



越秀交通有限公司
GZI Transport Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 1052)

Announcement of 2007 Results

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of GZI Transport Limited (“Company”) and its subsidiaries (collectively, “Group”) for the year (“Reporting Year”) ended 31 December 2007. Both the full-year toll revenue and profit attributable to equity holders of the Company for the Reporting Year reached historic highs since the Company’s listing in 1997, thereby realizing the objective of continuously enhancing shareholder return.

RESULTS AND DIVIDEND

In 2007, the Group recorded a full-year toll revenue of HK\$871,000,000, representing a substantial increase of 94.1 per cent over 2006. The increase was mainly attributable to the toll revenue of Guangzhou Northern Second Ring Expressway Co., Ltd. (“GNSR Expressway Co.”) being 100.0 per cent consolidated into the Group’s accounts since April 2007 after the Group’s equity interest in GNSR Expressway Co. increased to 60.0 per cent. Profit attributable to equity holders of the Company amounted to HK\$581,000,000, representing a 26.0 per cent increase over 2006. Basic earnings per share were HK\$0.444 (2006: HK\$0.413). The Board recommended the distribution of a final dividend of HK\$0.0775 (2006: HK\$0.07) per share, which when aggregated with the paid interim dividend of HK\$0.0575 (2006: HK\$0.065) per share represented a dividend payout ratio of 38.9 per cent (2006: 32.7 per cent) in the year.

REVIEW AND PROSPECTS

Business Review and Progress

During 2007, the Group’s operation witnessed a series of favorable factors, with several major indices closely related to toll road traffic volume in the respective locations of each toll road projects such as Gross Domestic Product (“GDP”), cargo and passenger turnovers by means of toll road transportation and car ownership of residents reported rapid growth. Overall, the traffic volumes and toll revenues of the Group’s expressways and bridges continued to report satisfactory growth in 2007.

With the continuous rise in spending power in recent years and the gradual formation of a growing network of arterial expressways in Guangzhou, road users showed strong preferences for the more convenient and connected routes and the trend of rapid growth of traffic volumes for expressways with a reversing trend for Class I and Class II highways became even more apparent. In 2007, the average daily traffic volumes and toll revenues of the Group's expressways recorded continual rapid growth. In contrast, both the average daily traffic volumes and toll revenues for the Group's Class I and Class II highway projects decreased significantly as compared to 2006.

In light, the Group has been striving to increase the weight of its investments in expressways. The Group completed its acquisition of an additional 20.0 per cent interest in GNSR Expressway Co. in April 2007, thereby increasing the attributable mileage of toll roads and bridges of the Group from 315.4 km as at the end of 2006 to 323.9 km. As well, taking advantage of SDIC Communications Co., one of the existing shareholders of Guangdong Humen Bridge Co., Ltd. ("Humen Bridge Co."), divesting its 10.0 per cent equity interest in Humen Bridge Co., the Group exercised its pre-emption right to acquire an additional 2.78 per cent interest on a pro-rata basis for the consideration of RMB194.6 million. The acquisition was completed in late January 2008, and the Group's equity interest in Humen Bridge Co. has increased to 27.78 per cent.

The 2007 average daily toll traffic volume of Guangzhou Northern Second Ring Expressway ("GNSR Expressway") reported an encouraging 21.8 per cent increase over 2006, which is 6.5% higher than the optimistic growth estimate on daily traffic volume (excluding free vehicles) forecasted by the independent traffic consultants as disclosed in the Company's circular dated 18 December 2006. In the meantime, the completion and gradual commencement of operation of Linan Logistics Center in Taihe Town near GNSR Expressway by the end of 2007 will help attract more classes 4 and 5 vehicles to travel through GNSR Expressway, and future toll revenue and traffic volume are expected to maintain stable growth.

Riding on the continued economic growth in the Pearl River Delta region ("PRD"), the traffic volume and toll revenue of Guangdong Humen Bridge ("Humen Bridge") have been increasing steadily since its commencement. In addition, benefiting from the closure of southbound traffic of the Dongguan section of Guangshen Expressway for maintenance since the first half of 2007, the toll revenue and profit attributable to the Group are expected to increase accordingly.

Moreover, the linkage of Guangzhou Western Second Ring Expressway ("GWSR Expressway") to GNSR Expressway is creating complementary synergies. On 1 September 2007, the ramp of GWSR Expressway's Xiaotang Viaduct in the direction of Sanshui to GWSR Expressway officially opened to traffic and in December 2007,

the southern section of GWSR Expressway has also commenced operation; after which vehicles from Western Guangdong may travel to the Baiyun Airport direct via Fokai Expressway (佛開高速) and Guangsan Expressway (廣三高速) or to Northern and Eastern Guangdong via GWSR Expressway. All these favourable factors will stimulate toll traffic volume of GWSR Expressway to grow further. It is expected that GWSR Expressway is likely to become a new source of profit growth for the Group in the foreseeable future.

Qinglian Class 1 Highway was fully closed from 6 August 2007 onwards for the reconstruction into an expressway, and the reconstruction project is expected to finish within 2008. After reconstruction to an expressway, Qinglian Class I Highway will be one of the arterial expressways of the “Sixth Vertical Line” under Guangdong Province’s expressway planning. Upon its opening, the trip from Qingyuan to Lianzhou will be shortened from more than 4.0 hours to approximately 2.0 hours. Besides, the route of Qinglian Expressway is shorter than Jingzhu Expressway by approximately 40.0 km. More important, the lower altitude of Qinglian Expressway means there would be no frozen or foggy areas on route. All these make Qinglian Expressway a safer and more convenient route to travel to Hunan. It is believed that Qinglian Expressway will generate impressive investment returns for the Group in future.

In order to timely capitalize on the business opportunities afforded by the prospering PRC economy in 2007, the Company took advantage of the capital market boom and completed an open offer, issuing 557,720,765 new shares of the Company at an offer price of HK\$3.93 each, and raised approximately HK\$2.19 billion (before expenses) at the end of August 2007. The Company has since been striving to identify expressways and projects with satisfactory investment returns and will make timely disclosures in accordance with the provisions of the Listing Rules once the negotiations came to fruition.

Operating Strategies and Prospects

While applicable law improved and matured over time and in line with the rapid growth of the booming PRC economy, the investment, construction and management of toll roads in PRC became more regulated, transparent and market oriented. As a result, competition became increasingly keen with rising costs and increasing difficulties in the acquisition of new or operating toll road projects.

