



GZI Transport Limited
越秀交通有限公司
(Stock Code: 1052)

2007 *Interim Report*

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Toll Projects Summary

The Company and its subsidiaries ("Group") are principally engaged in investment, operation and management of toll expressways and national highways and bridges mainly located in Guangzhou area. In March 2007, the Group completed the acquisition of an additional 20.0 per cent equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd.") from Guangzhou Development Infrastructure Investments Co., Ltd. GNSR Expressway Co., Ltd. became a subsidiary of the Company immediately following the completion.

As at 30 June 2007, the Group's major investments include Northern Ring Road, GNSR Expressway, GWSR Expressway, Humen Bridge and Shantou Bay Bridge, all of which are located within Guangdong Province; Guangshen Highway Guangzhou section which connects Guangzhou City to Shenzhen City; and toll projects passing through Guangdong, Hunan and Jiangxi provinces 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. Following the increase in the Group's equity interest in GNSR Expressway Co., Ltd. to 60.0%, attributable length of the Group's toll roads and bridges increased from 315.4 km at the end of 2006 to 323.9 km as at 30 June 2007.

SUMMARY INFORMATION OF OPERATING TOLL ROADS AND BRIDGES

| | Length (km) | Width (lanes) | Toll Station(s) | Road Type | Attributable Interest (%) | Remaining Operating Term (years) |
|---|----------------|------------------|--------------------|--------------------|---------------------------------|---|
| Subsidiaries | | | | | | |
| Guangshen Highway | 23.1 | 6 | 1 | Class I Highway | 80.00 | 19 |
| Guangshan Highway | 64.0 | 4 | 2 | Class II Highway | 80.00 | 19 |
| Guangcong Highway Section I | 33.3 | 6 | 1 | Class I Highway | 80.00 | 19 |
| Guangcong Highway Section II & Provincial Highway 1909 | 33.1 | 6 | 1 | Class I Highway | 51.00 | 19 |
| | 33.3 | 4 | 1 | Class I Highway | 51.00 | |
| Guanghua Highway | 20.0 | 6 | 1 | Class I Highway | 55.00 | 20 |
| GNSR Expressway | 42.4 | 6 | 9 | Expressway | 60.00 | 25 |
| Xian Expressway | 20.1 | 4 | 3 | Expressway | 100.00 | 9 |
| Xiang Jiang Bridge II | 1.8 | 4 | 1 | Rigid Frame Bridge | 75.00 | 14 |
| Associates and Jointly Controlled Entity | | | | | | |
| Humen Bridge | 15.8 | 6 | 4 | Suspension Bridge | 25.00 | 22 |
| Northern Ring Road | 22.0 | 6 | 11 | Expressway | 24.30 | 16 |
| Qinglian Highways | | | | | | |
| National Highway 107 | 253.0 | 2 | 4 | Class II Highway | 23.63 | |
| Highway Between Qingyuan and Lianzhou Cities ⁽¹⁾ | 215.2 | 4 | 5 | Class I Highway | 23.63 | 21 |
| Shantou Bay Bridge | 6.5 | 6 | 1 | Suspension Bridge | 30.00 | 21 |
| GWSR Expressway | 39.6 | 6 | 5 | Expressway | 35.00 | 25 |

⁽¹⁾ Redevelopment work to upgrade Qinglian Class I Highway to an expressway commenced at the end of 2005. It is expected to be completed and open to traffic by 2008. Operating term will be 25 years commencing from completion of redevelopment.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Operating Performance

Owing to the continuous rapid growth in the economy of China in the first half of 2007 with Guangdong Province's growth rate standing above the national average, traffic flow and toll revenue of the Group's expressways and bridges in first half of 2007 continued to maintain a stable growth trend. According to the statistics of GDSTATS.GOV.CN and GZSTATS.GOV.CN, the Gross Domestic Product ("GDP") of Guangdong Province and Guangzhou grew by 14.3 per cent and 14.0 per cent respectively to approximately Renminbi ("RMB") 1,354.4 billion and approximately RMB319.8 billion respectively for the six months ended 30 June 2007. As Guangzhou's economy enjoyed a continuous and stable growth, per capita personal income of Guangzhou's urban residents in the first half of 2007 rose 10.1 per cent to RMB11,559.5 as compared to the same period in 2006. Moreover, in line with the booming domestic stock market in the first half of 2007, domestic consumption level in Guangzhou manifested steady growth with automobiles posting strong sales and the total car ownership in Guangzhou broke the 1.0 million units mark in August 2007. Such growth will be translated into increasing demand for a wider and better traffic infrastructure network in Guangzhou and its vicinity areas. Another growth driver for the Group's expressways is the improving expressway networking effect in Guangdong Province and vicinity areas which provided improved environment for logistics and transportation businesses and as a result Guangzhou tourist and cargo turnover in the first half of 2007 grew approximately 15.4 per cent and 5.4 per cent respectively as compared to same period in 2006.

For the same reason as growth in traffic for expressways, the Group's Class I and II highways experienced continual traffic diversion. Coupled with the green channel policy and fuel price hike, average daily toll vehicles and average daily toll revenue of the Group's Class I and II highways for the first six months in 2007 fell below those recorded in the same period 2006. In view of the lagging performance of Class I and II highways, the Company is planning to increase the composite ratio of expressway projects in its portfolio over time. The completion of the acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. at the end of March 2007 is the first step in the realization of such plan. Overall, the Group's toll traffic flow and toll revenue growth in the first half of 2007 remained stable.

On operating expenses, the Group will continuously look into various measures of effective cost management, maintenance expenses control, strengthen budget planning, strict control of non-budgeted expenses, vigorously achieve toll revenue target, improve service quality and optimize toll collection system.

MANAGEMENT DISCUSSION AND ANALYSIS

Average Daily Toll Traffic Volume and Average Daily Toll Revenue

Six months ended 30 June 2007

| | Average daily toll traffic volume | | Average daily toll revenue | | Weighted average toll fare per vehicle | |
|--|-----------------------------------|--------------|----------------------------|--------------|--|--------|
| | vehicle/day | Change | RMB/day | Change | RMB | Change |
| Subsidiaries | | | | | | |
| Guangshen Highway | 20,060 | -27.9% | 124,427 | -25.6% | 6.2 | 3.2% |
| Guangshan Highway | 22,127 | -1.7% | 205,960 | -8.2% | 9.3 | -6.5% |
| Guangcong Highway Section I | 11,847 | -4.7% | 138,371 | -8.0% | 11.7 | -3.6% |
| Guangcong Highway Section II & Provincial Highway 1909 | 19,428 | -13.0% | 140,586 | -18.3% | 7.2 | -6.1% |
| Guanghua Highway | 10,265 | -0.7% | 88,771 | 5.7% | 8.7 | 6.5% |
| GNSR Expressway | 66,151 | 24.1% | 1,213,888 | 37.0% | 18.4 | 10.3% |
| Xian Expressway | 35,145 | 15.7% | 461,008 | 27.9% | 13.1 | 10.5% |
| Xiang Jiang Bridge II | 6,030 | 17.5% | 64,865 | 16.0% | 10.8 | -1.3% |
| Total | 191,053 | 3.7% | 2,437,876 | 16.0% | | |
| Associates and Jointly Controlled Entity | | | | | | |
| Humen Bridge | 56,862 | 18.0% | 2,542,216 | 19.7% | 44.7 | 1.5% |
| Northern Ring Road | 159,737 | 8.0% | 1,789,046 | 3.6% | 11.2 | -4.0% |
| Qinglian Highways | 16,767 | 1.5% | 310,055 | -2.0% | 18.5 | -3.5% |
| Shantou Bay Bridge | 11,550 | 12.7% | 436,880 | 15.2% | 37.8 | 2.2% |
| GWSR Expressway ⁽¹⁾ | 4,823 | N/A | 140,694 | N/A | 29.2 | N/A |
| Total | 249,739 | 15.9% | 5,218,891 | 14.8% | | |

⁽¹⁾ GWSR Expressway commenced operation on 19 December 2006

Performance of Expressways and Bridges

Guangzhou Northern Second Ring Expressway (“GNSR Expressway”)

The linkage of GNSR Expressway to Guangshen Expressway, Guangqing Expressway, Jingzhu Expressway and Guanghui Expressway created synergy effect on GNSR Expressway. The opening of Meihe Expressway and Yuegong Expressway drove up traffic running from Guanghui to GNSR Expressway section. The completion of the acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. has increased the Group's equity in that company from 40.0 per cent to 60.0 per cent. The average daily toll traffic volume in the first half of 2007 was 66,151 vehicles which grew satisfactorily by 24.1 per cent over same period in 2006 and even surpassed the projected daily toll traffic (excluding non-toll traffic) under the optimistic scenario prepared by the independent traffic consultant as disclosed in the Company's circular dated 18 December 2006 by 2.8 per cent. Weighted average toll fare per vehicle rose by 10.3 per cent to RMB18.4 as compared with same period in 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Xian Expressway in Shaanxi Province (“Xian Expressway”)

Linking Xian’s Terra-Cotta Warriors, one of the major international tourist attractions in the world, Xian Expressway benefited from the blooming commercial and tourism activities that led to natural traffic growth. While redevelopment work of the neighboring Huaqing Expressway was still in progress, certain vehicles were attracted to take Xian Expressway. Average daily toll traffic volume in the first half of 2007 still maintained a sustainable growth with increment of 15.7 per cent to 35,145 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle amounted to RMB13.1 which was 10.5 per cent higher than same period in 2006.

