



I am pleased to present the annual results of GZI Transport Limited (“Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2006.

### RESULTS AND DIVIDEND

The Group has been striving to improve the service quality of toll roads, increase toll revenue, enhance road maintenance and management and toll collection rate. It has been endeavouring to reduce the operating costs with a view to continually increasing the return to shareholders. In 2006, the Group recorded toll revenue for the full year of HK\$449.0 million, representing an increase of 5.6 per cent over 2005. Profit attributable to equity holders of the Company amounted to HK\$461.0 million, representing an increase of 50.8 per cent over 2005. Basic earnings per share were HK\$0.413 (2005: HK\$0.274). The Board recommended distribution of a final dividend of HK\$0.07 per share for 2006, which when aggregated with the paid interim dividend of HK\$0.065 per share represented a dividend pay out ratio of 32.7 per cent in the year.



## REVIEW AND PROSPECT

In January 1997, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited and subsequently became one of the constituent stocks of the Hang Seng China-affiliated Corporations Index in March 1998. Since its listing, the Group has adopted a prudent and conservative policy to operate and develop its toll road business. Its operations were initially concentrated in the Guangzhou region but have been progressively extended to other regions of the Pearl River Delta ("Pearl River Delta Region") and regions outside Guangdong Province. The attributable length of the expressways, national toll highways and bridges invested by the Group has increased from 146.9 km as at listing to 315.4 km as at the end of 2006.

In 2006, there was rapid economic development across mainland China. In particular, the Pearl River Delta Region continued to pursue a rapid yet steady growth trend. Expressway networks in the region have been undergoing further improvement, thus creating favourable conditions for the rapid development of the logistics and transportation industries. According to preliminary statistics released by Guangzhou Statistical Information Network (廣州統計信息網), the passenger turnover and the freight forwarding volume for 2006 in Guangzhou grew by approximately 11.5 per cent and 11.7 per cent respectively over 2005. As a result, the traffic volume and toll revenue of expressways and bridges operated by the Group have seen continued growth. The healthy and steady development of the China economy, together with the banning of motorcycles in urban Guangzhou on 1 January 2007, has led to a rapid growth of private car ownership. The ownership rate of private cars per hundred households in Guangzhou increased from 6.3 vehicles in 2005 to 10.0 vehicles in 2006. Together with the trend of appreciation of Renminbi, this is expected to have more positive impacts on increasing the Group's total toll traffic volume, toll revenue and asset value.

The Group has entered into an Equity Transfer Agreement (出資轉讓協議) (details of the acquisition are set out in the circular issued on 18 December 2006) with Guangzhou Development Infrastructure Investments Co., Ltd. on the acquisition of an additional 20 per cent equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co.") on 20 November 2006. The only asset of GNSR Expressway Co. is Guangzhou Northern Second Ring Expressway ("GNSR Expressway"). Since 2003, the average daily toll traffic volume of GNSR Expressway has satisfactory growth each year. Following the completion of the acquisition, this is expected to have a positive impact on the Group's traffic volume and toll revenue. In 2006, the average daily toll traffic volume and the average daily toll revenue of GNSR Expressway were 56,252 vehicles and RMB974,000, representing an increase of 27.9 per cent and 27.0 per cent over 2005 respectively. The average daily toll traffic volume and the average daily toll revenue of GNSR Expressway for the two months period ending 28 February 2007 were 66,219 vehicles and RMB1,161,000 respectively, representing an increase of 26.1 per cent and 35.1 per cent as compared to the same period in 2006. The relevant regulatory authority approved the transfer of the 20 per cent equity interest in GNSR Expressway Co. on 15 March 2007. Registration of the transfer by the Guangzhou Administration for Industry and Commerce was completed at the end of March 2007. Upon completion, the interest in GNSR Expressway Co. attributable to the Group has been increased from 40 per cent to 60 per cent. The attributable length of the expressways, national toll highways and bridges invested by the Group has further increased from 315.4 km as at the end of 2006 to current 323.9 km.

The early opening of Guangzhou Western Second Ring Expressway ("GWSR Expressway") on 19 December 2006 is expected to create synergy with GNSR Expressway and will become a major profit growth contributor of the Group. For the 2 months of January and February 2007, average daily toll traffic volume was 4,185 vehicles and weighted average toll fare per vehicle amounted to RMB28.8.



The formation of expressway networks has created a strong driving force for the development of economy, as well as the passenger and cargo transportation industries, between regions, provinces and medium-sized and major cities, thereby achieving a fast yet sustainable development of the national economy of China, facilitating mutual development between regions and increasing the living standard generally. Consequently, the construction of expressways will be strengthened in mainland China during the “11th Five Year Plan”. According to the 《Comprehensive Transportation System in Guangdong Province “11th Five Year Plan”》, there will be a total of 35 key expressway projects (including 11 outbound expressway projects, 18 major expressway projects within the province and 6 local expressway projects) to be constructed throughout the Guangdong Province, with a total investment of approximately RMB228.8 billion. It is anticipated that investment amounting to approximately RMB159.1 billion will be made in constructing expressways of approximately 2,773 km during the “11th Five Year Plan” period. Therefore, there will be tremendous opportunities for investing in expressway projects.

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 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.

### APPRECIATION

The excellent performance and dedication of all the Company's directors, management and staff had contributed to the continued growth of the Group. I would like to take this opportunity to express my heartfelt gratitude to all directors, management and staff of the Group. Meanwhile, I would also like to express my gratitude to all shareholders, professionals from the industrial and commercial sector and the public for their consistent strong support. I look forward to working together with all of you continuously to create even better results.

**Ou Bingchang**  
*Chairman*

Hong Kong, 10 April 2007