Nevertheless, the Group will adequately leverage its advantages to engage in market competition with a proactive and pragmatic strategy to capture favourable development opportunities. The PRC emphasizes the priority of developing transportation and expressway construction projects in the “11th Five-year Plan” (the “Plan”), of which Guangdong Province is expected to construct approximately 2,773 km of new expressways by 2010 in order to develop an even more sophisticated transportation network for Guangzhou and its satellite cities. This is particularly

favorable to the Group. In the near future, the 16th Asian Games will be hosted by Guangzhou in 2010. The Guangzhou Municipal Government is planning to complete approximately 229.6 km of urban rail transportation lines and approximately 6,680 km of urban roads during the period of the Plan, is striving to enhance the traffic capacity of the city in a comprehensive manner and is escalating its efforts on network construction and accelerating the implementation of the Bus Rapid Transit (“BRT”) system so as to welcome the 2010 Asian Games with a fast and efficient modern transportation system.

With the strong basic fundamentals of the PRC economy, coupled with the fact that Guangzhou serves as the economic center of the nine provinces in the Pan PRD in Southern China and is the southern gateway to China, the Group is confident that the Pan PRD and Guangzhou in the future will provide abundant opportunities in new expressway and road construction projects, which signify ample room for development for the Company.

The Group will take full advantage of the proceeds from the open offer and will strive to seeking and investing in quality toll expressway projects which will generate substantial returns. Guangdong Province has been and will remain in the forefront of the Company’s agenda. However, the Group will also leverage on the know-how accumulated in the successful venture in Xian Expressway, Shaanxi Province to fully consider new and operating expressways in tourist hotspots or other fast emerging regions in PRC with satisfactory returns potentials to enhance the ratio of expressways and portfolio mix of the Group so as to further strengthen and consolidate the core competitiveness and sustained development capability of the Group’s principal operations. Meanwhile, the Group will continue to strengthen the supervision and management of its existing operating projects, improving and raising the service quality of tolling services, as well as exploiting the growth potential of existing toll road projects to achieve enhancement in operating efficiency.

APPRECIATION

In the past year, the directors, senior management and the entire staff exemplified their team spirit with dedicated, diligent and excellent performance in their work, leading to another year of satisfactory results for the Group. On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to everyone. Finally, I would like to express my gratitude to all shareholders, our friends from the banking and commercial sectors, and our business partners for their consistent support and confidence in the Company. The Group will continue to strive for development in the future, so as to maintain a stable and solid growth of the Company.

Ou Bingchang

Chairman

Hong Kong, 8 April 2008

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	2	870,778	448,531
Other income	3	898	723
Other gains - net	4	39,204	27,814
Amortisation/depreciation of interests in toll highways and bridges		(235,299)	(111,623)
Toll highways and bridges operating expenses		(136,067)	(91,453)
General and administrative expenses		(78,836)	(58,110)
Business tax		(32,907)	(20,081)
Impairment losses on available-for-sale financial assets		—	(10,982)
Impairment losses on goodwill		<u>(3,671)</u>	<u>—</u>
Operating profit		424,100	184,819
Finance costs - net	6	(34,289)	(8,762)
Interest income on loans to associates		20,369	31,080
Share of profits less losses of associates		314,226	241,254
Share of profits less losses of jointly controlled entities		<u>(12,182)</u>	<u>75,213</u>
Profit before income tax expense		712,224	523,604
Income tax expense	7	<u>(47,730)</u>	<u>(35,692)</u>
Profit for the year		<u>664,494</u>	<u>487,912</u>
Attributable to:			
Equity holders of the Company		580,981	461,157
Minority interests		<u>83,513</u>	<u>26,755</u>
		<u>664,494</u>	<u>487,912</u>
Earnings per share for profit attributable to the equity holders of the Company for the year			
- Basic	8	<u>HK 44.4 cents</u>	<u>HK 41.3 cents</u>
- Diluted	8	<u>HK 44.4 cents</u>	<u>HK 41.3 cents</u>
Dividends	9	<u>225,877</u>	<u>150,585</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Interests in toll highways and bridges		6,795,284	1,943,682
Leasehold land		683	700
Property, plant and equipment		34,854	26,662
Investment properties		9,550	8,650
Investments in jointly controlled entities		227,873	671,170
Investments in associates		1,755,521	1,745,816
Deferred income tax assets		127	312
Available-for-sale financial assets		114,285	46,271
Other non-current asset		17,375	132,580
Goodwill		<u>119,186</u>	<u>—</u>
		<u>9,074,738</u>	<u>4,575,843</u>
Current assets			
Asset held for sale		—	15,000
Trade receivables	10	11,365	4,016
Other receivables, deposits and prepayments		7,822	12,662
Cash and cash equivalents		<u>2,293,016</u>	<u>339,714</u>
		<u>2,312,203</u>	<u>371,392</u>
Total assets		<u><u>11,386,941</u></u>	<u><u>4,947,235</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		167,316	111,544
Reserves		<u>7,613,939</u>	<u>4,074,445</u>
		7,781,255	4,185,989
Minority interests		<u>1,502,450</u>	<u>235,146</u>
Total equity		<u>9,283,705</u>	<u>4,421,135</u>

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		1,002,655	449,739
Deferred income tax liabilities		<u>680,746</u>	<u>5,484</u>
		<u>1,683,401</u>	<u>455,223</u>
Current liabilities			
Amounts due to a minority shareholder of subsidiaries		2,873	1,196
Amounts due to holding companies		3,269	4,025
Trade payables and accrued charges		141,524	56,059
Current income tax liabilities		6,974	9,597
Borrowings		<u>265,195</u>	<u>—</u>
		<u>419,835</u>	<u>70,877</u>
Total liabilities		<u>2,103,236</u>	<u>526,100</u>
Total equity and liabilities		<u>11,386,941</u>	<u>4,947,235</u>
Net current assets		<u>1,892,368</u>	<u>300,515</u>
Total assets less current liabilities		<u>10,967,106</u>	<u>4,876,358</u>

NOTES:

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The following standard, amendment and interpretations are mandatory for the financial year ended 31 December 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment

Except for HKAS 1 (Amendment) and HKFRS 7, the adoption of the above interpretations do not have material impact to the Group’s principal accounting policies or presentation of financial statements.

