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FINANCIAL HIGHLIGHTS

	Six months ended 30th June	
	2004 HK\$'000	As restated 2003 HK\$'000
Turnover	183,258	191,580
Operating profit	71,697	82,328
Share of profits of associated companies	103,639	87,441
Profit attributable to shareholders	129,481	105,882
Basic earnings per share	11.62 cents	10.02 cents
Fully diluted earnings per share	11.61 cents	9.82 cents
Dividend per share	4.5 cents	4.0 cents
Interest coverage	27 times	17 times
Return on shareholders' funds	3.8%	3.3%

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
	Total assets	4,498,961
Total liabilities	1,108,994	1,250,556
Shareholders' funds	3,389,967	3,310,406
Net asset per share	HK\$3.04	HK\$2.97
Gearing ratio	9.8%	11.6%

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY INFORMATION ON OPERATING TOLL ROADS AND BRIDGES IN THE FIRST HALF OF 2004

	Length (kms)	Width (lanes)	Attributable interest (%)	Road type	Average daily toll traffic volume (vehicle)	Weighted average toll fare / vehicle (RMB)
Subsidiaries						
Guangshen Highway	23.1	6	80.00	Class I highway	31,959	5.93
Guangshan Highway	64.0	4	80.00	Class II highway	24,633	9.95
Guangcong Highway Section I	33.3	6	80.00	Class I highway	14,093	13.00
Guangcong Highway Section II	33.1	6	51.00	Class I highway	18,409	7.49
& Provincial Highway 1909	33.3	4	51.00	Class I highway		
Guanghua Highway	20.0	6	55.00	Class I highway	10,025	7.94
Xian Expressway	20.1	4	100.00	Expressway	20,822	11.55
Xiang Jiang Bridge II	1.8	4	75.00	Rigid frame bridge	4,383	9.57
Associated Companies & Jointly Controlled Entity						
Humen Bridge	15.8	6	25.00	Suspension bridge	37,322	43.00
Northern Ring Road	22.0	6	24.30	Expressway	123,796	11.76
Qinglian Highways						
National Highway 107	253.0	2	23.63	Class II highway		
Highway between Qingyuan and Lianzhou cities	215.2	4	23.63	Class I highway	20,128	17.74
Shantou Bay Bridge	6.5	6	30.00	Suspension bridge	13,023	32.64
GNSR Expressway	42.4	6	46.00	Expressway	25,154	18.74

BUSINESS REVIEW

The Group is principally engaged in management and operation, investment and construction of expressways and national toll highways mainly located in Guangdong Province. They include Guangzhou Northern Ring Road, Guangzhou Northern Second Ring Expressway, Humen Bridge, and Guangzhou Western Second Ring Expressway (new investment under construction) located in the Pearl River Delta Region; 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 connecting the eastern coastal region of Guangdong Province and expressways in Fujian Province; Xian Expressway in Shaanxi and Hunan Xiang Jiang Bridge II which are located outside Guangdong Province.

The Group has been expanding steadily in the past seven years. Total attributable length of toll road and bridge projects increased from 146.9 kms in January 1997 at the time of listing to the current 317.8 kms. Apart from Guangzhou Western Second Ring Expressway, all of the toll projects are operating and generating toll revenue. Traffic volume growth of the Group's toll projects is poised to benefit from the continuous economic growth of China.

Performance of Subsidiaries

Guangshen Highway Guangzhou Section (“Guangshen Highway”)

Guangshen Highway is a section of National Highway 107 and is one of the major roads connecting Guangzhou City and Shenzhen City.

As the whole section of Guang Yuan Road East in Guangzhou Municipality connecting Dongguan region was opened to traffic, traffic volume of Guangshen Highway was slightly affected. During the first half of 2004, average daily toll traffic volume of Guangshen Highway decreased by 1.0 per cent to 31,959 vehicles when compared with the same period in 2003. Weighted average toll fare per vehicle for the first half of 2004 declined by 4.6 per cent to RMB5.93 when compared with the same period in 2003.

Guangshan Highway Guangzhou Section (“Guangshan Highway”)

Guangshan Highway is a section of National Highway 324 and is the major road connecting Guangzhou Municipality and Shantou City.

Owing to diversion of traffic by Guanghui Expressway (between Guangzhou to Huizhou) which was opened to traffic at the end of 2003, average daily toll traffic volume of Guangshan Highway for the first half of 2004 decreased by 21.0 per cent to 24,633 vehicles when compared with the same period in 2003. Weighted average toll fare per vehicle for the first half of 2004 declined by 3.5 per cent to RMB9.95 when compared with the same period in 2003.

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

Guangcong Highway Section I is 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 provinces in Eastern China such as Jiangxi. It is also the main access from Guangzhou City to Conghua City in the suburban area.

As Jing Zhu Expressway directly connecting the urban area of Guangzhou City was opened to traffic, average daily toll traffic volume of Guangcong Highway Section I for the first half of 2004 decreased by 18.3 per cent to 14,093 vehicles when compared with the same period in 2003. Weighted average toll fare per vehicle for the first half of 2004 increased by 2.0 per cent to RMB13.00 when compared with the same period in 2003.

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 provinces in Eastern China, such as Jiangxi and intra-municipality traffic between Guangzhou City and Conghua City, the northeastern Guangzhou, where a hot spring resort is located. Provincial Highway 1909 connects inter-provincial traffic between Guangdong and Hunan provinces.

For the first half of 2004, average daily toll traffic volume of Guangcong Highway Section II & Provincial Highway 1909 declined by 8.1 per cent to 18,409 vehicles when compared with the same period in 2003. This was attributable to the construction works of National Highway 105 connecting to Guangcong Highway Section II, as well as traffic diversion of Jing Zhu Expressway. Weighted average toll fare per vehicle for the first half of 2004 declined by 6.0 per cent to RMB7.49 when compared with the same period in 2003.

Guanghua Highway

Guanghua Highway is the major highway connecting the urban area of Guangzhou City and the suburb of Huadu District where the new airport in Guangzhou is located.

Due to natural growth in traffic flow, average daily toll traffic volume of Guanghua Highway for the first half of 2004 grew steadily by 7.6 per cent to 10,025 vehicles when compared with the same period in 2003. Weighted average toll fare per vehicle for the first half of 2004 was RMB7.94, which was similar to that of the same period in 2003. Following the opening of the new airport in Guangzhou in August 2004, it is expected that traffic volume of Guanghua Highway will continue to increase.