Humen Bridge

Owing to the rapid economic development in the Pearl River Delta Region (“PRD Region”) and further improvement of expressway network leading to speedy development of the logistics and transportation industry, Humen Bridge posted consistent stable traffic growth. Average daily toll traffic volume in first half of 2007 increased by 18.0 per cent to 56,862 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle increased by 1.5 per cent to RMB44.7 when compared with same period in 2006.

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

Benefiting from the natural growth in traffic volume brought forth by the continuous rapid economic growth in the PRD Region, average daily toll traffic volume in first half of 2007 increased by 8.0 per cent to 159,737 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle was 4.0 per cent lower than same period in 2006 to RMB11.2.

Shantou Bay Bridge

To match up the local area’s economic development, Shantou City was vigorously expanding its air routes and flight frequencies. Cargo handling capacities of its ports are also increasing. With the flourishing commercial activities in Shantou City, freight and passenger turnover increased which in turn led to gradual natural traffic growth. Average daily toll traffic volume in first half of 2007 increased by 12.7 per cent to 11,550 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle amounted to RMB37.8 which was 2.2 per cent higher than same period in 2006.

Guangzhou Western Second Ring Expressway (“GWSR Expressway”)

GWSR Expressway was interconnected with GNSR Expressway, Guangsan Expressway, Guanghua Expressway, Jingzhu Expressway and Guangzhou Airport Expressway. On 19 December 2006, GWSR Expressway officially commenced operation which further enhanced the expressway networking impact. Average daily toll traffic volume in the first half of 2007 was 4,823 vehicles, weighted average toll fare per vehicle amounted to RMB29.2.

Performance of Class I and II Highways and Bridges

Guangshen Highway Guangzhou Section (“Guangshen Highway”)

Guangshen Highway’s diversion was affected by Guangyuan East Road which was charging a lower toll fare. Moreover, redevelopment work in nearby rural roads weakened traffic performance of Guangshen Highway. In first half of 2007, average daily toll traffic volume declined by 27.9 per cent to 20,060 vehicles as compared to same period in 2006 due to higher number of small sized vehicles than larger sized vehicles in the traffic mix composition. Weighted average toll fare per vehicle amounted to RMB6.2, representing a rise of 3.2 per cent over same period in 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Guangshan Highway Guangzhou Section (“Guangshan Highway”)

Guangshan Highway continued to be affected by nearby roads causing diversion. The average daily toll traffic volume in first half of 2007 decreased by 1.7 per cent to 22,127 vehicles as compared to same period in 2006 and weighted average toll fare per vehicle decreased by 6.5 per cent to RMB9.3 as compared to same period in 2006.

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

Due to diversion effect from improving expressway network, average daily toll traffic volume in first half of 2007 dropped by 4.7 per cent to 11,847 vehicles as compared to same period in 2006. Guangcong Highway Section I is within the “green channel” zone and majority of the vehicles traveling Guangcong Highway Section I was exempted from toll fare causing continual decline in toll revenue. Weighted average toll fare per vehicle in the first half of 2007 amounted to RMB11.7 which was 3.6 per cent lower than those recorded in same period in 2006.

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

The reopening of Jingzhu Expressway Northern section after its maintenance works were completed in February 2007 created significant diversion away from Guangcong Highway Section II. Average daily toll traffic volume in first half of 2007 dropped by 13.0 per cent to 19,428 vehicles as compared to same period in 2007. Guangcong Highway Section II was within the “green channel” zone and since qualified vehicles traveling via the “green channel” were increasing, toll revenue declined. Weighted average toll fare per vehicle in the first half of 2007 decreased by 6.1 per cent to RMB7.2 as compared to same period in 2006.

Guanghua Highway

With the banning of motorcycles within urban Guangzhou coming into effect since January 2007, average daily toll traffic volume of Guanghua Highway slightly dropped by 0.7 per cent to 10,265 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle in first half of 2007 increased by 6.5 per cent to RMB8.7 as there was large drop in motorcycles and rise in medium to large sized vehicles.

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

The economic development in Hunan Province helped promotion of its cargo volume and private car ownership kept on growing. Average daily toll traffic volume in first half of 2007 increased by 17.5 per cent to 6,030 vehicles as compared to same period in 2006. Weighted average toll fare per vehicle slightly dropped by 1.3 per cent to RMB10.8 as compared to same period in 2006.

Qinglian Highways

The Class I highway of Qinglian Highways was undergoing redevelopment, during which period, sectional closures were implemented in accordance to work progress. As such, toll traffic were reduced. Due to lower standard toll fares, vehicles switched from Class I highway to Class II highway thus increased its traffic volume. The overall average daily toll traffic volume of Qinglian Highways in first half of 2007 slightly increased by 1.5 per cent to 16,767 vehicles as compared to same period in 2006 whereas average daily toll revenue was lower than same period in 2006 by 2.0 per cent. Weighted average toll fare per vehicle in first half of 2007 declined by 3.5 per cent to RMB18.5 as compared to same period in 2006. Redevelopment work to upgrade Qinglian Class I Highway to an expressway was expected to be completed by 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results Highlights

| | Six months ended 30 June | | Change |
|--|-----------------------------|------------------|--------|
| | 2007 HK\$'000 | 2006 HK\$'000 | |
| Profit attributable to equity holders of the Company | 250,241 | 198,804 | 25.9% |
| Revenue | 348,345 | 211,362 | 64.8% |
| Operating profit | 176,125 | 90,003 | 95.7% |
| Profit after income tax and interest income from associates and jointly controlled entities | 160,883 | 150,340 | 7.0% |
| Interest coverage | 19 times | 214 times | |
| Basic earnings per share | HK\$0.2243 | HK\$0.1782 | 25.9% |
| Dividend per share | HK\$0.0575 | HK\$0.065 | |
| Return to equity holders of the Company | 4.8% | 5.1% | -5.9% |

Analysis of Results

Upon completion of the acquisition of an additional 20.0 per cent equity interests in GNSR Expressway Co., Ltd. (formerly a jointly controlled entity) at the end of March 2007, GNSR Expressway Co., Ltd. became a subsidiary of the Group and its earnings, assets and liabilities were consolidated into the Group's accounts commencing second quarter of 2007. By virtue of an asset revaluation surplus representing the fair value increase in respect of the 40.0 per cent equity interest in GNSR Expressway Co., Ltd. held by the Group immediately before completion of the acquisition, the capital and reserves attributable to the equity holders of the Company increased by approximately HK\$672.4 million. The impressive growth of GNSR Expressway during the period with its traffic volume and revenue both above projection and together with the satisfactory performance of a majority of toll projects in the portfolio, contributed to the Group's remarkable results in the first half of 2007. The Group's revenue grew 64.8 per cent, with its operating profit grew 95.7 per cent, contribution from associates and jointly controlled entity grew 7.0 per cent despite loss shared from Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR Expressway Co., Ltd.") and GNSR Expressway Co., Ltd. ceased to be a jointly controlled entity in the second quarter of 2007. Profit and basic earnings per share attributable to equity holders of the Company amounted to HK\$250.2 million and HK\$0.2243 respectively, both rose by 25.9 per cent over the same period last year. With capital and reserves attributable to equity holders of the Company enlarged by 23.6 per cent after GNSR Expressway Co., Ltd. became a subsidiary of the Group, return to equity holders of the Company was reduced from 5.1 per cent to 4.8 per cent.