According to HKAS 1 (Amendment), an entity shall disclose information that enable users of the financial statements to evaluate the entity’s objective, policies and processes for managing capital, including (a) qualitative information about its objectives, policies and processes for managing capital; (b) summary qualitative data about what it manages as capital; (c) any changes on (a) and (b) from the previous period; (d) whether during the period it complied with any externally imposed capital requirements to which it is subject; and (e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

The HKFRS 7 requires disclosure of (a) the significance of financial instruments for an entity’s financial position and performance; and (b) qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management’s objective, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risks including sensitivity analysis to market risk, based on information provided internally to the entity’s key management personnel.

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

		Effective for accounting periods beginning on or after
HKAS 1 (revised)	Presentation of Financial Statements	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Amendment)	Borrowing Costs	1 January 2009
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC)-Int 13	Custom Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Group has already commenced an assessment of related impact of adopting the above new standard, amendment to standard and interpretations to the Group.

Management anticipates that the adoption of HK(IFRIC)-Int 12 for the year ending 31 December 2008 will result in accounting of the Group's toll infrastructures as intangible assets instead of tangible assets retrospectively. Management is in the process of assessing the related financial impact on the Group's financial statements.

For the remaining standard, amendments to standards and interpretations, the Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2 Revenue

The Group is principally engaged in the operation and management of toll highways and bridges in China. Revenue recognised is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Toll revenue	<u>870,778</u>	<u>448,531</u>

No analysis of the Group's revenue and contribution to operating profit by activity and geographic area is presented as they were principally derived from the operations of the Group's toll projects in China.

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

3 **Other income**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Advertising income	507	475
Rental income	<u>391</u>	<u>248</u>
	<u>898</u>	<u>723</u>

4 **Other gains — net**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Fair value gains on investment properties	900	440
Net foreign exchange gains	36,731	27,147
Others	<u>1,573</u>	<u>227</u>
	<u>39,204</u>	<u>27,814</u>

5 **Expenses by nature**

Expenses included in toll highways and bridges operating expenses and general and administrative expenses are analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Amortisation of prepaid operating lease payments	17	18
Auditor's remuneration	1,530	1,200
Depreciation of property, plant and equipment	3,873	2,480
Operating expenses of toll highways and bridges	34,738	23,290
Outgoings in respect of investment properties	3	29
Maintenance expenses of toll highways and bridges	61,159	41,005
Staff costs	89,112	62,300
Sundries	<u>24,471</u>	<u>19,241</u>
	<u>214,903</u>	<u>149,563</u>

6 Finance income and costs

	2007 HK\$'000	2006 HK\$'000
Interest expenses:		
- Bank borrowings	60,138	2,334
- Loans from minority shareholders of subsidiaries	16,627	15,620
Fair value adjustment on loans from minority shareholders of subsidiaries	<u>(14,615)</u>	<u>—</u>
Finance costs	62,150	17,954
Bank interest income	<u>(27,861)</u>	<u>(9,192)</u>
Net finance costs	<u>34,289</u>	<u>8,762</u>

7 Income tax expense

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

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The New CIT Law also provides certain grandfathering provisions and concessions as set out below.

Gradual changes of applicable tax rate

Under the New CIT Law, the Group's principal income tax rate of 18% will be gradually accelerated to the higher tax rate of 25% in a period of 5 years starting from 1 January 2008. The deferred tax liabilities attributable to the Group's subsidiaries, associates and jointly controlled entity in China as at 31 December 2007 have been provided based on the grandfathering provisions.

Unused tax holidays

Under the Old China Tax Law, certain of the Group's subsidiaries, associates and 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% reduction in income tax for the next three to five years. The new CIT Law allows unused tax holidays to be carried forward to 2008 and beyond until their expiration. However, if the entity has not yet commenced its tax holiday due to loss position, the tax holiday is deemed to commence from 1 January 2008. A jointly controlled entity of the Group which reported tax losses prior to 31 December 2007 will commence the tax holiday on 1 January 2008. This change does not impact the Group's financial statements for the year ended 31 December 2007.

Corporate withholding income tax on dividend distribution

Under the New CIT Law, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 will be subject to corporate withholding income tax at tax rates ranging from 5% to 10%. This change does not impact the Group's financial statements for the year ended 31 December 2007.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
China enterprise income tax		
Current income tax	36,846	36,088
Deferred income tax	<u>10,884</u>	<u>(396)</u>
	<u>47,730</u>	<u>35,692</u>

The tax on the Group's profit before income tax less share of results of associates and jointly controlled entities differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before income tax less share of results of associates and jointly controlled entities	<u>410,180</u>	<u>207,137</u>
Calculated at a tax rate of 18% (2006: 18%)	73,832	37,285
Income not subject to tax	(6,307)	(15,698)
Expenses not deductible for tax purposes	2,328	15,350
Effect of different tax rates	(1,877)	(1,245)
Profit of a subsidiary under tax holiday	<u>(20,246)</u>	<u>—</u>
Tax charge	<u>47,730</u>	<u>35,692</u>

8 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>580,981</u>	<u>461,157</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,307,970</u>	<u>1,115,442</u>
Basic earnings per share (HK cents)	<u>44.4</u>	<u>41.3</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares at the beginning of the year. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>580,981</u>	<u>461,157</u>
Weighted average number of ordinary shares in issue ('000)	1,307,970	1,115,442
Adjustments for share options ('000)	<u>—</u>	<u>47</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,307,970</u>	<u>1,115,489</u>
Diluted earnings per share (HK cents)	<u>44.4</u>	<u>41.3</u>

9 **Dividends**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim, paid, of HK\$0.0575 (2006: HK\$0.065) per share	96,207	72,504
Final, proposed, of HK\$0.0775 (2006: HK\$0.07) per share	<u>129,670</u>	<u>78,081</u>
	<u>225,877</u>	<u>150,585</u>

At a meeting held on 8 April 2008, the Directors proposed a final dividend of HK\$0.0775 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but is reflected as an appropriation of retained profits for the year ending 31 December 2008.

10 **Trade and other receivables, deposits and prepayments**

Trade receivables are aged below 30 days and denominated in Renminbi.