Xian Expressway in Shaanxi Province (“Xian Expressway”)

Xian Expressway is an expressway connecting Xian City and Lintong County where the world famous historical relic Terra-Cotta Warriors is located.

As the number of tourists rebounded substantially during the first half of 2004 when compared with the period of SARS outbreak in 2003, together with the commencement in operation of Xian City Express Highway connecting the entrance of Xian Expressway at the end of 2003, average daily toll traffic volume of Xian Expressway increased substantially by 33.0 per cent to 20,822 vehicles. Weighted average toll fare per vehicle for the first half of 2004 was RMB11.55, which was maintained at the level similar to that with the same period in 2003.

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 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 natural growth in small vehicles, average daily toll traffic volume of Xiang Jiang Bridge II during the first half of 2004 increased by 8.0 per cent to 4,383 vehicles when compared with the same period in 2003. After the completion of maintenance works for Chang Tan Section adjacent to Jing Zhu Expressway, traffic of some large vehicles was diverted which caused weighted average toll fare per vehicle for the first half of 2004 declined by 8.9 per cent to RMB9.57 when compared with the same period in 2003.

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.

Benefiting from the natural growth in traffic volume brought forth by the continuous rapid growth in the economy of the Pearl River Delta Region, average daily toll traffic volume of Humen Bridge for the first half of 2004 increased substantially by 16.4 per cent to 37,322 vehicles when compared with the same period in 2003. Since the implementation of the unified vehicle classification standards on 1st October 2003, weighted average toll fare per vehicle for the first half of 2004 increased by 12.8 per cent to RMB43.00 when compared with the same period in 2003.

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

The Northern Ring Road located in Guangzhou City links the Guangzhou Foshan Expressway in the west and the Guangzhou Shenzhen Expressway in the east.

Benefiting from the natural growth in traffic volume brought forth by the continuous rapid growth in the economy of the Pearl River Delta region, average daily toll traffic volume of the Northern Ring Road during the first half of 2004 increased by 9.0 per cent to 123,796 vehicles when compared with the same period in 2003. Since the implementation of the unified vehicle classification standards on 15th August 2003, weighted average toll fare per vehicle for the first half of 2004 increased by 11.1 per cent to RMB11.76 when compared with the same period in 2003.

Qinglian Highways

Qinglian Highways are located in the northwestern part of Guangdong Province connecting Guangdong Province and Hunan Province.

Average daily toll traffic volume of the nine toll stations on Qinglian Highways for the first half of 2004 decreased by 32.0 per cent to 20,128 vehicles when compared with the same period in 2003. This was attributable to the traffic diversion effects of Jing Zhu Expressway since April 2003, and the implementation of laws on transportation safety on highways in China that restrict the use of highways by overloaded vehicles. Weighted average toll fare per vehicle for the first half of 2004 declined by 23.9 per cent to RMB17.74 when compared with the same period in 2003.

Guangzhou Northern Second Ring Expressway (“GNSR Expressway”)

The six-lane 42.4 km GNSR Expressway has nine intersections and nine toll stations. It connects eleven provincial, national highways and expressways in the north of Guangzhou Municipality. GNSR Expressway was completed and commenced toll collection in January 2002.

With Jing Zhu Expressway and Guanghui Expressway, both of which connecting GNSR Expressway, opening to traffic, the peripheral expressway network was improved, which in turn boosted the traffic volume of GNSR Expressway. Average daily toll traffic volume for the first half of 2004 increased significantly by 135.8 per cent to 25,154 vehicles. With the increase in the proportion of small passenger vehicles to the traffic mix of GNSR Expressway, weighted average toll fare per vehicle for the first half of 2004 decreased by 25.2 per cent from the same period in 2003 to RMB18.74. With the new airport in Guangzhou commenced operation in August 2004, traffic flow of GNSR Expressway will continue to grow.

Shantou Bay Bridge

Shantou Bay Bridge is a six-lane bridge 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. It has a total length of approximately 6.5 kms and has started operation since December 1995. The Group completed the acquisition of Shantou Bay Bridge in July 2002.

Average daily traffic volume of Shantou Bay Bridge for the first half of 2004 increased by 5.8 per cent to 13,023 vehicles when compared with the same period in 2003, due to natural traffic growth and the effect of SARS no longer prevailing. Since the implementation of the unified vehicle classification standards on 1st July 2003, weighted average toll fare per vehicle for the first half of 2004 increased by 9.82 per cent to RMB32.64 when compared with the same period in 2003.

New Investment Projects

Total investment amount for Guangzhou Western Second Ring Expressway ("GWSR Expressway") of which the Group participated in will be RMB2.97 billion, of which RMB1.0 billion will be in the form of registered capital, whilst the remaining will be raised in the form of project finance. The first installment of registered capital to be contributed to the project will be RMB250 million. The Group is attributable to 35 per cent stake in GWSR Expressway, and has contributed RMB87,500,000. Tender invitation activities for the project were fundamentally completed. Construction will officially commence on 16th September 2004. It is expected that it will open to traffic in around three years.

Future Strategies and Prospects

As a progressive and proactive toll highway operator, the Group continues to selectively invest in quality toll highways and bridges projects. The Group is considering to invest in Guangzhou Eastern Second Ring Expressway ("GESR Expressway") and Guangming Expressway at the center of Pearl River Delta, of which, GESR Expressway will commence construction by the end of 2004. Guangming Expressway is still in its planning stage. The Group is considering to invest in about 30 per cent stake in these two projects and is expected that a total of RMB600 million will be contributed in the form of capital. The Group is expected to invest about RMB250 million each year from 2004 to 2007 for the GWSR Expressway and the other two projects referred to above. These investment amounts shall be comfortably covered by the Group's operating cash flow and partly by external borrowings.

After the signing of an arrangement for closer economic partnership (Closer Economic Partnership Arrangement) between China and Hong Kong, economic activities between Guangdong Province and Hong Kong will speed up substantially. This, together with the gradual finalization of the Pan-Pearl River Delta economic circle, growth in the economy of the Pearl River Delta Region will accelerate. The sustainable development of the economy in Guangdong Province and the increase in people's purchasing power will accelerate the growth rate of private car ownership. This will in turn boost traffic volume for various toll roads of the Group, such as GNSR Expressway, Northern Ring Road, Humen Bridge and Guanghua Highway. GNP of Guangzhou increased by 16.4 per cent for the first half of 2004. In addition, the Guangdong Province is going through a second industrialization which expedites the development of heavy industry, enhances the economy of Guangdong and strengthens the driving force for further development. As a major toll road operator in the Guangdong Province, the Group will become a major beneficiary of the rapid economic development of Guangdong and Hong Kong.

