecured, interest free and not repayable within one year.
- (c) At 30th June 2003 and 31st December 2002, the Group's bank loans were repayable as follows:

	<b>Bank loans (secured)</b>		<b>Bank loans (unsecured)</b>	
	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Within one year	29,750	27,625	189,671	186,916
In the second year	42,500	36,125	1,878	—
In the third to fifth year	51,000	72,250	193,428	—
	<b>123,250</b>	136,000	<b>384,977</b>	186,916

## 9 Share capital

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Authorised		
2,000,000,000 ordinary shares of HK\$0.1 each	<b>200,000</b>	200,000
Issued and fully paid		
1,092,261,530 (2002: 1,049,785,530) ordinary shares of HK\$0.1 each	<b>109,226</b>	104,979

During the period, 42,476,000 ordinary shares of HK\$0.1 each amounted to HK\$4,247,000 were issued upon the exercise of share options, resulting in net proceeds of HK\$37,406,000.

## 10 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 15% (2002: 15%).

The movement on the deferred tax liabilities account is as follows:

	<b>Six months ended 30th June 2003 HK\$'000</b>	Year ended 31st December 2002 HK\$'000
At the beginning of the period/year	14,629	13,300
Charged to profit and loss account ( <i>note 4(c)</i> )	586	1,329
At the end of the period/year	<u>15,215</u>	<u>14,629</u>
Provided for in respect of accelerated depreciation allowances	<u>15,215</u>	<u>14,629</u>

## 11 Contingent liabilities and commitments

There is no material change in contingent liabilities and commitments since the last annual balance sheet date.

## 12 Related party transactions

During the period, the Group carried out in the normal course of business the following material transactions with its related parties:

	<b>Six months ended 30th June 2003 HK\$'000</b>	2002 HK\$'000
Management fee paid to the holding company ( <i>note (a)</i> )	650	650
Fixed cost toll highways management fee paid and payable to a minority shareholder ( <i>note (a)</i> )	<u>29,850</u>	<u>25,657</u>

(a) These transactions were conducted in accordance with the terms as disclosed in the 2002 annual report.

## OTHER INFORMATION

### Interests of Directors

As at 30th June 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows :

#### I. Long positions in shares of the Company and Guangzhou Investment Company Limited (“GZI”), the holding company of the Company :

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
<b>The Company</b>			
Mr Xie Shuwen	Personal	410,000	0.04
Mr Liang Ningguang	Personal	1,388,000	0.13
Mr Chen Jiahong	Personal	210,000	0.02
Mr Du Liangying	Personal	78,000	0.01
Mr Du Xinrang	Personal	698,000	0.06
Mr Zhang Siyuan	Personal	980,000	0.09
<b>GZI</b>			
Mr Xie Shuwen	Personal	300,000	0.00
Mr Li Xinmin	Personal	50,000	0.00
Mr He Zili	Personal	560,000	0.01

#### II. Long positions in underlying shares of equity derivatives of the Company and GZI :

##### (1) The Company

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options (a)			
			outstanding as at 1st January 2003	exercised during the period	weighted average closing price (b) HK\$	outstanding as at 30th June 2003
Mr Yin Hui	06/08/1997 (c)	2.4080	600,000	—	N/A	600,000
	22/12/1999	0.9984	3,220,000	520,000	1.16	2,700,000
Mr Xie Shuwen	07/04/2000	0.7520	560,000	560,000	1.23	—
	Mr Chen Jiahong	06/08/1997 (c)	2.4080	500,000	—	N/A
Mr Liang Ningguang	22/12/1999	0.9984	1,740,000	840,000	1.16	900,000
	06/08/1997 (c)	2.4080	500,000	—	N/A	500,000
Mr Xiao Boyan	22/12/1999	0.9984	8,130,000	8,130,000	1.28	—
	06/08/1997 (c)	2.4080	500,000	—	N/A	500,000
Mr Du Liangying	22/12/1999	0.9984	1,040,000	420,000	1.16	620,000
	Mr Du Xinrang	06/08/1997 (c)	2.4080	980,000	—	N/A
Mr He Zili	04/09/1998	0.7632	698,000	698,000	1.66	—
	06/08/1997 (c)	2.4080	2,000,000	—	N/A	2,000,000
	04/09/1998	0.7632	3,000,000	—	N/A	3,000,000
Mr Zhang Siyuan	07/04/2000	0.7520	330,000	330,000	1.14	—
	06/08/1997 (c)	2.4080	980,000	—	N/A	980,000
	04/09/1998	0.7632	980,000	980,000	1.69	—
Mr Fung Ka Pun	06/08/1997 (c)	2.4080	400,000	—	N/A	400,000
Mr Lau Hon Chuen Ambrose	06/08/1997 (c)	2.4080	400,000	—	N/A	400,000
Mr Poon Jing	06/08/1997 (c)	2.4080	400,000	—	N/A	400,000