As at 31 December 2006 and 2007, no trade receivables are past due or impaired and no provision for impairment loss has been made for trade receivables.

Trade and other receivables, deposits and prepayments approximate their fair values.

11 Post balance sheet event

On 3 January 2008, the Group entered into an agreement (the “agreement”) with SDIC Communications Co. to acquire an additional 2.78% equity interest in an associate, Guangdong Humen Bridge Co., Ltd., for a consideration of RMB194,600,000. A deposit of HK\$17,375,000 (equivalent to approximately RMB16,680,000) was paid on 28 September 2007. The acquisition was completed in late January 2008, which is financed by internal funds.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Toll Projects Summary

The Group is principally engaged in investment, operation and management of toll expressways, national highways and bridges mainly located in Guangzhou area. The Group’s major projects include Guangzhou City Northern Ring Road (“Northern Ring Road”), GNSR Expressway, GWSR Expressway, Humen Bridge and Shantou Bay Bridge, Guangshen Highway Guangzhou section which connects Guangzhou City to Shenzhen City; all of which are located within Guangdong Province; and toll projects passing through Guangdong, Hunan and Jiangxi provinces such as Guangshan Highway along NH324 Guangzhou section, Guangcong Highway Sections I and II along NH105 Guangzhou section, Guanghua Highway and Qinglian Highways along NH107 Qingyuan to Lingzhou section, as well as Xian to Lintong Expressway in Shaanxi Province and Xiang Jiang Bridge II in Xiangtan City of Hunan Province.

In March 2007, the Group completed the acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co. from Guangzhou Development Infrastructure Investments Co., Ltd., transforming GNSR Expressway Co. from a jointly controlled entity into a subsidiary of the Group. Following the increase in equity interest in GNSR Expressway Co. to 60.0 per cent, the Group’s attributable length of toll roads and bridges increased from 315.4 km at the end of 2006 to 323.9 km as at 31 December 2007.

Overview of Operating Performance

In year 2007, owing to the continuously sound, stable but rapid economic development in Guangdong Province and Guangzhou, the maturing expressway network and rising vehicle ownership all of which formed the essential factors to the continual satisfactory growth in traffic volume and toll revenue recorded by the

Group's expressways and bridges. According to the statistics of GDSTATS.GOV.CN and GZSTATS.GOV.CN as at 31 December 2007, the GDP of Guangdong Province and Guangzhou both grew by 14.5 per cent over 2006 to approximately RMB 3,067.4 billion and approximately RMB705.1 billion respectively. The per capita personal income of Guangzhou's urban residents in 2007 rose 13.2 per cent to RMB22,469.2 as compared to 2006 coupled with the capital market gains, continue to push up domestic consumption level. Strong domestic demand stimulates sustainable economic growth such that in August 2007, total car ownership in Guangzhou already broke 1.0 million units mark with car ownership rate per 100 Guangzhou residents increased 30.0 per cent over 2006 to 13.0 units as at the end of 2007. In 2007, Guangzhou's cargo and passenger turnover by means of toll road transportation grew approximately 17.7 per cent and 18.0 per cent respectively over 2006, thus, posting huge demand for traffic infrastructures networks within Guangdong Province, Guangzhou and vicinity areas as well as promoting good and steady expansion and consequently bringing forth favorable opportunities and sound development conditions for the Group's expressways and bridges.

In 2007, average daily toll traffic volume and average daily toll revenue of the Group's expressways and bridges continue to rise mainly because of the growing, and maturing expressway networks. For the same reason, Class I and II highways' traffic volume demonstrated a natural decline trend and it is estimated that the reduction may be in the region of 5.0 per cent per annum. In view of the lagging performance of Class I and II highways over the past years, the Group has been planning vigorously and pragmatically to increase the composite ratio of expressway projects in its portfolio, to further enhance and solidify the Group's income source and earning capability. The acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co. at the end of March 2007 is the first step in the direction. Then on 27 September 2007, the Group exercised its pre-emption right to acquire from SDIC Communications Co. a 2.78 per cent equity interest in Humen Bridge Co. The acquisition was completed in January 2008, after which the Group's equity interest in Humen Bridge Co. has increased from 25.0 per cent to 27.78 per cent. On the whole, the Group's toll traffic volume and toll revenue growth in 2007 generally remained stable.

Toll summary of toll roads and bridges
Year ended 31 December 2007

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll fare per vehicle	
	<i>vehicle/day</i>	<i>Change %</i>	<i>RMB/day</i>	<i>Change %</i>	<i>RMB</i>	<i>Change %</i>
Subsidiaries						
Guangshen Highway	19,458	-22.9	123,383	-19.6	6.3	3.3
Guangshan Highway	22,613	1.3	211,761	-4.3	9.4	-5.1
Guangcong Highway						
Section I	11,910	-1.0	138,524	-4.0	11.6	-3.3
Guangcong Highway						
Section II & Provincial						
Highway 1909	18,779	-14.4	136,070	-16.5	7.3	-1.4
Guanghua Highway	10,673	-0.7	92,131	3.3	8.6	3.6
GNSR Expressway ⁽¹⁾	68,514	21.8	1,253,749	28.8	18.3	5.8
Xian Expressway	37,366	11.9	490,155	20.9	13.1	8.3
Xiang Jiang Bridge II	5,661	15.6	61,560	17.8	10.9	1.9
Total	<u>194,974</u>	4.4	<u>2,507,333</u>	13.8		
Associates and Jointly Controlled Entity						
Humens Bridge	61,863	22.2	2,766,283	22.4	44.7	—
Northern Ring Road	164,006	6.7	1,803,170	1.9	11.0	-4.3
Qinglian Highways	14,635	-10.2	244,812	-24.0	16.7	-15.2
Shantou Bay Bridge	11,346	10.6	439,485	12.1	38.7	1.3
GWSR Expressway ⁽²⁾	5,914	N/A	176,994	N/A	29.9	N/A
Total	<u>257,764</u>	11.6	<u>5,430,744</u>	14.5		

(1) GNSR Expressway changed from jointly controlled entity to subsidiary by end of March 2007.