The Group will continue strengthening the operational and cash flow management of existing projects, and tightening budgetary control on projects under construction, so as to improve service qualities. Through investing in expressway projects located in the Pearl River Delta Region, such as the newly invested GWSR Expressway, the future growth potential of the Group's toll road investment portfolio return will be enhanced, and will deliver better return to our shareholders.

FINANCIAL REVIEW

Analysis of Results

In the first half of 2004, despite Xian Expressway being positively affected by its linkage with the Xian City Express Highway and recorded a 33.9 per cent turnover growth over that of the same period in 2003, the overall turnover of the Group declined by 4.3 per cent due to the formation of the highway network which, on one hand, adversely affected the traffic volume of some major subsidiary toll roads such as Guangcong Highway Section I and II and Provincial Highway 1909 which were being affected by Jing Zhu Expressway and the construction work of National Highway 105; traffic volume of Guangshan Highway was also affected by Guanghui Expressway, which commenced operation at the end of 2003. On the other hand, the traffic volume of some toll roads of the Group's associated companies and a jointly controlled entity such as Northern Ring Road and GNSR Expressway benefited from the newly operated Jing Zhu Expressway and Guanghui Expressway.

The Group adopted the units-of-usage based depreciation and straight-line amortisation on tangible infrastructures and intangible operating rights respectively. The difference between the two periods ended 30th June 2003 and 2004 ranged from nil to 1.3 per cent. Additionally, amortisation of improvements to intangible operating rights amounted to approximately HK\$2.6 million was recorded in the first half of 2004 (2003: nil).

Toll highways and bridges maintenance expenses of those major subsidiary toll roads with negative growth had decreased in line with the turnover decline. Maintenance expense of Xian Expressway in the first half of 2004 was up only by 7.6 per cent.

Administrative expenses incurred in the first half of 2003 and 2004 were almost the same being a slight drop of 1.2 per cent.

Net other operating expenses in the first half of 2004 were higher than the same period in 2003 by 10.2 per cent. During the six months ended 30th June 2004, additional withholding tax of shareholders' loan interests was provided as a result of increase in repayment of shareholder's loan interest to the Group. On the other hand, no more exchange loss arising from translating monetary assets and liabilities expressed in foreign currencies had incurred in the first half of 2004, as compared to the HK\$2.1 million exchange loss incurred in same period of 2003.

Finance costs declined by 30.1 per cent to HK\$8.8 million in the first half of 2004 as the Group continues to repay its bank borrowings and debts.

Share of profits from associated companies continued to increase in the first half of 2004 amounted to HK\$103.6 million being 18.5 per cent and 9.4 per cent higher than the first and second half of 2003 respectively. Except for Qinglian Highways which had a negative contribution due to continued diversion effect caused by Jing Zhu Expressway since April 2003, the other associated companies' toll projects namely: Humen Bridge, the Northern Ring Road and Shantou Bay Bridge, all recorded positive growth of 37.2 per cent, 39.4 per cent and 27.0 per cent respectively for the six months ended 30th June 2004.

The Group's jointly controlled entity project, GNSR Expressway, with a continuous strong traffic volume growth of 135.8 per cent in the first half of 2004 recorded its first positive contribution to the Group of HK\$2.0 million since its operation commenced in 2002. The loss attributable to the Group during GNSR Expressway's first year of operation was HK\$36.1 million; in the first half of 2003, the loss was HK\$10.2 million and for the whole year of 2003, it was HK\$20.4 million.

Taxation for the first half of 2004 amounted to HK\$30.5 million, representing an increase of 47.2 per cent over the same period in 2003. Despite the decline in taxable profit of a number of the Group's major subsidiary toll roads, there are certain subsidiaries and an associated company with "tax" concession period expired by end of 2003.

Minority interest for the first half of 2004 had decreased by 57.9 per cent due to overall net profit decline of major subsidiary toll roads and bridges.

For the six months ended 30th June 2004, profit attributable to shareholders increased by 22.3 per cent to HK\$129.5 million as compared to the restated amount in 2003 of HK\$105.9 million. Basic earnings per share for the two periods ended 30th June 2004 and 2003 were 11.62 cents and restated 10.02 cents respectively.

Interim Dividend

The Board of Directors has resolved to declare an interim dividend for 2004 of HK\$0.045 (2003: HK\$0.04) per share payable on 6th October 2004 to shareholders whose names appear on the register of members on 28th September 2004. Interim dividend pay out ratio will be 38.73 per cent (2003: 39.05 per cent).

Liquidity and Financial Resources

Cash flows and borrowings

Net cash inflow from operating activities for the six months ended 30th June 2004 amounted to approximately HK\$84.7 million due to lower profits from subsidiaries during the period (2003 : HK\$102.0 million). Interest paid during the period was HK\$7.9 million (2003: HK\$12.0 million) as a result of repayments of bank borrowings. Overseas taxation paid in the Mainland of China ("China") during the six months ended 30th June 2004 amounted to HK\$17.1 million (2003: HK\$14.7 million) as "tax" concession period of certain subsidiaries and an associated company expired by end of 2003.

Investing activities for the first half of 2004 had net cash used of HK\$2.8 million (2003 : net cash inflow HK\$40.5 million) being made up of total cash inflow of HK\$79.9 million (2003 : HK\$64.1 million) less total cash used of HK\$82.7 million (2003: HK\$23.6 million). Total cash inflow from investing activities largely included dividends received and shareholders' loan repayment from associated companies amounted to HK\$79.1 million (2003: HK\$60.6 million). Total cash used mainly were capital expenditures and investments.