## OTHER INFORMATION

*Notes :*

- (a) The share options are exercisable from the first anniversary of the date of grant to the business day preceding the sixth anniversary of the date of grant, of which a maximum of 30 per cent, 60 per cent and 100 per cent thereof are exercisable from the first, second and third anniversaries of the date of grant respectively.
- (b) The weighted average closing price per share immediately before the dates on which the options were exercised.
- (c) The share options were expired on 5th August 2003.

### (2) GZI

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options			
			outstanding as at 1st January 2003	granted during the period (b)	exercised during the period	outstanding as at 30th June 2003
Mr Ou Bingchang	02/06/2003	0.5400	—	9,000,000	—	9,000,000
Mr Xie Shuwen	14/12/1999 (a)	0.5008	700,000	—	—	700,000
	02/06/2003	0.5400	—	8,000,000	—	8,000,000
Mr Chen Guangsong	02/06/2003	0.5400	—	8,000,000	—	8,000,000
Mr Liang Ningguang	14/12/1999 (a)	0.5008	840,000	—	—	840,000 (c)
	02/06/2003	0.5400	—	7,000,000	—	7,000,000
Mr Xiao Boyan	14/12/1999 (a)	0.5008	700,000	—	—	700,000
	02/06/2003	0.5400	—	7,000,000	—	7,000,000
Mr Liang Yi	02/06/2003	0.5400	—	7,000,000	—	7,000,000
Mr He Zili	14/12/1999 (a)	0.5008	560,000	—	560,000 (d)	—
Mr Zhang Siyuan	14/12/1999 (a)	0.5008	490,000	—	—	490,000

*Notes :*

- (a) The share options are exercisable from 14th December 2000, the first anniversary of the date of grant, to the business day preceding the sixth anniversary of the date of grant, of which a maximum of 30 per cent and 100 per cent thereof are exercisable from the first and second anniversaries of the date of grant respectively.
- (b) The share options are exercisable from 2nd June 2003 to 1st June 2013, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent thereof are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant respectively.
- (c) These interests include options to subscribe for 140,000 shares in GZI held by his spouse.
- (d) The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.62.

Save as disclosed herein, as at 30th June 2003, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## OTHER INFORMATION

### Interests of Substantial Shareholders

As at 30th June 2003, the interests or short positions of the following persons in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to Section 336 of SFO :

Name	Long position in shares	Approximate % of interest
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”)	776,674,076	71.11
GZI	750,134,000	68.68
First Dynamic Limited	750,000,000	68.67
Round Table Holdings Limited	750,000,000	68.67
GZI Transport (Holdings) Limited	750,000,000	68.67
Housemaster Holdings Limited	367,500,000	33.65
Power Head Limited	157,500,000	14.42
Delta Force Holdings Limited	112,500,000	10.30
Lawson Enterprises Limited	112,500,000	10.30

#### Notes :

- (a) The capacity of Yue Xiu in holding the 776,674,076 shares was, as to 5,769 shares, as beneficial owner and, as to 776,668,307 shares, attributable to interests of controlled corporations.
- (b) Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited were the beneficial owners of 367,500,000, 157,500,000, 112,500,000 and 112,500,000 shares of the Company respectively. These companies were wholly-owned by GZI Transport (Holdings) Limited which, by virtue of the SFO, was deemed to be interested in the 750,000,000 shares held by these subsidiaries.

GZI Transport (Holdings) Limited was owned as to 51 per cent by Round Table Holdings Limited and 49 per cent by First Dynamic Limited. First Dynamic Limited was wholly-owned by Yue Xiu which also owned about 63 per cent of the issued share capital of GZI. Round Table Holdings Limited was wholly-owned by GZI which also directly held 134,000 shares. By virtue of the SFO, GZI, Round Table Holdings Limited and First Dynamic Limited were deemed to be interested in the 750,000,000 shares.