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

Performance of Expressways and Bridges

GNSR Expressway

GNSR Expressway is linked to Guangshen Expressway, Guangqing Expressway, Jingzhu Expressway and Guanghui Expressway. The opening of GWSR Expressway boosted traffic coming from Eastern and Western Guangdong to drive through GNSR Expressway, thus, creating stronger synergy effect. The acquisition of an additional

20.0 per cent equity interest in GNSR Expressway Co. has increased the equity interest held by the Group from 40.0 per cent to 60.0 per cent. The average daily toll traffic volume in 2007 was 68,514 vehicles which grew satisfactorily by 21.8 per cent over 2006 and even surpassed the optimistic scenario (excluding non-toll traffic) projected by the independent traffic consultant as disclosed in the Company's circular dated 18 December 2006 by 6.5 per cent. Weighted average toll fare per vehicle in 2007 rose by 5.8 per cent to RMB18.3 as compared with 2006.

Xian Expressway in Shaanxi Province ("Xian Expressway")

Xian Expressway leads to one of the world's famous international tourist attractions, the Terra-Cotta Warriors in Xian. Xian's sustainable blooming commercial and tourism activities has brought forth Xian Expressway's natural traffic growth. The redevelopment works of the neighboring Huaqing Expressway and Xian Eastern Third Ring Road which have been in progress for two consecutive years since 2006 resulting in sectional closures of those expressways have provided Xian Expressway a relatively stable traffic flow. Average daily toll traffic volume in 2007 continued to record healthy growth with a 11.9 per cent rise from 2006 to 37,366 vehicles. Weighted average toll fare per vehicle amounted to RMB13.1 which was 8.3 per cent higher than 2006. Coping with the rapid economic development in the Western Regions in PRC, traffic flow of Xian Expressway began to rise to saturation level. In view of the traffic saturation and the remaining operating period of 8 years, the Group is considering various proposals to upgrade the expressway including reconstruction of Xian Expressway into an eight-lane, dual direction expressway subject to the grant of an extension of the concession period by the applicable regulatory authorities on such conditions as may be negotiated.

Northern Ring Road

Owing to the rapid economic growth in the PRD and the further enhancement of expressway network bringing forth natural traffic growth, average daily toll traffic volume in 2007 increased by 6.7 per cent to 164,006 vehicles as compared to 2006. Weighted average toll fare per vehicle was 4.3 per cent lower than same period in 2006 to RMB11.0.

Humen Bridge

Owing to the sustainable economic growth in the PRD, further improvement of expressway network and rapid growth in vehicle ownership, traffic flow of Humen Bridge continued to maintain a steady growth. The average daily toll traffic volume in 2007 increased to 61,863 vehicles, up by 22.2 per cent over 2006. Weighted average toll fare per vehicle was similar to 2006 of RMB44.7.

In light of the stable traffic and revenue growth momentum demonstrated by Humen Bridge since its commencement in May 1997 and with regards to the Group's current effort of increasing the composite ratio of toll expressway in its investment portfolio, on 27 September 2007, the Group through exercising its pre-emption right, entered into an Equity Transfer Agreement with SDIC Communications Co. to acquire 2.78 per cent equity interest in Humen Bridge Co. at consideration of RMB194.6 million. On 28 September 2007, the Group paid a deposit of HK\$17.375 million (equivalent to approximately RMB16.68 million) with remaining balance fully paid on 21 January 2008 out from internal funds. Relevant registrations related to the equity transfer were completed in January 2008. On completion of the acquisition, the equity interest of the Group in Humen Bridge Co. has increased from 25.0 per cent to 27.78 per cent.

Shantou Bay Bridge

The flourishing businesses and trading activities in Shantou City pushed its cargo and passenger turnover to grow continuously and has led to sustainable natural growth for Shantou Bay Bridge. The average daily toll traffic volume in 2007 increased by 10.6 per cent over 2006 to 11,346 vehicles. Weighted average toll fare per vehicle amounted to RMB38.7, up by 1.3 per cent over 2006.

GWSR Expressway

GWSR Expressway is interconnected with GNSR Expressway, Guangsan Expressway, Guanghua Expressway, Jingzhu Expressway and Guangzhou Airport Expressway. The opening of GWSR Expressway on 19 December 2006 further enhanced the expressway networking impact. Average daily toll traffic volume in 2007 was 5,914 vehicles, weighted average toll fare per vehicle amounted to RMB29.9. Since GWSR Expressway is still at its initial operating stage; as expected, operating performance would still beyond its normal level. It is anticipated that upon opening of GWSR Expressway's Xiaotang Viaduct going to the direction of Sansui — GWSR Expressway interchange on 1 September 2007, toll traffic volume could be driven up further.

Performance of Class I and II Highways and Bridges

Guangshen Highway Guangzhou Section (“Guangshen Highway”)

Guangshen Highway's diversion has been affected by the opening of Guangyuan East Road which was charging a lower toll fare. In 2007, average daily toll traffic volume declined by 22.9 per cent to 19,458 vehicles as compared to 2006. Weighted average toll fare per vehicle amounted to RMB6.3, up by 3.3 per cent compared to 2006.

Guangshan Highway Guangzhou Section (“Guangshan Highway”)

Despite the continual traffic diversion affecting Guangshan Highway brought about by the toll free roads in the vicinity, the rising per capita personal income of residents in Zengcheng has led to increasing numbers of private car users driving up the class 2 traffic volume thereby offsetting the negative effect of the aforementioned traffic diversion. The average daily toll traffic volume in 2007 was 22,613 vehicles, up by 1.3 per cent over 2006. Due to certain expansion works nearby in the second half of 2007, a majority of class 4 and class 5 vehicles diverted to GNSR Expressway, Guanghui Expressway and Huanan Expressway. As a result, weighted average toll fare per vehicle in 2007 decreased by 5.1 per cent to RMB9.4 as compared to 2006.

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

Due to adverse effect from improving expressway network, average daily toll traffic volume in 2007 dropped by 1.0 per cent to 11,910 vehicles as compared to 2006. Guangcong Highway Section I is within the “green channel” zone and a substantial number of the vehicles traveling Guangcong Highway Section I falls within the toll fare exemption class, causing continual decline in toll revenue. Weighted average toll fare per vehicle in 2007 amounted to RMB11.6 which was 3.3 per cent lower than 2006.