Net cash used in financing activities in the first half of 2004 amounted to HK\$180.7 million (2003: HK\$43.5 million) with total cash inflow of HK\$4.6 million (2003: HK\$51.3 million) and total cash used of HK\$185.3 million (2003: HK\$94.8 million). Total cash inflow from financing activities in the first half of 2004 mainly included funds from other investments of HK\$4.5 million and in the first half of 2003 cash inflow from financing activities also included funds from other investments of HK\$4.5 million; proceeds from issuance of new shares through exercise of share options amounted to HK\$37.4 million; and new bank loans of HK\$9.4 million. Total cash used in financing activities in the first half of 2004 included repayments of bank loans in aggregate of approximately HK\$65.7 million (2003: HK\$59.5 million); dividends of HK\$33.6 million (2003: nil); and repayments to minority shareholders of approximately HK\$86.0 million (2003: HK\$35.4 million).

As at 30th June 2004, the Group had bank balances and cash of approximately HK\$153.0 million, a decrease of 39.2 per cent compared with 31st December 2003.

The outstanding bank borrowings of the Group as at 30th June 2004 amounted to approximately HK\$279.8 million, which declined by 19.0 per cent compared with 31st December 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

The maturity profile of outstanding bank borrowings as at 30th June 2004 are shown below:

Bank borrowings (wholly in RMB loans)		HK\$'000
Repayable:		
within one year		142,724
in the second to fifth year		137,089
		279,813
Total		279,813

Bank borrowings as at 30th June 2004 and 31st December 2003 were wholly in RMB denomination. Approximately 51.0 per cent of the total bank borrowings as at 30th June 2004 (2003: 54.9 per cent) mature within one year in which a RMB150.0 million (equivalent to approximately HK\$140.8 million) borrowing maturing in August 2004 was partially repaid by RMB80 million upon maturity and the balance of RMB70 million was extended to August 2005. In the opinion of the management, liquidity risk is not an imminent issue of the Group as witnessed from practices in past years when a higher percentage of the total bank borrowings was repayable within one year, upon maturity, the management was able to renew the short term RMB bank borrowings for another one to three years' term owing to the Group's credit standing with its major bankers in China. Although management considered that liquidity risk in past years was insignificant; nevertheless, to further strengthen the financial position of the Group in the short to medium term and to increase stakeholders' confidence, management started renegotiate the Group's short term RMB bank borrowings for a longer term. As at 30th June 2004, an aggregate of RMB240 million loans originally falling due in the second half of 2003 were converted to long term bank loans with maturities falling in second half of 2006.

Capital expenditures and investments

For the six months ended 30th June 2004, the Group had capital expenditures and investments amounted to approximately HK\$82.7 million, of which approximately HK\$82.2 million was initial equity capital contribution to a new investment project, the GWSR Expressway.

Capital Structure

The Group's capital structure as at 30th June 2004 is summarized below:

	30th June 2004			31st December 2003		
	HK\$'000	%	Average rate of interest (% per annum)	HK\$'000	%	Average rate of interest (% per annum)
Floating rate loans (RMB)	279,813	7.4	5.1	345,539	9.2	5.1
Amount due to a minority shareholder	53,719	1.4	4.0	53,719	1.4	4.0
Interest free loans	36,061	1.0	—	36,377	1.0	—
	369,593	9.8		435,635	11.6	
Total debts	369,593	9.8		435,635	11.6	
Shareholders' funds	3,389,967	90.2		3,310,406	88.4	
	3,759,560	100.0		3,746,041	100.0	
Total capitalisation	3,759,560	100.0		3,746,041	100.0	
Gearing Ratio	9.8%			11.6%		

Total capitalisation of the Group as at 30th June 2004 amounted to approximately HK\$3.8 billion which was similar to the total capitalisation amount as at 31st December 2003.

As at 30th June 2004, the ratio of total debts to total capitalisation (Gearing Ratio) was 9.8 per cent as compared to 11.6 per cent as at 31st December 2003. Total debts declined by HK\$66.0 million to HK\$369.6 million as at 30th June 2004.

Floating rate loans in RMB accounted for 75.7 per cent of the total debts as at 30th June 2004 (2003: 79.3 per cent). During the six months ended 30th June 2004, the Group had no new loan drawn and repaid RMB70.0 million (approximately HK\$65.7 million) from the Group's internal funds. All RMB loans are unsecured.

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 unsecured non-interest bearing loans from the minority shareholders of a subsidiary which are denominated in RMB. During the six months ended 30th June 2004, RMB0.4 million (approximately HK\$0.3 million) was repaid.

As at 30th June 2004, shareholders' funds amounted to HK\$3.4 billion which accounted for 90.2 per cent of the Group's total capitalisation. As at 31st December 2003, shareholders' funds amounted to HK\$3.30 billion being 88.4 per cent of the Group's total capitalisation. The increase in shareholders' funds mainly represented the net profit retained for the period after appropriation of 2003 final dividend.

Interest Coverage

The interest coverage is 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 2004, interest coverage was 27 times (30th June 2003: 17 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 2003 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. The Group's hedging 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. However, for those capital expenditure requirements in foreign currency or in situations when cost of fund of foreign currency market is more favorable than RMB market, then, equity and debt financing denominated in foreign currency will be used selectively as supplementary funds.

Capital Commitments and Contingent Liabilities

On 24th May 2004, the Group had entered into a joint venture agreement to establish Guangzhou Western Second Ring Expressway Company Limited (“GWSR Expressway Company”) for a shareholding of 35.0 per cent. The committed equity capital contribution of the Group was RMB350.0 million (equivalent to approximately HK\$330.19 million). As at 30th June 2004, the required first installment of the equity capital contribution of RMB87.5 million (equivalent to approximately HK\$82.2 million) had already injected into the joint venture. The balance of the committed equity capital would be paid by stages in such amount and by such date as to be determined by the board of directors of GWSR Expressway Company. Save for the aforesaid equity capital commitments, the Group had no other capital commitments as at 30th June 2004.

There were no significant contingent liabilities since the year ended 31st December 2003.

