GZI Transport Limited
越秀交通有限公司

(Stock Code: 1052)

A Decade's Outstanding Achievement by Unrelenting Pursuit of Excellence

New Centennial Establishment Through Expansion with Intelligence

2007 Annual Report

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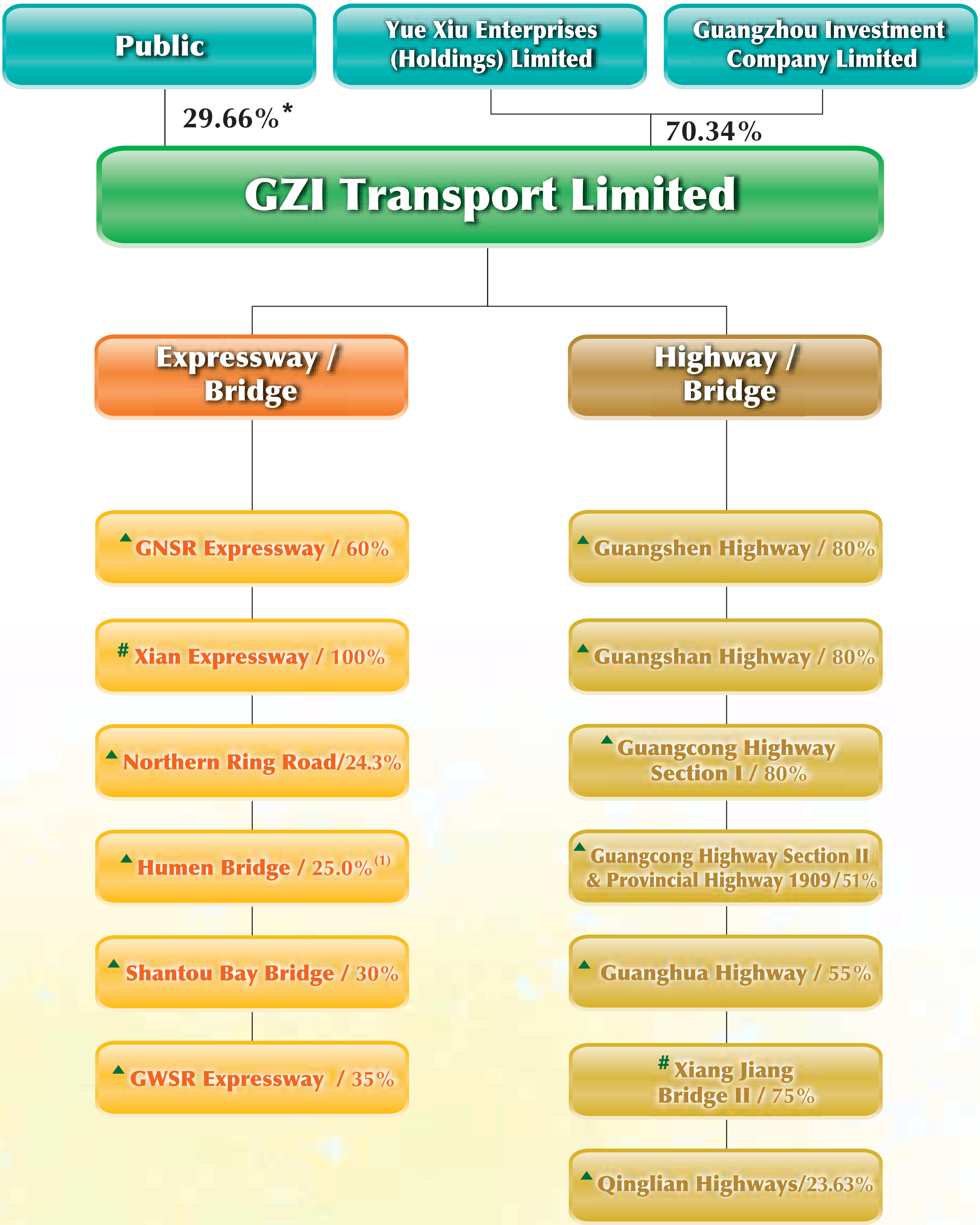
Corporate Profile



(1) Upon completion of the acquisition, i.e. in late January 2008, the equity interest in Guangdong Humen Bridge Co., Ltd. has been increased from 25.0 per cent to 27.78 per cent.

* including 11.97 per cent held by Value Partners Limited and its associates

▲ inside Guangdong Province

outside Guangdong Province

Corporate Profile

GZI Transport Limited ("Company") and its subsidiaries (collectively, "Group") are principally engaged in investment, operation and management of toll expressways, national highways and bridges mainly located in Guangdong Province.

As at 31 December 2007, the Group had a total of 13 investments in its operating toll road and bridge projects portfolio which include Guangzhou City Northern Ring Road ("Northern Ring Road"), Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangdong Humen Bridge ("Humen Bridge"), Shantou Bay Bridge and Guangshen Highway Guangzhou Section ("Guangshen Highway") which connects Guangzhou City to Shenzhen City, all of which are located within Guangdong Province; and toll projects passing through Guangdong, Hunan and Jiangxi provinces such as Guangshan Highway along NH324 Guangzhou section ("Guangshan Highway"), Guangcong Highway connecting Guangzhou Institute of Foreign Language and Tai Ping Chang ("Guangcong Highway Section I") and Guangcong Highway connecting Tai Ping Chang and Wenquan ("Guangcong Highway II and Provincial Highway 1909") both 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 ("Xian Expressway") and Xiang Jiang Bridge II in Xiangtan City of Hunan Province ("Xiang Jiang Bridge II"). Total attributable length of the Group's toll roads and bridges as at 31 December 2007 is approximately 323.9 km.

The Company was listed in The Stock Exchange of Hong Kong Limited ("SEHK") (stock code: 1052) on 30 January 1997 with an aggregate of 1,037,500,000 shares issued. The Company is a constituent stock of the Hong Kong China-Affiliated Corporations Index. On 28 August 2007, the Company issued 557,720,765 new shares under an open offer. Total issued share capital of the Company at present amounts to HK$167,316,000 with 1,673,162,295 shares in issue. The ultimate holding company of the Company is Guangzhou Investment Company Limited ("GZI") (stock code: 0123) which is listed on the SEHK.

1 Guangshen Highway

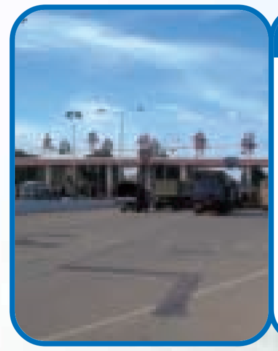
Attributable interest	80.00%
Location	Section of National Highway 107, connects Guangzhou and Shenzhen.
Length / Width	23.1 km / 6 lanes
Road type	Class I highway
Toll station(s)	1
Remaining operating term (years)	19

2 Guangshan Highway

Attributable interest	80.00%
Location	Section of National Highway 324, connects Guangzhou and Eastern Guangdong Province
Length / Width	64.0 km / 4 lanes
Road type	Class II highway
Toll station(s)	2
Remaining operating term (years)	19

3 Guangcong Highway Section I

Attributable interest	80.00%
Location	Section of National Highway 105, connects Guangdong Province and provinces in Eastern China, links Guangzhou and Conghua City
Length / Width	33.3 km / 6 lanes
Road type	Class I highway
Toll station(s)	1
Remaining operating term (years)	19



4 Guangcong Highway Section II & Provincial Highway 1909

Attributable interest	51.00%
Location	Guangcong Section II: connects Guangdong Province and provinces in Eastern China, links Guangzhou and Conghua City Provincial Highway 1909: connects Guangdong and Hunan provinces
Length / Width	Guangcong Section II: 33.1 km / 6 lanes Provincial Highway 1909: 33.3 km / 4 lanes
Road type	Class I highway
Toll station(s)	Guangcong Section II: 1 Provincial Highway 1909: 1
Remaining operating term (years)	19

5 Guanghua Highway

Attributable interest	55.00%
Location:	Connects the urban area of Guangzhou and the suburb of Huadu District
Length / Width	20.0 km / 6 lanes
Road type	Class I highway
Toll station(s)	1
Remaining operating term (years)	20

6 GNSR Expressway

Attributable interest	60.00%
Location	Connects 11 provincial, national highways and expressways in northern Guangzhou
Length / Width	42.4 km / 6 lanes
Road type	Expressway
Toll station(s)	9
Remaining operating term (years)	25

Location Map of Toll Road Projects inside Guangdong Province

7 Northern Ring Road

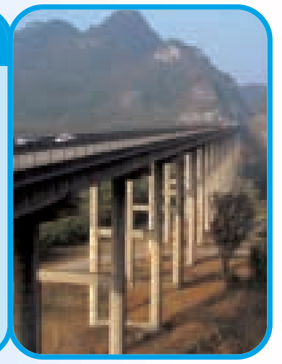
Attributable interest	24.30%
Location	Located in suburban Guangzhou, links Guangzhou Shenzhen Expressway and Guangzhou Foshan Expressway
Length / Width	22.0 km / 6 lanes
Road type	Expressway
Toll station(s)	11
Remaining operating term (years)	16

8 Humen Bridge

Attributable interest	25.00% *
Location	Links Panyu District of Guangzhou and Dongguan City
Length / Width	15.8 km / 6 lanes
Road type	Suspension Bridge
Toll station(s)	4
Remaining operating term (years)	22

*Upon completion of acquisition, at end of January 2008, attributable interest increased from 25.00% to 27.78%.

9 Qinglian Highways



Attributable interest	23.63%
Location	Located in northwestern Guangdong, connects Guangdong and Hunan provinces
Length / Width	National Highway 107: 253.0 km / 2 lanes Highway between Qingyuan and Lianzhou Cities: 215.2 km / 4 lanes
Road type	National Highway 107: Class II Highway Highway between Qingyuan and Lianzhou Cities: Class I highway*
Toll station(s)	National Highway 107: 4 Highway between Qingyuan and Lianzhou Cities: 5
Remaining operating term (years)	21*

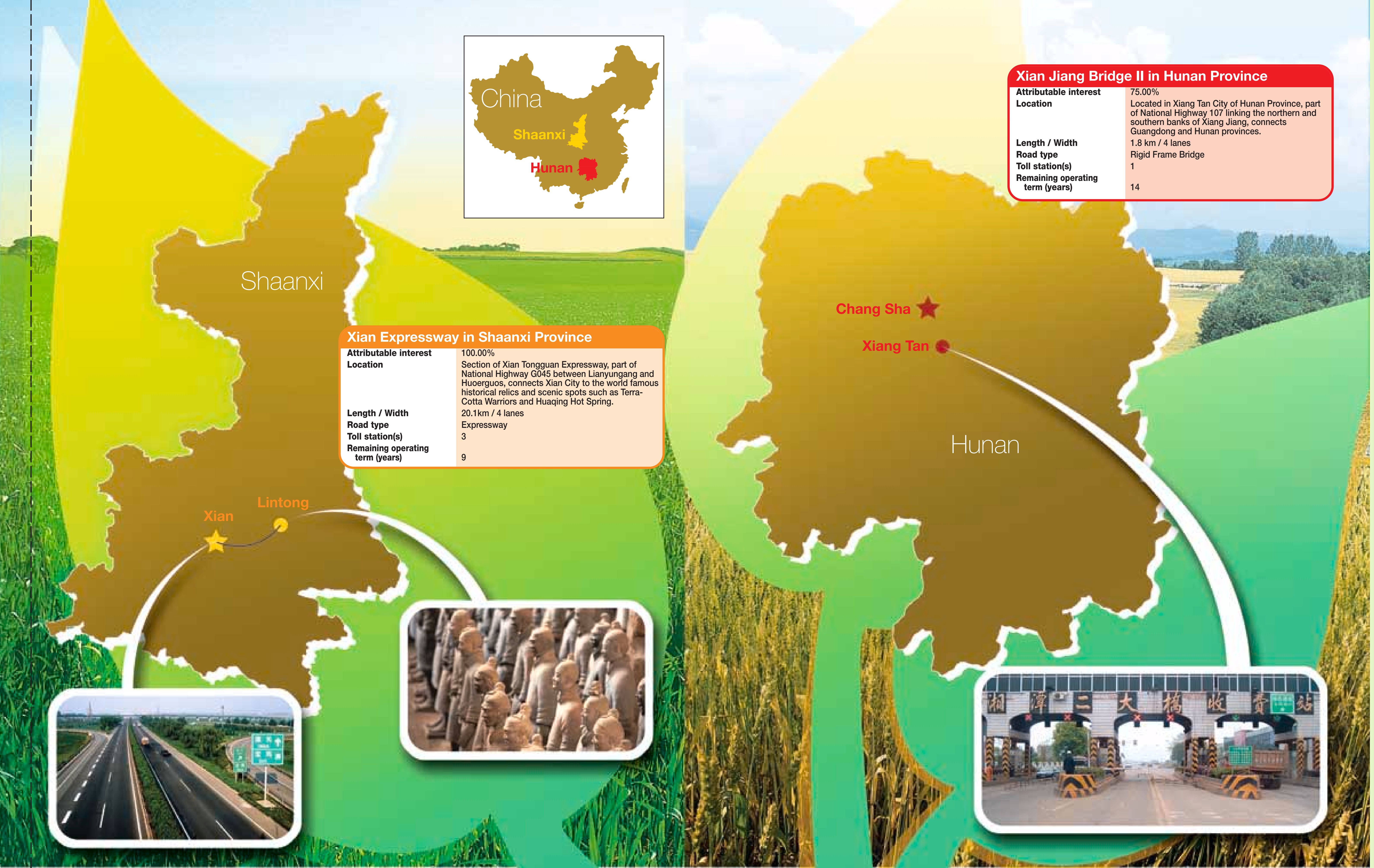
*Redevelopment work to upgrade Qinglian Class I Highway to an expressway is expected to be completed and open to traffic by 2008. Operating term will be 25 years commencing from completion of redevelopment.