Revenue

The Group reported revenue of HK\$348.3 million for the six months ended 30 June 2007, an increase of 64.8 per cent as compared with same period last year. The significant growth in revenue was mainly derived from GNSR Expressway Co., Ltd., with its revenue amounted to approximately HK\$120.0 million during the period from date of its consolidation into the Group as a subsidiary up to 30 June 2007 being 100.0 per cent consolidated to the Group after it was reclassified as a subsidiary from a jointly controlled entity. Apart from the positive impact brought about by GNSR Expressway Co., Ltd., revenue from existing subsidiaries recorded aggregate growth of 8.1 per cent with Xian Expressway, Xiang Jiang Bridge II and Guanghua Highway reporting growth of 37.1 per cent, 24.4 per cent and 13.3 per cent respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Income structure and proportion

| <i>(HK\$'000)</i> | Toll income for the six months ended 30 June 2007 | Proportion to total toll income | Change |
|---|--|--|---------------|
| Subsidiaries | | | |
| Guangshen Highway | 23,218 | 6.7% | -20.2% |
| Guangshan Highway | 38,432 | 11.0% | -1.5% |
| Guangcong Highway Section I | 25,820 | 7.4% | -1.4% |
| Guangcong Highway Section II & Provincial Highway 1909 | 26,233 | 7.5% | -12.4% |
| Guanghua Highway | 16,564 | 4.8% | 13.3% |
| GNSR Expressway ⁽¹⁾ | 119,951 | 34.4% | N/A |
| Xian Expressway | 86,023 | 24.7% | 37.1% |
| Xiang Jiang Bridge II | 12,104 | 3.5% | 24.4% |
| Total | 348,345 | 100.0% | 64.8% |
| Associates & Jointly Controlled Entities (attributable to the Group) | | | |
| Humen Bridge | 118,643 | 40.7% | 28.4% |
| Northern Ring Road | 81,432 | 28.0% | 11.1% |
| Qinglian Highways | 14,335 | 4.9% | 2.5% |
| Shantou Bay Bridge | 24,456 | 8.4% | 23.6% |
| GNSR Expressway ⁽²⁾ | 42,623 | 14.6% | N/A |
| GWSR Expressway ⁽³⁾ | 9,849 | 3.4% | N/A |
| Total | 291,338 | 100.0% | 11.6% |

⁽¹⁾ Upon completion of the acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. at the end of March 2007, its equity interest held by the Group has increased from 40.0 per cent to 60.0 per cent. The revenue figure shown in the table was attributable to period from April to June 2007, up by 50.3 per cent as compared to same period last year (for reference purpose).

⁽²⁾ The revenue represented the attributable share of the Group from January to March 2007, up by 43.1 per cent compared to the attributable revenue from January to March 2006 (for reference purpose).

⁽³⁾ GWSR Expressway commenced operation on 19 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

The Group's operating profit for the six months ended 30 June 2007 surged by HK\$86.1 million or 95.7 per cent to HK\$176.1 million, compared to HK\$90.0 million achieved during the same period last year. This was mainly due to the Group's acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. and its rapid revenue growth. For the period from 1 April 2007, the date on which GNSR Expressway Co., Ltd. became a subsidiary of the Group, up to 30 June 2007, operating profit contributed by GNSR Expressway Co., Ltd. amounted to approximately HK\$73.0 million. Excluding contribution from GNSR Expressway Co., Ltd., operating profit of the Group increased by 14.5 per cent mainly attributable to the significant operating result of Xian Expressway which increased by approximately 52.5 per cent in the first half of 2007 as compared to same period last year. Head office expenses rose by 12.1 per cent to HK\$21.8 million mainly due to increased directors' profit-based bonus.

Finance costs — net

Net finance costs increased tremendously by 412.8 per cent or HK\$22.8 million to HK\$28.3 million in the first half of 2007 which was mainly related to the acquisition of GNSR Expressway Co., Ltd. in late March 2007 when it then became a subsidiary and that its net finance cost amounting to approximately HK\$17.3 million was 100.0 per cent consolidated to the Group. Besides, finance costs arising from extra borrowing raised in relation to the acquisition amounted to HK\$5.4 million.

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

Economy in the PRD Region continued to expand speedily in the first half of 2007. Rapid development of the transport and logistics sector brought forth by further improvement of expressway network has in turn triggered traffic growth. Benefited from these favorable macro economic factors, contributions from the Group's associates for the six months ended 30 June 2007 increased by 32.7 per cent to HK\$159.0 million. Except for Qinglian Highways, which normal toll operation was interrupted by the redevelopment work in progress in relation to its Class I Highway, contributions from Shantou Bay Bridge, Humen Bridge and North Ring Road increased by 32.8 per cent, 30.1 per cent and 10.0 per cent respectively in the first half of 2007.

Share of profit less losses of jointly controlled entities

The Group's share of profit less losses of jointly controlled entities for the six months ended 30 June 2007 was down by 93.9 per cent to HK\$1.9 million as compared to HK\$30.5 million for same period last year. This was due to two factors: the loss shared from GWSR Expressway Co., Ltd. and change in status of GNSR Expressway Co., Ltd. from jointly controlled entity to subsidiary since 1 April 2007. On 19 December 2006, GWSR Expressway officially commenced operation. For the period from commencement to 30 June 2007, GWSR Expressway Co., Ltd. recorded loss attributable to the Group of HK\$19.7 million. Such negative result was typical for expressways at their initial stage of operation when traffic flow was yet to reach their normal level and that revenue generated was not yet sufficient to cover the finance costs in the initial years of operation. The Group recorded share of profit of GNSR Expressway Co., Ltd. as a jointly controlled entity only for the first quarter of 2007 for an amount of HK\$21.6 million. Commencing second quarter of 2007, GNSR Expressway Co., Ltd. became a subsidiary of the Group and its results were consolidated into the Group. The share of profit of jointly controlled entity of HK\$30.5 million in the first half of 2006 represented the full six months' results of GNSR Expressway Co., Ltd.

Income tax

Income tax for the six months ended 30 June 2007 decreased by 4.3 per cent to HK\$18.3 million compared to same period in 2006. The slight drop was mainly due to the deferred income tax credit from revaluation of assets of GNSR Expressway Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest Coverage

The interest coverage was 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., Ltd., interest coverage for the six months ended 30 June 2007 was narrowed down to 19 times compared to 214 times for the same period last year.

Interim Dividend

The Directors has resolved to declare an interim dividend for 2007 of HK\$0.0575 (2006: HK\$0.065) per share payable on 18 October 2007 to shareholders whose names appear on the register of members on 5 October 2007. Interim dividend pay out ratio will be 38.4 per cent (2006: 36.5 per cent).

LIQUIDITY AND FINANCIAL RESOURCES

Financial Highlights

| | 30 June 2007 HK\$'000 | 31 December 2006 HK\$'000 | Change |
|---|--------------------------------------|---------------------------------|--------|
| Bank balances and cash | 378,957 | 339,714 | 11.6% |
| Bank borrowings | 1,479,382 | — | 100.0% |
| Current ratio | 196.4% | 524.0% | -62.5% |
| Capital and reserves attributable to the Company's equity holders | 5,175,517 | 4,185,989 | 23.6% |
| Gearing ratio (net of bank balances and cash) | 23.2% | 2.6% | 792.3% |
| Net asset per share | HK\$4.64 | HK\$3.75 | 23.7% |

Cash flows

The Group's bank balances and cash at 30 June 2007 was approximately HK\$379.0 million which was 11.6 per cent higher than the balance at 31 December 2006 of HK\$339.7 million. The moderate increase in cash and bank balances was mainly attributable to surplus from operating activities.

Net cash generated from operating activities during the six months ended 30 June 2007 amounted to HK\$229.2 million (2006: HK\$126.6 million) which was after deduction of interest expenses of HK\$22.4 million (2006: HK\$1.5 million) and China enterprise income tax of HK\$18.6 million (2006: HK\$20.4 million)

Net cash used in investing activities for the six months ended 30 June 2007 amounted to HK\$405.3 million (2006: net surplus of HK\$44.5 million). By the end of March 2007, the Group completed its acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. with net cash outflow of approximately HK\$532.8 million. In June 2007, the group disposed one of its available-for-sale financial assets for net proceeds of approximately HK\$15.5 million. During the current period, cash inflows from investment in associates amounted to approximately HK\$110.2 million (2006: HK\$139.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Financing activities for the six months ended 30 June 2007 generated a net cash inflow of approximately HK\$214.8 million (2006: net cash outflow of HK\$195.7 million). New bank loans drawn during the current period amounted to approximately HK\$415.5 million, of which HK\$400.0 million was obtained to partially finance the acquisition of a 20.0% equity interest in GNSR Expressway Co., Ltd. Repayments of bank loans in the current period which was entirely attributable to bank borrowings of GNSR Expressway Co., Ltd. amounted to approximately HK\$89.7 million (2006: HK\$96.2 million). In the first half of 2007, repayments and dividends to minority shareholders of subsidiaries were approximately HK\$32.9 million (2006: HK\$43.8 million) and dividends paid were HK\$78.1 million (2006: HK\$55.8 million).

Bank borrowings

Outstanding bank borrowings of the Group as at 30 June 2007 amounted to approximately HK\$1.48 billion (2006: Nil), of which approximately HK\$1.06 billion were bank borrowings of GNSR Expressway Co., Ltd. consolidated to the Group after it became a subsidiary. Included in the outstanding bank borrowings was a HK\$400.0 million bank borrowing obtained to partly finance the acquisition of the 20.0 per cent equity interest in GNSR Expressway Co., Ltd.