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

Guangcong Highway Section II and Provincial Highway 1909 continued to suffer from the adverse effect from improving expressway network, with a diversion to expressways. The opening of Jiebei Expressway on 1 February 2007 has significantly weakened the toll traffic volume of Guangcong Highway Section II with average daily toll traffic volume in 2007 dropped by 14.4 per cent over 2006 to 18,779 vehicles. Weighted average toll fare per vehicle in 2007 decreased by 1.4 per cent to RMB7.3 as compared to 2006.

Guanghua Highway

Also affected by the improving expressway network around urban districts in Guangzhou and Huadu District, the average daily toll traffic volume slightly dropped by 0.7 per cent to 10,673 vehicles as compared to 2006. Effective January 2007, motor vehicles were banned within urban Guangzhou, causing toll traffic volume under motor vehicle class to decline substantially. On the other hand, with the newly established factories and logistic companies along Guanghua Highway that has captured more classes 3 to 5 vehicles; weighted average toll fare per vehicle in 2007 increased by 3.6 per cent to RMB8.6 as compared to 2006.

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

The continuous economic growth in Hunan Province helped promote natural traffic growth leading to average daily toll traffic volume in 2007 increased by 15.6 per cent to 5,661 vehicles as compared to 2006. Weighted average toll fare per vehicle amounted to RMB10.9, up by 1.9 per cent over 2006.

Qinglian Highways

Commencing 6 August 2007, the Class I highway of Qinglian Highways is entirely closed down for the conversion into an expressway. Vehicles originally traveling Class I highway of Qinglian Highways diverted to its lower fared Class II highway causing substantial drop in average daily toll traffic volume and average daily toll revenue. The overall average daily toll traffic volume of Qinglian Highways in 2007 was 14,635 vehicles, down by 10.2 per cent as compared to 2006. Weighted average toll fare per vehicle in 2007 declined by 15.2 per cent to RMB16.7 as compared to 2006. Redevelopment work to upgrade Qinglian Class I Highway to an expressway is expected to be completed by 2008. The new Qinglian Expressway will be more competitive and will bring higher return to the Group.

FINANCIAL REVIEW

Operating Results Key Figures

	2007	2006	Increase/ decrease
	HK\$'000	HK\$'000	(%)
Profit attributable to equity holders of the Company	580,981	461,157	26.0
Revenue	870,778	448,531	94.1
Operating profit	424,100	184,819	129.5
Finance costs - net	34,289	8,762	291.3
Net contributions from associates	334,595	272,334	22.9
Net contributions from jointly controlled entities	-12,182	75,213	-116.2
Income tax	47,730	35,692	33.7
Interest coverage	16 times	275 times	
Dividends	225,877	150,585	

Analysis of Operating Results

Upon completion of the additional acquisition of 20.0 per cent equity interests in GNSR Expressway Co. (formerly a jointly controlled entity) at the end of March 2007, GNSR Expressway Co. became a subsidiary of the Group. Consequently, the profit and loss structure was entirely modified as the operating results of GNSR Expressway Co. since the second quarter of 2007 were consolidated to the Group instead of being equity accounted for in the first quarter of 2007 when GNSR Expressway Co. was still a jointly controlled entity. As GNSR Expressway has achieved an impressive growth in the first half of 2007, the momentum continued to carry over to the second half of 2007 with both traffic volume and revenue performing better than projection. Moreover, performance of a majority of toll projects in the Group's portfolio also met expectation in 2007. Owing to the aforementioned factors, the Group net up an increment of 26.0 per cent record high profit of HK\$580.98 million in 2007. The Group's revenue and operating profit soared 94.1 per cent and 129.5 per cent to HK\$870.8 million and HK\$424.1 million respectively. Net contribution from associates increased 22.9 per cent to HK\$334.6 million. One of the Group's jointly controlled entities, Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR Expressway Co.") recorded an attributable loss of HK\$33.77 million in its maiden operation while profit shared from GNSR Expressway Co. when it was still a jointly controlled entity in the first quarter of 2007 amounted to HK\$21.6 million, resulting in a net negative contribution from jointly controlled entities of HK\$12.2 million, a 116.2 per cent drop from 2006 positive contribution of HK\$75.2 million.

On 28 August 2007, the Group issued 557,720,765 new shares under an open offer which enlarged the Group's issued and fully paid share capital base sharply by 50.0 per cent. A dilution effect was created such that while profit attributable to equity holders of the Company in absolute value was up by 26.0 per cent, the per share earnings rose by just 7.5 per cent to HK44.4 cents. Following the enlargement of capital and reserves attributable to equity holders of the Company from acquisition of additional equity interest in GNSR Expressway Co. and the open offer, return to equity holders of the Company was reduced from 11.0 per cent to 7.5 per cent.

Revenue

The Group reported revenue of HK\$870.8 million in 2007, a surge of 94.1 per cent compared with 2006. The significant growth in revenue was derived from GNSR Expressway Co., with HK\$382.1 million being 100.0 per cent consolidated to the Group after it was changed from a jointly controlled entity to a subsidiary since second quarter of 2007. Contributing to the 2007 revenue growth also included Xian Expressway of 29.1 per cent, Xiang Jiang Bridge II of 25.8 per cent and Guanghua Highway of 10.3 per cent.

Operating profit

The Group's 2007 operating profit soared by 129.5 per cent to HK\$424.1 million of which HK\$206.9 million was derived from GNSR Expressway Co. being 100.0 per cent consolidated to the Group. Excluding contribution from GNSR Expressway Co., operating profit of the Group increased by 17.5 per cent and is mainly attributable to the significant increase in operating profit of Xian Expressway by approximately 33.3 per cent in 2007 as compared to 2006. Operating profit has further improved due to decline in head office operating loss by 46.8 per cent which was mainly due to the higher exchange gain recognized as RMB appreciation in 2007 was higher than 2006; and that impairment loss provision in 2007 of HK\$3.7 million was lower than 2006 of HK\$10.98 million; both these two impacts have more than offset the increase in profit-based directors' bonus.

Finance costs — net

Finance costs (net of interest income) increased tremendously by 291.3 per cent to HK\$34.3 million in 2007 with gross finance costs amounted to HK\$62.2 million, up by 246.2 per cent over 2006 and bank interest income amounted to HK\$27.9 million, up by 203.1 per cent over 2006. Of the total gross finance costs, approximately HK\$50.2 million was related to the project loans of GNSR Expressway Co; HK\$9.5 million was related to borrowings raised in relation to the acquisition of additional 20.0 per cent equity interest in GNSR Expressway Co; and HK\$2.0 million was net non-cash borrowing costs resulted from translating the interest-free loans to fair values. A substantial portion of bank interest income was earned from proceeds of the open offer raised in August 2007 which has offset the effect of declining bank interest rate in 2007.