10 GWSR Expressway

Attributable interest	35.00%
Location	Connected to GNSR, Jiangzhu, Guanghua, New Airport and Guangsan expressways and National Highways 324, 321, 105, 106, 107
Length / Width	39.6 km / 6 lanes
Road type	Expressway
Toll station(s)	5
Remaining operating term (years)	Subject to approval from relevant department.

11 Shantou Bay Bridge

Attributable interest	30.00%
Location	Located in eastern entrance of Shantou Harbour, connects Shenshan Expressway, stretches over Shantou Harbour Huangsha Bay Sea Route linking Shanfen Expressway
Length / Width	6.5km / 6 lanes
Road type	Suspension Bridge
Toll station(s)	1
Remaining operating term (years)	21



Xian Expressway in Shaanxi Province

Attributable interest	100.00%
Location	Section of Xian Tongguan Expressway, part of National Highway G045 between Lianyungang and Huoerguos, connects Xian City to the world famous historical relics and scenic spots such as Terra-Cotta Warriors and Huaqing Hot Spring.
Length / Width	20.1km / 4 lanes
Road type	Expressway
Toll station(s)	3
Remaining operating term (years)	9

Xian Jiang Bridge II in Hunan Province

Attributable interest	75.00%
Location	Located in Xiang Tan City of Hunan Province, part of National Highway 107 linking the northern and southern banks of Xiang Jiang, connects Guangdong and Hunan provinces.
Length / Width	1.8 km / 4 lanes
Road type	Rigid Frame Bridge
Toll station(s)	1
Remaining operating term (years)	14

Location Map of Toll Road Projects outside Guangdong Province

Five Years Financial Highlights

Five Years Financial Highlights

INCOME STATEMENT

Year ended 31 December

(HK$'000)	2007	2006	2005	2004 Restated	2003
Revenue	**870,778**	448,531	424,845	400,212	428,873
Earnings before interests, tax, depreciation and amortization ("EBITDA") [1]	**979,601**	639,074	561,124	459,945	462,600
Profit before income tax	**712,224**	523,604	372,326	336,429	327,119
Profit for the year	**664,494**	487,912	337,893	302,794	265,986
Profit attributable to:					
Equity holders of the Company	**580,981**	461,157	305,898	277,029	223,822
Minority interests	**83,513**	26,755	31,995	25,765	42,164
Basic earnings per share for profit attributable to the equity holders of the Company	**HK$0.444**	HK$0.413	HK$0.274	HK$0.249	HK$0.207
Dividend per share	**HK$0.1350**	HK$0.1350	HK$0.1000	HK$0.0975	HK$0.085

BALANCE SHEET

As at 31 December

(HK$'000)	2007	2006	2005	2004 Restated	2003
Total Assets	**11,386,941**	4,947,235	4,631,092	4,486,660	4,560,962
Total Liabilities	**2,103,236**	526,100	633,422	753,797	942,136
Total Equity	**9,283,705**	4,421,135	3,997,670	3,732,863	3,618,826
Equity attributable to:					
Equity holders of the Company	**7,781,255**	4,185,989	3,752,559	3,484,308	3,310,406
Minority interests	**1,502,450**	235,146	245,111	248,555	308,420
Net assets per share to equity holders of the Company	**HK$4.65**	HK$3.75	HK$3.36	HK$3.13	HK$2.97

FINANCIAL RATIOS

Year ended 31 December

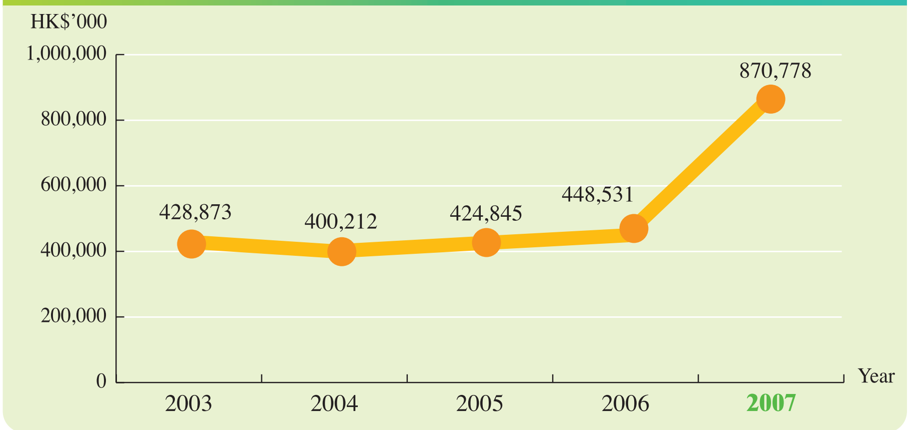
	2007	2006	2005	2004 Restated	2003
Return on equity attributable to equity holders of the Company	**7.50%**	11.00%	8.15%	7.95%	6.80%
Interest Coverage	**16 times**	275 times	53 times	32 times	19 times
Gross gearing ratio (total borrowings /total capitalization[2])	**14.00%**	9.70%	13.10%	16.20%	11.60%
Net gearing ratio ((total borrowings less cash and cash equivalents)/ net capitalization[3])	**N/A**	2.60%	5.00%	12.30%	5.30%

Note 1: EBITDA also excluded non-cash gains and losses

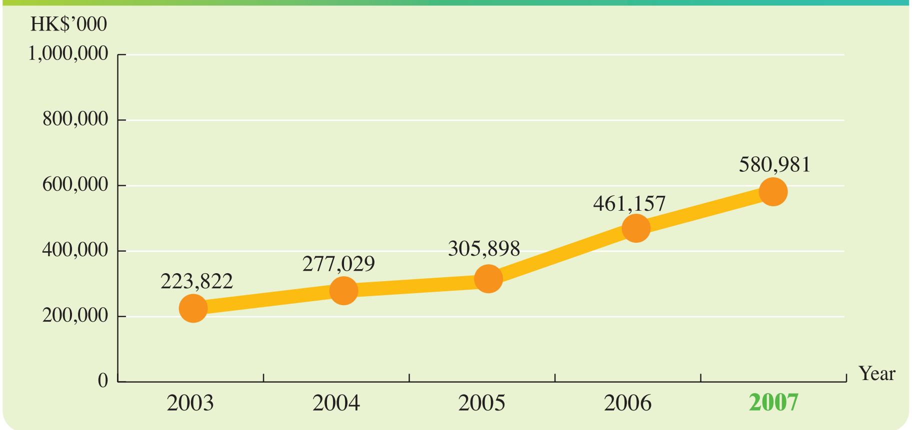
Note 2: Total capitalization = total borrowings + equity attributable to equity holders of the Company

Note 3: Net capitalization = (total borrowings - cash and cash equivalent) + equity attributable to equity holders of the Company

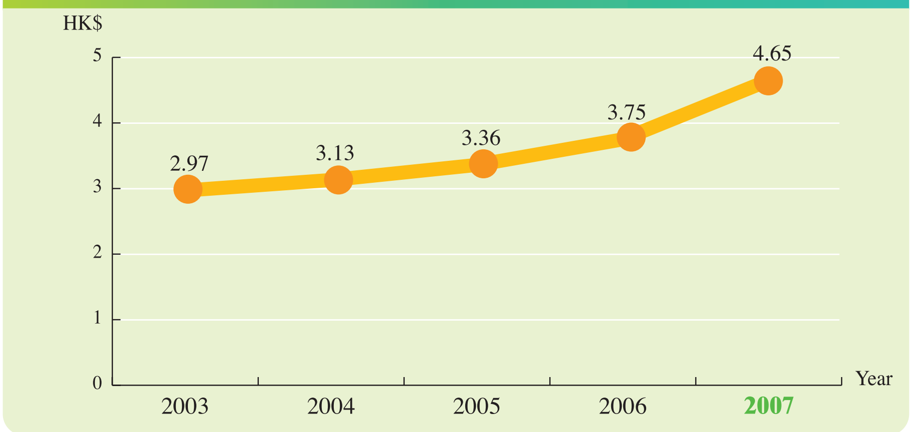
Revenue



Profit attributable to equity holders of the Company



Net assets per share to equity holders of the Company



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

Chairman's Statement

RESULTS AND DIVIDEND

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

REVIEW AND PROSPECTS

Business Review and Progress

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

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

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

In the meantime, the completion and gradual commencement of operation of Linan Logistics Center in Taihe Town near GNSR Expressway by the end of 2007 will help attract more classes 4 and 5 vehicles to travel through GNSR Expressway, and future toll revenue and traffic volume are expected to maintain stable growth.

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

Moreover, the linkage of GWSR Expressway to GNSR Expressway is synergistic. On 1 September 2007, the ramp of GWSR Expressway's Xiaotang Viaduct in the direction of Sanshui to GWSR Expressway officially opened to traffic and in December 2007, the southern section of GWSR Expressway has also commenced operation; after which vehicles from Western Guangdong may travel to the Baiyun Airport direct via Fokai Expressway (佛開高速) and Guangsan Expressway (廣三高速) or to Northern and Eastern Guangdong via GWSR Expressway. All these favourable factors will stimulate toll traffic volume of GWSR Expressway to grow further. It is expected that GWSR Expressway is likely to become a new source of profit growth for the Group in the foreseeable future.

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

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

Operating Strategies and Prospects

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

Nevertheless, the Group will adequately leverage its advantages to engage in market competition with a proactive and pragmatic strategy to capture favourable development opportunities. The PRC emphasizes the priority of developing transportation and expressway construction projects in the "11th Five-year Plan" (the "Plan"), of which Guangdong Province is expected to construct approximately 2,773 km of new expressways by 2010 in order to develop an even more sophisticated transportation network for Guangzhou and its satellite cities. This is particularly favorable to the Group. In the near future, the 16th Asian Games will be hosted by Guangzhou in 2010. The Guangzhou Municipal Government is planning to complete approximately 229.6 km of urban rail transportation lines and approximately 6,680 km of urban roads during the period of the Plan, is striving to enhance the traffic capacity of the city in a comprehensive manner and is escalating its efforts on network construction and accelerating the implementation of the Bus Rapid Transit ("BRT") system so as to welcome the 2010 Asian Games with a fast and efficient modern transportation system.

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

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

APPRECIATION

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

Ou Bingchang
Chairman

Hong Kong, 8 April 2008

Sustainable GROWTH

BUSINESS REVIEW

Overview of Operating Performance

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

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

GWSR Expressway

Toll summary of toll roads and bridges

Year ended 31 December 2007

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

(1) GWSR Expressway commenced its operation on 19 December 2006.

(a) Subsidiary (consolidated in the financial statements)
(b) Associate / Jointly Controlled Entity (equity accounted in the financial statements)

Performance of Expressways and Bridges

GNSR Expressway

GNSR Expressway is linked to Guangshen Expressway, Guangqing Expressway, Jingzhu Expressway and Guanghui Expressway. The opening of GWSR Expressway boosted traffic coming from Eastern and Western Guangdong to drive through GNSR Expressway, thus, creating stronger synergy effect. The acquisition of an additional 20.0 per cent equity interest in GNSR Expressway Co. has increased the equity interest held by the Group from 40.0 per cent to 60.0 per cent. The average daily toll traffic volume in 2007 was 68,514 vehicles which grew satisfactorily by 21.8 per cent over 2006 and even surpassed the optimistic scenario (excluding non-toll traffic) projected by the independent traffic consultant as disclosed in the Company's circular dated 18 December 2006 by 6.5 per cent. Weighted average toll fare per vehicle in 2007 rose by 5.8 per cent to RMB18.3 as compared with 2006.

Xian Expressway

Xian Expressway leads to one of the world's famous international tourist attractions, the Terra-Cotta Warriors in Xian. Xian's sustainable blooming commercial and tourism activities has brought forth Xian Expressway's natural traffic growth. The redevelopment works of the neighboring Huaqing Expressway and Xian Eastern Third Ring Road which have been in progress for two consecutive years since 2006 resulting in sectional closures of those expressways have provided Xian Expressway a relatively stable traffic flow. Average daily toll traffic volume in 2007 continued to record healthy growth with a 11.9 per cent rise from 2006 to 37,366 vehicles. Weighted average toll fare per vehicle amounted to RMB13.1 which was 8.3 per cent higher than 2006. Coping with the rapid economic development in the Western Regions in PRC, traffic flow of Xian Expressway began to rise to saturation level. In view of the traffic saturation and the remaining operating period of 9 years, the Group is considering various proposals to upgrade the expressway including reconstruction of Xian Expressway into an eight-lane, dual direction expressway subject to the grant of an extension of the concession period by the applicable regulatory authorities on such conditions as may be negotiated.

Northern Ring Road

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

Humen Bridge

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

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

Shantou Bay Bridge

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

GWSR Expressway

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

Performance of Class I and II Highways and Bridges

Guangshen Highway

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

Guangshan Highway

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

Guangcong Highway Section I

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

Guangcong Highway Section II & Provincial Highway 1909

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

Guanghua Highway

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

Xiang Jiang Bridge II

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

Qinglian Highways

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

FINANCIAL REVIEW

Operating Results Key Figures

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

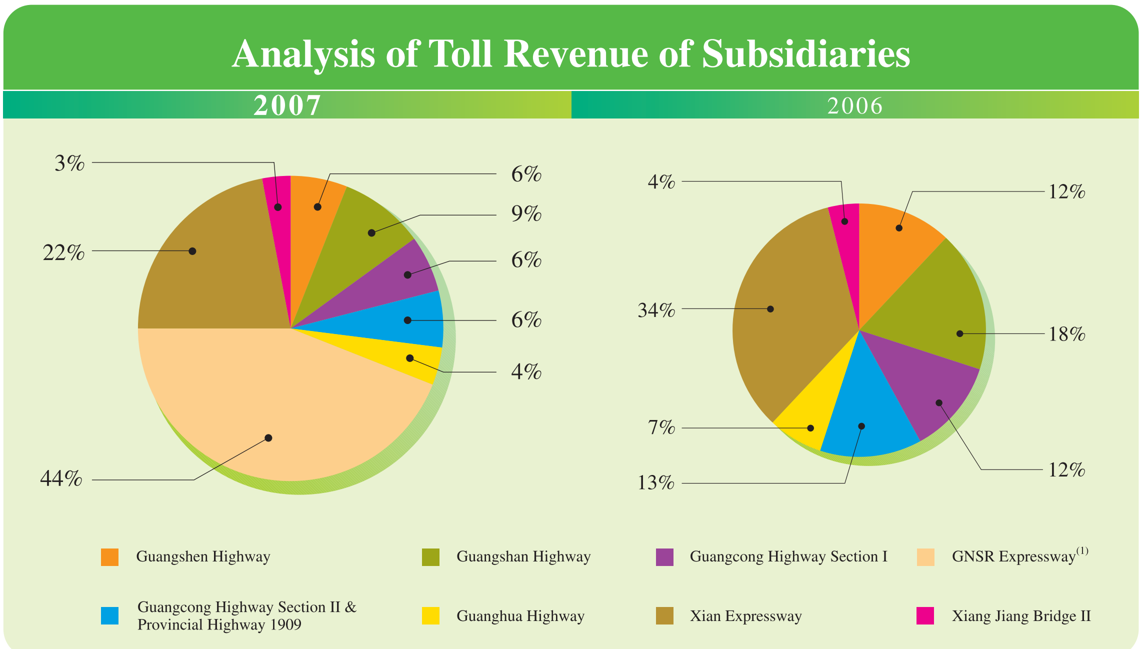
Analysis of Operating Results

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

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

Revenue

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



(1) GNSR Expressway Co. changed from jointly controlled entity to subsidiary since April 2007.

Operating profit

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

Finance costs - net

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

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

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

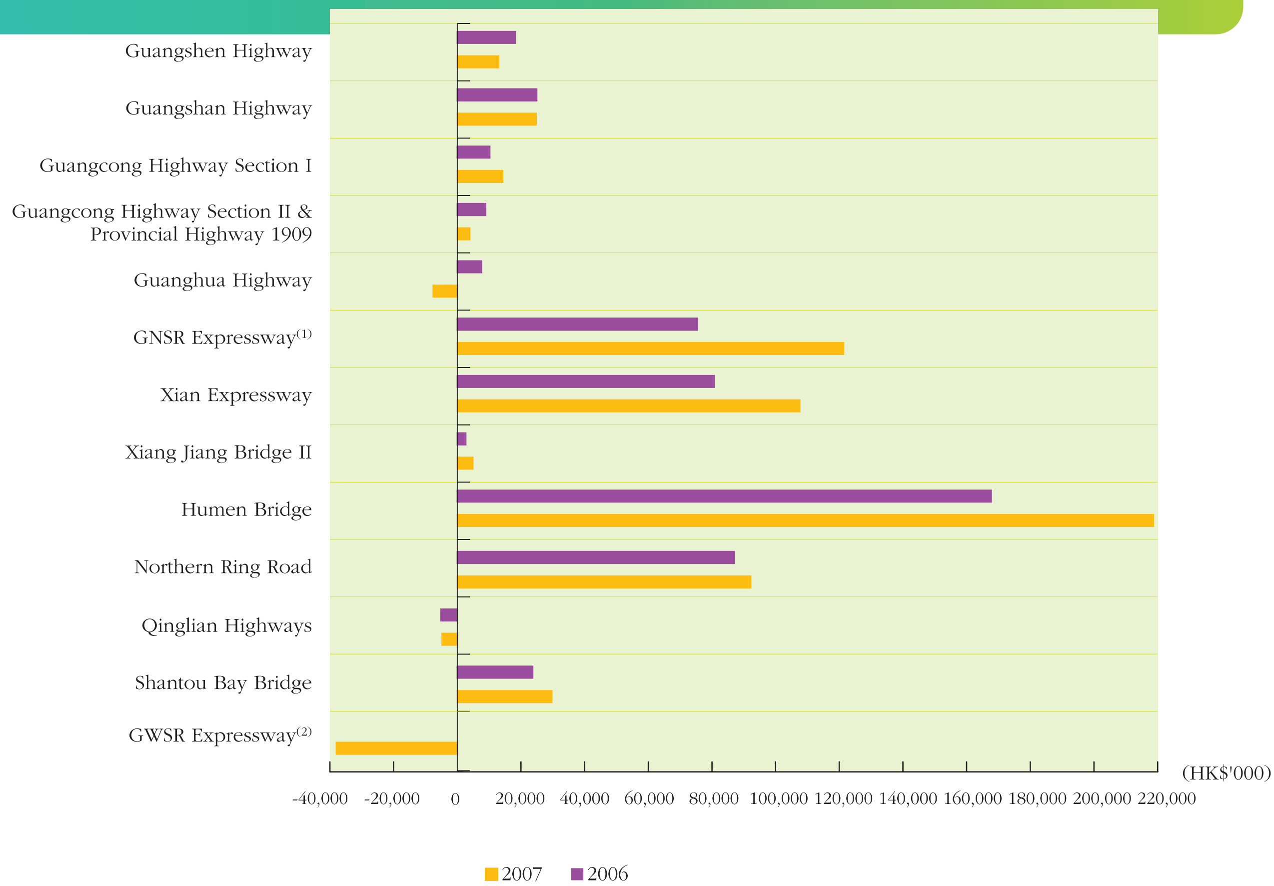
Share of profit less losses of jointly controlled entities

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

Income tax

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

Profit attributable to equity holders of the Company by toll projects



(1) GNSR Expressway Co. changed from jointly controlled entity to subsidiary since April 2007.

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

Interest coverage

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

Final dividend

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

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

Financial Position Key Figures

	As at 31 December		Increase/
	2007	2006	**decrease**
	HK$'000	HK$'000	%
Non-current assets	**9,074,738**	4,575,843	98.3
Non-current liabilities	**1,683,401**	455,223	269.8
Cash and cash equivalent	**2,293,016**	339,714	575.0
Total borrowings	**1,267,850**	449,739	181.9
Bank borrowings	**934,430**	—	100.0
Current ratio	**5.5 times**	5.24 times	5.1
Capital and reserves attributable to the Company's equity holders	**7,781,255**	4,185,989	85.9

Non-current assets

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

Non-current liabilities

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

Cash flows

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

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

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

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

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

Financing activities for the year ended 31 December 2007 generated a net cash inflow of approximately HK$1.57 billion (2006: net cash outflow of HK$321.3 million). The large surplus from financing activities mainly derived from proceeds from open offer amounting to HK$2.18 billion and new bank loans drawn in 2007 amounting to approximately HK$415.5 million, of which HK$400.0 million was obtained to partially finance the acquisition of GNSR Expressway Co. Cash used in financing activities mainly were repayments of bank loans in 2007 amounting to approximately HK$676.0 million (2006: HK$144.2 million); investment returns to minority shareholders of subsidiaries of approximately HK$176.6 million (2006: HK$48.8 million); and dividends paid of HK$174.3 million (2006: HK$128.3 million).

Current ratio

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

Capital expenditures and investments

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

Capital structures

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

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

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

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

TREASURY POLICIES

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

EMPLOYEES

As at 31 December 2007, the Group has approximately 1,280 employees of which about 1,090 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which awards its employees according to the performance of the Group and individual employees.

Post Balance Sheet Event

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

Directors' Profiles

Executive Directors

Mr Ou Bingchang, aged 61, was appointed executive director and Chairman of the Company on 8 January 2003. He is also the Chairman and the general manager of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), a controlling shareholder of the ultimate holding company, namely, GZI, of the Company, and the Chairman and the general manager of GZI. Mr Ou graduated from China Pharmaceutical University in China. Prior to joining Yue Xiu in November 2002, he assumed leading roles in Guangzhou Pharmaceutical Factory, Economic Coordinating Office of Guangzhou Municipality and General Office of Guangzhou Municipal People's Government. During the period of serving as the director of the Guangzhou Municipal Transport Commission, Mr Ou had made distinguished contributions to Guangzhou in relation to transport planning, construction, development and management. He has over 30 years of experience in industrial technology, transportation network, enterprise and economic management.

Mr Li Xinmin, aged 56, was appointed executive director of the Company on 19 June 2001. He is also the Deputy Chairman of the Company and a director of GZI. Mr Li has over 30 years of experience in highway construction and management. He had held positions including department head of the maintenance engineering division of transport authority in China and was the general manager of the GNSR Expressway Co. From March 2004 to April 2005, Mr Li was general manager of the Company.

Mr Qian Shangning, aged 45, was appointed executive director and General Manager of the Company on 12 April 2007. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Legal Studies. Between 1998 to 2001, Mr Qian had been a senior management member of the Group's jointly controlled entity, GNSR Expressway Co. Mr Qian has 25 years of experience in highway construction and is a senior engineer in China.

Mr Liang Ningguang, aged 54, was appointed executive director of the Company on 25 September 1996. He is also an executive director and the vice chairman of Yue Xiu. Mr Liang graduated from the Central Television University in China majoring in finance and obtained a Master Degree in business administration from the Murdoch University in Australia. He is also a member of the Chinese Institute of Certified Public Accountants and a senior accountant in China. Mr Liang is a responsible officer licensed under the Securities and Futures Ordinance of Hong Kong to carry on regulated activities types 1, 4, 6 and 9. He is also the Chairman, an executive director and also a responsible officer of GZI REIT Asset Management Limited, a company licensed by The Securities and Futures Commission to conduct the regulated activity of asset management. He was previously a deputy director of the Guangzhou Municipal Taxation Bureau and had over 20 years of experience in finance and management prior to joining Yue Xiu in 1989.

Mr Liang Yi, aged 55, was appointed executive director of the Company on 28 February 2003. He is also a director of Yue Xiu and a vice chairman of GZI. Mr Liang graduated from the Chinese People's Liberation Army Engineering Soldier's University majoring in public administration. Prior to joining Yue Xiu in June 2001, he assumed leading roles in Guangzhou Chemical Industry Bureau and organizations under Committee of Guangzhou. Mr Liang had made outstanding contribution in establishing the administrative supervisory system of Guangzhou. He has over 20 years of experience in public administration.

Mr Cai Tielong, aged 45, was appointed executive director of the Company on 12 April 2007. Mr Cai graduated from Hunan Central South University of Technology in Mechanical & Mining Engineering, and obtained a Master Degree. Mr Cai has 17 years of experience in project management and 11 years of experience in project surveillance, and is a senior engineer in China.

Mr He Zili, aged 58, was appointed executive director of the Company on 1 April 2000. He is also a director of GZI. Mr He graduated from the Central Television University in China with an economics degree. Prior to joining Yue Xiu in 1991, he worked as a deputy manager of Guangzhou Taxi Company Limited in charge of finance and accounting. After joining Yue Xiu, Mr He had been the general manager of the finance department, the investment and business department, and the capital management department. Mr He is currently the deputy group financial controller of Yue Xiu and the financial controller of GZI. He has over 40 years of experience in finance and accounting and is a senior accountant in China.

Ms Yuan Hongping, aged 39, was appointed executive director of the Company on 12 April 2007. Ms Yuan graduated from Sun Yat-Sen University Guangzhou, in Chinese, and later obtained a Master Degree in Corporate Management from Sun Yat-Sen University. Ms Yuan has 16 years of corporate management experience, and is a senior economist in China.

Mr Chen Guanzhan, aged 49, was appointed executive director of the Company on 12 April 2007. Mr Chen joined Yue Xiu in November 2004 and is currently the general manager of the executive office and capital management department of Yue Xiu, and general manager of Yue Xiu Finance Company Limited. Mr Chen holds a Bachelor of Science Degree from Sun Yat-Sen University in Guangzhou and a Master of Science Degree in Environmental Chemical Engineering from South China University of Technology in Guangzhou; he had also been a visiting scholar to the California State University, Northridge in USA where he studied Public Administration. Mr Chen had previously taught at South China University of Technology in Guangzhou, and held certificates as university lecturer, senior engineer as well as human resources interviewer in Guangzhou, and had hold offices in various departments of the Guangzhou Municipal People's Government. He has extensive experience in administration management, corporate management and capital management with a strong theoretical and practical foundation.

Mr Zhang Siyuan, aged 41, was appointed executive director of the Company on 1 August 1999. He graduated from Chongqing Transport Institute in China. Prior to joining the Group in 1997, Mr Zhang had over 10 years of experience in highway construction and management and is an engineer in China.

Mr Luo Jinbiao, aged 42, was appointed executive director of the Company on 12 April 2007. Mr Luo graduated from Xian Transport Institute in Highway and Urban Transportation. Mr Luo has 19 years of experience in project management and surveillance, and is a senior engineer in China. He had also served as deputy director and director of Guangzhou Highways Management Bureau Engineering Research Institute.

Mr Zhang Huping, aged 44, was appointed executive director of the Company on 2 November 2005. Mr Zhang graduated from Guangzhou Finance and Trade Management Institute, majoring in accounting. He has engaged in cost accounting in large state-owned enterprises, and has over 20 years of experience in corporate accounting management and highway financial management. Mr Zhang has accumulated experience in computer financial and accounting management, accounting and automobile transportation management. He was a director of the first board of Guangzhou Institute of Accounting Computerization. He was also an accountant at the Planning and Finance Office of Guangzhou Highways Management Bureau.

Independent Non-executive Directors

Mr Fung Ka Pun, aged 62, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the executive co-chairman of E2-Capital (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He is also the founder and chairman of the Goodwill International (Holdings) Limited, a substantial shareholder of E2-Capital (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. He is also an independent non-executive director of Lei Shing Hong Limited, Lee Hing Development Limited, Denway Motors Limited and deputy chairman and an independent non-executive director of Samling Global Limited.

Mr Lau Hon Chuen, GBS, JP, **alias Ambrose Lau**, aged 60, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited, Glorious Sun Enterprises Limited, GZI, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited and Wing Hang Bank, Limited. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr Cheung Doi Shu, aged 46, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors. He is also an independent non-executive director of Denway Motors Limited, a company listed on the Stock Exchange.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company has complied with the Code Provisions save for certain deviations from the Code Provisions in respect of Code Provisions A.4.1, details of which will be explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance and transparency and accountability of Company operations.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company. The Board focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For details, please refer to the Directors' Profiles set out on pages 29 to 31.

The Board comprises the following members :

Executive directors

Mr Ou Bingchang *(Chairman)*	
Mr Li Xinmin *(Deputy Chairman)*	
Mr Qian Shangning *(General Manager)*	(appointed with effect from 12 April 2007)
Mr Li Zhuo	(resigned with effect from 12 April 2007)
Mr Liang Ningguang	
Mr Liang Yi	
Mr Cai Tielong	(appointed with effect from 12 April 2007)
Mr Du Xinrang	(resigned with effect from 12 April 2007)
Mr He Zili	
Ms Yuan Hongping	(appointed with effect from 12 April 2007)
Mr Chen Guanzhan	(appointed with effect from 12 April 2007)
Mr Zhang Siyuan	
Mr Luo Jinbiao	(appointed with effect from 12 April 2007)
Mr Zhang Huping	
Mr Tan Yuande	(resigned with effect from 12 April 2007)
Mr He Baiqing	(resigned with effect from 12 April 2007)

Non-executive directors

Mr Fung Ka Pun *	
Mr Lau Hon Chuen Ambrose *	
Mr Poon Jing	(resigned with effect from 11 October 2007)
Mr Cheung Doi Shu *	

* *Independent non-executive directors*

At the board meeting of the Company held on 10 April 2007, Messrs Li Zhuo, Du Xinrang, Tan Yuande and He Baiqing resigned as executive directors with effect from 12 April 2007. Mr Qian Shangning, Mr Cai Tielong, Ms Yuan Hongping, Mr Chen Guanzhan and Mr Luo Jinbiao were appointed as executive directors with effect from 12 April 2007. Mr Qian Shangning has been appointed General Manager to succeed Mr Li Zhuo.

Mr. Poon Jing resigned as non-executive director with effect from 11 October 2007.

None of the members of the Board is related to one another.

During the year ended 31 December 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-Laws. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

In accordance with the Company's Bye-Laws which were amended by a special resolution at the annual general meeting held on 30 May 2006 for the purpose of compliance with the CG Code, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board submit himself/herself for re-election by shareholders at the first general meeting after appointment.

In accordance with the Company's Bye-Laws, Messrs. Li Xinmin, Liang Yi, He Zili, Zhang Huping and Lau Hon Chuen Ambrose shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction and a directors' guidelines on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

In year 2007, the Board held 7 meetings. The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2007**
Executive directors	
Ou Bingchang	7/7
Li Xinmin	7/7
Qian Shangning[1]	5/5
Liang Ningguang	7/7
Liang Yi	7/7
Cai Tielong[1]	4/5
He Zili	7/7
Yuan Hongping[1]	4/5
Chen Guanzhan[1]	5/5
Zhang Siyuan	5/7
Luo Jinbiao[1]	4/5
Zhang Huping	6/7
Li Zhuo[2]	2/2
Du Xinrang[2]	2/2
Tan Yuande[2]	2/2
He Baiqing[2]	2/2
Non-executive director	
Poon Jing[3]	0/5
Independent Non-executive directors	
Fung Ka Pun	6/7
Lau Hon Chuen Ambrose	4/7
Cheung Doi Shu	6/7

Note:

1. Appointed with effect from 12 April 2007

2. Resigned with effect from 12 April 2007

3. Resigned with effect from 11 October 2007

Practices and Conduct of Meetings

Notices of the two regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-Laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Ou Bingchang while the position of General Manager was held by Mr Qian Shangning upon the resignation of Mr Li Zhuo as director and General Manager with effect from 12 April 2007.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors and Mr Lau Hon Chuen Ambrose is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee met once on 2 April 2008 (with all three members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Lau Hon Chuen Ambrose is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held three meetings during the year ended 31 December 2007 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	**Attendance of Audit Committee meetings in 2007**
Fung Ka Pun	3/3
Lau Hon Chuen Ambrose	3/3
Cheung Doi Shu	3/3

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's annual results for the year ended 31 December 2007 has been reviewed by the Audit Committee.

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 year ended 31 December 2007.

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2007.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report".

During the year ended 31 December 2007, the remuneration paid to the external auditors of the Company in respect of audit services and non-audit services amounted to HK$1.53 million and HK$378,700 respectively.

INTERNAL CONTROLS

The Board is responsible for the establishment and maintenance of the internal control systems of the Company; for reviewing the effectiveness of the key operational and financial procedures and for maintaining the safe and effective operation of the Group's assets, so as to safeguard the interest of shareholders.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group.

During 2007, the Company focused on implementing the control of the five internal control segments including staff management, segregation of duties, enhancement of toll collection system, budget management and financial accounting system through formation of audit groups consisting of staff with financial, engineering and technical expertise to assess the aforesaid control measures. In staff management, the Company provided frontline staff with before-the-job and on-the-job trainings to ensure good professional ethics and integrity. In toll collection management, emphasis was placed on the strict segregation of duties between toll collecting staff and supervision staff. The upgrading of the toll collection system also ensured an increase in effective toll collection rate. Since the implementation of the inter-road network toll collection system among expressways, the Company has strengthened the auditing of toll income allocation. Apart from periodic review by senior management including financial controllers designated by the Company to each management operations, audit groups of each management operations were responsible for inspecting and assessing the operating performance as well as auditing the budget achievement status of their respective management operations. In financial accounting system control, the Company has adopted relevent procedures including strict compliance with approval procedures, proper safekeeping of fixed assets, verification and maintenance of accounting records to prevent unauthorized appropriation and disposal of assets as well as mistatement of financial information and records; so as to ensure financial information, whether applied in operation or for public disclosure purpose, are reliable and that financial loss and fraud would be avoided.

The Directors considered that the aforesaid internal control systems regarding staff management, toll collection and financial management are effective and did not note any material deviation.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-Laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results of the shareholders' meetings will be published on the websites of the Stock Exchange and the Company on the same day of the meetings.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.gzitransport.com.hk, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Expansive DEVELOPMENT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of investment in and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the Mainland of China ("China").

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 52.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2007:

	HK$'000
Interim dividend of HK$0.065 per share paid on 18 October 2007	96,207
Proposed final dividend of HK$0.0775 per share	129,670
	225,877

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

DONATIONS

No charitable and other donations were made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 19 to the financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 30 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to shareholders	**580,981**	461,157	305,898	277,029	223,822
Assets and liabilities					
Total assets	**11,386,941**	4,947,235	4,631,092	4,486,660	4,560,962
Total liabilities	**(2,103,236)**	(526,100)	(633,422)	(753,797)	(942,136)
	9,283,705	4,421,135	3,997,670	3,732,863	3,618,826

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2007 are set out in note 40 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the distributable reserves of the Company available for distribution amounted to HK$2,059,744,000 (2006: HK$2,114,435,000).

DIRECTORS

The Directors who held office during the year and up to the date of this report were:-

Executive directors

Mr Ou Bingchang	
Mr Li Xinmin	
Mr Qian Shangning	(appointed with effect from 12 April 2007)
Mr Li Zhuo	(resigned with effect from 12 April 2007)
Mr Liang Ningguang	
Mr Liang Yi	
Mr Cai Tielong	(appointed with effect from 12 April 2007)
Mr Du Xinrang	(resigned with effect from 12 April 2007)
Mr He Zili	
Ms Yuan Hongping	(appointed with effect from 12 April 2007)
Mr Chen Guanzhan	(appointed with effect from 12 April 2007)
Mr Zhang Siyuan	
Mr Luo Jinbiao	(appointed with effect from 12 April 2007)
Mr Zhang Huping	
Mr Tan Yuande	(resigned with effect from 12 April 2007)
Mr He Baiqing	(resigned with effect from 12 April 2007)

Non-executive directors

Mr Fung Ka Pun [1]	
Mr Lau Hon Chuen Ambrose [1]	
Mr Poon Jing	(resigned with effect from 11 October 2007)
Mr Cheung Doi Shu [1]	

[1] Independent non-executive directors

Messrs Li Xinmin, Liang Yi, He Zili, Zhang Huping and Lau Hon Chuen Ambrose retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws and, being eligible, offer themselves for re-election.

The Directors' profiles are set out on pages 29 to 31.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

The independent non-executive directors of the Company received HK$375,000 as Directors' fee for the year ended 31 December 2007.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

On 29 June 2007, the Company entered into an underwriting agreement ("Underwriting Agreement") with, among others, GZI in relation to the Open Offer (as defined in the paragraph headed "PUBLIC FLOAT" below). Pursuant to the Underwriting Agreement, GZI has agreed to underwrite up to 164,754,727 new shares not taken up by qualifying shareholders at the subscription price of HK$3.93 per share. The aggregate value of such underwritten shares amounted to approximately HK$647 million. Underwriting is not within the ordinary course of business of GZI.

Being the controlling shareholder of the Company, GZI was a connected party (as defined under the Listing Rules) to the Company. By virtue of Rule 14A.31(c) of the Listing Rules, the entering into of the Underwriting Agreement with GZI by Company was exempted from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Certain connected transactions, required to be disclosed in accordance with the Listing Rules, are disclosed in note 37(b) to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2007 is set out in note 32 to the financial statements.

INTERESTS OF DIRECTORS

As at 31 December 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 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	300,000	0.004

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

			Number of share options			
Name of Director	Date of grant	Exercise price per share HK$	outstanding as at 1 January 2007	exercised during the year	weighted average closing price (b) HK$	outstanding as at 31 December 2007
Mr Ou Bingchang	02/06/2003 (a)	0.54	9,000,000	9,000,000	2.27	—
Mr Liang Yi	02/06/2003 (a)	0.54	7,000,000	7,000,000	2.43	—
Mr Liang Ningguang	02/06/2003 (a)	0.54	7,000,000	7,000,000	2.43	—

Note:

(a) The share options are exercisable from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30%; and (ii) 60% (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.

(b) The weighted average closing price per share immediately before the dates on which the options were exercised.

Save as disclosed herein, as at 31 December 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.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2007, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	**Long position in shares**	**Approximate % of interest**
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	(a)	1,176,828,113	70.34
GZI	(a)	1,125,201,000	67.25
Treasure House Limited	(a)	375,000,000	22.41
First Dynamic Limited	(a)	750,000,000	44.83
Round Table Holdings Limited	(a)	750,000,000	44.83
GZI Transport (Holdings) Limited	(a)	750,000,000	44.83
Housemaster Holdings Limited	(a)	367,500,000	21.96
Power Head Limited	(a)	157,500,000	9.41
Delta Force Holdings Limited	(a)	112,500,000	6.72
Lawson Enterprises Limited	(a)	112,500,000	6.72
Mr Cheah Cheng Hye	(b)	200,353,000	11.97
Cheah Capital Management Limited	(b)	200,353,000	11.97
Value Partners Group Limited	(b)	200,353,000	11.97
Value Partners Limited	(b)	200,353,000	11.97
Ms To Hau Yin	(b)	200,353,000	11.97
Shanghai Industrial Investment (Holdings) Company Limited	(c)	83,571,000	5.00

Notes:

(a) Yue Xiu held 8,653 shares as beneficial owner and the deemed interest in the balance of 1,176,819,460 shares through its controlled corporations.

Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited are the beneficial owners of 367,500,000, 157,500,000, 112,500,000 and 112,500,000 shares of the Company respectively. These companies are wholly-owned by GZI Transport (Holdings) Limited which, by virtue of the SFO, is deemed to be interested in the 750,000,000 shares held by these subsidiaries.

GZI Transport (Holdings) Limited is owned as to 51% by Round Table Holdings Limited and 49% by First Dynamic Limited. First Dynamic Limited is wholly-owned by Yue Xiu which also through certain subsidiaries owned about 47% of the issued share capital of GZI as at 31 December 2007. Round Table Holdings Limited is wholly-owned by GZI which also directly holds 201,000 shares of the Company. By virtue of the SFO, GZI, Round Table Holdings Limited and First Dynamic Limited are deemed to be interested in the 750,000,000 shares.

GZI is also deemed by the SFO to be interested in 375,000,000 shares as a result of its indirect holding of such shares through its wholly-owned subsidiary, Treasure House Limited.

(b) Value Partners Limited held these shares as investment manager. Mr Cheah Cheng Hye, being the founder of the C H Cheah Family Trust, is deemed to be interested in 200,353,000 shares as a result of his indirect holding of such shares through his controlled corporation, Cheah Capital Management Limited, which holds a 35.65% interest in Value Partners Group Limited, which in turn holds 100% interest in Value Partners Limited.

Ms To Hau Yin is the spouse of Mr Cheah Cheng Hye and is deemed to be interested in the shares held by Mr Cheah Cheng Hye.

(c) The capacity of Shanghai Industrial Investment (Holdings) Company Limited in holding the 83,571,000 shares is attributable to interests of controlled corporations.

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 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% 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% 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%; and (ii) 60% (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. As at 31 December 2007, no such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws and there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Reference is made to (i) the prospectus ("Prospectus") of the Company dated 7 August 2007 in relation to an open offer ("Open Offer") of the Company; (ii) the announcement of the Company dated 27 August 2007 ("First Announcement") in relation to the results of the Open Offer; and (iii) the announcement of the Company dated 17 March 2008 ("Second Announcement").

As stated in the First Announcement, upon completion of the Open Offer, the public float of the Company was lower than the prescribed minimum level of public float as required under the Listing Rules, and the Company or its controlling shareholders (including Yue Xiu, GZI and its associates (as defined in the Listing Rules), as the case may be, would have to take appropriate steps to restore the public float of the Company to not less than the minimum prescribed level of 25% (as required under the Listing Rules) as soon as practicable.

Since the date of the First Announcement, Value Partners Limited ("Value Partners") (a substantial shareholder of the Company) and its associates have disposed of certain shares in the Company, thereby reducing Value Partners' shareholding in the Company from approximately 12.63% (immediately before the announcement of the Company in relation to the Open Offer dated 29 June 2007) to approximately 11.97% on or around 20 December 2007.

The Company has every intention to honour its undertaking as disclosed in the First Announcement and has attempted to do so. However, given the current negative market sentiments triggered by the subprime crisis in the United States, the Company has yet to restore its public float.

Based on publicly available information, as at the date of this report, GZI, the controlling shareholder of the Company, together with its controlling shareholder, Yue Xiu, and its associates ("GZI Group"), currently hold 1,176,954,113 shares, representing approximately 70.34% of the entire issued share capital in the Company. Value Partners together with its associates, including Mr Cheah Cheng Hye, currently hold 200,353,000 shares in the Company. The aggregate shareholding interest of the GZI Group and Value Partners and its associates, including Mr Cheah Cheng Hye, in the Company is approximately 82.31%, thereby resulting in a public float of approximately 17.69%, which is below the prescribed minimum level of 25%.

Pursuant to the undertaking given by the Company, the Company will have at least two alternatives to restore its public float other than Value Partners selling down its interest in the Company, i.e. requesting its controlling shareholders (including Yue Xiu, GZI and its associates) to place down their shareholding interests in the Company and/or issue of new Shares by the Company. These alternatives are still being considered and pursued by the Company. Based on the current circumstances, the Company currently expects to restore its public float to the prescribed minimum level of 25% or above by the end of June 2008.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosure with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30% of the Group's total sales and purchases during the current and previous years.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ou Bingchang
Chairman

Hong Kong, 8 April 2008

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GZI TRANSPORT LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of GZI Transport Limited (the "Company") set out on pages 52 to 107, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	**870,778**	448,531
Other income	6	**898**	723
Other gains - net	7	**39,204**	27,814
Amortisation/depreciation of interests in toll highways and bridges		**(235,299)**	(111,623)
Toll highways and bridges operating expenses	8	**(136,067)**	(91,453)
General and administrative expenses	8	**(78,836)**	(58,110)
Business tax		**(32,907)**	(20,081)
Impairment losses on available-for-sale financial assets	24	**—**	(10,982)
Impairment losses on goodwill	26	**(3,671)**	—
Operating profit		**424,100**	184,819
Finance costs - net	9	**(34,289)**	(8,762)
Interest income on loans to associates	23	**20,369**	31,080
Share of profits less losses of associates	23	**314,226**	241,254
Share of profits less losses of jointly controlled entities	22	**(12,182)**	75,213
Profit before income tax expense		**712,224**	523,604
Income tax expense	10	**(47,730)**	(35,692)
Profit for the year		**664,494**	487,912
Attributable to:			
Equity holders of the Company	11	**580,981**	461,157
Minority interests		**83,513**	26,755
		664,494	487,912
Earnings per share for profit attributable to the equity holders of the Company for the year			
- Basic	12	**HK44.4 cents**	HK41.3 cents
- Diluted	12	**HK44.4 cents**	HK41.3 cents
Dividends	13	**225,877**	150,585

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in toll highways and bridges	17	**6,795,284**	1,943,682
Leasehold land	18	**683**	700
Property, plant and equipment	19(a)	**34,854**	26,662
Investment properties	20	**9,550**	8,650
Investments in jointly controlled entities	22	**227,873**	671,170
Investments in associates	23	**1,755,521**	1,745,816
Deferred income tax assets	33	**127**	312
Available-for-sale financial assets	24	**114,285**	46,271
Other non-current asset	25	**17,375**	132,580
Goodwill	26	**119,186**	—
		9,074,738	4,575,843
Current assets			
Asset held for sale	27	—	15,000
Trade receivables	28	**11,365**	4,016
Other receivables, deposits and prepayments	28	**7,822**	12,662
Cash and cash equivalents	29	**2,293,016**	339,714
		2,312,203	371,392
Total assets		**11,386,941**	4,947,235
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	**167,316**	111,544
Reserves	31	**7,613,939**	4,074,445
		7,781,255	4,185,989
Minority interests		**1,502,450**	235,146
Total equity		**9,283,705**	4,421,135

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	**1,002,655**	449,739
Deferred income tax liabilities	33	**680,746**	5,484
		1,683,401	455,223
Current liabilities			
Amounts due to a minority shareholder of subsidiaries	34	**2,873**	1,196
Amounts due to holding companies	34	**3,269**	4,025
Trade payables and accrued charges		**141,524**	56,059
Current income tax liabilities		**6,974**	9,597
Borrowings	32	**265,195**	—
		419,835	70,877
Total liabilities		**2,103,236**	526,100
Total equity and liabilities		**11,386,941**	4,947,235
Net current assets		**1,892,368**	300,515
Total assets less current liabilities		**10,967,106**	4,876,358

Director
Li Xinmin

Director
Qian Shangning

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	19(b)	**1,300**	1,044
Investments in subsidiaries	21(a)	**1,263,948**	1,263,948
		1,265,248	1,264,992
Current assets			
Amounts due from subsidiaries	21(b)	**1,943,712**	2,681,732
Deposits and prepayments	28	**731**	158
Cash and cash equivalents	29	**1,998,972**	148,576
		3,943,415	2,830,466
Total assets		**5,208,663**	4,095,458
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	**167,316**	111,544
Reserves	31	**4,757,920**	2,691,898
Total equity		**4,925,236**	2,803,442
LIABILITIES			
Current liabilities			
Amounts due to holding companies	34	**17,754**	18,785
Amounts due to subsidiaries	21(b)	**237,612**	1,250,934
Other payables and accrued charges		**28,061**	22,297
Total liabilities		**283,427**	1,292,016
Total equity and liabilities		**5,208,663**	4,095,458

Director
Li Xinmin

Director
Qian Shangning

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash generated from operations	35	**640,526**	307,840
Interest paid		**(60,363)**	(2,558)
China enterprise income tax paid		**(39,469)**	(39,512)
Net cash generated from operating activities		**540,694**	265,770
Cash flows from investing activities			
Investment in interests in toll highways and bridges		**(47,008)**	—
Deposit paid for acquisition of additional interest in an associate/jointly controlled entity		**(17,375)**	(132,580)
Acquisition of a subsidiary	16	**(532,835)**	—
Disposal of property, plant and equipment		**366**	64
Disposal of available-for-sale financial assets		**15,464**	—
Purchase of property, plant and equipment	19(a)	**(9,942)**	(5,273)
Capital injection into a jointly controlled entity	22	**—**	(101,500)
Repayment of loans by associates	23	**193,786**	176,915
Dividends received from associates	23	**211,487**	79,532
Interest received		**27,861**	9,192
Net cash (used in)/generated from investing activities		**(158,196)**	26,350
Cash flows from financing activities			
New bank loan		**415,463**	—
Repayment of bank loans		**(676,036)**	(144,231)
Repayment of loans from minority shareholders of subsidiaries		**(140,496)**	(1,602)
Dividends paid		**(174,288)**	(128,276)
Dividends paid to minority shareholders of subsidiaries		**(36,062)**	(47,207)
Issue of shares		**2,176,485**	—
Net cash generated from/(used in) financing activities		**1,565,066**	(321,316)
Net increase/(decrease) in cash and cash equivalents		**1,947,564**	(29,196)
Cash and cash equivalents at 1 January		**339,714**	368,883
Effect of foreign exchange rate changes		**5,738**	27
Cash and cash equivalents at 31 December		**2,293,016**	339,714
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	29	**2,293,016**	339,714

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

		Attributable to equity holders of the Company			
		Share capital	**Reserves**	**Minority interests**	**Total**
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2006		111,544	3,641,015	245,111	3,997,670
Currency translation differences	31	—	80,120	10,487	90,607
Increase in fair value of available-for-sale financial assets	31	—	3,802	—	3,802
Fair value adjustment on loans from minority shareholders of subsidiaries	31	—	16,627	—	16,627
Net gain recognised directly in equity		—	100,549	10,487	111,036
Profit for the year		—	461,157	26,755	487,912
Total recognised income for 2006		—	561,706	37,242	598,948
Dividends	31	—	(128,276)	(47,207)	(175,483)
Balance at 31 December 2006		111,544	4,074,445	235,146	4,421,135
Balance at 1 January 2007		111,544	4,074,445	235,146	4,421,135
Currency translation differences	31	—	274,834	99,716	374,550
Increase in fair value of available-for-sale financial assets	31	—	64,872	—	64,872
Net gain recognised directly in equity		—	339,706	99,716	439,422
Profit for the year		—	580,981	83,513	664,494
Total recognised income for 2007		—	920,687	183,229	1,103,916
Issue of shares	30 & 31	55,772	2,120,713	—	2,176,485
Acquisition of a subsidiary	31	—	672,382	1,120,137	1,792,519
Dividends	31	—	(174,288)	(36,062)	(210,350)
		55,772	2,618,807	1,084,075	3,758,654
Balance at 31 December 2007		167,316	7,613,939	1,502,450	9,283,705

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

GZI Transport Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment in and development, operation and management of toll highways and bridges mainly in Guangdong Province, the People's Republic of China (the "PRC").

The Company is an exempted company incorporated under the laws of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is 25th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements have been approved for issue by the board of directors of the Company on 8 April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(iii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd.") at the date of acquisition. The goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

(d) Interests in toll highways and bridges

Interests in toll highways and bridges comprise tangible infrastructures and intangible operating rights.

Tangible infrastructures

Major costs incurred in restoring tangible infrastructures of toll highway to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

Depreciation of tangible infrastructures of toll highway is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period of 30 to 36 years over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

The Group has been granted by the relevant local government authorities the rights to operate the toll highway for period of 30 to 36 years. According to the relevant governments' approval documents and the relevant regulations the Group is responsible for the construction of the toll highway and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll highway during the approved operating periods. The toll fees collected during the operating periods is attributable to the Group. The relevant toll highway assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

Intangible operating rights

Amortisation of intangible operating rights is provided on a straight-line basis over periods of 20 to 30 years in which the operating rights are held.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated at rates sufficient to write off their cost over their estimated useful lives to the Group on a straight-line basis. The principal annual rates used for this purpose are as follows:

Buildings	4%
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 33%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains - net, in the income statement.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external values.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of available-for-sale securities are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "impairment losses on available-for-sale financial assets". Interest on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include, but not limited to the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet date at cost less impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised as "other gains - net" in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(l) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(n) Revenue recognition

(i) Toll revenue is recognised on a receipt basis.

(ii) Dividend income is recognised when the right to receive payment is established.

(iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Operating lease rental income is recognised on a straight-line basis over the lease periods.

(o) Borrowing costs

Borrowing costs are capitalised when funds are borrowed to finance the construction of highways and bridges up to the commencement of economic operations of the toll highways and bridges.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

(p) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK dollars"), which is the presentational currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest-rate risk), credit risk and liquidity risk and. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in the Mainland of China ("China") with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against HK dollars. The Group currently does not have a foreign currency hedging policy on these transactions, assets and liabilities. However, the management monitors foreign exchange exposure continuously and will consider hedging significant foreign currency exposure should the need arises.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Chinese government.

At 31 December 2007, if HK dollars had weakened/strengthened by 5% against the Renminbi with all other variables held constant, profit for the year would have been HK$11,411,000 (2006: HK$4,525,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of Renminbi-denominated net receivables from group companies. Equity would have been HK$85,379,000 (2006: HK$13,687,000) higher/lower, arising mainly from net foreign exchange losses/gains on translation of Renminbi-denominated net investments in toll projects in Mainland China.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from long-term borrowings issued at variable rates which expose the Group to cash flow interest-rate risk.

At 31 December 2007, if interest rates on long-term borrowings had been 50 basis-point shift with all other variables held constant, profit for the year would have been increased by HK$3,451,000 (2006: HK$180,000) or decreased by HK$3,696,000 (2006: HK$150,000) respectively.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is minimal as such amounts are placed with banks with good credit ratings.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash outflows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2007				
Borrowings	—	326,189	748,176	321,034
Amounts due to a minority shareholder of subsidiaries	2,873	—	—	—
Amounts due to holding companies	3,269	—	—	—
Trade payables and accrued charges	—	143,376	—	—
	6,142	469,565	748,176	321,034
As at 31 December 2006				
Borrowings	—	—	449,739	—
Amounts due to a minority shareholder of subsidiaries	1,196	—	—	—
Amounts due to holding companies	4,025	—	—	—
Trade payables and accrued charges	—	56,059	—	—
	5,221	56,059	449,739	—

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

During 2007, the Group's strategy was unchanged, which was to gradually reduce the gearing ratio. The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 **HK$'000**	2006 HK$'000
Borrowings	**1,267,850**	449,739
Amounts due to a minority shareholder of subsidiaries	**2,873**	1,196
Amounts due to holding companies	**3,269**	4,025
Trade payables and accrued charges	**141,524**	56,059
Total borrowings	**1,415,516**	511,019
Less: cash and cash equivalents	**(2,293,016)**	(339,714)
Net (assets)/debts	**(877,500)**	171,305
Total equity	**9,283,705**	4,421,135
Total capital	**8,406,205**	4,592,440
Gearing ratio	**0%**	3.7%

3.3 Fair value estimation

The carrying values less impairment provision of trade receivables, trade payables and balances with related parties are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) Depreciation on interests in toll highways and bridges

Interests in toll highways and bridges of the Group and investee companies comprise tangible infrastructures and intangible operating rights. Depreciation of tangible infrastructures is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 2% to 7%.

(b) Current income tax and deferred income tax

The Group is subject to income tax in China and Hong Kong. Significant judgement is required in determining the amount of the provision for income tax and the timing of payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

5 REVENUE

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

	2007	2006
	HK$'000	HK$'000
Toll revenue	**870,778**	448,531

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

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

6 OTHER INCOME

	2007 HK$'000	2006 HK$'000
Advertising income	**507**	475
Rental income	**391**	248
	898	723

7 OTHER GAINS - NET

	2007 HK$'000	2006 HK$'000
Fair value gains on investment properties (note 20)	**900**	440
Net foreign exchange gains	**36,731**	27,147
Others	**1,573**	227
	39,204	27,814

8 EXPENSES BY NATURE

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

	2007 HK$'000	2006 HK$'000
Amortisation of prepaid operating lease payments (note 18)	**17**	18
Auditor's remuneration	**1,530**	1,200
Depreciation of property, plant and equipment (note 19(a))	**3,873**	2,480
Operating expenses of toll highways and bridges	**34,738**	23,290
Outgoings in respect of investment properties	**3**	29
Maintenance expenses of toll highways and bridges	**61,159**	41,005
Staff costs (note 14)	**89,112**	62,300
Sundries	**24,471**	19,241
	214,903	149,563

9 FINANCE INCOME AND COSTS

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

10 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the financial statements as the Group has no income assessable to Hong Kong profits tax during the year (2006: nil).

(b) China enterprise income tax is provided on the profits of the Group's subsidiaries, associates and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises (the "Old China Tax Law"). The principal income tax rate is 18%.

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

Gradual changes of applicable tax rate

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

Unused tax holidays

Under the Old China Tax Law, certain of the Group's subsidiaries, associates and jointly controlled entity in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50% reduction in income tax for the next three to five years. The new CIT Law allows unused tax holidays to be carried forward to 2008 and beyond until their expiration. However, if the entity has not yet commenced its tax holiday due to loss position, the tax holiday is deemed to commence from 1 January 2008. A jointly controlled entity of the Group which reported tax losses prior to 31 December 2007 will commence the tax holiday on 1 January 2008. This change does not impact the Group's financial statements for the year ended 31 December 2007.

10 INCOME TAX EXPENSE (continued)

Corporate withholding income tax on dividend distribution

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

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

	2007	2006
	HK$'000	HK$'000
China enterprise income tax		
Current income tax	**36,846**	36,088
Deferred income tax (note 33)	**10,884**	(396)
	47,730	35,692

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

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

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$119,597,000 (2006: HK$114,153,000).

12 EARNINGS PER SHARE

Basic

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

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

Diluted

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

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

13 DIVIDENDS

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

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

14 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK$'000	HK$'000
Wages and salaries	**73,286**	54,677
Pension costs (defined contribution plans)	**4,045**	2,564
Social security costs	**4,370**	2,010
Staff welfare	**7,411**	3,049
	89,112	62,300

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees as defined in the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated at 5% to 10% and 5% respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions amounted to HK$34,000 for the year ended 31 December 2007 (2006: nil).

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's MPF Scheme contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The MPF Scheme contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans equivalent to 16% to 24% of the monthly salaries of the employees.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
OU Bingchang	—	720	2,221	2,941
LI Xinmin	—	720	2,221	2,941
LI Zhuo (b)	—	180	551	731
CHEN Guangsong	—	—	—	—
LIANG Ningguang	—	600	1,850	2,450
LIANG Yi	—	600	1,850	2,450
DU Xinrang (b)	—	150	459	609
HE Zili	—	600	1,850	2,450
ZHANG Siyuan	—	600	1,836	2,436
TAN Yuande (b)	—	150	459	609
HE Baiqing (b)	—	150	459	609
ZHANG Huping	—	600	1,836	2,436
QIAN Shangning (d)	—	540	1,652	2,192
CAI Tielong (d)	—	450	1,377	1,827
YUAN Hongping (d)	—	450	1,377	1,827
LUO Jinbiao (d)	—	450	1,377	1,827
CHEN Guanzhan (d)	—	450	1,388	1,838
	—	7,410	22,763	30,173
Non-executive directors				
POON Jing (c)	30	—	—	30
FUNG Ka Pun[1]	125	—	—	125
LAU Hon Chuen Ambrose[1]	125	—	—	125
CHEUNG Doi Shu[1]	125	—	—	125
	405	—	—	405
	405	7,410	22,763	30,578

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
OU Bingchang	—	720	1,817	2,537
LI Xinmin	—	720	1,817	2,537
LI Zhuo	—	720	1,582	2,302
CHEN Guangsong (a)	—	550	—	550
LIANG Ningguang	—	600	1,514	2,114
LIANG Yi	—	600	1,514	2,114
DU Xinrang	—	600	1,318	1,918
HE Zili	—	600	1,514	2,114
ZHANG Siyuan	—	600	1,318	1,918
TAN Yuande	—	600	1,318	1,918
HE Baiqing	—	600	1,318	1,918
ZHANG Huping	—	600	1,318	1,918
	—	7,510	16,348	23,858
Non-executive directors				
POON Jing	38	—	—	38
FUNG Ka Pun[1]	125	—	—	125
LAU Hon Chuen Ambrose[1]	125	—	—	125
CHEUNG Doi Shu[1]	125	—	—	125
	413	—	—	413
	413	7,510	16,348	24,271

[1] independent non-executive director

Notes:

(a) Resigned on 28 November 2006

(b) Resigned on 12 April 2007

(c) Resigned on 11 October 2007

(d) Appointed on 12 April 2007

No Directors waived emoluments in respect of the years ended 31 December 2007 and 2006. No emoluments were paid or payable by the Group to any Directors as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2007 and 2006 are also Directors whose emoluments are reflected in the analysis presented above.

16 BUSINESS COMBINATIONS

On 20 November 2006, the Group entered into an agreement with Guangzhou Development Infrastructure Investment Co., Ltd. to acquire a 20% 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% 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$382,143,000 and profit attributable to equity holders of the Company of approximately HK$99,525,000 of which HK$33,175,000 related to the 20% additional equity interest acquired, for the period from the date of acquisition to 31 December 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$488,700,000 and profit attributable to equity holders of the Company would have been HK$131,903,000 of which HK$43,968,000 related to the 20% 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 recognition of deferred tax liabilities on fair value gain arising from the acquisition of 20% additional interest in GNSR Expressway Co., Ltd.

16 BUSINESS COMBINATIONS (continued)

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

	Fair value HK$'000	Acquiree's carrying amount HK$'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)
Net identifiable assets acquired	2,800,342	1,119,387
Net identifiable assets attributable to the 20% additional equity interest acquired by the Group	560,068	223,877
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		675,111
Deposit paid in 2006		(132,580)
Cash and cash equivalents of the subsidiary acquired		(9,696)
Cash outflow on acquisition in 2007		532,835

17 INTERESTS IN TOLL HIGHWAYS AND BRIDGES

	Group		
	Intangible operating rights HK$'000	Tangible infrastructure HK$'000	Total HK$'000
Year ended 31 December 2006			
Opening net book amount	1,648,510	331,507	1,980,017
Exchange differences	62,028	13,260	75,288
Amortisation/depreciation	(98,015)	(13,608)	(111,623)
Closing net book amount	1,612,523	331,159	1,943,682
At 31 December 2006			
Cost	2,333,900	430,000	2,763,900
Accumulated amortisation/depreciation	(721,377)	(98,841)	(820,218)
Net book amount	1,612,523	331,159	1,943,682
Year ended 31 December 2007			
Opening net book amount	1,612,523	331,159	1,943,682
Exchange differences	259,954	182,534	442,488
Additions	52,245	—	52,245
Acquisition of a subsidiary	2,246,913	2,345,255	4,592,168
Amortisation/depreciation	(184,263)	(51,036)	(235,299)
Closing net book amount	3,987,372	2,807,912	6,795,284
At 31 December 2007			
Cost	4,940,686	2,964,503	7,905,189
Accumulated amortisation/depreciation	(953,314)	(156,591)	(1,109,905)
Net book amount	3,987,372	2,807,912	6,795,284

18 LEASEHOLD LAND

The Group's interest in leasehold land represents prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**683**	700

	2007	2006
	HK$'000	HK$'000
At 1 January	**700**	718
Amortisation	**(17)**	(18)
At 31 December	**683**	700

19 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2006				
Opening net book amount	12,522	9,582	1,437	23,541
Exchange differences	—	359	57	416
Additions	—	3,637	1,636	5,273
Disposals	—	(65)	(23)	(88)
Depreciation	(731)	(1,148)	(601)	(2,480)
Closing net book amount	11,791	12,365	2,506	26,662
At 31 December 2006				
Cost	18,264	20,544	7,034	45,842
Accumulated depreciation	(6,473)	(8,179)	(4,528)	(19,180)
Net book amount	11,791	12,365	2,506	26,662
Year ended 31 December 2007				
Opening net book amount	11,791	12,365	2,506	26,662
Exchange differences	—	900	170	1,070
Additions	83	8,874	985	9,942
Acquisition of a subsidiary	—	1,419	—	1,419
Disposals	—	(203)	(163)	(366)
Depreciation	(732)	(2,301)	(840)	(3,873)
Closing net book amount	11,142	21,054	2,658	34,854
At 31 December 2007				
Cost	18,348	38,385	7,748	64,481
Accumulated depreciation	(7,206)	(17,331)	(5,090)	(29,627)
Net book amount	11,142	21,054	2,658	34,854

19 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2006			
Opening net book amount	554	37	591
Additions	77	461	538
Disposal	(16)	—	(16)
Depreciation	(69)	—	(69)
Closing net book amount	546	498	1,044
At 31 December 2006			
Cost	1,383	2,251	3,634
Accumulated depreciation	(837)	(1,753)	(2,590)
Net book amount	546	498	1,044
Year ended 31 December 2007			
Opening net book amount	546	498	1,044
Exchange differences	4	33	37
Additions	337	—	337
Depreciation	(74)	(44)	(118)
Closing net book amount	813	487	1,300
At 31 December 2007			
Cost	1,732	2,350	4,082
Accumulated depreciation	(919)	(1,863)	(2,782)
Net book amount	813	487	1,300

20 INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**8,650**	8,210
Fair value gains	**900**	440
At 31 December	**9,550**	8,650

The investment properties of the Group were revalued at 31 December 2007 on an open market value basis as determined by an independent firm of professional surveyor, CS Surveyors Limited, employed by the Group.

The Group's investment properties are held on leases of between 10 to 50 years in Hong Kong.

21 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**1,848,497**	1,848,497
Less: impairment losses	**(584,549)**	(584,549)
	1,263,948	1,263,948

Details of the principal subsidiaries of the Company are set out in note 40.

(b) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

22 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	Share of net assets	
	2007	2006
	HK$'000	HK$'000
At 1 January	**671,170**	475,549
Share of post-acquisition results and reserve		
- (loss)/profit before income tax	**(15,348)**	78,217
- income tax	**3,166**	(3,004)
	(12,182)	75,213
Capital injection	**—**	101,500
Reclassified as subsidiary (note)	**(447,755)**	—
Exchange differences	**16,640**	18,908
At 31 December	**227,873**	671,170

Note:

The amount represents the equity interest in GNSR Expressway Co., Ltd. which became a subsidiary of the Group after the Group acquired 20% additional equity interest of GNSR Expressway Co., Ltd. on 28 March 2007. The results and financial position of GNSR Expressway Co., Ltd. have been consolidated in the Group's financial statements after 31 March 2007. Details of the acquisition of GNSR Expressway Co., Ltd. are set out in note 16.

22 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

The Group's interests in its jointly controlled entities are as follows:

	GNSR Expressway Co., Ltd.		Guangzhou Western Second Ring ("GWSR") Expressway Co., Ltd.	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Income	**41,306**	137,753	**24,155**	—
Expenses	**(19,721)**	(62,540)	**(57,922)**	—
Profit/(loss)	**21,585**	75,213	**(33,767)**	—
Assets				
Non-current assets	**—**	945,777	**1,027,148**	798,743
Current assets	**—**	5,259	**41,039**	18,120
	—	951,036	**1,068,187**	816,863
Liabilities				
Non-current liabilities	**—**	(495,558)	**(642,042)**	(528,500)
Current liabilities	**—**	(29,308)	**(198,272)**	(43,363)
	—	(524,866)	**(840,314)**	(571,863)
Net assets	**—**	426,170	**227,873**	245,000

Details of the Group's jointly controlled entities are set out in note 40.

23 INVESTMENTS IN ASSOCIATES

	Group		
	Share of net assets HK$'000	**Loans receivable** HK$'000	**Total** HK$'000
At 1 January 2006	1,001,322	685,220	1,686,542
Share of post-acquisition results and reserve			
- profit before income tax	280,179	—	280,179
- income tax	(38,925)	—	(38,925)
	241,254	—	241,254
Dividends	(79,532)	—	(79,532)
Interests	—	31,080	31,080
Repayments	—	(176,915)	(176,915)
Transfer	225,324	(225,324)	—
Exchange differences	38,230	5,157	43,387
At 31 December 2006	1,426,598	319,218	1,745,816
At 1 January 2007	1,426,598	319,218	1,745,816
Share of post-acquisition results and reserve			
- profit before income tax	348,980	—	348,980
- income tax	(34,754)	—	(34,754)
	314,226	—	314,226
Dividends	(211,487)	—	(211,487)
Interests	—	20,369	20,369
Repayments	—	(193,786)	(193,786)
Exchange differences	76,519	3,864	80,383
At 31 December 2007	1,605,856	149,665	1,755,521

The loan balances are unsecured, have no fixed repayment terms and bear interests at the prevailing US dollars prime rates ranging from 7.25% to 8.25% (2006: 7.50% to 8.25%) per annum and the lending rates of financial institutions in China ranging from 6.12% to 7.47% (2006: 6.12%) per annum.

23 INVESTMENTS IN ASSOCIATES (continued)

The carrying amounts of the loans receivable are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
HK dollars	**—**	953
US dollars	**122,497**	253,751
Renminbi	**27,168**	64,514
	149,665	319,218

The Group's interests in its associates are as follows:

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Income	**261,564**	200,199	**22,314**	28,018	**166,302**	152,685	**49,855**	41,630
Expenses	**(63,448)**	(63,418)	**(27,220)**	(33,277)	**(74,523)**	(65,920)	**(20,618)**	(18,663)
Profit/(loss)	**198,116**	136,781	**(4,906)**	(5,259)	**91,779**	86,765	**29,237**	22,967
Assets:								
Non-current assets	**749,599**	701,403	**1,185,606**	761,381	**291,879**	278,179	**293,676**	291,626
Current assets	**34,092**	18,292	**35,127**	60,299	**57,750**	47,180	**2,662**	4,622
	783,691	719,695	**1,220,733**	821,680	**349,629**	325,359	**296,338**	296,248
Liabilities:								
Non-current liabilities	**(197,834)**	(356,572)	**(545,171)**	(181,295)	**(167,446)**	(70,998)	**(26,949)**	(28,128)
Current liabilities	**(20,368)**	(16,703)	**(70,476)**	(69,727)	**(13,763)**	(9,822)	**(2,528)**	(3,139)
	(218,202)	(373,275)	**(615,647)**	(251,022)	**(181,209)**	(80,820)	**(29,477)**	(31,267)
Net assets	**565,489**	346,420	**605,086**	570,658	**168,420**	244,539	**266,861**	264,981

Details of the Group's associates are set out in note 40.

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**46,271**	65,925
Impairment losses charged to income statement	—	(10,982)
Increase in fair value credited to equity (note 31)	**64,872**	3,802
Transfer to asset held for sale	—	(15,000)
Exchange differences	**3,142**	2,526
At 31 December	**114,285**	46,271

The financial assets represent unlisted securities stated at fair value as at 31 December 2007.

25 OTHER NON-CURRENT ASSET

The amount represents a deposit paid for the acquisition of an additional 2.78% equity interest in an associate, Guangdong Humen Bridge Co., Ltd. in 2007. The acquisition was completed in January 2008. Details of the acquisition are set out in note 38.

The amount in 2006 represents a deposit paid for the acquisition of an additional 20% equity interest in a jointly controlled entity, GNSR Expressway Co., Ltd. The acquisition was completed in March 2007. Details of the acquisition are set out in note 16.

26 GOODWILL

	HK$'000
At 1 January 2007	—
Acquisition of a subsidiary (note 16)	115,043
Exchange differences	7,814
Impairment losses	(3,671)
At 31 December 2007	119,186

Goodwill is attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 20% additional interest in GNSR Expressway Co., Ltd.

Impairment losses of goodwill are recognised upon the reversal of the deferred tax liabilities or when the recoverable amount of the goodwill is below its carrying value.

27 ASSET HELD FOR SALE

In 2006, the Group had negotiated with a third party for disposal of an available-for-sale financial asset at a consideration of HK$15,000,000. As at 31 December 2006, the transaction was not completed and therefore the investment was classified as asset held for sale. The transaction was completed in June 2007.

28 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

29 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**326,116**	248,305	**32,072**	57,167
Short-term bank deposits	**1,966,900**	91,409	**1,966,900**	91,409
	2,293,016	339,714	**1,998,972**	148,576
Maximum exposure to credit risk	**2,292,495**	339,551	**1,998,898**	148,430

The effective interest rate on short-term bank deposits was 3.48% (2006: 4.14%); these deposits have an average maturity of 74 days (2006: 7 days).

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**1,922,945**	82,321	**1,922,492**	80,926
US dollars	**79,110**	80,606	**52,129**	58,619
Renminbi	**290,961**	176,787	**24,351**	9,031
	2,293,016	339,714	**1,998,972**	148,576

The conversion of the Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese Government.

30 SHARE CAPITAL

	Company	
	Ordinary shares of HK$0.1 each	
	Number of shares	HK$'000
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2006 and 31 December 2006	1,115,441,530	111,544
Issue of shares	557,720,765	55,772
At 31 December 2007	1,673,162,295	167,316

In August 2007, the Company completed an open offer, under which 557,720,765 new shares of HK$0.1 each were allotted and issued at the price of HK$3.93 per share for cash, raising net proceeds amounting to HK$2,176,485,000.

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 (the "Board") may, at their discretion, grant to Directors and employees of the Company or any of its subsidiaries options to subscribe for ordinary shares in the Company.

As at 31 December 2007, there were no outstanding options granted under the Old Share Option Scheme to subscribe for shares of the Company.

Movements in the number of share options outstanding and their related exercise price are as follows:

	Exercise price per share	Balance outstanding as at 1 January		Options lapsed during the year		Options exercised during the year		Balance outstanding as at 31 December	
Date of grant	HK$	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
7 April 2000	0.752	—	230,000	—	(230,000)	—	—	—	—

On 25 June 2002, the Company adopted a 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 31 December 2007, no such options have been granted to any person under this scheme since its adoption (2006: nil).

31 RESERVES

Group

	Share premium	Capital reserve (note (a))	Capital contribution reserve	Exchange fluctuation reserve	Statutory reserves (note (b))	Available-for-sale financial assets fair value reserve	Retained profits (note (c))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2006	577,463	1,705,497	31,240	92,381	29,049	(36,088)	1,241,473	3,641,015
Currency transaction differences								
- Group	—	—	—	17,825	—	—	—	17,825
- Associates	—	—	—	43,387	—	—	—	43,387
- Jointly controlled entities	—	—	—	18,908	—	—	—	18,908
Increase in fair value of available-for-sale financial assets	—	—	—	—	—	3,802	—	3,802
Fair value adjustment on loans from minority shareholders of subsidiaries	—	—	16,627	—	—	—	—	16,627
Transfer	—	—	—	—	(2,104)	—	2,104	—
Profit for the year	—	—	—	—	—	—	461,157	461,157
2005 Final dividend	—	—	—	—	—	—	(55,772)	(55,772)
2006 Interim dividend (note 13)	—	—	—	—	—	—	(72,504)	(72,504)
Balance at 31 December 2006	577,463	1,705,497	47,867	172,501	26,945	(32,286)	1,576,458	4,074,445
Representing:								
Retained profits							1,498,377	
2006 Final dividend proposed							78,081	
							1,576,458	

31 RESERVES (continued)

Group

	Share premium HK$'000	Capital reserve (note (a)) HK$'000	Capital contribution reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserves (note (b)) HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Retained profits (note (c)) HK$'000	Asset revaluation reserve (note (d)) HK$'000	Total HK$'000
Balance at 1 January 2007	577,463	1,705,497	47,867	172,501	26,945	(32,286)	1,576,458	—	4,074,445
Currency transaction differences									
- Group	—	—	—	177,810	—	—	—	—	177,810
- Associates	—	—	—	80,384	—	—	—	—	80,384
- Jointly controlled entities	—	—	—	16,640	—	—	—	—	16,640
Increase in fair value of available-for-sale financial assets	—	—	—	—	—	64,872	—	—	64,872
Transfer	—	—	(47,867)	—	1,894	—	67,023	(21,050)	—
Profit for the year	—	—	—	—	—	—	580,981	—	580,981
Issue of shares	2,120,713	—	—	—	—	—	—	—	2,120,713
Acquisition of a subsidiary	—	—	—	—	—	—	—	672,382	672,382
2006 Final dividend (note 13)	—	—	—	—	—	—	(78,081)	—	(78,081)
2007 Interim dividend (note 13)	—	—	—	—	—	—	(96,207)	—	(96,207)
Balance at 31 December 2007	2,698,176	1,705,497	—	447,335	28,839	32,586	2,050,174	651,332	7,613,939
Representing:									
Retained profits							1,920,504		
2007 Final dividend proposed							129,670		
							2,050,174		

31 RESERVES (continued)

Group (continued)

(a) Capital reserve represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited, a subsidiary of the Company, as consideration therefore on 30 November 1996.

(b) Statutory reserves represent enterprise expansion and general reserve funds set up by the operating subsidiaries, associates and jointly controlled entities in China. As stipulated by regulations in China, the Company's subsidiaries, associates and jointly controlled entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors. According to the Foreign Investment Enterprises Accounting Standards in China, upon approval by the board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. Included in the Group's statutory reserves is HK$1,916,000 (2006: HK$1,734,000) attributable to associates.

(c) Included in the Group's retained profits are retained profits of HK$737,931,000 (2006: HK$638,028,000) and accumulated losses of HK$33,767,000 (2006: retained profits of HK$64,500,000) attributable to associates and jointly controlled entities respectively.

(d) The asset revaluation reserve represents the fair value gain attributable to the 40% equity interest in GNSR Expressway Co., Ltd. previously held by the Group arising from the acquisition of 20% additional equity interest in GNSR Expressway Co., Ltd. The balance is transferred to retained profits on a straight-line basis over the remaining operating period of the toll highway.

31 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006	577,463	1,773,497	355,061	2,706,021
Profit for the year	—	—	114,153	114,153
2005 Final dividend	—	—	(55,772)	(55,772)
2006 Interim dividend (note 13)	—	—	(72,504)	(72,504)
At 31 December 2006	577,463	1,773,497	340,938	2,691,898
Representing:				
Retained profits			262,857	
2006 Final dividend proposed			78,081	
			340,938	
At 1 January 2007	577,463	1,773,497	340,938	2,691,898
Profit for the year	—	—	119,597	119,597
Issue of shares	2,120,713	—	—	2,120,713
2006 Final dividend (note 13)	—	—	(78,081)	(78,081)
2007 Interim dividend (note 13)	—	—	(96,207)	(96,207)
At 31 December 2007	2,698,176	1,773,497	286,247	4,757,920
Representing:				
Retained profits			156,577	
2007 Final dividend proposed			129,670	
			286,247	

The contributed surplus represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of Kiu Fung Limited and the value of net assets of the underlying subsidiaries acquired by the Company as at 30 November 1996. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is classified as components of reserves of the underlying subsidiaries.

32 BORROWINGS

	Group	
	2007	2006
	HK$'000	HK$'000
Non-current		
Long-term bank borrowings	**934,430**	—
Loans from minority shareholders of subsidiaries	**333,420**	449,739
Total borrowings denominated in Renminbi	**1,267,850**	449,739
Less: Amounts due within one year shown under current liabilities	**(265,195)**	—
Amounts due after one year	**1,002,655**	449,739

(a) At 31 December 2007, the Group's borrowings were repayable as follows:

	2007
	HK$'000
Within 1 year	**265,195**
Between 1 and 2 years	**703,507**
Between 2 and 5 years	**299,148**
Wholly repayable within 5 years	**1,267,850**

(b) The effective interest rate of bank borrowings at 31 December 2007 was 7.47% per annum.

Except for an aggregate amount of HK$137,762,000 (2006: HK$129,000,000) which bears interest at the prevailing The People's Bank of China Renminbi long-term lending rates ranging from 6.84% to 7.83% (2006: 6.12% to 6.84%) per annum, the loans from minority shareholders of subsidiaries are interest-free.

(c) The carrying amounts of the interest-free loans from minority shareholders of subsidiaries approximate their fair values which are calculated based on cash flows discounted using a rate of 7.47% (2006: 5.184%) per annum.

The carrying amounts of current borrowings approximate their fair values.

(d) Bank borrowings are secured by the toll fee collection right of a toll highway of the Group.

33 DEFERRED INCOME TAX

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

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred income tax assets Hong Kong profits tax	**(127)**	(312)
Deferred income tax liabilities China enterprise income tax	**680,746**	5,484
	680,619	5,172

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

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**5,172**	5,568
Charged to income statement (note 10(c))	**10,884**	(396)
Acquisition of a subsidiary (note 16)	**622,462**	—
Exchange differences	**42,101**	—
At 31 December	**680,619**	5,172

The detailed movements in deferred income tax assets and liabilities during the year are as follows:

Deferred income tax assets:

	Revaluation of investment properties
	HK$'000
At 1 January 2006	(417)
Charged to income statement	105
At 31 December 2006	(312)
Charged to income statement	185
At 31 December 2007	(127)

33 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

	Fair value gain on interest in a toll highway arising from acquisition of a subsidiary HK$'000	Accelerated depreciation HK$'000	Total HK$'000
At 1 January 2006	—	5,985	5,985
Credited to income statement	—	(501)	(501)
At 31 December 2006	—	5,484	5,484
Acquisition of a subsidiary (note 16)	565,958	56,504	622,462
(Credited)/charged to income statement	(17,587)	28,286	10,699
Exchange differences	38,153	3,948	42,101
At 31 December 2007	586,524	94,222	680,746

34 AMOUNTS DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES AND HOLDING COMPANIES

The amounts due to a minority shareholder of subsidiaries and holding companies are unsecured, interest free and repayable on demand which are denominated in Renminbi and HK dollars respectively.

35 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated from operations:

	2007 HK$'000	2006 HK$'000
Operating profit	**424,100**	184,819
Amortisation/depreciation of interests in toll highways and bridges	**235,299**	111,623
Amortisation of prepaid operating lease payment	**17**	18
Depreciation of property, plant and equipment	**3,873**	2,480
Impairment losses on available-for-sale financial assets	**—**	10,982
Fair value gains on investment properties	**(900)**	(440)
Impairment loss on goodwill	**3,671**	—
Loss on disposal of property, plant and equipment	**—**	24
Exchange differences	**(36,731)**	(27,147)
Operating profit before working capital changes	**629,329**	282,359
Decrease in receivables, deposits and prepayments	**1,560**	12,894
Increase in payables and accrued charges	**8,716**	16,937
Increase/(decrease) in amounts due to a minority shareholder of subsidiaries	**1,677**	(4,723)
(Decrease)/increase in amounts due to holding companies	**(756)**	373
Cash generated from operations	**640,526**	307,840

36 COMMITMENTS

At 31 December 2007, the Group had financial commitments in respect of equity capital to be injected to a jointly controlled entity and an associate of approximately HK$305,600,000 (2006: two jointly controlled entities of approximately HK$648,800,000), of which HK$193,000,000 relates to an acquisition disclosed as post balance sheet event in note 38.

At 31 December 2007, the Group's share of capital commitments of a jointly controlled entity not included in the above amounted to approximately HK$94,242,000 (2006: HK$243,600,000).

At 31 December 2007, the Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2007 **HK$'000**	2006 HK$'000
Lease payments		
Not later than one year	**294**	294
Later than one year and not later than five years	**—**	294
	294	588
Lease receipts		
Not later than one year	**332**	391
Later than one year and not later than five years	**29**	361
	361	752

The Company had no commitments at 31 December 2007 and 2006.

37 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard Guangzhou Investment Company Limited (incorporated in Hong Kong) to be 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 summarises the names of related parties, with whom the Group had significant transaction during the year, and their relationship with the Company as at 31 December 2007:

Significant 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
GWSR Expressway Co., Ltd.	A jointly controlled entity of a subsidiary
Guangdong Humen Bridge Co., Ltd.	An associate of a subsidiary
Guangdong Qinglian Highway Development Co., Ltd.	An associate of a subsidiary
Guangdong Shantou Bay Bridge Co., Ltd.	An associate of a subsidiary
Guangzhou Northring Freeway Co., Ltd.	An associate of a subsidiary

(b) Transactions with related parties

	2007	2006
	HK$'000	HK$'000
Administrative service fees shared with GZI	**1,300**	1,300
Rental expenses paid to Yue Xiu	**202**	202

(c) Key management compensation

Key management personnel represents Directors of the Company and their remunerations are set out in note 15.

38 POST BALANCE SHEET EVENT

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

39 APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board on 8 April 2008.

40 GROUP STRUCTURE

As at 31 December 2007, the Company held shares/interest in the following principal subsidiaries, jointly controlled entity and associates.

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Tailong Highways Development Company Limited
Guangzhou Nanxin Highways Development Company Limited	People's Republic of China, limited liability company	Rmb141,463,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen
Guangzhou Northern Second Ring Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb900,000,000	—	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Qiaowei Highways Development Company Limited	People's Republic of China, limited liability company	Rmb12,326,000	—	100	Investment holding in Guangzhou Suiqiao Development Company Limited
Guangzhou Suiqiao Development Company Limited	People's Republic of China, limited liability company	Rmb1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.

40 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Principal subsidiaries (continued)					
Guangzhou Taihe Highways Development Company Limited	People's Republic of China, limited liability company	Rmb155,980,000	—	80	Development and management of Guangcong Highway Section I linking Guangzhou and Conghua
Guangzhou Tailong Highways Development Company Limited	People's Republic of China, limited liability company	Rmb116,667,000	—	51	Development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 1909 linking Conghua and Longtan
Guangzhou Weian Highways Development Company Limited	People's Republic of China, limited liability company	Rmb175,750,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou
Guangzhou Xinguang Highways Development Company Limited	People's Republic of China, limited liability company	Rmb143,333,000	—	55	Development and management of Guanghua Highway linking Guangzhou and Huadu
Guangzhou Yue Peng Information Ltd.	People's Republic of China, limited liability company	Rmb260,000,000	—	100	Investment holding
Hunan Yue Tung Highway and Bridge Development Company Limited	People's Republic of China, limited liability company	Rmb21,000,000	—	75	Development and management of Xiang Jiang Bridge II in Hunan Province

40 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries (continued)					
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Kinleader Co., Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HK$1 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guandong Humen Bridge Co., Ltd.
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Proterall Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Qiaowei Highways Development Company Limited
Shaanxi Jinxiu Transport Co., Limited	People's Republic of China, limited liability company	Rmb100,000,000	—	100	Development and management of Xian-Lintong Expressway in Shaanxi Province
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	Property holding

40 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Principal subsidiaries (continued)					
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Shaanxi Jinxiu Transport Co., Limited
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1 each	—	83.3	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited

40 GROUP STRUCTURE (continued)

	Place of establishment and operation	Issued and fully paid up share capital/registered capital	Percentage of voting power	Percentage of interest in ownership/ profit sharing		Principal activities
				Direct	Indirect	
Jointly controlled entity						
Guangzhou Western Second Ring Expressway Co., Ltd.	People's Republic of China	Rmb1,000,000,000	33	—	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

	Place of establishment and operation	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Associates					
Guangdong Humen Bridge Co., Ltd.	People's Republic of China	Rmb273,900,000	—	25	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Co., Ltd.	People's Republic of China	Rmb1,200,000,000	—	23.6	Development and management of National Highway 107 linking Qingyuan and Lianzhou
Guangdong Shantou Bay Bridge Co., Ltd.	People's Republic of China	Rmb75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Co., Ltd.	People's Republic of China	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road

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

Independent non-executive directors & audit committee members

Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

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

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Websites to Access Company Information

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http://www.irasia.com/listco/hk/gzitransport
http://www.hkex.com.hk