Employees

As at 30th June 2004, the Group had 284 employees of which about 220 were 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 2004

	Note	(Unaudited)	
		Six months ended 30th June	
		2004 HK\$'000	As restated 2003 HK\$'000
Turnover	2	183,258	191,580
Other revenues		1,594	4,102
Amortisation/depreciation of interests in toll highways and bridges		(50,696)	(47,985)
Toll highways and bridges maintenance expenses		(38,471)	(41,782)
Administrative expenses		(17,333)	(17,548)
Other operating expenses		(6,655)	(6,039)
Operating profit	3	71,697	82,328
Finance costs		(8,822)	(12,614)
Share of profits of associated companies		103,639	87,441
Share of profit/(loss) of a jointly controlled entity		2,000	(10,215)
Profit before taxation		168,514	146,940
Taxation	4	(30,469)	(20,698)
Profit after taxation		138,045	126,242
Minority interests		(8,564)	(20,360)
Profit attributable to shareholders		129,481	105,882
Interim dividend	5	50,151	44,159
Basic earnings per share	6	11.62 cents	10.02 cents
Fully diluted earnings per share	6	11.61 cents	9.82 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2004 and 31st December 2003

	Note	(Unaudited) 30th June 2004 HK\$'000	(Audited) 31st December 2003 HK\$'000
Goodwill	7	<u>37,877</u>	<u>39,467</u>
Interests in toll highways and bridges	7	<u>2,049,036</u>	<u>2,099,647</u>
Fixed assets	7	<u>35,840</u>	<u>36,605</u>
Investment in jointly controlled entities		412,950	330,621
Investment in associated companies		1,652,300	1,643,559
Other investments		<u>143,123</u>	<u>143,123</u>
		<u>2,208,373</u>	<u>2,117,303</u>
Current assets			
Other receivables, deposits and prepayments		14,847	16,201
Bank balances and cash		<u>152,988</u>	<u>251,739</u>
		<u>167,835</u>	<u>267,940</u>
Current liabilities			
Due to			
Minority shareholders of subsidiaries		71,939	65,028
Holding companies		2,969	3,622
Other payables and accrued charges		50,346	70,600
Taxation		8,459	9,082
Short-term bank loans		140,846	178,403
Current portion of long-term liabilities	8	1,878	11,268
Dividend payable		<u>16,538</u>	<u>—</u>
		<u>292,975</u>	<u>338,003</u>
Net current liabilities		<u>(125,140)</u>	<u>(70,063)</u>
Total assets less current liabilities		<u>4,205,986</u>	<u>4,222,959</u>
Financed by:			
Share capital	9	111,434	111,423
Reserves		<u>3,278,533</u>	<u>3,198,983</u>
Shareholders' funds		3,389,967	3,310,406
Minority interests		634,840	711,906
Long-term liabilities	8	173,150	192,245
Deferred taxation	10	<u>8,029</u>	<u>8,402</u>
		<u>4,205,986</u>	<u>4,222,959</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2004

	(Unaudited) Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Net cash inflow from operating activities	84,705	102,038
Net cash (used in)/generated from investing activities	(2,788)	40,526
Net cash used in financing activities	(180,692)	(43,545)
(Decrease)/increase in cash and cash equivalents	(98,775)	99,019
Cash and cash equivalents at 1st January	251,739	197,390
Effect of foreign exchange rate changes	24	545
Cash and cash equivalents at 30th June	152,988	296,954
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	152,988	330,343
Less: Bank deposits with maturity date over three months	—	(33,389)
	152,988	296,954

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2004

	(Unaudited)						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserve arising from consolidation HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserves HK\$'000	Retained earnings HK\$'000	
At 1st January 2004	111,423	576,676	1,705,497	14,623	29,049	873,138	3,310,406
Exchange differences	—	—	—	142	—	—	142
Net gain not recognised in profit and loss account	—	—	—	142	—	—	142
Issue of shares	11	71	—	—	—	—	82
Profit for the period	—	—	—	—	—	129,481	129,481
2003 final dividend	—	—	—	—	—	(50,144)	(50,144)
At 30th June 2004	<u>111,434</u>	<u>576,747</u>	<u>1,705,497</u>	<u>14,765</u>	<u>29,049</u>	<u>952,475</u>	<u>3,389,967</u>
At 1st January 2003	104,979	526,830	1,705,497	4,910	29,049	726,261	3,097,526
Exchange differences	—	—	—	8,070	—	—	8,070
Net gain not recognised in profit and loss account	—	—	—	8,070	—	—	8,070
Issue of shares	4,247	33,159	—	—	—	—	37,406
Profit for the period	—	—	—	—	—	105,882	105,882
2002 final dividend	—	—	—	—	—	(31,512)	(31,512)
2003 interim dividend	—	—	—	—	—	(44,206)	(44,206)
At 30th June 2003	<u>109,226</u>	<u>559,989</u>	<u>1,705,497</u>	<u>12,980</u>	<u>29,049</u>	<u>756,425</u>	<u>3,173,166</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

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 2003 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 2003.

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 is presented 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

The operating profit is stated after charging the following:

	Six months ended 30th June	
	2004	As restated
	HK\$'000	2003
		HK\$'000
Depreciation of fixed assets	1,221	1,458
Amortisation/depreciation of interests in toll highways and bridges	50,696	47,985
Amortisation of goodwill (included in administrative expenses)	4,966	4,966
Net exchange loss	—	2,172
Staff costs (including directors' emoluments)		
Wages and salaries	8,123	8,046
Social security costs	137	143
Staff welfare	423	210
Pension costs - defined contribution plans	238	289
	8,123	8,046
	137	143
	423	210
	238	289

NOTES TO CONDENSED INTERIM ACCOUNTS

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 (2003: 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 followed by a 50 per cent reduction in income tax for the next three to five years. The applicable income tax rate is 18 per cent. Certain of the Group's subsidiaries, associated companies and a jointly controlled entity in China are qualified for the aforesaid tax holiday during the period.
- (c) The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th June	
	2004	As restated 2003
	HK\$'000	HK\$'000
Overseas taxation	16,489	15,576
Deferred taxation credit	(373)	(554)
	16,116	15,022
Share of taxation attributable to an associated company	6,810	2,442
Share of deferred taxation attributable to associated companies	5,794	2,473
Share of deferred taxation attributable to a jointly controlled entity	1,749	761
	30,469	20,698

5 Dividend

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
2004 interim, proposed of HK\$0.045 (2003: HK\$0.04) per share	50,151	44,159

At a meeting held on 14th April 2004, the directors proposed a final dividend of HK\$0.045 per share for the year ended 31st December 2003, which was approved on 2nd June 2004 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2004.

NOTES TO CONDENSED INTERIM ACCOUNTS

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\$129,481,000 (2003: HK\$105,882,000 (as restated)).

The basic earnings per share is based on the weighted average number of 1,114,316,057 (2003: 1,056,811,375) shares in issue during the period. The fully diluted earnings per share is based on 1,115,312,670 (2003: 1,078,100,651) shares which is the weighted average number of shares in issue during the period plus the weighted average of 996,613 (2003: 21,289,276) shares deemed to be issued at no consideration if all outstanding share options had been exercised.

7 Capital expenditures

	Goodwill on acquisition		Interests in toll highways and bridges		
	Subsidiaries HK\$'000	Associated companies and a jointly controlled entity HK\$'000	Intangible operating rights HK\$'000	Tangible infrastructure HK\$'000	Fixed assets HK\$'000
At 1st January 2004	39,467	169,384	1,750,864	348,783	36,605
Additions	—	—	85	—	457
Disposals	—	—	—	—	(1)
Amortisation/ depreciation charge	(1,590)	(3,376)	(44,472)	(6,224)	(1,221)
At 30th June 2004	<u>37,877</u>	<u>166,008</u>	<u>1,706,477</u>	<u>342,559</u>	<u>35,840</u>

8 Long-term liabilities

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Unsecured bank loans	138,967	167,136
Loans from minority shareholders of a subsidiary (<i>note (a)</i>)	36,061	36,377
Less: current portion of long-term liabilities	(1,878)	(11,268)
	<u>173,150</u>	<u>192,245</u>

(a) The loans from minority shareholders are unsecured, interest free and not repayable within one year.

NOTES TO CONDENSED INTERIM ACCOUNTS

8 Long-term liabilities (continued)

(b) At 30th June 2004 and 31st December 2003, the Group's bank loans were repayable as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within one year	1,878	11,268
In the second year	5,634	5,634
In the third to fifth year	131,455	150,234
	138,967	167,136

9 Share capital

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Authorised 2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid 1,114,343,530 (2003: 1,114,233,530) ordinary shares of HK\$0.1 each	111,434	111,423

During the period, 110,000 ordinary shares of HK\$0.1 each amounted to HK\$11,000 were issued upon the exercise of share options, resulting in net proceeds of HK\$82,000.

10 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 18% (2003: 18%)

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

	Six months ended 30th June 2004 HK\$'000	Year ended 31st December 2003 HK\$'000
At the beginning of the period/year	8,402	9,896
Transfer from profit and loss account (note 4(c))	(373)	(1,494)
At the end of the period/year	8,029	8,402
Provided for in respect of accelerated depreciation allowances	8,029	8,402

11 Contingent liabilities and commitments

At 30th June 2004, the Group had financial commitments in respect of equity capital to be injected to a jointly controlled entity of approximately HK\$247,990,000.

Except for the above, 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:

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Administrative service fees shared with holding company (<i>note (a)</i>)	650	650
Toll roads management fees paid and payable to a minority shareholder (<i>note (b)</i>)	25,692	29,850
	<u><u>25,692</u></u>	<u><u>29,850</u></u>

- (a) Administrative service fees shared with Guangzhou Investment Company Limited ("GZI"), the holding company, for the six months ended 30th June 2004 was in pursuant to the service agreement entered into between GZI, the Company and Kiu Fung Limited. Under the said service agreement, the GZI Group shares certain administrative services with the Group, and allocate the cost of these administrative services to the Group on a fair and equitable basis.
- (b) Management agreements in respect of toll roads management fees were entered into between Guangzhou Highways Development Company ("GHDC"), a minority shareholder of subsidiaries, and certain subsidiaries engaging in the operation of toll highways in China, whereby GHDC carries out the day-to-day routine operational and maintenance services of the Guangshan Highway, Guangshen Highway, Guangcong Highway Section I and II, Provincial Highway 1909 and Guanghua Highway respectively including collection of toll charges and repairs and maintenance in return for a fixed sum to be predetermined annually.

Advances to Entities

The advances made by the Group to the following entities, which individually exceeded 8.0 per cent of the Market Capitalisation (note 5) and in the case of Guangdong Humen Bridge Co., Ltd. which also exceeded 8.0 per cent of Total Assets (note 6) continued to exist as at 30th June 2004 and are required to be disclosed under Rule 13.20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as follows:

Name of the Entities	Percentage of indirect attributable interest held by the Company	Advances as at 30th June 2004 (Note 1)		Interest rate	Total (A + B) HK\$ million
		Interest bearing (A) HK\$ million	Non-interest bearing (B) HK\$ million		
Guangdong Humen Bridge Co., Ltd.	25.0	570.3	—	(Note 2)	570.3
Guangdong Qinglian Highway Development Co., Ltd.	23.6	—	219.0	—	219.0

Financial Assistance to Affiliated Companies

The financial assistance provided by the Group to the affiliated companies of the Company, which in aggregate exceeded 8.0 per cent of the Market Capitalisation (note 5) and of the Total Assets (note 6) continued to exist as at 30th June 2004 and are required to be disclosed under Rule 13.22 of the Listing Rules as follows:

Name of Affiliated Companies	Percentage of indirect attributable interest held by the Company	Advances as at 30th June 2004 (Note 1)		Interest rate	Total (A + B) HK\$ million
		Interest bearing (A) HK\$ million	Non-interest bearing (B) HK\$ million		
Guangdong Humen Bridge Co., Ltd.	25.0	570.3	—	(Note 2)	570.3
Guangdong Qinglian Highway Development Co., Ltd.	23.6	—	219.0	—	219.0
Guangdong Shantou Bay Bridge Co., Ltd.	30.0	60.3	—	(Note 3)	60.3
Total (Note 4)		<u>630.6</u>	<u>219.0</u>		<u>849.6</u>

Notes:

- (1) The advances were shareholders' loans representing part of the investment costs injected by the Group in proportion to the Group's equity interest in such entities and affiliated companies. These advances are unsecured and have no fixed term of repayments. There were no committed capital injections to and guarantees given to or for the above entities and affiliated companies.
- (2) Of this interest-bearing advance, approximately HK\$455.5 million was charged at US prime rate; approximately HK\$114.7 million was charged at lending rates of financial institutions in China; and the remaining balance was charged at HK prime rate.
- (3) Of this interest-bearing advance, approximately HK\$26.0 million was charged at HK prime rate; and approximately HK\$34.3 million was charged at lending rates of financial institutions in China.
- (4) The total amount of financial assistance provided by the Group to the affiliated companies of the Company exceeded 8 per cent of the Market Capitalisation and of the Total Assets.
- (5) Market Capitalisation means the market capitalisation of the Company as at 30th June 2004 amounting to HK\$2,328,977,978 based on the total number of 1,114,343,530 shares of the Company in issue on 30th June 2004 and average closing price of HK\$2.09 per share for the five business days immediately preceding 30th June 2004.
- (6) Total Assets means the consolidated total assets of the Group as at 30th June 2004, adjusted for the interim dividend declared on 8th September 2004.

Pro Forma Combined Balance Sheet of Affiliated Companies

In accordance with Rule 13.22 of the Listing Rules, a pro forma combined balance sheet of the Company's relevant affiliated companies as at 30th June 2004 and the Group's attributable interest therein are set out below:

	HK\$'000
Long term assets	6,029,060
Current assets	211,135
Current liabilities	(94,270)
Long term liabilities	(4,183,512)
	1,962,413
Net assets	1,962,413
	HK\$'000
Attributable interest to the Group	
Net assets	461,581
Shareholder's loans receivable	849,652
	1,311,233
	1,311,233

OTHER INFORMATION

Interests of Directors

As at 30th June 2004, 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 Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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
The Company			
Mr Chen Jiahong	Personal	210,000	0.02
Mr Du Liangying	Personal	78,000	0.01
Mr Du Xinrang	Personal	488,000	0.04
Mr He Zili	Personal	3,000,000	0.27
Mr Zhang Siyuan	Personal	580,000	0.05
GZI			
Mr Liang Ningguang	Personal	400,000	0.01
Mr Xiao Boyan	Personal	500,000	0.01
Mr Zhang Siyuan	Personal	490,000	0.01

II. Long positions in underlying shares of equity derivatives of GZI :

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options outstanding as at 1st January and 30th June 2004
Mr Ou Bingchang	02/06/2003	0.5400	9,000,000
Mr Chen Guangsong	02/06/2003	0.5400	8,000,000
Mr Liang Ningguang	02/06/2003	0.5400	7,000,000
Mr Xiao Boyan	02/06/2003	0.5400	7,000,000
Mr Liang Yi	02/06/2003	0.5400	7,000,000

Notes :

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 (inclusive of any options exercised under (i)) 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.

Save as disclosed herein, as at 30th June 2004, 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 are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

OTHER INFORMATION

Interests of Substantial Shareholders

As at 30th June 2004, the following persons have an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	Long position in shares	Approximate % of interest
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	(a)	811,862,076	72.86
GZI	(a)	750,134,000	67.98
First Dynamic Limited	(a)	750,000,000	67.97
Round Table Holdings Limited	(a)	750,000,000	67.97
GZI Transport (Holdings) Limited	(a)	750,000,000	67.97
Housemaster Holdings Limited	(a)	367,500,000	32.98
Power Head Limited	(a)	157,500,000	14.97
Delta Force Holdings Limited	(a)	112,500,000	10.84
Lawson Enterprises Limited	(a)	112,500,000	10.84
Shanghai Industrial Investment (Holdings) Company Ltd.	(b)	78,489,692	7.04

Notes :

- (a) The capacity of Yue Xiu in holding the 811,862,076 shares was, as to 5,769 shares, as beneficial owner and, as to 811,856,307 shares, attributable to interests of controlled corporations.

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 through certain subsidiaries owned about 51 per cent of the issued share capital of GZI as at 30th June 2004. Round Table Holdings Limited was wholly-owned by GZI which also directly held 134,000 shares of the Company. 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.

- (b) The capacity of Shanghai Industrial Investment (Holdings) Company Ltd. in holding the 78,489,692 shares was attributable to interests of controlled corporations.

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'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").

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 total 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 the date of approval of the 2002 Share Option Scheme. 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.

OTHER INFORMATION

The Directors consider that it is inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to shareholders.

Movements during the period of the options granted under the Share Option Scheme to the employees of the Group were as follows :

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period (c)	Weighted average closing price (d) HK\$
outstanding as at 1st January 2004	exercised during the period	outstanding as at 30th June 2004				
1,530,000	110,000	1,420,000	0.7520	07/04/2000	07/04/2001 - 06/04/2006	2.464

Notes:

- (a) No options have been granted or cancelled or lapsed during the period.
- (b) All options are exercisable in 3 tranches.
- (c) If the last day of the exercisable period is not a business day, the exercisable period will expire on the business day preceding thereof.
- (d) 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 2004. 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 2004 had been reviewed by the Audit Committee.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 24th September 2004 to Tuesday, 28th September 2004, 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 Thursday, 23rd September 2004.

By order of the Board

Ou Bingchang

Chairman

Hong Kong, 8th September 2004

Board of Directors

Executive Directors

Ou Bingchang (*Chairman*)
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

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

25th Floor
Yue Xiu Building
160 Lockhart 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

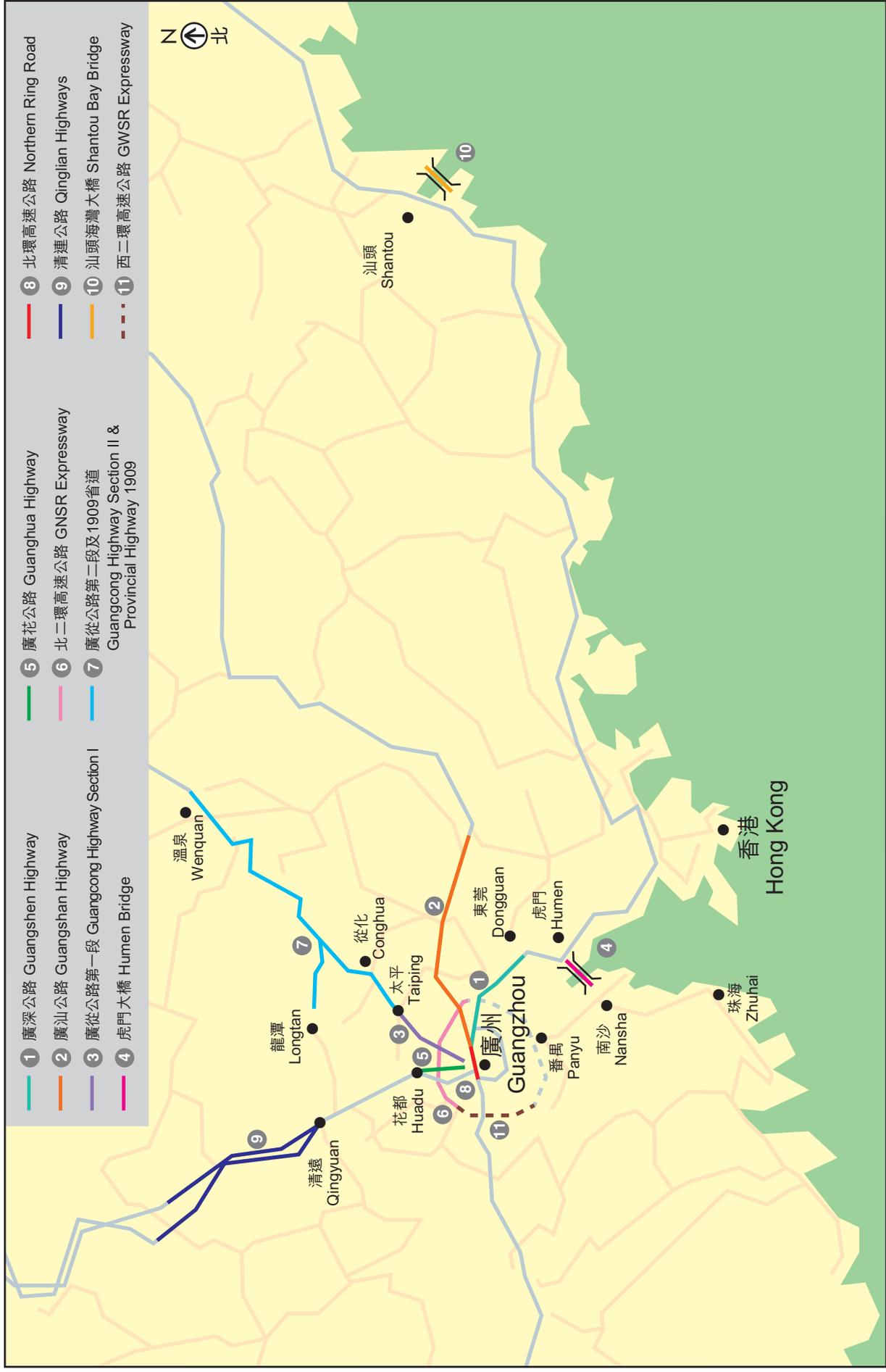
For further information about
GZI Transport Limited, please contact:
Grace Li
Telephone : (852) 2865 2205
Facsimile : (852) 2865 2126
Email : contact@gzitransport.com.hk

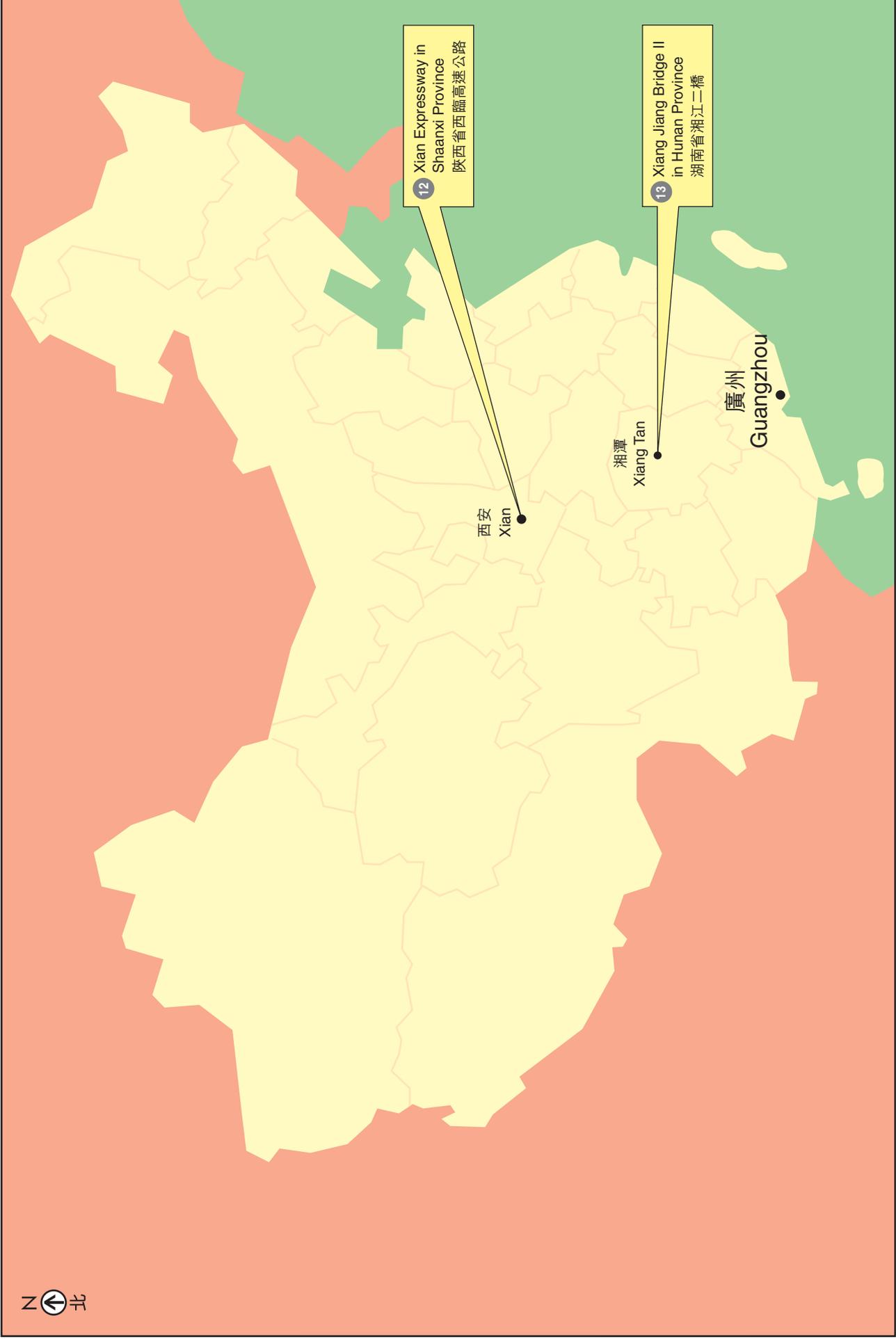
Websites to Access Company Information

<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