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2007 was 196.4 per cent (2006: 524.0 per cent). The 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

In the first half of 2007, the Group completed the acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. with a net cash outflow of approximately HK\$532.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The Group's capital structures as at 30 June 2007 and 31 December 2006 are summarised below:

| | 30 June 2007 | | | 31 December 2006 | | |
|---|------------------|---------------|--|------------------|---------------|--|
| | HK\$'000 | Composition % | Average rate of interest (% per annum) | HK\$'000 | Composition % | Average rate of interest (% per annum) |
| Floating rate loans | | | | | | |
| - RMB | 1,079,382 | 16.0 | 6.19 | — | — | — |
| - HKD | 400,000 | 5.9 | 4.57 | — | — | — |
| Loans from minority shareholders | | | | | | |
| - interest bearing | 132,990 | 2.0 | 7.10 | 129,000 | 3.0 | 6.56 |
| - interest free | 330,692 | 4.9 | — | 320,739 | 7.5 | — |
| Total debts | 1,943,064 | 28.8 | | 449,739 | 10.5 | |
| Less: Bank balances and cash | (378,957) | (5.6) | | (339,714) | (7.9) | |
| Net debts (net of bank balances and cash) | 1,564,107 | 23.2 | | 110,025 | 2.6 | |
| Capital and reserves attributable to the Company's equity holders | 5,175,517 | 76.8 | | 4,185,989 | 97.4 | |
| Total capitalisation | 6,739,624 | 100.0 | | 4,296,014 | 100.0 | |
| Gearing ratio (net of bank balances and cash) | 23.2% | | | 2.6% | | |

Total capitalisation of the Group as at 30 June 2007 and 31 December 2006 amounted to approximately HK\$6.70 billion and HK\$4.30 billion respectively. As a result of new acquisition and new bank loans, both net debt and capital and reserves attributable to the Company's equity holders have increased in different magnitudes, gearing ratio (net of bank balances and cash) as at 30 June 2007 was 23.2 per cent (2006: 2.6 per cent).

RMB floating rate loans were bank borrowings in mainland China which accounted for approximately 55.6 per cent of the total debts as at 30 June 2007. About 98.6 per cent of the RMB floating rate loans were long term bank borrowings and only 1.4 per cent were repayable within one year. Those long term RMB floating rate loans were obtained with the toll collection right of GNSR Expressway Co., Ltd. pledged to the bank.

HK dollar floating rate loan was an unsecured termed bank loan which accounted for approximately 20.6 per cent of the total debts as at 30 June 2007. About 90.0 per cent of the HK dollar floating rate loan were repayable from two to five years, and 10.0 per cent were repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Loans from minority shareholders were 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 shareholders' agreements to set up those subsidiaries. These loans were unsecured and denominated in RMB. Except for one subsidiary which minority shareholder's loan was interest bearing, the rest were non-interest bearing. The interest-free loans were stated at fair values.

As at 30 June 2007, the capital and reserves attributable to the Company's equity holders amounted to HK\$5.18 billion which accounted for 76.8 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 97.4 per cent of the Group's total capitalisation. Capital and reserves attributable to the Company's equity holders as at 30 June 2007 was enlarged after GNSR Expressway Co., Ltd. became a subsidiary of the Group at the end of March 2007 with its results, assets and liabilities being consolidated into the Group. The enlargement was also due to the increase in net profit retained for the period 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 focused on risk management and liquidity control. The Group would 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 were generally placed in short term fixed rate deposits in bank accounts in Hong Kong and the mainland China. No fund was 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 would continue to keep an eye on its potential impact to the Group. Since RMB loan interest rate was 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 30 June 2007, the Group had a financial commitment in respect of equity capital balance payable to a jointly controlled entity, GWSR Expressway Co.,Ltd. of RMB105.0 million (equivalent to approximately HK\$108.2 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., Ltd.

Except for the aforementioned capital commitments, the Group had no other material capital commitments as at 30 June 2007.

There were no significant contingent liabilities as at 30 June 2007.

Employees

As at 30 June 2007, the Group had approximately 1,278 employees of which about 1,091 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerated its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group had also adopted a share option scheme which awarded its employees according to the performance of the Group and individual employees.

MANAGEMENT DISCUSSION AND ANALYSIS

Post Balance Sheet Event

On 28 August 2007, the Company raised HK\$2.19 billion, before expenses, by way of an open offer (“Open Offer”) of 557,720,765 shares in the capital of the Company at HK\$3.93 per share. The Directors considered that proceeds from the Open Offer will be used to finance new investments in toll road projects in the PRC.

Public Float

As disclosed in the announcement published by the Company on 27 August 2007, the public float of the Company remained lower than the prescribed minimum level of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) following the completion of the Open Offer. The Company or its controlling shareholders (including Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”), Guangzhou Investment Company Limited (“GZI”) and its four subsidiaries), as the case may be, will take appropriate steps, including but not limited to (i) entering into discussions with Value Partners Limited, a substantial shareholder of the Company, and the Company’s controlling shareholders to place down their shareholding interests in the Company, and/or (ii) considering further issue of new shares by the Company with a view to restore the public float of the Company to not less than the minimum prescribed level of 25.0 per cent as required under the Listing Rules as soon as practicable and in any event within six months upon completion of the Open Offer.

Future Strategy and Prospects

China’s economy and export trades continued to maintain their rapid yet healthy development which serves as a major driver of the demand for highways and traffic infrastructures in China. In the first half of 2007, export of Guangdong Province reached US\$166.0 billion representing 26.5 per cent increase over the same period in 2006, 95.8 percent of which was attributable to PRD Region which recorded exports of approximately US\$159.0 billion representing a 26.9 per cent growth over same period in 2006. The Company reckoned that the 11th Five Year Plan (“Plan”) provides ample development potential and attractive business growth prospects in toll road business in Guangdong Province. The Plan clearly placed priority in the transportation industry and Guangdong Provincial Government is targeting to build approximately 2,773 km expressway projects in Guangdong Province during the period up to 2010. The acquisition of the additional 20.0 per cent equity interest in GNSR Expressway Co., Ltd. represented a first step in the Group’s expansion plan to substantially increase its investments in a series of new toll road projects and completed toll roads to capture the business opportunities offered by the construction of new expressways and highways, to build a more sophisticated transportation network for Guangzhou and its satellite cities.

In order to timely capture these investment opportunities provided by the Plan for Guangdong Province, the Company took advantage of the favourable market sentiments, and made an Open Offer of 557,720,765 shares in the capital of the Company at a price of HK\$3.93 per share. The Open Offer was successfully completed on 28 August 2007, and the Company raised approximately HK\$2.19 billion (before expenses). The proceeds of the Open Offer will be used to finance the Group’s planned expansion. The Directors will continually monitor the situation and will contemplate exercises to tap the capital and the debt market to raise additional funds, if required.

The Group is currently in discussion with Guangzhou Highways Development Company, a connected person of the Company (as defined under the Listing Rules) in relation to the proposed joint development of two expressways, namely Guanghe Expressway Guangzhou Section and Zengcong Expressway, details of which were set out in the announcement published by the Company on 18 July 2007. There is, however, no assurance that these negotiations will be successful and the relevant joint ventures will be formed as described or at all.

MANAGEMENT DISCUSSION AND ANALYSIS

With the increasing commercialization of the operation of toll highways and increasingly intense competition, the Group will continue to focus on strengthening the toll management of its existing operating projects, vigorously controlling and streamlining its operating costs. Leveraging on its own strengths, the Group will continue to take advantage of various financial products available and to enlarge its debt and equity capital in the capital market as and when appropriate, proactively and pragmatically participate in market competition, to step up its efforts in exploring and investing in quality toll expressway projects with attractive returns (including construction projects with good potentials) and timely grasp business opportunities with a view to enlarging its market share, thereby further enhancing the Group's position in the toll road industry as well as increasing the Group's profitability and shareholders' return.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

Reference is made to a HK\$400 million loan agreement dated 9 March 2007 ("Loan Agreement") with a final maturity in March 2012. Under the terms of the Loan Agreement, it shall be an event of default if Yue Xiu and GZI, the controlling shareholders of the Company who together beneficially own an aggregate of about 70.5 per cent of the issued share capital of the Company, cease to maintain (i) their status as the single largest beneficial shareholder of Company, (ii) (whether together directly or indirectly) a shareholding interest of not less than 35 per cent in the issued voting share capital of the Company or (iii) an effective management control over the Company. It is also an event of default if Yue Xiu ceases to be wholly owned, directly or indirectly, by Guangzhou Municipal People's Government without the prior written consent of the lender. These obligations have been complied with for the six months ended 30 June 2007.