### Share Options

Pursuant to a share option scheme (the “Share Option Scheme”) approved by shareholders of the Company on 3rd January 1997, the board of directors of the Company (the “Board”) may, at their discretion, grant to directors and employees of the Company or any of its subsidiaries options to subscribe for ordinary shares in the Company. The Share Option Scheme is designed to act as an incentive to employees and executives of the Group. The exercise price is determined by the Board and being equal to the higher of (a) the nominal value of the share; and (b) not less than 80 per cent of the average closing prices of the shares as stated in The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)’s daily quotation sheets for the five business days immediately preceding the date of offer of an option. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option.

On 25th June 2002, the shareholders of the Company approved the resolutions relating to the termination of the Share Option Scheme and the adoption of a new share option scheme (the “2002 Share Option Scheme”). Upon termination of the Share Option Scheme, no further share options will be granted thereunder but all the outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith, and only those provisions of the Share Option Scheme which are required to give effect to the outstanding share options continue to remain in force for such purpose. The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## OTHER INFORMATION

Pursuant to the 2002 Share Option Scheme, the Board may grant to any person being an employee, officer, director, agent, consultant or representative of GZI, Yue Xiu, the Company or any of their respective subsidiaries (“Participants”) options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 per cent of the number of shares in issue as at 25th June 2002. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 per cent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders’ approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of GZI, Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of GZI, Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option. No such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

Movements during the period of the options granted under the Share Option Scheme to the employees of the Group other than the directors of the Company as disclosed on page 20 were as follows :

<b>Number of share options</b>			<b>Exercise price</b>	<b>Date of grant</b>	<b>Exercisable period <sup>(3)</sup></b>	<b>Weighted average closing price <sup>(4)</sup></b>
<b>outstanding as at 1st January 2003</b>	<b>exercised during the period</b>	<b>outstanding as at 30th June 2003</b>				
16,240,000	—	16,240,000	2.4080	06/08/1997	06/08/1998 - 05/08/2003	N/A
18,740,000	11,760,000	6,980,000	0.7632	04/09/1998	04/09/1999 - 03/09/2004	1.690
16,566,000	11,656,000	4,910,000	0.9984	22/12/1999	22/12/2000 - 21/12/2005	1.264
10,974,000	6,582,000	4,392,000	0.7520	07/04/2000	07/04/2001 - 06/04/2006	1.522

*Notes:*

1. No options have been granted, cancelled or lapsed during the period.
2. All options are exercisable in 3 tranches.
3. If the last day of the exercisable period is not a business day, the exercisable period will expire on the business day preceding thereof.
4. The weighted average closing price per share immediately before the dates on which the options were exercised.

### Purchase, Sale or Redemption of the Company's Shares

The Company has not redeemed any of its shares during the six months ended 30th June 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

### Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the relevant period, in compliance with the Code of Best Practice as stipulated in Appendix 14 of the Listing Rules. The non-executive directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

### Audit Committee

The unaudited interim accounts for the six months ended 30th June 2003 had been reviewed by the Audit Committee.

### Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 22nd October 2003 to Monday, 27th October 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 21st October 2003.

By order of the Board

**Ou Bingchang**

*Chairman*

Hong Kong, 9th September 2003



## Board of Directors

### Executive Directors

Ou Bingchang (*Chairman*)  
Yin Hui  
Xie Shuwen  
Li Xinmin  
Chen Guangsong  
Chen Jiahong  
Liang Ningguang  
Xiao Boyan  
Liang Yi  
Du Liangying  
Du Xinrang  
Zhong Ming  
He Zili  
Zhang Siyuan

### Non-executive Directors

Fung Ka Pun\*  
Lau Hon Chuen Ambrose\*#  
Poon Jing  
Cheung Doi Shu\*#

\* *Independent non-executive directors*

# *Audit Committee members*

## Company Secretary

Wong Chi Keung

## Auditors

PricewaterhouseCoopers  
*Certified Public Accountants*

## Registered Office

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

## Head Office and Principal Place of Business

23rd Floor  
Yue Hing Building  
103 Hennessy Road  
Wanchai  
Hong Kong

## Hong Kong Branch Share Registrar

Abacus Share Registrars Limited  
G/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road, Wanchai  
Hong Kong

## Share Listing

The Company's shares are listed on  
The Stock Exchange of Hong Kong Limited

The stock codes are:

The Stock Exchange of Hong Kong Limited-1052  
Reuters-1052.HK  
Bloomberg-1052 HK

## Investor Relations

For further information about  
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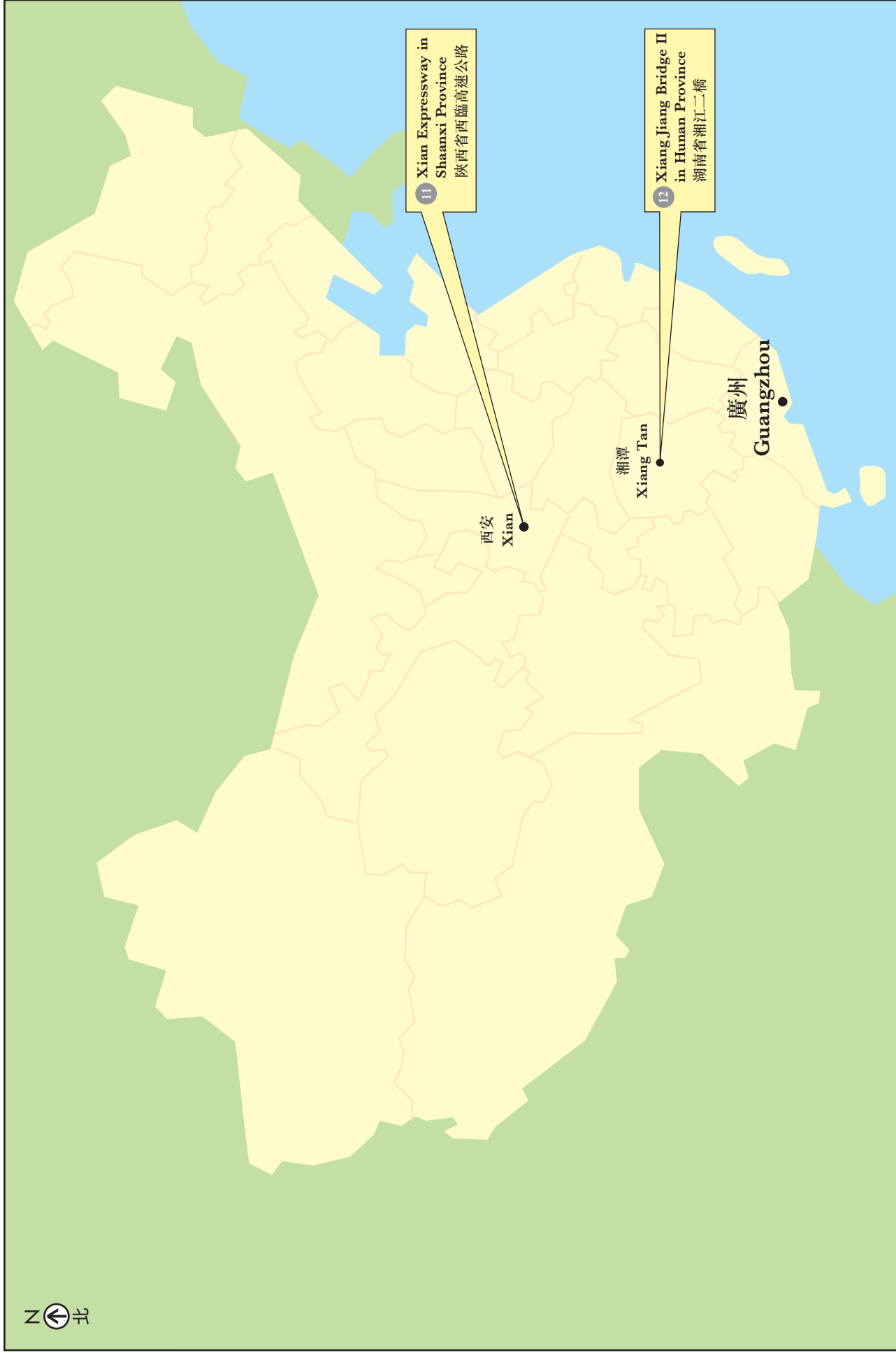
## Websites to Access Company Information

<http://www.gzitransport.com.hk>

<http://www.hkex.com.hk>

# Location Map of Toll Road Projects inside Guangdong Province 廣東省內項目位置圖





Location Map of Toll Road Projects outside Guangdong Province

廣東省外項目位置圖