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

Most of the Group's associates are expressways and bridges which continue to be benefiting from the robust economic growth in PRC especially in the PRD and contributions from associates for the year ended 31 December 2007 has increased by 22.9 per cent to HK\$334.6 million. Except for Qinglian Highways, which normal toll operation was interrupted by the redevelopment work in progress of its Class I Highway, contributions from Humen Bridge, Shantou Bay Bridge, and Northern Ring Road increased by 30.4 per cent, 25.4 per cent and 5.8 per cent respectively in 2007.

Share of profit less losses of jointly controlled entities

The Group's share in the profit of GNSR Expressway Co., as a jointly controlled entity in the first quarter of 2007, amounted to HK\$21.6 million. Another jointly controlled entity of the Group, the GWSR Expressway Co. commenced its operation in late December 2006 and as expected, operated at a loss in its initial stage of operation when traffic flow has not yet reached its normal level and that revenue generated is not yet sufficient to cover the finance costs. Aggregating the results of these two entities, the Group recorded a net loss in its share in the operating result of the jointly controlled entities of HK\$12.2 million in 2007 as compared to the share of profit in 2006 of HK\$75.2 million.

Income tax

Due to certain adjustments that were made to the deferred income tax in 2007 in line with the implementation of the New Corporate Income Tax Law of the PRC, income tax in 2007 amounted to HK\$47.7 million, representing a 33.7 per cent increase over 2006.

Interest coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses. With the increase in finance costs in relation to the acquisition of GNSR Expressway Co., interest coverage for the year ended 31 December 2007 has slashed down to 16 times compared to 275 times in 2006.

Final dividend

The Directors recommended the payment of final dividend of HK\$0.0775 (2006: HK\$0.07) per share payable to shareholders whose names appeared on the register of members of the Company on 27 May 2008. Subject to the approval of shareholders at the Annual General Meeting to be held on 27 May 2008, the final dividend will be paid on 6 June 2008. Together with the interim dividend of HK\$0.0575 (2006: HK\$0.065) per share, total dividends for the year ended 31 December 2007 will amount to HK\$0.135 (2006: HK\$0.135) per share, representing a dividend payout ratio of 38.9 per cent (2006: 32.7 per cent).

Financial Position Key Figures

	31 December		Increase/ decrease %
	2007 HK\$'000	2006 HK\$'000	
Non-current assets	9,074,738	4,575,843	98.3
Non-current liabilities	1,683,401	455,223	269.8
Cash and cash equivalent	2,293,016	339,714	575.0
Total borrowings	1,267,850	449,739	181.9
Bank borrowings	934,430	—	100.0
Current ratio	550.7%	524.0%	5.1
Capital and reserves attributable to the Company's equity holders	7,781,255	4,185,989	85.9

Non-current assets

The Group is principally engaged in investment in and development, operation and management of toll highways and bridges and its non-current assets comprise mainly fixed asset investments and equity investments in toll expressways and bridges. As at 31 December 2007, the Group's non-current assets amounted to HK\$9.07 billion, which doubled the figure of the previous year end. Such increase was mainly attributable to the acquisition of the additional equity interest in GNSR Expressway Co. by which GNSR Expressway Co. became a subsidiary of the Group after the acquisition and in such case, all the assets and liabilities of the acquiree was 100.0 per cent consolidated to the Group.

Non-current liabilities

As at 31 December 2007, the Group's non-current liabilities amounted to HK\$1.7 billion which was thrice that of the closing figure for year 2006. Non-current liabilities of the Group included long term borrowings (i.e. maturity beyond one year) and deferred income tax liabilities. Long term borrowings amounted to HK\$1.0 billion which included long term bank borrowings of HK\$669.2 million and loans from minority shareholders of subsidiaries of HK\$333.4 million. The maturity profile and currency denomination of these long term borrowings will be discussed under "Capital structures". Deferred income tax liabilities amounted to HK\$680.7 million as at 31 December 2007, up by 123.1 per cent from year end figure in 2006 mainly due to deferred tax liabilities on the fair value gain on interest in GNSR Expressway Co. arising from the Group's acquisition; and the consolidation of deferred income tax liabilities of GNSR Expressway Co. after it became subsidiary of the Group.

Cash flows

The Group's cash and cash equivalent at 31 December 2007 jumped sharply by 575.0 per cent to approximately HK\$2.29 billion, after the Group issued 557,720,765 new shares at HK\$3.93 per share under an open offer on 28 August 2007.

Analyses of cash and cash equivalents movements for the year ended 31 December 2007 and 2006 are summarized below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net cash generated from operating activities	540,694	265,770
Net cash used in/generated from investing activities	-158,196	26,350
Net cash generated from/used in financing activities	<u>1,565,066</u>	<u>-321,316</u>
Net increase/(decrease) in cash and cash equivalents	1,947,564	-29,196
Cash and cash equivalents at 1 January	339,714	368,883
Effect of foreign exchange rate changes	<u>5,738</u>	<u>27</u>
Cash and cash equivalents at 31 December	<u>2,293,016</u>	<u>339,714</u>

Net cash generated from operating activities during the year ended 31 December 2007 amounted to HK\$540.7 million (2006: HK\$265.8 million) which was after deduction of interest expenses of HK\$60.4 million (2006: HK\$2.6 million) and China enterprise income tax of HK\$39.5 million (2006: HK\$39.5 million).

Net cash used in investing activities during the year ended 31 December 2007 amounted to HK\$158.2 million (2006: net surplus of HK\$26.4 million). On the outflow side, approximately HK\$607.2 million (2006: HK\$239.4 million) was attributable to capital expenditures. On the inflow side, the Group received approximately HK\$15.5 million in June 2007 being proceed from disposal of an available-for-sale financial asset; investment returns from associates of approximately HK\$405.3 million (2006: HK\$256.4 million); and bank interest income of HK\$27.9 million (2006: HK\$9.2 million).