By order of the Board

Ou Bingchang

Chairman

Hong Kong, 10 September 2007

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GZI TRANSPORT LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 35, which comprises the condensed consolidated balanced sheet of GZI Transport Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(Unaudited)
Six months ended 30 June

| | Note | 2007 HK\$'000 | 2006 HK\$'000 |
|---|------|------------------|------------------|
| Revenue | 4 | 348,345 | 211,362 |
| Other income | | 195 | 138 |
| Other gains - net | | 5,156 | 4,729 |
| Amortisation/depreciation of interests in toll highways and bridges | | (92,001) | (53,728) |
| Toll highways and bridges maintenance expenses | 5 | (36,884) | (37,743) |
| General and administrative expenses | 5 | (35,127) | (25,118) |
| Business tax | | (13,559) | (9,637) |
| Operating profit | | 176,125 | 90,003 |
| Finance costs - net | | (28,261) | (5,511) |
| Interest income on loans to associates | | 11,875 | 16,068 |
| Share of profits less losses of associates | | 147,138 | 103,783 |
| Share of profits less losses of jointly controlled entities | | 1,870 | 30,489 |
| Profit before income tax | | 308,747 | 234,832 |
| Income tax | 6 | (18,304) | (19,128) |
| Profit for the period | | 290,443 | 215,704 |
| Attributable to: | | | |
| Equity holders of the Company | | 250,241 | 198,804 |
| Minority interests | | 40,202 | 16,900 |
| | | 290,443 | 215,704 |
| Earnings per share for profit attributable to the equity holders of the Company - Basic and diluted | 7 | HK22.43 cents | HK17.82 cents |
| Interim dividend | 8 | 96,207 | 72,504 |

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

| | Note | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Interests in toll highways and bridges | 9 | 6,645,340 | 1,943,682 |
| Leasehold land | 9 | 691 | 700 |
| Property, plant and equipment | 9 | 27,755 | 26,662 |
| Investment properties | 9 | 8,650 | 8,650 |
| Investments in jointly controlled entities | | 232,862 | 671,170 |
| Investments in associates | | 1,834,770 | 1,745,816 |
| Deferred income tax assets | 14 | 299 | 312 |
| Available-for-sale financial assets | | 47,702 | 46,271 |
| Other non-current assets | | — | 132,580 |
| Goodwill | 10 | 117,352 | — |
| | | <u>8,915,421</u> | <u>4,575,843</u> |
| Current assets | | | |
| Asset held for sale | | — | 15,000 |
| Trade receivables | 11 | 12,084 | 4,016 |
| Other receivables, deposits and prepayments | | 20,770 | 12,662 |
| Bank balances and cash | | 378,957 | 339,714 |
| | | <u>411,811</u> | <u>371,392</u> |
| Total assets | | <u>9,327,232</u> | <u>4,947,235</u> |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | 12 | 111,544 | 111,544 |
| Reserves | | 5,063,973 | 4,074,445 |
| | | <u>5,175,517</u> | <u>4,185,989</u> |
| Minority interests | | 1,408,479 | 235,146 |
| Total equity | | <u>6,583,996</u> | <u>4,421,135</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

| | Note | 30 June 2007 (Unaudited) HK\$'000 | 31 December 2006 (Audited) HK\$'000 |
|--|------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 13 | 1,887,600 | 449,739 |
| Deferred income tax liabilities | 14 | 646,001 | 5,484 |
| | | <u>2,533,601</u> | <u>455,223</u> |
| Current liabilities | | | |
| Due to | | | |
| A minority shareholder of subsidiaries | | 3,044 | 1,196 |
| Holding companies | | 4,150 | 4,025 |
| Trade payables and accrued charges | | 136,444 | 56,059 |
| Current income tax liabilities | | 10,533 | 9,597 |
| Borrowings | 13 | 55,464 | — |
| | | <u>209,635</u> | <u>70,877</u> |
| Total liabilities | | <u>2,743,236</u> | <u>526,100</u> |
| Total equity and liabilities | | <u>9,327,232</u> | <u>4,947,235</u> |
| Net current assets | | <u>202,176</u> | <u>300,515</u> |
| Total assets less current liabilities | | <u>9,117,597</u> | <u>4,876,358</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(Unaudited)
Six months ended 30 June

| | 2007 | 2006 |
|--|------------------|-------------|
| | HK\$'000 | HK\$'000 |
| Net cash generated from operating activities | 229,209 | 126,583 |
| Net cash (used in)/generated from investing activities | (405,345) | 44,529 |
| Net cash generated from/(used in) financing activities | 214,814 | (195,692) |
| | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | 38,678 | (24,580) |
| Cash and cash equivalents at 1 January | 339,714 | 368,883 |
| Effect of foreign exchange rate changes | 565 | 220 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 June | 378,957 | 344,523 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of the balances of cash and cash equivalents: | | |
| Bank balances and cash | 378,957 | 344,523 |
| | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(Unaudited)

| | Attributable to equity holders of the Company | | | | | | | | | Minority interests | Total |
|---|---|---------------------------|-----------------------------|--|--|--------------------------------|--|-------------------------------|--|--------------------|-----------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 | Capital contribution reserve (note (i)) HK\$'000 | Exchange fluctuation reserve HK\$'000 | Statutory reserves HK\$'000 | Available-for-sale financial assets fair value reserve HK\$'000 | Retained earnings HK\$'000 | Asset revaluation reserve (note (ii)) HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2007 | 111,544 | 577,463 | 1,705,497 | 47,866 | 172,504 | 26,944 | (32,286) | 1,576,457 | — | 235,146 | 4,421,135 |
| Transfer | — | — | — | — | — | 864 | — | (864) | — | — | — |
| Fair value adjustment on loans from minority shareholders of subsidiaries | — | — | — | 8,314 | — | — | — | — | — | — | 8,314 |
| Currency translation differences | — | — | — | — | 116,920 | — | (1,043) | — | 20,795 | 45,407 | 182,079 |
| Net gain/(loss) recognised directly in equity | — | — | — | 8,314 | 116,920 | 864 | (1,043) | (864) | 20,795 | 45,407 | 190,393 |
| Profit for the period | — | — | — | — | — | — | — | 250,241 | — | 40,202 | 290,443 |
| Total recognised income/(loss) for the period | — | — | — | 8,314 | 116,920 | 864 | (1,043) | 249,377 | 20,795 | 85,609 | 480,836 |
| Acquisition of a subsidiary | — | — | — | — | — | — | — | — | 672,382 | 1,120,137 | 1,792,519 |
| 2006 dividend | — | — | — | — | — | — | — | (78,081) | — | (32,413) | (110,494) |
| At 30 June 2007 | 111,544 | 577,463 | 1,705,497 | 56,180 | 289,424 | 27,808 | (33,329) | 1,747,753 | 693,177 | 1,408,479 | 6,583,996 |

Notes:

- (i) The capital contribution reserve represents accrued interest expenses in accordance with HKAS 39 for loans from minority shareholders of subsidiaries which are interest-free.
- (ii) The asset revaluation reserve represents fair value adjustment of the 40% equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd.") held by the Group as a result of further acquisition of 20% additional equity interest in GNSR Expressway Co., Ltd. during the period.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

| | (Unaudited) | | | | | | | | Minority interests | Total |
|---|---|---------------|-----------------|------------------------------|------------------------------|--------------------|--|-------------------|--------------------|-----------|
| | Attributable to equity holders of the Company | | | | | | | | | |
| | Share capital | Share premium | Capital reserve | Capital contribution reserve | Exchange fluctuation reserve | Statutory reserves | Available-for-sale financial assets fair value reserve | Retained earnings | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2006 | 111,544 | 577,463 | 1,705,497 | 31,240 | 92,381 | 29,049 | (36,088) | 1,241,473 | 245,111 | 3,997,670 |
| Fair value adjustment on loans from minority shareholders of subsidiaries | — | — | — | 7,810 | — | — | — | — | — | 7,810 |
| Currency translation differences | — | — | — | — | (6,873) | — | — | — | (3,399) | (10,272) |
| Net gain/(loss) recognised directly in equity | — | — | — | 7,810 | (6,873) | — | — | — | (3,399) | (2,462) |
| Profit for the period | — | — | — | — | — | — | — | 198,804 | 16,900 | 215,704 |
| Total recognised income/(loss) for the period | — | — | — | 7,810 | (6,873) | — | — | 198,804 | 13,501 | 213,242 |
| 2005 dividend | — | — | — | — | — | — | — | (55,772) | (42,843) | (98,615) |
| At 30 June 2006 | 111,544 | 577,463 | 1,705,497 | 39,050 | 85,508 | 29,049 | (36,088) | 1,384,505 | 215,769 | 4,112,297 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

GZI Transport Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in the operation and management of toll highways and bridges in Mainland China.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Company on 10 September 2007

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six-months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Company’s annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007.

| | |
|---------------------|---|
| Amendment to HKAS 1 | Presentation of Financial Statements: Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 |
| 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 |

The adoption of the above new standards, amendments to standards and interpretations did not have material impact to the Group’s condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for 2007 and have not been early adopted by the Group:

| | | Effective for accounting periods beginning on or after |
|-------------------|--|---|
| HKAS 23 (Revised) | Borrowing Costs | 1 January 2009 |
| HKFRS 8 | Operating Segments | 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 |

Management considers that the adoption of HKAS 23 (Revised), HKFRS 8 and HK(IFRIC)-Int 11 will not have material impact to the Group's financial statements.

HK(IFRIC)-Int 12 requires recognition of costs incurred on toll infrastructure as intangible asset under public-to-private service concession arrangements. The Group has already commenced an assessment of the related impact of adopting HK(IFRIC)-Int 12 to the Group but is not yet in a position to state whether substantial change to the Group's financial statements will be resulted.

4 REVENUE

Revenue recognised for the period represents toll revenue on highways and bridges.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|--|---------------------------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Amortisation of prepaid operating lease payments | 9 | 9 |
| Depreciation of property, plant and equipment | 1,785 | 1,167 |
| Toll highways and bridges maintenance expenses | 25,793 | 26,838 |
| Staff costs (including Directors' remuneration) | | |
| - Wages and salaries | 28,723 | 22,720 |
| - Pension costs (defined contribution plans) | 1,697 | 1,197 |
| - Social security costs | 1,541 | 805 |
| - Staff welfare | 2,145 | 1,183 |
| | 28,723 | 26,838 |

6 INCOME TAX

- (a) No provision for Hong Kong profits tax has been made for the period as the Group has no income assessable to Hong Kong profits tax during the period (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 ("China Tax Law"). The principal income tax rate is 18 per cent.

Under the China Tax Law, certain of the Group's subsidiaries, associates and jointly controlled entities 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.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (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 provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that interim financial information is approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact of the new CIT Law on the Group's China enterprise income tax and China withholding tax. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and will account for any resultant change in accounting estimate prospectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 INCOME TAX (CONTINUED)

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

| | Six months ended 30 June | |
|-----------------------------|---------------------------------|---------------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| China enterprise income tax | | |
| Current income tax | 19,406 | 19,359 |
| Deferred income tax | (1,102) | (231) |
| | <u>18,304</u> | <u>19,128</u> |

7 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 period.

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2007 | 2006 |
| Profit attributable to equity holders of the Company (HK\$'000) | <u>250,241</u> | <u>198,804</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>1,115,442</u> | <u>1,115,442</u> |
| Basic earnings per share (HK cents) | <u>22.43</u> | <u>17.82</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 EARNINGS PER SHARE (CONTINUED)

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. The Company had share options outstanding during the last period which were dilutive potential ordinary shares. Calculation was 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. For the six months ended 30 June 2007, there are no share options outstanding which are dilutive potential ordinary shares.

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2007 | 2006 |
| Profit attributable to equity holders of the Company (HK\$'000) | <u>250,241</u> | <u>198,804</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>1,115,442</u> | 1,115,442 |
| Adjustments for share options ('000) | <u>—</u> | <u>93</u> |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | <u>1,115,442</u> | <u>1,115,535</u> |
| Diluted earnings per share (HK cents) | <u>22.43</u> | <u>17.82</u> |

8 DIVIDEND

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Interim, proposed, of HK\$0.0575 (2006: HK\$0.065) per share | <u>96,207</u> | <u>72,504</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 CAPITAL EXPENDITURE

| | Interests in toll highways and bridges | | | Property, plant and equipment HK\$'000 | Investment properties HK\$'000 |
|---|---|---|-------------------------------|---|--------------------------------------|
| | Intangible operating rights HK\$'000 | Tangible infrastructures HK\$'000 | Leasehold land HK\$'000 | | |
| | Opening net book value at 1 January 2007 | 1,612,523 | 331,159 | | |
| Additions | — | — | — | 1,168 | — |
| Acquisition of a subsidiary | 2,246,913 | 2,345,255 | — | 1,419 | — |
| Disposals | — | — | — | (196) | — |
| Amortisation/depreciation charge | (73,108) | (18,893) | (9) | (1,785) | — |
| Exchange differences | 118,372 | 83,119 | — | 487 | — |
| Closing net book value at 30 June 2007 | <u>3,904,700</u> | <u>2,740,640</u> | <u>691</u> | <u>27,755</u> | <u>8,650</u> |
| Opening net book value at 1 January 2006 | 1,648,510 | 331,507 | 718 | 23,541 | 8,210 |
| Additions | — | — | — | 749 | — |
| Disposals | — | — | — | (25) | — |
| Amortisation/depreciation charge | (47,185) | (6,543) | (9) | (1,167) | — |
| Exchange differences | (2,403) | — | — | — | — |
| Closing net book value at 30 June 2006 | <u>1,598,922</u> | <u>324,964</u> | <u>709</u> | <u>23,098</u> | <u>8,210</u> |
| Additions | — | — | — | 4,523 | — |
| Disposals | — | — | — | (63) | — |
| Revaluation surplus | — | — | — | — | 440 |
| Amortisation/depreciation charge | (50,830) | (7,065) | (9) | (1,313) | — |
| Exchange differences | 64,431 | 13,260 | — | 417 | — |
| Closing net book value at 31 December 2006 | <u>1,612,523</u> | <u>331,159</u> | <u>700</u> | <u>26,662</u> | <u>8,650</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 GOODWILL

| | HK\$'000 |
|---------------------------------------|----------|
| At 1 January 2007 | — |
| Acquisition of a subsidiary (Note 15) | 115,043 |
| Exchange difference | 2,309 |
| | 117,352 |
| At 30 June 2007 | 117,352 |

11 TRADE RECEIVABLES

Trade receivables are toll revenues collected by other parties on behalf of the Group. The ageing of the balance is within 30 days.

12 SHARE CAPITAL

| | Ordinary shares of HK\$0.1 each | |
|---|------------------------------------|--------------------|
| | Number of shares | Amount HK\$'000 |
| Authorised: | | |
| At 1 January 2006, 31 December 2006 and 30 June 2007 | 2,000,000,000 | 200,000 |
| Issued and fully paid: | | |
| At 1 January 2006, 31 December 2006 and 30 June 2007 | 1,115,441,530 | 111,544 |

Share options

Pursuant to a share option scheme (the "Old Share Option Scheme") approved by shareholders of the Company on 3 January 1997, the Board of Directors of the Company ("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.

As at 30 June 2007 and 31 December 2006, there were no outstanding options granted under the Old Share Option Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 SHARE CAPITAL (CONTINUED)

Movements of the number of share options outstanding under the Old Share Option Scheme are as follows:

| | Number of share options |
|--|------------------------------------|
| | '000 |
| At 1 January 2006 | 230,000 |
| Lapsed during the period | (230,000) |
| | <u> </u> |
| At 30 June 2006, 31 December 2006 and 30 June 2007 | <u> </u> |

On 25 June 2002, the Company adopted a new share option scheme (the "New Share Option Scheme"), under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the number of shares in issue as at 25 June 2002. 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 of Hong Kong Limited's (the "Stock Exchange") 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. As at 30 June 2007, no such options have been granted to any person since the adoption of the New Share Option Scheme.

13 BORROWINGS

| | 30 June 2007 HK\$'000 | 31 December 2006 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Non-current | | |
| Long-term bank borrowings | 1,423,918 | — |
| Loans from minority shareholders of subsidiaries | 463,682 | 449,739 |
| | <u>1,887,600</u> | <u>449,739</u> |
| Current | | |
| Current portion of long-term bank borrowings | 40,000 | — |
| Short-term bank borrowings | 15,464 | — |
| | <u>55,464</u> | <u> </u> |
| | <u>1,943,064</u> | <u>449,739</u> |

Interest expense on borrowings for the six months ended 30 June 2007 is HK\$31,014,000 (2006: HK\$9,183,000).

The loans from minority shareholders of subsidiaries are not repayable within one year. Except for an aggregate amount of HK\$132,990,000 (2006: HK\$129,000,000) which bears interest at the prevailing bank of China Rmb long-term lending rates ranging from 6.84% to 7.20% (2006: from 6.12% to 6.84%) per annum, the loans from minority shareholders of subsidiaries are interest free.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rates.

| | 30 June 2007 HK\$'000 | 31 December 2006 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Deferred income tax assets | | |
| -fair value loss on investment properties | (299) | (312) |
| Deferred income tax liabilities | | |
| -accelerated depreciation | 66,614 | 5,484 |
| -fair value gain on interest in a toll highway arising from acquisition of a subsidiary | 579,387 | — |
| | 646,001 | 5,484 |

15 BUSINESS COMBINATIONS

On 20 November 2006, the Group entered into an agreement with Guangzhou Development Infrastructure Investment Co., Ltd. to acquire a 20.0% additional equity interest in GNSR Expressway Co., Ltd., which was a jointly controlled entity held by the Group as at 31 December 2006 with 40.0% equity interest, for a consideration of RMB666,200,000. The acquisition was completed on 28 March 2007, after which GNSR Expressway Co., Ltd. became a subsidiary of the Group.

GNSR Expressway Co., Ltd. contributed revenue of approximately HK\$119,952,000 and profit attributable to equity holders of the Company of approximately HK\$34,210,000 of which HK\$11,403,000 related to the 20.0% additional equity interest acquired, for the period from the date of acquisition to 30 June 2007. If the acquisition had occurred on 1 January 2007, the revenue contributed by GNSR Expressway Co., Ltd. to the Group would have been approximately HK\$226,509,000 and profit attributable to equity holders of the Company would have been HK\$66,588,000 of which HK\$22,196,000 related to the 20.0% additional equity interest acquired.

Details of the net assets acquired and goodwill are as follows:

| | HK\$'000 |
|--|-----------|
| Purchase consideration: | |
| Cash paid | 666,200 |
| Direct cost relating to the acquisition | 8,911 |
| Total purchase consideration | 675,111 |
| Fair value of net identifiable assets acquired (see below) | (560,068) |
| Goodwill | 115,043 |

The goodwill is attributable to the anticipated business profitability of GNSR Expressway Co., Ltd.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 BUSINESS COMBINATIONS (CONTINUED)

The assets and liabilities arising from the acquisition are as follows:

| | Fair value | Acquiree's carrying amount |
|--|-------------------|-----------------------------------|
| | HK\$'000 | HK\$'000 |
| Bank balances and cash | 9,696 | 9,696 |
| Interests in toll highways and bridges | 4,592,168 | 2,345,255 |
| Property, plant and equipment | 1,419 | 1,419 |
| Trade receivables | 4,896 | 4,896 |
| Other receivables, deposits and prepayments | 4,409 | 4,409 |
| Trade payables and accrued charges | (70,784) | (70,784) |
| Borrowings | (1,119,000) | (1,119,000) |
| Deferred income tax liabilities | (622,462) | (56,504) |
| | <hr/> | <hr/> |
| Net identifiable assets acquired | 2,800,342 | 1,119,387 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Net identifiable assets attributable to the 20.0% additional equity interest acquired by the Group | 560,068 | 223,877 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Cash outflow to acquire business, net of cash acquired: | | |
| Purchase consideration | | 675,111 |
| Deposit paid in 2006 | | (132,580) |
| Cash and cash equivalents in the subsidiary acquired | | (9,696) |
| | | <hr/> |
| Cash outflow on acquisition | | 532,835 |
| | | <hr/> <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 COMMITMENTS

At 30 June 2007, the Group had financial commitments in respect of equity capital to be injected to a jointly controlled entity of approximately HK\$108,247,000 (2006: two jointly controlled entities of approximately HK\$648,800,000). At 30 June 2007, the Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

| | 30 June 2007 HK\$'000 | 31 December 2006 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Lease payments | | |
| Not later than one year | 202 | 294 |
| Later than one year and not later than five years | 101 | 294 |
| | <hr/> 303 <hr/> | <hr/> 588 <hr/> |
| Lease receipts | | |
| Not later than one year | 391 | 391 |
| Later than one year and not later than five years | 165 | 361 |
| | <hr/> 556 <hr/> | <hr/> 752 <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 RELATED PARTY TRANSACTIONS

(a) Related parties

The Group is controlled by GZI Transport (Holdings) Limited, which owns approximately 67% of the Company's shares. The Company's Directors regard Guangzhou Investment Company Limited (incorporated in Hong Kong) as the ultimate holding company.

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarised the names of related parties, with whom the Group had significant transactions during the period, and their relationship with the Company as at 30 June 2007:

| Related party | Relationship with the Company |
|--|---|
| Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") | A substantial shareholder of ultimate holding company |
| Guangzhou Investment Company Limited ("GZI") | Ultimate holding company |
| Guangzhou Highway Development Company Limited ("GHDC") 中國湘潭湘橋發展股份有限公司 | A minority shareholder of subsidiaries |
| Guangzhou Western Second Ring Expressway Co., Ltd. | A minority shareholder of a subsidiary |
| Guangdong Humen Bridge Co., Ltd. | A jointly controlled entity |
| Guangdong Qinglian Highway Development Co., Ltd. | An associate |
| Guangdong Shantou Bay Bridge Co., Ltd. | An associate |
| Guangzhou Northring Freeway Co., Ltd. | An associate |

(b) Transactions with related parties

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Administrative service fees shared with GZI | 650 | 650 |
| Loan interest expense paid to GHDC | 4,693 | 3,876 |
| Rental expenses paid to Yue Xiu | 101 | 101 |
| | <u>5,444</u> | <u>4,627</u> |

(c) Key management compensation

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Salaries and other short-term benefits | 13,171 | 10,463 |
| | <u>13,171</u> | <u>10,463</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 EVENT AFTER THE BALANCE SHEET DATE

On 28 August 2007, the Group issued 557,720,765 Offer Shares at HK\$3.93 per share under an open offer and raised HK\$2.19 billion for financing investment in new toll projects in the future.

OTHER INFORMATION

Interests of Directors

As at 30 June 2007, 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 (“Stock Exchange”) were as follows :

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

| Name of Director | Nature of interest | Beneficial interest in shares | Approximate % of interest |
|--------------------|--------------------|-------------------------------|---------------------------|
| Mr Liang Ningguang | Personal | 400,000 | 0.01 |
| Mr Fung Ka Pun | Personal | 500,000 | 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 1 January and 30 June 2007 |
|--------------------|---------------|----------------------------------|--|
| Mr Ou Bingchang | 02/06/2003 | 0.5400 | 9,000,000 |
| Mr Liang Ningguang | 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 2 June 2003 to 1 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)) 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 30 June 2007, 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.

Discloseable Interests of Shareholders under the Securities and Futures Ordinance

As at 30 June 2007, 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:

I. Long Position

| Name of shareholder | Long position in shares | Approximate % of interest |
|---|--------------------------------------|------------------------------|
| Yue Xiu | 1,343,652,840 ^{(1)&(2)} | 80.31 ⁽³⁾ |
| GZI ⁽⁴⁾ | 1,289,955,727 ⁽⁵⁾ | 77.10 ⁽³⁾ |
| First Dynamic Limited ⁽⁶⁾ | 750,000,000 | 67.24 |
| Round Table Holdings Limited ⁽⁷⁾ | 750,000,000 | 67.24 |
| GZI Transport (Holdings) Limited ⁽⁸⁾ | 750,000,000 | 67.24 |
| Housemaster Holdings Limited ⁽⁹⁾ | 367,500,000 | 32.95 |
| Power Head Limited ⁽⁹⁾ | 157,500,000 | 14.12 |
| Delta Force Holdings Limited ⁽⁹⁾ | 112,500,000 | 10.09 |
| Lawson Enterprises Limited ⁽⁹⁾ | 112,500,000 | 10.09 |
| HSBC Holdings plc ⁽¹⁰⁾ | 164,754,727 | 9.85 ⁽³⁾ |
| Mr Cheah Cheng Hye ⁽¹¹⁾ | 140,976,000 | 12.63 |
| Value Partners Limited ⁽¹¹⁾ | 140,976,000 | 12.63 |

(1): Yue Xiu held 8,653 shares as beneficial owner and the deemed interest in the balance of 1,343,644,187 shares through its controlled corporations.

(2): This included the deemed interest in 557,720,764 open offer shares ("Offer Shares") proposed to be issued by the Company at the price of HK\$3.93 per share, representing the aggregate of 164,754,727 Offer Shares underwritten by GZI and 392,966,037 Offer Shares which Yue Xiu and GZI had undertaken to subscribe or procure their respective subsidiaries to subscribe for as disclosed in the joint announcement of the Company and GZI dated 29 June 2007. The Open Offer was completed on 28 August 2007 with an oversubscription of approximately 17.27% and GZI was not called upon to subscribe for any Offer Shares under the relevant underwriting agreement.

(3): This percentage interest is calculated on the basis of the share capital in the Company as enlarged by the issue of 557,720,764 Offer Shares.

(4): Yue Xiu held a 45.12% interest in GZI as at 30 June 2007.

(5): This included the deemed interest in 539,821,727 Offer Shares, representing the aggregate of 164,754,727 Offer Shares underwritten by GZI and 375,067,000 Offer Shares which GZI has undertaken to subscribe or procure its subsidiaries to subscribe for as disclosed in the joint announcement of the Company and GZI dated 29 June 2007. The Open Offer was completed on 28 August 2007 with an oversubscription of approximately 17.27% and GZI was not called upon to subscribe for any Offer Shares under the relevant underwriting agreement.

(6): This is a controlled corporation of Yue Xiu.

(7): This is a controlled corporation of GZI.

(8): This entity is indirectly owned as to 49% by Yue Xiu and as to 51% by GZI.

(9): This is a controlled corporation of GZI Transport (Holdings) Limited.

(10): This entity was the controlling entity of the sub-underwriter of the Open Offer, namely, The Hongkong and Shanghai Banking Corporation Limited, and the long position represented the sub-underwriter's deemed interest in the sub-underwritten offer shares.

(11): Value Partners Limited held these shares as investment manager. Mr Cheah Cheng Hye was deemed to be interested in these shares as a result of his indirect holding of such shares through his controlled corporation, Value Partners Limited.

OTHER INFORMATION

II. Short Position

| Name of shareholder | Short position in shares | Approximate % of interest |
|------------------------|-----------------------------|------------------------------|
| Yue Xiu ⁽¹⁾ | 164,754,727 | 9.85 ⁽²⁾ |
| GZI ⁽³⁾ | 164,754,727 | 9.85 ⁽²⁾ |

(1): This entity was the controlling entity of GZI, the underwriter of the Open Offer, and the short position represented GZI's deemed interest in the sub-underwritten offer shares.

(2): This percentage interest was calculated on the basis of the share capital in the Company as enlarged by the issue of 557,720,764 Offer Shares.

(3): This short position represented GZI's deemed interest in the sub-underwriting agreement in relation to the Open Offer.

Share Options

On 25 June 2002, the shareholders of the Company approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). 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 ("Listing Rules").

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("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.

Corporate Governance

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, except for the following deviation:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Bye-laws. All the non-executive directors of the Company had retired by rotation and have been re-elected during the past three years.

The Audit Committee and the Company’s auditors, PricewaterhouseCoopers, have reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2007.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2007.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

Purchase, Sale or Redemption of the Company’s Shares

The Company has not redeemed any of its shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 3 October 2007 to Friday, 5 October 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong Branch Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 2 October 2007.

CORPORATE AND INVESTOR RELATIONS INFORMATION

Board of Directors

Executive Directors

Mr Ou Bingchang (*Chairman*)
 Mr Li Xinmin
 Mr Qian Shangning
 Mr Liang Ningguang
 Mr Liang Yi
 Mr Cai Tielong
 Mr He Zili
 Ms Yuan Hongping
 Mr Chen Guanzhan
 Mr Zhang Siyuan
 Mr Luo Jinbiao
 Mr Zhang Huping

Non-executive Directors

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

* *Independent non-executive directors & audit committee members*

Company Secretary

Mr Yu Tat Fung

Qualified Accountant

Ms Chan Kam Ting Sharon

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

Tricor Abacus Limited
 26/F, Tesbury Centre
 28 Queen's Road East
 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:
 Ms 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>

廣東省內項目位置圖

Location Map of Toll Road Projects inside Guangdong Province



汕頭
Shantou

海灣大橋 Bay Bridge



汕頭海灣大橋 Shantou Bay Bridge

位於汕頭港東部出入口處，西接深汕高速公路，橫跨汕頭港黃沙灣主航道與汕汾高速公路相接，六線行車道，全長約 6.5 公里。

A six-lane bridge of approximately 6.5 km long, located in the eastern entrance of Shantou Harbour which connects Shenshan Expressway in the west and stretches over Shantou Harbour Huangsha Bay Sea Route linking Shanfen Expressway.



珠三角 Pearl River Delta

清遠
Qingyuan

龍潭
Longtan

溫泉
Wenquan

從化
Conghua

花都
Huadu

太平
Taiping

廣州
Guangzhou

東莞
Dongguan

番禺
Panyu

虎門
Humen

南沙
Nansha

珠海
Zhuhai

香港
Hong Kong

廣東省內項目位置圖

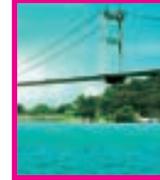
Location Map of Toll Road Projects inside Guangdong Province



1 廣深公路 Guangshen Highway

屬107國道其中一段，是連接廣州市和深圳市的主要公路之一。全長約23.1公里，其中黃埔大沙地至南崗為六線行車道，長約11.7公里，南崗至新塘為四線行車道，長約11.4公里。

It is a section of National Highway 107 and is one of the major roads connecting Guangzhou City and Shenzhen City. The total length is approximately 23.1 km, of which the section from Dashadi in Huangpu to Nangang measures approximately 11.7 km long with six lanes and the section from Nangang to Xintang measures approximately 11.4 km long with four lanes.



6 虎門大橋 Humen Bridge

全長約15.8公里六線行車之高速公路懸索橋，連接廣州市番禺區和東莞市，兩端連接廣深高速公路及廣珠東線高速公路。

An expressway of approximately 15.8 km long with a six-lane suspension bridge linking Panyu District of Guangzhou Municipality and Dongguan City. Its two ends are connected to the Guangzhou Shenzhen Expressway and Guangzhou Zhuhai Eastern Expressway.



2 廣汕公路 Guangshan Highway

為324國道其中一段，長約64.0公里，四線行車道，是連接廣州市和粵東地區的主要公路之一。

It is a section of National Highway 324 with a total length of approximately 64.0 km with four lanes and is one of the major highways connecting Guangzhou Municipality and the eastern region of Guangdong Province.



7 北二環高速公路 GNSR Expressway

全長42.4公里，六線行車道上設有九座互通立交，連接廣州市北部共十一條省道、國道和高速公路。

A six-lane 42.4 km expressway with nine intersections which connects eleven provincial, national highways and expressways in the north of Guangzhou Municipality.



3 廣從公路第一段 Guangcong Highway Section I

屬105國道其中一段，長約33.3公里，六線行車道，主要連接廣東省和江西等華東省份之間的省際公路，也是廣州市市區和廣州市東北面溫泉渡假村所在地從化市之間的市際交通。

It is a section of National Highway 105, measures approximately 33.3 km long with six lanes. It mainly connects inter-provincial traffic between Guangdong Province and provinces in Eastern China such as Jiangxi and intra-municipality traffic between Guangzhou and Conghua City in the northeast, where a hot spring resort is located.



8 北環高速公路 Northern Ring Road

全長約22.0公里，六線行車道，位於廣州市市區，東連廣深高速公路，西接廣佛高速公路。

It is located in the urban area of Guangzhou City with total length of approximately 22.0 km with six lanes. It links the Guangzhou Shenzhen Expressway in the east and the Guangzhou Foshan Expressway in the west.



4 廣從公路第二段及1909省道 Guangcong Highway Section II & Provincial Highway 1909

廣從公路第二段，長約33.1公里，六線行車道，是連接廣東省和江西等華東省份之間的省際公路，也是廣州市市區和廣州市東北面溫泉渡假村所在地從化市之間的市際交通。1909省道，長約33.3公里，四線行車道，是連接廣東和湖南兩省的省際公路。

Guangcong Highway Section II measures approximately 33.1 km long with six lanes which connects inter-provincial traffic between Guangdong Province and provinces in Eastern China such as Jiangxi and intra-municipality traffic between Guangzhou and Conghua City in the northeast, where a hot spring resort is located. Provincial Highway 1909 measures approximately 33.3 km long with four lanes which connects inter-provincial traffic between Guangdong and Hunan provinces.



9 清連公路 Qinglian Highways

位於廣東省西北部，是連接廣東和湖南兩省地區的一條重要通道，其中包括一級公路約215.2公里，四線行車道和二級公路約253.0公里，二線行車道。

Consist of a Class I Highway of approximately 215.2 km long with four lanes and a Class II Highway of approximately 253.0 km long with two lanes. They are located in the northwestern part of Guangdong Province and is a major access connecting Guangdong Province and Hunan Province.



5 廣花公路 Guanghua Highway

全長約20.0公里，六線行車道，連接廣州市市區及廣州新機場所在地的花都區的主要公路之一。

It measures approximately 20.0 km with six lanes which is one of the major highways connecting the urban area of Guangzhou City and the suburb of Huadu District where the New Guangzhou Airport is located.



10 西二環高速公路 GWSR Expressway

全長約39.6公里，雙向六車道，與廣州市北二環高速、京珠高速、廣花高速、新機場高速、廣三高速以及國道324、321、105、106、107等公路連接。

A 39.6 km expressway with six lanes in dual direction which connected to GNSR Expressway, Jingzhu Expressway, Guanghua Expressway, New Airport Expressway, Guangsan Expressway and National Highways 324, 321, 105, 106, 107.

廣東省外項目位置圖

Location Map of Toll Road Projects outside Guangdong Province



陝西省西臨高速公路 Xian Expressway in Shaanxi Province

是西安至潼關高速公路的一段，亦屬國道幹線G045連雲港到霍爾果斯的一部份，全長約20.1公里，四線行車道，並與繞城高速公路互通。貫通西安市與世界知名歷史古跡兵馬俑、華清池等風景名勝區的重要通道。

A section of Xian Tongguan Expressway, a part of National Highway G045 between Lianyungang and Huoerguosi with a total length of approximately 20.1 km with four lanes and intersects with Yao Cheng Expressway. It is also a major access connecting Xian City to the world famous historical relics and scenic spots such as Terra-Cotta Warriors and Huaqing Hot Spring.

湖南省湘江二橋 Xiang Jiang Bridge II in Hunan Province

位於湖南省湘潭市，全長約1.8公里，四線行車道，是連接湘江南北河岸107國道上的橋樑，主要連接廣東省及湖南省之間的省際交通。

It is located in Xiang Tan City of Hunan Province with a total length of approximately 1.8 km long with four lanes and a part of National Highway 107 linking the northern and southern banks of Xiang Jiang. It primarily connects inter-provincial traffic between Guangdong Province and Hunan Province.