



Guangdong Province attained rapid and steady economic growth during the Tenth Five-Year Plan Period with an annualized GDP growth rate up to 13%. The overall competitiveness of Pearl River Delta (“PRD”) region, in particular, has been further strengthened by the full-scaled implementation of the Closer Economic Partnership Arrangements (“CEPA”). Prosperous economic activities have stimulated both passenger and cargo flow, which in turn generated enormous travelling demand. For the financial year ended 30th June, 2006, the Group’s three expressway projects in the PRD region, namely the Guangzhou-Shenzhen Superhighway (“GS Superhighway”), the Guangzhou East-South-West Ring Road (“ESW Ring Road”) and the Phase I of the Western Delta Route (“Phase I West”) all demonstrated continued steady growth in traffic and toll revenue. Compared to the last financial year, the aggregate average daily traffic and daily toll revenue have increased 22% to

377,000 vehicles and 10% to RMB10,290,000 respectively. The annual aggregate toll revenue amounted to RMB3,755 million.

As driven by the increasing domestic demand and economic globalisation, regional economies are accelerating their pace of integration. Inter-regional trading activities and co-operations are growing remarkably. Being the essential gateway to other provinces in China, the PRD region benefited particularly from the implementation of CEPA and the establishment of the Pan-PRD Economic Zone. Its logistics industry is growing in its full gear. Economic development has also contributed to urbanization in the PRD region, where the number of established cities and towns, population density, household income and automobile ownership rate are ranked in the top tier of the whole country. The improved living standards have boosted up the travelling demand.



The annualized target GDP growth rate of Guangdong Province has been set at 9% in the Eleventh Five-Year Plan Period. The Group's strategic holdings in the PRD core expressway network as an advantage will become more prominent. It is expected that the traffic and toll revenue of these three expressways will continue to grow steadily.

The construction of the Phase II of the Western Delta Route, which connects to the Phase I West, commenced in December 2005, while the preliminary preparation works for the Phase III of the Western Delta Route are underway. As the expressway network in the PRD region has been expanding, it will be advantageous to the Group's expressway development.

Benefiting from Renminbi appreciation under the PRC's new Renminbi exchange rate regime since late July 2005, the GS Superhighway joint venture company



has recorded an exchange gain on retranslation of the United States dollar bank loans. On the other hand, compared to half-year effect of the last financial year, this financial year was the first full year in which the GS Superhighway joint venture company needed to pay 7.5% PRC income tax on its profit after the expiry of the tax exemption period in December 2004.