Financing activities for the year ended 31 December 2007 generated a net cash inflow of approximately HK\$1.57 billion (2006: net cash outflow of HK\$321.3 million). The large surplus from financing activities mainly derived from proceeds from open offer amounted to HK\$2.18 billion and new bank loans drawn in 2007 amounted to approximately HK\$415.5 million, of which HK\$400.0 million was obtained to

partially finance the acquisition of GNSR Expressway Co. Cash used in financing activities mainly were repayments of bank loans in 2007 amounted to approximately HK\$676.0 million (2006: HK\$144.2 million); investment returns to minority shareholders of subsidiaries of approximately HK\$176.6 million (2006: HK\$48.8 million); and dividends paid of HK\$174.3 million (2006: HK\$128.3 million).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2007 was 5.5 times (2006: 5.24 times). Cash and cash equivalents are the major components of the Group's current assets. Included in the Group's current liabilities as at 31 December 2007 was a short term bank borrowing (i.e. maturity within one year) of HK\$265.2 million. Apart from the equity fund raised in the Open Offer of HK\$2.19 billion, management is of the opinion that with adequate cash balance, stable stream of operating cash flow and steady cash return from investments, liquidity risk is not an issue for the Group.

Capital expenditures and investments

By the end of March 2007, the Group completed its acquisition of the additional 20.0 per cent equity interest of GNSR Expressway Co. with net cash outflow of approximately HK\$532.8 million. In September 2007, the Group exercised its Pre-emption Right to acquire an additional 2.78 per cent equity interest in Humen Bridge Co. and paid a deposit of HK\$17.4 million. Capital expenditures on fixed assets in 2007 amounted to approximately HK\$57.0 million.

Capital structures

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank borrowings	934,430	—
Loans from minority shareholders	<u>333,420</u>	<u>449,739</u>
Total borrowings	1,267,850	449,739
Capital and reserves attributable to Company's equity holders	<u>7,781,255</u>	<u>4,185,989</u>
Total capitalization	<u>9,049,105</u>	<u>4,635,728</u>
Total borrowings, net (total borrowings less cash and cash equivalents)	<u>-1,025,166</u>	<u>110,025</u>
Total capitalization, net (total capitalization less cash and cash equivalents)	<u>6,756,089</u>	<u>4,296,014</u>
Gross gearing ratio (total borrowings/total capitalization)	14.0%	9.7%
Net gearing ratio ((total borrowings, net)/total capitalization, net)	N/A	2.6%

Bank borrowings of the Group as at 31 December 2007 amounted to HK\$934.4 million which are RMB floating rate loans obtained in mainland China with the toll collection right of GNSR Expressway Co. being pledged to the bank. About 28.4 per cent or HK\$265.2 million were repayable within one year and about 71.6 per cent or HK\$669.2 million were long term. The effective interest rate of these bank borrowings at 31 December 2007 was 7.47 per cent per annum.

Loans from minority shareholders are part of capital contributions made by minority shareholders in respect of their respective equity shareholdings in certain subsidiaries in accordance with the terms of the relevant joint venture agreements to set up those subsidiaries. These loans are unsecured and denominated in RMB. Except for one subsidiary with minority shareholder's loan in the amount of HK\$137.8 million which bore interest at the prevailing The People's Bank of China's RMB long term lending rates of 6.84 per cent to 7.83 per cent per annum in 2007, the rest are interest-free loans stated at fair values.

As at 31 December 2007, the capital and reserves attributable to the Company's equity holders amounted to HK\$7.78 billion which accounted for 86.0 per cent of the Group's total capitalisation. As at 31 December 2006, the capital and reserves attributable to the Company's equity holders amounted to HK\$4.19 billion being 90.3 per cent of the Group's total capitalisation. Capital and reserves attributable to the Company's equity holders as at 31 December 2007 was enlarged by 85.9 per cent due to the fair value gain on interest in GNSR Expressway Co. arising from the Group's acquisition; the increase in fair value of available-for-sale financial assets; the issuance of new shares from Open Offer; the increase in net profit retained for the year after appropriation of 2006 final dividend and increase in exchange fluctuation reserve resulted from appreciation of RMB.

TREASURY POLICIES

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2007, the Group had financial commitments to a jointly controlled entity and an associate. The first is in respect of equity capital balance to be injected to GWSR Expressway Co. of RMB105.0 million (equivalent to approximately HK\$112.1 million). This balance would be paid by stages in such amount and by such date as to be determined by the board of directors of GWSR Expressway Co. The second commitment is in respect of the balance of consideration for the acquisition of additional 2.78 per cent equity interest in Humen Bridge Co. amounting to approximately HK\$193.5 million which has been paid in late January 2008 out of internal funds.

As at 31 December 2007, GWSR Expressway Co. itself has commitments in respect of the balance of construction costs of GWSR Expressway and the attributable share of the Group was approximately HK\$94.2 million.

Except for the aforementioned financial commitments, the Group has no other material capital commitments as at 31 December 2007.

There were no significant contingent liabilities as at 31 December 2007.

EMPLOYEES

As at 31 December 2007, the Group has approximately 1,278 employees of which about 1,091 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which awards its employees according to the performance of the Group and individual employees.

Post Balance Sheet Event

In late January 2008, the Group, in exercising its pre-emption right, has completed the acquisition of the additional 2.78 per cent equity interest in Humen Bridge Co. for a total consideration of RMB194.6 million (equivalent to approximately HK\$210.9 million), of which approximately HK\$17.4 million was paid as deposit in September 2007. The consideration balance of approximately RMB178.4 million (equivalent to approximately HK\$193.5 million) was fully paid in January 2008 from internal funds.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code Provisions”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2007, except for the following deviations:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the non-executive Directors of the Company is appointed for a specific term. However, all the non-executive Directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Bye-Laws. All the non-executive Directors of the Company had retired by rotation during the past three years. They have been re-elected.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 May 2008 to Tuesday, 27 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 20 May 2008.

By order of the Board of Directors of
GZI Transport Limited
Ou Bingchang
Chairman

Hong Kong, 8 April 2008

As at the date of this announcement, the board of directors of the Company comprises:

Executive Directors: OU Bingchang (Chairman), LI Xinmin, QIAN Shangning, LIANG Ningguang, LIANG Yi, CAI Tielong, HE Zili, YUAN Hongping, CHEN Guanzhan, ZHANG Siyuan, LUO Jinbiao and ZHANG Huping

Independent Non-executive Directors: FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu