
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

A copy of this prospectus, together with copies of the other documents specified in the paragraph headed "Documents registered by the Registrars of Companies" in Appendix III to this prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong and filed with the Registrar of Companies in Bermuda as required by Section 26 of the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of any of these documents.

Dealings in the shares of **GZI Transport Limited** may be settled through the Central Clearing and Settlement System and you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

This document does not constitute an offer of transferable securities to the public in the United Kingdom (within the meaning of sections 85 and 102B of the Financial Services and Markets Act 2000, as amended ("FSMA")). Neither this document nor any accompanying letter or any other documents have been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus has been published or is intended to be published in respect of the Offer Shares (as defined herein) in the United Kingdom. Accordingly, the Offer Shares are not being and may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document except to existing shareholders of GZI Transport Limited with a registered address in the United Kingdom or to persons which are qualified investors within the meaning of section 86(7) of FSMA.



越秀交通有限公司
GZI Transport Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1052)

OPEN OFFER OF 557,720,765 OFFER SHARES AT HK\$3.93 PER OFFER SHARE PAYABLE IN FULL ON APPLICATION BY QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES

Financial Adviser to GZI Transport Limited



金榜融資(亞洲)有限公司
GOLDBOND CAPITAL (ASIA) LIMITED

Underwriter to the Open Offer



越秀投資有限公司
GUANGZHOU INVESTMENT COMPANY LIMITED

The latest time for application and payment for the Offer Shares is 4:00 p.m. on Tuesday, 21 August 2007. The procedures for application and payment are set out on pages 24 to 25 of this prospectus.

The Underwriting Agreement (as defined herein) in respect of the Open Offer (as defined herein) contains provisions entitling the Underwriter (as defined herein) by notice in writing to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 5 to 6 of this prospectus. **If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.**

It should be noted that the Shares (as defined herein) have been dealt with on an ex-entitlements basis commencing from Tuesday, 31 July 2007 and that dealings in the Shares may take place whilst the conditions to which the Open Offer is subject remain unfulfilled. These conditions are set out on pages 13 to 14 of this prospectus. Any Shareholder (as defined herein) or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 27 August 2007), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares who is in any doubt about his/her position is recommended to consult his/her own professional adviser.

7 August 2007

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DEFINITIONS

In this prospectus, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the joint announcement of Guangzhou Investment and GZI Transport in relation to the Open Offer and the related arrangements dated 29 June 2007
“Application Date”	21 August 2007, or such other date as GZI Transport and the Underwriter may agree in writing, being the latest date upon which application for the Offer Shares and excess Offer Shares must be lodged with the branch share registrar of GZI Transport in Hong Kong, Tricor Abacus Limited
“Application Form”	the application forms for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“CCASS”	Central Clearing and Settlement System
“Directors”	the directors of GZI Transport
“EGM”	the extraordinary general meeting of Guangzhou Investment convened on 6 August 2007 at 9:00 a.m.
“Excess Application Form”	the excess application forms for use by the Qualifying Shareholders to apply for excess Offer Shares not initially taken up under the Open Offer
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Directors consider, after making relevant enquiry, in the absence of a registration statement or other special formalities, the offer of the Offer Shares to them would or might, in the opinion of the Directors, be unlawful or impracticable
“Four Subsidiaries”	four wholly-owned subsidiaries of GZI Transport Holdings, namely Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited
“GHDC”	廣州市公路開發公司 (for identification purposes only, in English, Guangzhou Highways Development Company), a PRC state-owned enterprise, which is a connected person of GZI Transport as defined in the Listing Rules by virtue of its shareholding interests of 20%, 49%, 20%, 45%, 20% and 30%, respectively, in six subsidiaries of GZI Transport

DEFINITIONS

“GNSR Expressway Co., Ltd.”	Guangzhou Northern Second Ring Expressway Co., Ltd.
“Group”	GZI Transport and its subsidiaries
“Guangzhou Investment”	Guangzhou Investment Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange and the stock exchange operated by Singapore Exchange Securities Trading Limited
“GZI Transport” or the “Company”	GZI Transport Limited, an exempted company incorporated in Bermuda, the Shares of which are listed on the Stock Exchange
“GZI Transport Holdings”	GZI Transport (Holdings) Limited, a company incorporated in the British Virgin Islands, which is held as to 49% by Yue Xiu and 51% by Guangzhou Investment, holding approximately 67.24% interest in GZI Transport as at the Latest Practicable Date
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	27 June 2007, being the last full Trading Day immediately before the suspension of trading in the Shares pending the release of the Announcement
“Latest Practicable Date”	2 August 2007, being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information referred to in the Prospectus
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreement”	the loan agreement dated 29 June 2007 entered into among Yue Xiu, Guangzhou Investment, GZI Transport Holdings and the Four Subsidiaries whereby Guangzhou Investment agreed to provide funding to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted and issued to the Four Subsidiaries
“Offer Shares”	557,720,765 new Shares to be issued pursuant to the Open Offer

DEFINITIONS

“Open Offer”	the proposed offer of the Offer Shares by GZI Transport on the basis of one Offer Share for every two existing Shares held by Qualifying Shareholders at the close of business on the Record Date at the Subscription Price pursuant to the terms set out in the Open Offer Documents
“Open Offer Documents”	the Prospectus, the Application Form and the Excess Application Form
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of GZI Transport are located outside Hong Kong at the close of business on the Record Date
“Posting Date”	7 August 2007, or such other date as GZI Transport and the Underwriter may agree in writing, being the date of despatch of the Open Offer Documents
“PRC”	the People’s Republic of China, excluding, for the purpose of the Announcement and the Prospectus only, Hong Kong and Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	this prospectus issued by GZI Transport dated 7 August 2007 in relation to the Open Offer
“Public Shareholders”	Shareholders other than Value Partners as long as it remains as a substantial shareholder (as defined in the Listing Rules) of GZI Transport, Guangzhou Investment, Yue Xiu and the Four Subsidiaries and their respective associates
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of GZI Transport at the close of business on the Record Date
“Record Date”	6 August 2007, or such other date as GZI Transport and the Underwriter may agree in writing, being the record date to determine entitlements to the Open Offer
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.1 each in the share capital of GZI Transport
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$3.93 per Offer Share
“Sub-underwriter” or “HSBC”	The Hongkong and Shanghai Banking Corporation Limited

DEFINITIONS

“Sub-underwriting Agreement”	the agreement dated 29 June 2007 entered into between the Underwriter and the Sub-underwriter in relation to the sub-underwriting arrangements in respect of the Open Offer
“Sub-underwritten Shares”	164,754,727 Offer Shares that the Sub-underwriter agreed to sub-underwrite pursuant to the Sub-underwriting Agreement
“Trading Day”	a day on which the Stock Exchange is open for trading
“Underwriter”	Guangzhou Investment, being the underwriter of the Open Offer
“Underwriting Agreement”	the agreement dated 29 June 2007 entered into between, inter alios, GZI Transport and Guangzhou Investment in relation to the underwriting and other arrangements in respect of the Open Offer
“Underwritten Shares”	164,754,727 Offer Shares that the Underwriter agreed to subscribe or procure subscribers to subscribe for, being the maximum number of the Offer Shares not subscribed for by the Shareholders other than Guangzhou Investment, Yue Xiu and the Four Subsidiaries at the Subscription Price pursuant to the Underwriting Agreement
“Value Partners”	Value Partners Limited
“Yue Xiu”	Yue Xiu Enterprises (Holdings) Limited, a company incorporated in Hong Kong with limited liability
“Yue Xiu Group”	Yue Xiu and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	renminbi, the lawful currency of the PRC
“km”	kilometer
“%”	percent

TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement is conditional upon, among other things, the Sub-underwriting Agreement not being terminated in accordance with the terms thereof. The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If at any time on or before 4:00 p.m. on the fourth Business Day after the Application Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement was (when originally given or when repeated in accordance with the provisions under the Underwriting Agreement) untrue, inaccurate, misleading or breached, and in each case where it is (in the reasonable opinion of the Underwriter) material in the context of the Open Offer; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
 - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten (10) Business Days other than the suspension relating to the Open Offer;
 - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which event or events, in the reasonable opinion of the Underwriter, is or are:

- 1. likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
- 2. likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
- 3. so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

TERMINATION OF THE UNDERWRITING AGREEMENT

then in any such case the Underwriter may by notice in writing given to GZI Transport on or before 4:00 p.m. on the fourth Business Day following the Application Date rescind the Underwriting Agreement and thereupon all obligations of the Underwriter will cease and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement except in respect of any antecedent breach of the Underwriting Agreement and the Open Offer will not proceed.

EXPECTED TIMETABLE

Latest time for acceptance of, and payment
for Offer Shares and application
for excess Offer Shares4:00 p.m. on Tuesday, 21 August 2007

Latest time for termination of the
Underwriting Agreement4:00 p.m. on Monday, 27 August 2007

Announcement of results of Open Offer
to be published on or beforeTuesday, 28 August 2007

Refund cheques in respect of wholly
or partially unsuccessful applications for
excess Offer Shares to be despatched on or before.Tuesday, 28 August 2007

Certificates for Offer Shares expected
to be despatched on or beforeTuesday, 28 August 2007

Dealings in Offer Shares on the
Stock Exchange to commence onThursday, 30 August 2007

Notes:

- (i) All times and dates in the Prospectus refer to Hong Kong times and dates.
- (ii) Dates or deadlines specified in the Prospectus for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by agreement between GZI Transport and the Underwriter. Any consequential changes to the expected timetable will be published by way of announcements or otherwise notified to the Shareholders.
- (iii) If there is:
 - a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning
 - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 21 August 2007, the latest time for application and payment in the Open Offer will be extended to 5:00 p.m. on the same business day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 21 August 2007, the latest time for application and payment in the Open Offer will be postponed to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for application and payment in the Open Offer is postponed in accordance with the above paragraph, the dates mentioned in this section may be affected. In such event, an announcement will be made by GZI Transport as soon as practicable.

LETTER FROM THE BOARD



越秀交通有限公司
GZI Transport Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1052)

Executive Directors:

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal
place of business:*

25th Floor, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

Non-Executive Directors:

FUNG Ka Pun[#]
LAU Hon Chuen Ambrose[#]
CHEUNG Doi Shu[#]
POON Jing

[#] *Independent non-executive directors*

7 August 2007

To the Shareholders

Dear Sir or Madam,

**OPEN OFFER OF 557,720,765 OFFER SHARES AT HK\$3.93 PER OFFER
SHARE PAYABLE IN FULL ON APPLICATION BY QUALIFYING
SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY
TWO EXISTING SHARES**

INTRODUCTION

The Directors announced on 29 June 2007 that GZI Transport proposes to raise approximately HK\$2,192 million, before expenses, by way of the Open Offer.

The purpose of the Prospectus is to set out information regarding the Open Offer, including information on dealings and application for the Offer Shares, financial information and other information of the Group.

LETTER FROM THE BOARD

TERMS OF THE OPEN OFFER

Issue statistics

Basis of the Open Offer:	one Offer Share for every two existing Shares held by Qualifying Shareholders at the close of business on the Record Date
Number of existing Shares in issue as at the Record Date:	1,115,441,530 Shares
Number of authorized Shares as at the Record Date:	2,000,000,000 Shares
Number of Offer Shares:	557,720,765 Offer Shares to be allotted
Underwriter:	Guangzhou Investment
Sub-underwriter:	HSBC
Subscription Price for Offer Shares:	HK\$3.93 per Offer Share

Under the Open Offer, 557,720,765 Offer Shares would be allotted, representing 50% of the existing issued share capital of GZI Transport as at the Record Date and approximately 33% of the issued share capital of GZI Transport as enlarged by the issue of 557,720,765 Offer Shares. There are no outstanding options, warrants, convertible notes or other rights to subscribe for Shares as at the Record Date.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Open Offer Documents are sent to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must at the close of business on the Record Date:

- (i) be registered as a member of GZI Transport; and
- (ii) not be an Excluded Shareholder.

The invitation to apply for Offer Shares is not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

The Application Form and the Excess Application Form for the Offer Shares are sent to the Qualifying Shareholders only.

LETTER FROM THE BOARD

Excluded Shareholders

The Open Offer Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. GZI Transport will send the Prospectus to the Excluded Shareholders for their information only, but GZI Transport will not send any Application Form and Excess Application Form to the Excluded Shareholders. No person receiving a copy of the Open Offer Documents in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. It is the responsibility of the Overseas Shareholders wishing to make an application for the Offer Shares to satisfy himself/herself as to the full observance of the laws and regulations of the relevant jurisdiction, including the obtaining of any government or other consents, and payment of any taxes and duties required to be paid in such jurisdiction in connection therewith. Any acceptance of the offer of the Offer Shares by any person residing outside Hong Kong will be deemed to constitute a representation and warranty from such person to GZI Transport that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers.

The entitlements of the Excluded Shareholders under the Open Offer will be taken up by the Qualifying Shareholders who have applied for the Offer Shares through excess application, and/or taken up by the Underwriter and/or Sub-underwriter pursuant to the Underwriting Agreement and the Sub-underwriting Agreement. The Excluded Shareholders are the Shareholders whose names appear on the register of members of GZI Transport at the close of business on the Record Date and whose addresses as shown on such register are in a territory or territories outside Hong Kong where in the absence of a registration statement or other special formalities, the offer of the Offer Shares to such Shareholders would or might, in the opinion of the Directors, be unlawful or impracticable.

Based on the register of members of GZI Transport as at the Record Date, there are Shareholders with registered address in the United States, the United Kingdom, the Macau Special Administrative Region of the PRC and the PRC. GZI Transport has complied with all necessary requirements specified in Rule 13.36(2)(a) of the Listing Rules and has made enquiry with its legal advisers regarding the feasibility of extending the Open Offer to the Overseas Shareholders under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges. Based on the legal advice provided by the relevant legal advisers in the United Kingdom, the Macau Special Administrative Region of the PRC and the PRC, the Directors are of the view that the Open Offer can be extended to the Shareholders in the United Kingdom, the Macau Special Administrative Region of the PRC and the PRC as there are no restrictions, or no onerous restrictions on the offering of the Open Offer to the Shareholders in these jurisdictions, which would be difficult for GZI Transport to comply with.

However, based on the legal advice provided by the relevant legal advisers in the United States, the offer of the Offer Shares to the Shareholders registered with overseas addresses in the United States would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable and the cost to be incurred would outweigh the possible benefits to the relevant Overseas Shareholders and GZI Transport if the Offer Shares are to be offered in the United

LETTER FROM THE BOARD

States. As such, the Directors are of the view that it is inexpedient for the Open Offer to be offered to the Overseas Shareholders in the United States and such Overseas Shareholders will be regarded as Excluded Shareholders. Accordingly, the Open Offer will not be extended to the Overseas Shareholders with registered addresses in the United States.

This document does not constitute an offer of transferable securities to the public in the United Kingdom (within the meaning of sections 85 and 102B of the Financial Services and Markets Act 2000, as amended FSMA). Neither this document nor any accompanying letter or any other documents have been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus has been published or is intended to be published in respect of the Offer Shares in the United Kingdom. Accordingly, the Offer Shares are not being and may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document except to existing shareholders of GZI Transport Limited with a registered address in the United Kingdom or to persons which are qualified investors within the meaning of section 86(7) of FSMA.

Subscription price for the Offer Shares

The Subscription Price of HK\$3.93 per Offer Share will be payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 31.05% to the closing price of HK\$5.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 30.93% to the average closing price of HK\$5.69 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 30.57% to the average closing price of HK\$5.66 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 28.93% to the average closing price of HK\$5.53 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 20.28% to the closing price of HK\$4.93 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (vi) a discount of approximately 23.09% to the theoretical ex-right price of HK\$5.11 based on the closing price of HK\$5.70 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of approximately 4.80% over the audited consolidated net assets value (excluding minority interests) per Share of approximately HK\$3.75 as at 31 December 2006.

LETTER FROM THE BOARD

The Subscription Price was arrived at with reference to the market price of the Shares under the prevailing market conditions and was agreed on an arm's length basis between GZI Transport and the Underwriter. The Directors consider the Subscription Price and the rate of discount to the closing price on the Last Trading Day to be fair and reasonable and in the interests of GZI Transport and the Shareholders as a whole.

Basis of allotment

One Offer Share for every two existing Shares held by a Qualifying Shareholder as at the close of business on the Record Date. In order to be registered as a member at the close of business on the Record Date, a transferee of Shares must have lodged any transfer of Shares (with the relevant share certificates) with Tricor Abacus Limited, the branch share registrar of GZI Transport in Hong Kong, by 4:00 p.m. on 1 August 2007.

Status of the Offer Shares

When allotted, issued and fully paid, the Offer Shares will rank pari passu in all respects with the then existing Shares in issue and holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue of the Offer Shares.

Fractions of Offer Shares

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and sold and the proceeds thereof will be retained for the benefit of GZI Transport.

Applications for excess Offer Shares

Qualifying Shareholders shall be entitled to apply for any entitlements of the Excluded Shareholders and any Offer Shares not initially taken up by Qualifying Shareholders by way of Application Form. An application may be made by completing the Excess Application Form for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares being applied for on or before 4:00 p.m. on Tuesday, 21 August 2007. The Directors will allocate the excess Offer Shares at their discretion, but on a fair and reasonable basis as far as practicable. Shareholders should note that, in respect of the Open Offer, no odd lot matching services will be provided by GZI Transport in the market.

Certificates and refund cheques for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, certificates for all fully-paid Offer Shares are expected to be posted by 28 August 2007 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares, at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares (if any) are expected to be posted by 28 August 2007 by ordinary post to the applicants at their own risk.

LETTER FROM THE BOARD

Application for Listing

GZI Transport has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duties and relevant trading fees and Securities and Futures Commission transaction levy in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon, among other things, fulfillment of each of the following:

1. the delivery to the Stock Exchange and filing and registration of all documents relating to the Open Offer required by laws and the Listing Rules to be filed and/or registered, with the Registrar of Companies in Hong Kong and Bermuda respectively;
2. the posting of the Open Offer Documents to the Qualifying Shareholders and the posting of a letter from GZI Transport accompanied by the Prospectus stamped “For information only” to the Excluded Shareholders (as the case may be) on or before the Posting Date;
3. the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Offer Shares either unconditionally or subject to such conditions as GZI Transport may accept;
4. the obtaining of approval from the independent shareholders of Guangzhou Investment in relation to the entry into of the Underwriting Agreement, the provision of the funding to GZI Transport Holdings for subscription of the Offer Shares and the transfers of the Offer Shares by the Four Subsidiaries upon completion of the Open Offer as repayment of such funding and all related costs (as more fully described in the section headed “Undertakings from Guangzhou Investment, Yue Xiu, GZI Transport Holdings and the Four Subsidiaries” below);
5. compliance with and performance of all the undertakings and obligations of GZI Transport under the Underwriting Agreement;
6. compliance with and performance of all the undertakings and obligations of Guangzhou Investment, Yue Xiu, GZI Transport Holdings and the Four Subsidiaries under the Underwriting Agreement; and

LETTER FROM THE BOARD

7. the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

If any of the conditions of the Open Offer is not fulfilled by or at the time and/or date specified therefor (or if no time or date is specified, 4:00 p.m. on the fourth Business Day following the Application Date, or such other time as may be agreed between the Underwriter and GZI Transport), or shall become incapable of being fulfilled on or before such time, or the Underwriting Agreement is terminated by the Underwriter (including as a result of the termination of the Sub-underwriting Agreement) by written notice to GZI Transport, then in any such case the Open Offer will not proceed.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

In accepting the Open Offer Documents for filing, the Registrar of Companies in Bermuda does not accept any responsibility for financial soundness of the Group or for the correctness of any statements made or opinion expressed in the Open Offer Documents.

UNDERTAKINGS FROM GUANGZHOU INVESTMENT, YUE XIU, GZI TRANSPORT HOLDINGS AND THE FOUR SUBSIDIARIES

As at the Record Date, each of Yue Xiu and Guangzhou Investment is interested in 35,798,076 Shares and 134,000 Shares respectively, representing approximately 3.21% and 0.01% in the issued share capital of GZI Transport, directly or through wholly-owned subsidiaries respectively.

In addition, as at the Record Date, Yue Xiu and Guangzhou Investment are in aggregate, directly or indirectly, interested in 750,000,000 Shares, representing approximately 67.24% of the issued share capital of GZI Transport, through GZI Transport Holdings, which is owned as to 49% by Yue Xiu and as to 51% by Guangzhou Investment respectively. GZI Transport Holdings in turn holds such Shares through the Four Subsidiaries.

Guangzhou Investment, on 29 June 2007, has irrevocably undertaken that, subject to the conditions of the Underwriting Agreement being fulfilled, all Shares directly owned by it will remain registered in its name from the date of the undertaking to the Record Date and that it will subscribe for or procure subscription of all the 67,000 Offer Shares that will be allotted to it or its wholly-owned subsidiaries as the holders of such Shares pursuant to the Open Offer.

Yue Xiu, on 29 June 2007, has irrevocably undertaken that, subject to the conditions of the Underwriting Agreement being fulfilled, all Shares directly owned by it or through its wholly-owned subsidiaries will remain registered in its/their name(s) from the date of the undertaking to the Record Date and that it will subscribe for or procure subscription of all the 17,899,038 Offer Shares that will be allotted to it or its wholly-owned subsidiaries as the holders of such Shares pursuant to the Open Offer.

GZI Transport Holdings, on 29 June 2007, has irrevocably undertaken to GZI Transport that, subject to the conditions of the Underwriting Agreement being fulfilled, it will procure the Four Subsidiaries to subscribe in full for their respective entire entitlements under the Open Offer. The Four

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Subsidiaries, on 29 June 2007, have also irrevocably undertaken that, subject to the conditions of the Open Offer being fulfilled, all Shares beneficially owned by them will remain registered in their names from the date of the undertaking to the Record Date and that they will subscribe for all the 375,000,000 Offer Shares that will be allotted to them as the holders of such Shares pursuant to the Open Offer. Based on the Subscription Price of HK\$3.93 per Offer Share, the funding required for the subscription of 375,000,000 Offer Shares amounts to approximately HK\$1.47 billion.

Pursuant to the Loan Agreement, Guangzhou Investment has agreed to provide the required funding, through its internal resources and/or bank borrowings, to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted and issued to the Four Subsidiaries pursuant to the Open Offer, which, as at the date of this Prospectus, amount to 375,000,000 Offer Shares. Given the Subscription Price of HK\$3.93, the funding required for the subscription of 375,000,000 Offer Shares amounts to approximately HK\$1.47 billion. As such, Guangzhou Investment will provide an interest-free loan of approximately HK\$1.47 billion to GZI Transport Holdings, which in turn will provide such funding to the Four Subsidiaries. The Four Subsidiaries will utilise such funding towards subscription of the Offer Shares. Upon the completion of the Open Offer, such funding due to Guangzhou Investment shall be fully repaid and settled by the Four Subsidiaries transferring to Guangzhou Investment and/or its nominees the ownership of the 375,000,000 Offer Shares allotted and issued to them.

The Offer Shares available for subscription by the Public Shareholders and Value Partners, other than the Offer Shares to be allotted in respect of the Shares beneficially owned by Yue Xiu, Guangzhou Investment and GZI Transport Holdings, which amount to 164,754,727 Offer Shares, will be underwritten by the Underwriter in accordance with the Underwriting Agreement.

In addition, Guangzhou Investment has also undertaken to GZI Transport that it will place down such number of Shares which shall be equal to the number of Offer Shares (if any) that Value Partners takes up through application for excess Offer Shares to independent third parties as soon as possible after the Application Date but before the Open Offer becomes unconditional.

With the above-mentioned placing down arrangements of Guangzhou Investment and the Sub-underwriting Agreement, the Directors contemplate that the public float of GZI Transport will not be worse off as a result of the Open Offer.

As at the Latest Practicable Date, other than the above mentioned undertakings, GZI Transport has not received any undertaking provided by any other Shareholders to subscribe for his/her/its entitlement under the Open Offer.

UNDERWRITING AND SUB-UNDERWRITING ARRANGEMENTS

Any Offer Share not taken up by the Qualifying Shareholders, other than Guangzhou Investment, Yue Xiu and the Four Subsidiaries, will be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

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Terms of the Underwriting Agreement

Date:	29 June 2007
Issuer:	GZI Transport
Underwriter:	Guangzhou Investment
Number of Underwritten Shares:	164,754,727 Offer Shares
Commission:	1.75% of the aggregate Subscription Price of the Underwritten Shares

Pursuant to the Underwriting Agreement, the Underwriter has agreed to subscribe for or procure subscribers to subscribe for the Underwritten Shares that are not subscribed for by the Public Shareholders and Value Partners at the Subscription Price. The aggregate value of such Offer Shares amounts to approximately HK\$647 million. The ordinary course of business of the Underwriter does not include underwriting.

Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the entering into of the Underwriting Agreement between GZI Transport and Guangzhou Investment constitutes an exempted connected transaction of GZI Transport and is therefore exempted from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional on, among other things, the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" above (other than condition 7) and on the Sub-underwriting Agreement not being terminated.

The Underwriter cannot waive any of the conditions referred to above. If the conditions referred to above are not satisfied by the time and/or date specified in the said agreements (or if no time or date is specified, 4:00 p.m. on the fourth Business Day following the Application Date, or such other time as may be agreed between the Underwriter and GZI Transport), the Underwriting Agreement shall terminate and the Open Offer will not proceed. In case the Open Offer does not proceed, GZI Transport will not be liable for the underwriting commission. However, GZI Transport will still be liable to any cost and expense of the legal and other professional advisers incurred in relation to the Open Offer.

Termination of the Underwriting Agreement

It should be noted that the Underwriting Agreement is conditional upon, among other things, the Sub-underwriting Agreement not being terminated in accordance with the terms thereof. The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to

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terminate its obligations thereunder on the occurrence of certain events. If at any time on or before 4:00 p.m. on the fourth Business Day after the Application Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement was (when originally given or when repeated in accordance with the provisions under the Underwriting Agreement) untrue, inaccurate, misleading or breached, and in each case where it is (in the reasonable opinion of the Underwriter) material in the context of the Open Offer; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
 - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten (10) Business Days other than the suspension relating to the Open Offer;
 - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which event or events, in the reasonable opinion of the Underwriter, is or are:

1. likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
2. likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
3. so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

then in any such case the Underwriter may by notice in writing given to GZI Transport on or before 4:00 p.m. on the fourth Business Day following the Application Date rescind the Underwriting

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Agreement and thereupon all obligations of the Underwriter will cease and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement except in respect of any antecedent breach of the Underwriting Agreement and the Open Offer will not proceed.

Terms of the Sub-underwriting Agreement

Date:	29 June 2007
Underwriter:	Guangzhou Investment
Sub-underwriter:	HSBC
Number of Sub-underwritten Shares:	164,754,727 Offer Shares
Commission:	1.75% of the aggregate Subscription Price of the Sub-underwritten Shares

Under the Sub-underwriting Agreement, the Sub-underwriter has sub-underwritten 164,754,727 Offer Shares, all of which have been underwritten by the Underwriter provided that the Underwriter may decide not to call on the Sub-underwriter to take up any Offer Shares on condition that the public float of GZI Transport will not be lower than the prescribed minimum level of public float as required under the Listing Rules as a result thereof and immediately following the completion of the Open Offer. In the event that the prescribed minimum level of public float as required under the Listing Rules is restored by GZI Transport following the Open Offer, the Underwriter may call on the Sub-underwriter to take up only part of the Sub-underwritten Shares.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Sub-underwriter and its ultimate beneficial owners are third parties independent of (i) GZI Transport and its connected persons (as defined in the Listing Rules); and (ii) Guangzhou Investment and its connected persons (as defined in the Listing Rules) respectively.

The entering into of the Sub-underwriting Agreement between the Underwriter and HSBC is to ensure that, immediately after the completion of the Open Offer, the Open Offer will not result in a further reduction of the public float of GZI Transport and, in the event that Value Partners remains as a substantial Shareholder immediately after the completion of the Open Offer due to its subscription of the Offer Shares, the shareholding percentage of GZI Transport held by Guangzhou Investment and its associates will not increase.

HSBC entered into the sub-underwriting commitment for its own account and is not an adviser to any party involved in the Open Offer (or acting in any other capacity other than the Sub-underwriter) and is not participating in or authorising or will not participate in or authorise the preparation or issue of the Announcement or the Prospectus.

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Under the Sub-underwriting Agreement, the Underwriter has given certain representations, warranties and undertakings to the Sub-underwriter, including the agreement not to waive any rights under the Underwriting Agreement to the extent that it would reasonably be considered to have material adverse impact on the position of the Sub-underwriter under the sub-underwriting arrangements. The obligations of the Sub-underwriter under the sub-underwriting arrangements are conditional on (i) the Underwriting Agreement being unconditional and not being terminated; and (ii) there being no material breach of the representations, warranties and undertakings given by the Underwriter under the Sub-underwriting Agreement.

WARNING OF THE RISKS OF DEALING IN SHARES

Shareholders and potential investors of GZI Transport should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms of the Underwriting Agreement. Accordingly, the Open Offer may or may not proceed.

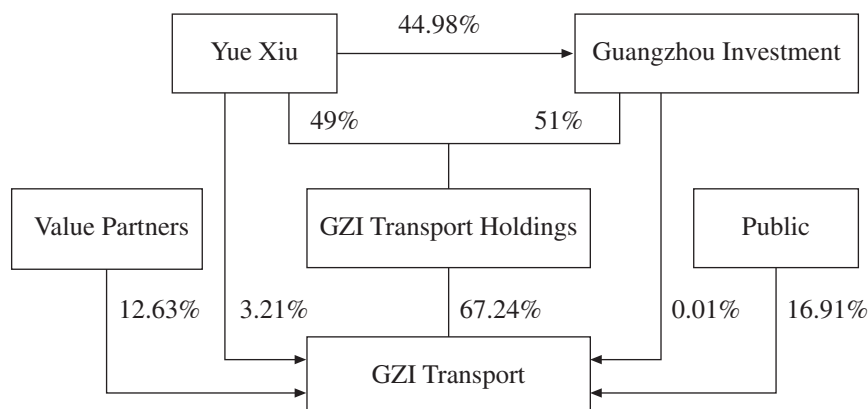
Shareholders should also note that Shares have been dealt with on an ex-entitlement basis from 31 July 2007 and that dealings in the Shares will be transacted while the conditions to which the Open Offer is subject remain unfulfilled. If the Underwriter terminates the Underwriting Agreement (including, without limitation, as a result of the termination of the Sub-underwriting Agreement), the Open Offer will not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares until the Open Offer becomes unconditional and they will accordingly bear the risk that the Open Offer may not become unconditional and may or may not proceed. If in any doubt, investors should consider obtaining professional advice on this.

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CHANGES IN SHAREHOLDING STRUCTURE OF GZI TRANSPORT

Set out below is a shareholding chart showing the shareholding structure of GZI Transport as at the Latest Practicable Date:



Note: GZI Transport Holdings holds an approximately 67.24% interest in GZI Transport through the Four Subsidiaries.

The following table sets out the changes in the shareholding structure of GZI Transport arising from the Open Offer:

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Open Offer (Note 1)		Immediately after completion of the Open Offer (Note 2)		Immediately after completion of the Open Offer (Note 3)	
	No. of Shares	Approximate percent (%)	No. of Shares	Approximate percent (%)	No. of Shares	Approximate percent (%)	No. of Shares	Approximate percent (%)
Yue Xiu (Note 4)	35,798,076	3.21	53,697,114	3.21	53,697,114	3.21	53,697,114	3.21
Guangzhou Investment	134,000	0.01	375,201,000 (Note 6)	22.42	445,689,000 (Note 6)	26.64	375,201,000 (Note 6)	22.42
GZI Transport Holdings (Note 5)	750,000,000	67.24	750,000,000	44.83	750,000,000	44.83	750,000,000	44.83
Value Partners	140,976,000	12.63	211,464,000	12.63	140,976,000	8.43	140,976,000	8.43
Other Shareholders	188,533,454	16.91	282,800,181	16.91	188,533,454	11.26	188,533,454	11.26
Sub-underwriter	—	—	—	—	94,266,727	5.63	164,754,727	9.85
Sub-total Public	188,533,454	16.91	282,800,181	16.91	423,776,181	25.32	494,264,181	29.54
Total	1,115,441,530	100.00	1,673,162,295	100.00	1,673,162,295	100.00	1,673,162,295	100.00

Notes:

- Assuming all Shareholders take up their respective allotment of the Offer Shares in full.
- Assuming (i) no Shareholder (save for Guangzhou Investment, Yue Xiu and the Four Subsidiaries) takes up any of the Offer Shares; and (ii) the entitlements to the Offer Shares of all Shareholders (save for Guangzhou Investment, Yue Xiu and the Four Subsidiaries) of 164,754,727 Offer Shares are taken up by the Underwriter and the Underwriter calls on the Sub-underwriter to take up 94,266,727 Offer Shares (such 94,266,727 Offer Shares being the aggregate number of Offer Shares which the Public Shareholders are entitled to subscribe for) such that the public float of GZI Transport will be increased to 25.32% as Value Partners will be regarded as a public Shareholder by virtue of its shareholding in GZI Transport dropping to approximately 8.43% of GZI Transport's issued share capital.

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3. Assuming no Shareholder (save for Guangzhou Investment, Yue Xiu and the Four Subsidiaries) takes up any of the Offer Share and the Underwriter calls on the Sub-underwriter to take up the Sub-underwritten Shares pursuant to the Sub-underwriting Agreement.
4. This shareholding is directly held by Yue Xiu and its wholly-owned subsidiaries.
5. GZI Transport Holdings is held by Yue Xiu and Guangzhou Investment as to 49% and 51% respectively.
6. Assuming GZI Transport Holdings has repaid the funding to Guangzhou Investment by the Four Subsidiaries transferring to Guangzhou Investment the ownership of 375,000,000 Offer Shares.

As stated in GZI Transport's announcement dated 28 February 2007, the aggregate shareholding interest of Guangzhou Investment (and its associates) and Value Partners (and its associates) in GZI Transport is approximately 83.09%, thereby resulting in a public float of approximately 16.91% of GZI Transport's total issued share capital, which is below 25% as required under the Listing Rules.

In the event that Guangzhou Investment is called upon to subscribe for the Underwritten Shares in full, and after taking into account the arrangements under the Sub-underwriting Agreement where the Sub-underwriter is called upon to take up all the Sub-underwritten Shares which have not been subscribed for or applied for through excess application in accordance with the terms of the Sub-underwriting Agreement, the aggregate shareholding interests of Guangzhou Investment, Yue Xiu and GZI Transport Holdings and their respective associates will remain unchanged at approximately 70.46% of GZI Transport's issued share capital as enlarged by the issue of the Offer Shares, if Value Partners and the Public Shareholders do not take up any of their entitlements to 70,488,000 Offer Shares and 94,266,727 Offer Shares respectively and such 164,754,727 Offer Shares in aggregate are all taken up by the Sub-underwriter.

If Value Partners does not subscribe for any Offer Share under the Open Offer, its interest will be diluted to approximately 8.43% which will then be regarded as forming part of the public float under the Listing Rules, and if its entire entitlement to the Offer Shares is allocated to the Public Shareholders through excess application, and the Underwriter need not take up any Offer Shares, the public float of GZI Transport will become 29.54% of the issued share capital of GZI Transport as enlarged by the issue of the Offer Shares, which will be above the prescribed minimum level of public float as required under the Listing Rules. It must, however, be noted that the Board has not received from Value Partners any indication of its intention regarding the Open Offer.

It is the intention of Guangzhou Investment to maintain the listing of GZI Transport after the Open Offer. If the public float of GZI Transport is not restored to 25% immediately after the completion of the Open Offer, GZI Transport or its controlling Shareholder (including Yue Xiu, Guangzhou Investment and the Four Subsidiaries) will take appropriate steps to restore the public float of GZI Transport as soon as practicable after completion of the Open Offer to ensure that not less than 25% of the Shares are held by the public at all times in compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules. However, in considering the appropriate steps to restore the public float after the Open Offer, if required, GZI Transport needs to take into account the interest of all Shareholders including independent Shareholders and the shareholding structure of GZI Transport after the Open Offer. As such, GZI Transport will only be able to come up with a decision as to the most appropriate steps to be taken to restore the public float of GZI Transport to the prescribed minimum level under the Listing Rules after the completion of the Open Offer.

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REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

GZI Transport is an investment holding company, and its subsidiaries are principally engaged in toll road and bridge operations in Guangdong Province.

One of the principal objectives of the Open Offer is to raise sufficient funds for prospective acquisitions of interests in new toll expressways and bridges, principally in Guangdong Province. With the toll road network in first tier cities in the PRC, such as Beijing, Shanghai, Guangzhou and Shenzhen, entering into mature stage, the Directors envisage that opportunities for participation in the development of or acquisition of interest in new quality toll expressways in these first tier cities would become less readily available. In February 2007, the relevant government authority of the Guangdong Province announced the 11th Five Year Comprehensive Transportation System Plan (“11th Plan”), which stated that an estimated RMB228.8 billion will be invested in about 35 major expressway projects (including 11 outbound expressway projects, 18 expressway projects within the province and 6 local expressway projects) to be constructed throughout the Guangdong Province. It is anticipated that about RMB159.1 billion will be invested in constructing expressways of 2,773km during the 11th Plan period. Therefore, the Directors believe that there will be tremendous opportunities for investing in expressway projects. To cope with the expected economic growth and the development in the Guangdong Province, the Directors believe that the 11th Plan represents a good investment opportunity for GZI Transport to further expand its operation in the Guangdong Province, a fast developing province in the PRC.

The Directors consider that, by way of the Open Offer through which it is currently anticipated to raise about HK\$2,192 million (before expenses). The expenses in connection with the Open Offer is estimated to approximately HK\$20 million, thus the net proceeds will be approximately HK\$2,172 million. GZI Transport will be in a stronger financial position to participate in different toll road projects in the PRC.

GZI Transport is currently in discussion with GHDC in relation to the joint development of two expressways, namely 廣河高速公路廣州段 (for identification purposes only, in English, Guanghe Expressway Guangzhou Section) (“**GEGS**”) and 增從高速公路 (for identification purposes only, in English, Zengcong Expressway) (“**Zengcong**”), in Guangdong Province. It is anticipated that GEGS will be a six-lane expressway with an estimated length of approximately 70.82km. It is currently expected that GEGS will be located in the Pearl River Delta and upon completion of construction, GEGS will connect Guanghe Expressway (Huizhou Section), Huanan Expressway (Phases II and III), Guangzhou Northern Second Ring Expressway, Zengcong Expressway, Guangzhou Northern Third Ring Expressway, and Provincial Highway S118. The total investment amount of GEGS is expected to be approximately RMB6.60 billion, of which approximately RMB2.18 billion would be contributed by the joint venture partners of GEGS as registered capital, with the remaining balance of the total investment amount to be raised by way of bank financing in the PRC by GEGS. GZI Transport currently anticipates that 廣州越鵬信息有限公司 (for identification purposes only, in English), Guangzhou Yue Peng Information Ltd. (“Guangzhou Yue Peng”), an indirect wholly owned subsidiary of GZI Transport, would contribute towards GEGS approximately RMB872 million, representing 40% of the registered capital of GEGS.

It is anticipated that Zengcong will be a four-lane expressway with an estimated length of approximately 78km. It is currently expected that Zengcong will be located in the Pearl River Delta with its main route to start from Jinlan Temple in Zengcheng, Guangzhou, connecting Guanghui

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Expressway and end at Wenquan County in Conghua, Guangzhou, and the secondary route will start from Paitan County in Zengcheng, passing through Jiangpu County in Conghua and will connect with Jiebei Expressway. The total investment amount of Zengcong is expected to be approximately RMB4.87 billion, of which approximately RMB1.61 billion would be contributed by the joint venture partners of Zengcong as registered capital, with the remaining balance of the total investment amount to be raised by way of bank financing in the PRC by Zengcong. GZI Transport currently anticipates that Guangzhou Yue Peng, an indirect wholly owned subsidiary of GZI Transport, would contribute towards Zengcong approximately RMB483 million, representing 30% of the registered capital of Zengcong.

The Board would like to emphasize that GZI Transport is still in discussions with GHDC regarding the joint developments of GEGS and Zengcong, and there is no assurance that GZI Transport and GHDC will eventually enter into any agreement regarding GEGS and/or Zengcong. If GZI Transport decides to enter into any agreement in relation to GEGS and/or Zengcong, registered capital for the abovementioned investments would either be sourced from proceeds from the Open Offer (if successful), bank borrowings and/or internal resources.

As at the Latest Practicable Date, the Directors confirmed that GZI Transport has not entered into any contracts in relation to the proposed joint developments of the said two expressways or other acquisition of or investment in any toll road and bridge projects for the time being.

PROSPECTS OF THE GROUP

The formation of expressway networks has created a strong driving force for the development of economy, as well as the passenger and cargo transportation industries, between regions, provinces and medium-sized and major cities, thereby achieving a fast yet sustainable development of the national economy of the PRC, facilitating mutual development between regions and increasing the living standard generally. Consequently, the construction of expressways will be strengthened in the PRC during the “11th Plan”.

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

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

GZI Transport had obtained a five year unsecured bank loan of HK\$400 million on 9 March 2007 to finance part of the acquisition of an additional 20% equity interest in GNSR Expressway Co., Ltd. Save as disclosed, GZI Transport has not conducted any fund raising activities in the past twelve months before the date of the Announcement.

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PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the Bermuda Monetary Authority in respect of the issuance of the Offer Shares. Pursuant to a public notice issued by the Bermuda Monetary Authority dated 1 June 2005, general permission has been granted for the issue of Shares (which would include the Offer Shares) to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on an appointed stock exchange such as the Stock Exchange. In granting such permission, the Bermuda Monetary Authority does not accept any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Open Offer Documents.

PROCEDURES FOR APPLICATION AND PAYMENT

An Application Form and an Excess Application Form are enclosed with the Prospectus which entitle the Qualifying Shareholders to apply for the number of Offer Shares shown therein as specified in the Application Form. Qualifying Shareholders should note that they may apply for any number of Offer Shares up to the number set out in the Application Form. If you are a Qualifying Shareholder and you wish to apply for any number of Shares in your assured allotment of Offer Shares as specified in the enclosed Application Form, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate Subscription Price in respect of such number of Offer Shares you have applied for, with the branch share registrar of GZI Transport in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Tuesday, 21 August 2007. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with or cashier's orders issued by a licensed bank in Hong Kong and made payable to "GZI Transport Limited — Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the Application Form, together with the appropriate remittance, has been lodged with the branch share registrar of GZI Transport in Hong Kong, Tricor Abacus Limited 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Tuesday, 21 August 2007, that assured allotments and all rights thereunder will be deemed to have been declined and will be cancelled.

Any Offer Shares not validly applied for by Qualifying Shareholders (if any) will be made available for application by Qualifying Shareholders. Qualifying Shareholders may apply for such excess Offer Shares by completing and signing the enclosed Excess Application Form in accordance with the instruction printed thereon, together with separate remittance for the aggregate Subscription Price in respect of such number of excess Offer Shares applied for with the branch share registrar of GZI Transport in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Tuesday, 21 August 2007. All remittance must be made in Hong Kong dollars and cheques must be drawn on a bank account with or cashier's orders issued by a licensed bank in Hong Kong and made payable to "GZI Transport Limited — Excess Application Account" and crossed "Account Payee Only". The Directors will allocate the excess Offer Shares at their discretion, but on a fair and reasonable basis as far as practicable. Shareholders should note that, in respect of the Open Offer, no odd lot matching services will be provided by GZI Transport in the

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market. For Qualifying Shareholders who have applied for Offer Shares in excess of their assured allotments and the Offer Shares allotted to such shareholders are less than that applied for, the surplus monies will be refunded to such shareholders by cheques, in the manner described below which is expected to be despatched on or before Tuesday, 28 August 2007.

The Application Form and the Excess Application Form contain full information regarding the procedures to be followed if you wish to apply for a number of Shares different to that in your assured allotment.

All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such monies (if any) will be retained for the benefit of GZI Transport. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured allotments and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled, the application monies will be refunded, without interest, by sending a cheque made out to the applicant(s) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address(es) specified in the register of members of GZI Transport on or before Tuesday, 28 August 2007.

The Application Form and the Excess Application Form are for use only by the person(s) named therein and are not transferable.

No receipt will be issued in respect of any application monies received.

SHARE CERTIFICATES

Share certificates in respect of the Offer Shares which are successfully applied for by Qualifying Shareholders will be sent through ordinary post to the applicants, at their own risk, to the addresses specified in the register of members of GZI Transport. On the assumption that the Open Offer becomes unconditional on or about Monday, 27 August 2007, share certificates are expected to be posted on or before Tuesday, 28 August 2007.

EXPENSES

The expenses in connection with the Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK\$20,000,000 and will be payable by GZI Transport.

GENERAL

Your attention is drawn to the additional information set out in the appendices to the Prospectus.

Yours faithfully,
For and on behalf of the Board
GZI Transport Limited
Ou Bingchang
Chairman

1. SHARE CAPITAL

The authorised and issued share capital of GZI Transport as at the Latest Practicable Date and following completion of the Open Offer were and are expected to be as follows:

HK\$

Authorised:

<u>2,000,000,000</u>	Shares as at the Latest Practicable Date	<u>200,000,000.00</u>
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Issued and fully paid:

1,115,441,530	Shares in issue as at the Latest Practicable Date	111,544,153.00
<u>557,720,765</u>	Offer Shares to be issued	<u>55,772,076.50</u>

<u>1,673,162,295</u>		<u>167,316,229.50</u>
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All the Shares in issue and to be issued rank and will rank pari passu in all respects with each other including as regards dividends, voting and return of capital. GZI Transport has not issued any Shares since 31 December 2006 and up to the Latest Practicable Date.

As at the Latest Practicable Date, GZI Transport had no options, warrants, derivatives, convertible notes or other securities of GZI Transport convertible into or giving rights to subscribe for Shares.

No share or loan capital of any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

The Shares are listed on the Stock Exchange. No part of the securities of GZI Transport is listed or dealt in, nor is listing or permission to deal in the securities of GZI Transport being or proposed to be sought, on any other stock exchanges.

2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table summarises the audited results, assets and liabilities of the Group for the last three financial years ended 31 December 2006, as extracted from the relevant published annual reports of GZI Transport.

Consolidated Income Statements

	For the year ended 31 December		
	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>448,531</u>	<u>424,845</u>	<u>400,212</u>
Profit before income tax	523,604	372,326	336,429
Income tax expense	<u>(35,692)</u>	<u>(34,433)</u>	<u>(33,635)</u>
Profit before minority interests	487,912	337,893	302,794
Minority interests	<u>(26,755)</u>	<u>(31,995)</u>	<u>(25,765)</u>
Profit attributable to equity holders	<u>461,157</u>	<u>305,898</u>	<u>277,029</u>

Consolidated Assets and Liabilities

	At 31 December		
	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	4,947,235	4,631,092	4,486,660
Total liabilities	(526,100)	(633,422)	(753,797)
Minority interests	<u>(235,146)</u>	<u>(245,111)</u>	<u>(248,555)</u>
Shareholders' funds	<u>4,185,989</u>	<u>3,752,559</u>	<u>3,484,308</u>

3. SUMMARY OF FINANCIAL INFORMATION

The following information has been extracted from the 2006 annual report of GZI Transport:

Consolidated Income Statement

For the year ended 31 December 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Revenue	5	448,531	424,845
Other income	6	248	264
Other gains - net	7	28,289	2,244
Amortisation/depreciation of interests in toll highways and bridges		(111,623)	(106,051)
Toll highways and bridges maintenance expenses		(91,453)	(92,967)
General and administrative expenses		(58,110)	(32,665)
Business tax		(20,081)	(20,772)
Impairment losses on available-for-sale financial assets	23	(10,982)	(44,251)
Operating profit		184,819	130,647
Finance costs - net	9	(8,762)	(22,848)
Interest income on loans to associates	22	31,080	40,099
Share of profits less losses of associates	22	241,254	184,414
Share of profits of jointly controlled entities	21	75,213	40,014
Profit before income tax		523,604	372,326
Income tax	10	(35,692)	(34,433)
Profit for the year		<u>487,912</u>	<u>337,893</u>
Attributable to:			
Equity holders of the Company	11	461,157	305,898
Minority interests		26,755	31,995
		<u>487,912</u>	<u>337,893</u>
Earnings per share for profit attributable to the equity holders of the Company for the year			
- Basic	12	<u>HK41.3 cents</u>	<u>HK27.4 cents</u>
- Diluted	12	<u>HK41.3 cents</u>	<u>HK27.4 cents</u>
Dividends	13	<u>150,585</u>	<u>111,544</u>

APPENDIX I**FINANCIAL INFORMATION****Consolidated Balance Sheet***As at 31 December 2006*

		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Interests in toll highways and bridges	16	1,943,682	1,980,017
Leasehold land	17	700	718
Property, plant and equipment	18(a)	26,662	23,541
Investment properties	19	8,650	8,210
Investments in jointly controlled entities	21	671,170	475,549
Investments in associates	22	1,745,816	1,686,542
Deferred income tax assets	31	312	417
Available-for-sale financial assets	23	46,271	65,925
Other non-current asset	24	<u>132,580</u>	<u>—</u>
		4,575,843	4,240,919
		-----	-----
Current assets			
Asset held for sale	25	15,000	—
Trade receivables	26	4,016	13,428
Other receivables, deposits and prepayments	26	12,662	7,862
Bank balances and cash	27	<u>339,714</u>	<u>368,883</u>
		371,392	390,173
		-----	-----
Total assets		<u><u>4,947,235</u></u>	<u><u>4,631,092</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	111,544	111,544
Reserves	29	<u>4,074,445</u>	<u>3,641,015</u>
		4,185,989	3,752,559
Minority interests		<u>235,146</u>	<u>245,111</u>
		-----	-----
Total equity		<u>4,421,135</u>	<u>3,997,670</u>

APPENDIX I**FINANCIAL INFORMATION**

		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	30	449,739	421,864
Deferred income tax liabilities	31	<u>5,484</u>	<u>5,985</u>
		455,223	427,849
		-----	-----
Current liabilities			
Due to			
A minority shareholder of subsidiaries	32	1,196	5,919
Holding companies	32	4,025	3,652
Trade payables and accrued charges		56,059	38,750
Current income tax liabilities		9,597	13,021
Borrowings	30	<u>—</u>	<u>144,231</u>
		70,877	205,573
		-----	-----
Total liabilities		<u>526,100</u>	<u>633,422</u>
		-----	-----
Total equity and liabilities		<u>4,947,235</u>	<u>4,631,092</u>
		-----	-----
Net current assets		<u>300,515</u>	<u>184,600</u>
		-----	-----
Total assets less current liabilities		<u>4,876,358</u>	<u>4,425,519</u>
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APPENDIX I**FINANCIAL INFORMATION****Balance Sheet***As at 31 December 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	18(b)	1,044	591
Investments in subsidiaries	20(a)	<u>1,263,948</u>	<u>1,263,948</u>
		<u>1,264,992</u>	<u>1,264,539</u>
Current assets			
Due from subsidiaries	20(b)	1,430,798	1,428,324
Deposits and prepayments	26	158	125
Bank balances and cash	27	<u>148,576</u>	<u>156,310</u>
		<u>1,579,532</u>	<u>1,584,759</u>
Total assets		<u><u>2,844,524</u></u>	<u><u>2,849,298</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	111,544	111,544
Reserves	29	<u>2,691,898</u>	<u>2,706,021</u>
Total equity		<u>2,803,442</u>	<u>2,817,565</u>
LIABILITIES			
Current liabilities			
Due to holding companies	32	18,785	18,404
Other payables and accrued charges		<u>22,297</u>	<u>13,329</u>
Total liabilities		<u>41,082</u>	<u>31,733</u>
Total equity and liabilities		<u><u>2,844,524</u></u>	<u><u>2,849,298</u></u>

Consolidated Cash Flow Statement*For the year ended 31 December 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash flows from operating activities			
Net cash generated from operations	33	307,840	272,313
Interest paid		(2,558)	(16,687)
China enterprise income tax paid		<u>(39,512)</u>	<u>(33,550)</u>
Net cash generated from operating activities		<u>265,770</u>	<u>222,076</u>
Cash flows from investing activities			
Deposit paid for acquisition of additional interest in a jointly controlled entity		(132,580)	—
Disposal of property, plant and equipment		64	—
Purchase of property, plant and equipment	18(a)	(5,273)	(300)
Capital injection into a jointly controlled entity	21	(101,500)	(53,846)
Disposal of partial interest in a jointly controlled entity		—	63,558
Repayments of loans by associates	22	176,915	153,630
Dividends received from associates	22	79,532	53,229
Interest received		<u>9,192</u>	<u>3,041</u>
Net cash generated from investing activities		<u>26,350</u>	<u>219,312</u>
Cash flows from financing activities			
Repayments of bank loans		(144,231)	(39,807)
Repayments of loans from minority shareholders of subsidiaries		(1,602)	(56,074)
Dividends paid		(128,276)	(114,296)
Dividends paid to minority shareholders of subsidiaries		(47,207)	(50,214)
Issue of shares		<u>—</u>	<u>595</u>
Net cash used in financing activities		<u>(321,316)</u>	<u>(259,796)</u>
Net (decrease)/increase in cash and cash equivalents		(29,196)	181,592
Cash and cash equivalents at 1 January		368,883	188,850
Effect of foreign exchange rate changes		<u>27</u>	<u>(1,559)</u>
Cash and cash equivalents at 31 December		<u>339,714</u>	<u>368,883</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	27	<u>339,714</u>	<u>368,883</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2006*

	Note	Attributable to equity holders of the Company			Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	
Balance at 1 January 2005		111,465	3,388,463	248,555	3,748,483
Currency translation differences	29	—	80,902	14,775	95,677
Decrease in fair value of available-for-sale financial assets	29	—	(36,088)	—	(36,088)
Fair value adjustment on loans from minority shareholders of subsidiaries	29	—	15,620	—	15,620
Net income recognised directly in equity		—	60,434	14,775	75,209
Profit for the year		—	305,898	31,995	337,893
Total recognised income for 2005		—	366,332	46,770	413,102
Issue of share capital	28 & 29	79	516	—	595
Dividends	29	—	(114,296)	(50,214)	(164,510)
		79	(113,780)	(50,214)	(163,915)
Balance at 31 December 2005		111,544	3,641,015	245,111	3,997,670
Balance at 1 January 2006		111,544	3,641,015	245,111	3,997,670
Currency translation differences	29	—	80,120	10,487	90,607
Increase in fair value of available-for-sale financial assets	29	—	3,802	—	3,802
Fair value adjustment on loans from minority shareholders of subsidiaries	29	—	16,627	—	16,627
Net income 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	29	—	(128,276)	(47,207)	(175,483)
Balance at 31 December 2006		111,544	4,074,445	235,146	4,421,135

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 consolidated financial statements have been approved for issue by the Board of Directors of the Company on 10 April 2007.

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 new standards, amendments to standards and interpretations are mandatory for the financial year ended 31 December 2006:

HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
Amendment to HKAS 19	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to HKAS 21	Net Investment in a Foreign Operation
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement <ul style="list-style-type: none"> — Cash Flow Hedge Accounting of Forecast Intragroup Transactions — The Fair Value Option
Amendment to HKAS 39 and HKFRS 4 Amendment	Financial Guarantee Contracts

Amendment to HKFRS 1 and 6	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources

Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:

HKAS 1	Presentation of Financial Statements
HKAS 27	Consolidated and Separate Financial Statements
HKFRS 3	Business Combinations
HKFRS 6	Exploration for and Evaluation of Mineral Resources

The adoption of the above new standards, amendments to standards and interpretations did not have material impact to the Group's principal accounting policies or presentation of financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29	1 March 2006
HK(IFRIC)-Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
Amendment to HKAS 1	Presentation of Financial Statements: Capital Disclosures	1 January 2007

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments to standards and interpretations to the Group but is not yet in a position to state whether substantial changes to Group's principal accounting policies and presentation of the consolidated financial statements will be resulted.

(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.

(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) *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 capitalized 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.

(d) 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 costs are charged to 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.

(e) 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 at least 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.

(f) ***Impairment of non-financial assets***

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation 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.

(g) ***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 financial assets 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 financial assets calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the group’s right to receive payments 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 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.

(h) ***Asset held for sale***

The asset held for sale is stated at the lower of its carrying amount and fair value less cost to sell.

(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.

(j) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand and 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) ***Deferred income tax***

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, deferred income

tax is not accounted for if it 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 substantially 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.

(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 schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in an independently administered fund.

(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 which is the Company's presentation currency.

(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 exchange rates prevailing on 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.

(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: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. 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 its exposure to any of these financial risks.

(a) Foreign exchange risk

A majority of the subsidiaries of the Group operates in the Mainland of China ("China") with most of the transactions denominated in Chinese Renminbi ("Renminbi"). The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars. It has not hedged its foreign exchange rate risk.

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.

(b) Credit risk

The Group has no significant credit risk. Generally, the Group's cash is held with highly-rated financial institutions.

(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 cash flow commitments, including capital expenditure.

(d) Cash flow and fair value 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 arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables, trade payables and balances with related parties are assumed to approximate 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 per cent to 7 per cent.

(b) Current income tax and deferred income tax

The Group is subject to income tax in Mainland 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:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Toll revenue	<u>448,531</u>	<u>424,845</u>

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

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

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	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	<u>248</u>	<u>264</u>

7 Other gains — net

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of partial interest in a jointly controlled entity	—	11,705
Fair value gains on investment properties (<i>note 19</i>)	440	1,306
Net exchange gains/(losses)	27,147	(11,486)
Others	<u>702</u>	<u>719</u>
	<u>28,289</u>	<u>2,244</u>

8 Expenses by nature

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of prepaid operating lease payments (<i>note 17</i>)	18	30
Auditors' remuneration	1,200	775
Depreciation of property, plant and equipment (<i>note 18(a)</i>)	2,480	2,397
Outgoings in respect of investment properties	29	25
Staff costs (<i>note 14</i>)	<u>62,300</u>	<u>48,351</u>

9 Finance costs — net

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	2,334	8,103
Interest on amount due to a minority shareholder of subsidiaries	—	2,166
Interest on loans from minority shareholders of subsidiaries	<u>15,620</u>	<u>15,620</u>
	17,954	25,889
Bank interest income	<u>(9,192)</u>	<u>(3,041)</u>
	<u><u>8,762</u></u>	<u><u>22,848</u></u>

10 Income tax

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no income assessable to Hong Kong profits tax during the year (2005: nil).

(b) China enterprise income tax is provided on the profits of the Group's investments in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). The principal income tax rate is 18 per cent.

Under the China Tax Law, the Group's investments in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years. Certain of the Group's investments in China are qualified for the aforesaid tax holiday as at 31 December 2006.

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
China enterprise income tax	36,088	35,532
Deferred income tax (<i>note 31</i>)	<u>(396)</u>	<u>(1,099)</u>
	<u><u>35,692</u></u>	<u><u>34,433</u></u>

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax less shares of profits less losses from associates and jointly controlled entities	<u>207,137</u>	<u>147,898</u>
Calculated at a tax rate of 18 per cent (2005: 18 per cent)	37,285	26,622
Income not subject to tax	(15,698)	(10,929)
Expenses not deductible for tax purposes	15,350	20,197
Effect of different tax rates	<u>(1,245)</u>	<u>(1,457)</u>
Income tax charge	<u><u>35,692</u></u>	<u><u>34,433</u></u>

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\$114,153,000 (2005: HK\$98,442,000).

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.

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>461,157</u>	<u>305,898</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,115,442</u>	<u>1,114,929</u>
Basic earnings per share (HK cents)	<u>41.3</u>	<u>27.4</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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.

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>461,157</u>	<u>305,898</u>
Weighted average number of ordinary shares in issue ('000)	1,115,442	1,114,929
Adjustments for share options ('000)	<u>47</u>	<u>560</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,115,489</u>	<u>1,115,489</u>
Diluted earnings per share (HK cents)	<u>41.3</u>	<u>27.4</u>

13 Dividends

	Company	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK\$0.065 (2005: HK\$0.05) per share	72,504	55,772
Final, proposed, of HK\$0.07 (2005: HK\$0.05) per share	<u>78,081</u>	<u>55,772</u>
	<u>150,585</u>	<u>111,544</u>

At a meeting held on 10 April 2007, the Directors proposed a final dividend of HK\$0.07 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but is reflected as an appropriation of retained earnings for the year ending 31 December 2007.

14 Staff costs (including Directors' emoluments)

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	54,677	42,966
Pension costs (defined contribution plans)	2,564	2,167
Social security costs	2,010	1,241
Staff welfare	<u>3,049</u>	<u>1,977</u>
	<u>62,300</u>	<u>48,351</u>

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 per cent to 8 per cent and 5 per cent 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. There are no forfeited contributions for both years presented.

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 per cent 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 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 People's Government, and make monthly contributions to the retirement plans equivalent to 16 per cent to 24 per cent 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 2006 is set out below:

Name of Director	Fees HK\$'000	Discretionary		Total HK\$'000
		Salaries HK\$'000	bonuses HK\$'000	
<i>Executive directors</i>				
OU Bingchang	—	720	1,817	2,537
LI Xinmin	—	720	1,817	2,537
LI Zhuo (e)	—	720	1,582	2,302
CHEN Guangsong (c)	—	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 (e)	—	600	1,318	1,918
HE Baiqing (e)	—	600	1,318	1,918
ZHANG Huping (d)	—	600	1,318	1,918
	—	7,510	16,348	23,858
<i>Non-executive directors</i>				
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

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The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Discretionary			Total
	Fees	Salaries	bonuses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors</i>				
OU Bingchang	—	720	832	1,552
LI Xinmin	—	690	624	1,314
LI Zhuo (e)	—	540	706	1,246
XIAO Boyan (b)	—	150	—	150
CHEN Guangsong	—	600	693	1,293
CHEN Jiahong (a)	—	500	653	1,153
LIANG Ningguang	—	600	693	1,293
LIANG Yi	—	600	693	1,293
DU Liangying (b)	—	150	—	150
DU Xinrang	—	600	784	1,384
HE Zili	—	570	659	1,229
ZHANG Siyuan	—	570	745	1,315
ZHONG Ming (b)	—	150	—	150
TAN Yuande (e)	—	450	588	1,038
HE Baiqing (e)	—	450	588	1,038
ZHANG Huping (d)	—	100	131	231
	—	7,440	8,389	15,829
<i>Non-executive directors</i>				
POON Jing	38	—	—	38
FUNG Ka Pun ¹	68	—	—	68
LAU Hon Chuen Ambrose ¹	68	—	—	68
CHEUNG Doi Shu ¹	68	—	—	68
	242	—	—	242
	242	7,440	8,389	16,071

¹ independent non-executive director

Notes:

- (a) Resigned on 2 November 2005
- (b) Resigned on 19 April 2005
- (c) Resigned on 28 November 2006
- (d) Appointed on 2 November 2005
- (e) Appointed on 19 April 2005

No Directors waived emoluments in respect of the years ended 31 December 2006 and 2005. No emoluments were paid or payable by the Group 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 2006 and 2005 are also Directors whose emoluments are reflected in the analysis presented above.

16 **Interests in toll highways and bridges**

	Intangible operating rights	Group Tangible infrastructures	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2005			
Opening net book amount	1,703,684	336,336	2,040,020
Exchange differences	38,116	7,932	46,048
Amortisation/depreciation	<u>(93,290)</u>	<u>(12,761)</u>	<u>(106,051)</u>
Closing net book amount	<u>1,648,510</u>	<u>331,507</u>	<u>1,980,017</u>
At 31 December 2005			
Cost	2,248,518	413,462	2,661,980
Accumulated amortisation/depreciation	<u>(600,008)</u>	<u>(81,955)</u>	<u>(681,963)</u>
Net book amount	<u>1,648,510</u>	<u>331,507</u>	<u>1,980,017</u>
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	<u>(98,015)</u>	<u>(13,608)</u>	<u>(111,623)</u>
Closing net book amount	<u>1,612,523</u>	<u>331,159</u>	<u>1,943,682</u>
At 31 December 2006			
Cost	2,333,900	430,000	2,763,900
Accumulated amortisation/depreciation	<u>(721,377)</u>	<u>(98,841)</u>	<u>(820,218)</u>
Net book amount	<u>1,612,523</u>	<u>331,159</u>	<u>1,943,682</u>

17 Leasehold land

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong held on:		
Leases of between 10 to 50 years	<u>700</u>	<u>718</u>
At 1 January	718	2,124
Transfer to investment properties (<i>note 19</i>)	—	(1,376)
Amortisation of prepaid operating lease payments	<u>(18)</u>	<u>(30)</u>
At 31 December	<u>700</u>	<u>718</u>

18 Property, plant and equipment

(a) Group

	Buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2005				
Opening net book amount	14,278	10,232	1,898	26,408
Exchange differences	—	217	41	258
Additions	21	279	—	300
Transfer to investment properties (<i>note 19</i>)	(1,028)	—	—	(1,028)
Depreciation	<u>(749)</u>	<u>(1,146)</u>	<u>(502)</u>	<u>(2,397)</u>
Closing net book amount	<u>12,522</u>	<u>9,582</u>	<u>1,437</u>	<u>23,541</u>
At 31 December 2005				
Cost	18,265	16,496	5,443	40,204
Accumulated depreciation	<u>(5,743)</u>	<u>(6,914)</u>	<u>(4,006)</u>	<u>(16,663)</u>
Net book amount	<u>12,522</u>	<u>9,582</u>	<u>1,437</u>	<u>23,541</u>
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	<u>(731)</u>	<u>(1,148)</u>	<u>(601)</u>	<u>(2,480)</u>
Closing net book amount	<u>11,791</u>	<u>12,365</u>	<u>2,506</u>	<u>26,662</u>
At 31 December 2006				
Cost	18,264	20,544	7,034	45,842
Accumulated depreciation	<u>(6,473)</u>	<u>(8,179)</u>	<u>(4,528)</u>	<u>(19,180)</u>
Net book amount	<u>11,791</u>	<u>12,365</u>	<u>2,506</u>	<u>26,662</u>

(b) *Company*

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2005			
Opening net book amount	581	25	606
Additions	47	22	69
Depreciation	<u>(74)</u>	<u>(10)</u>	<u>(84)</u>
Closing net book amount	<u>554</u>	<u>37</u>	<u>591</u>
At 31 December 2005			
Cost	1,378	1,753	3,131
Accumulated depreciation	<u>(824)</u>	<u>(1,716)</u>	<u>(2,540)</u>
Net book amount	<u>554</u>	<u>37</u>	<u>591</u>
Year ended 31 December 2006			
Opening net book amount	554	37	591
Additions	77	461	538
Disposal	(16)	—	(16)
Depreciation	<u>(69)</u>	<u>—</u>	<u>(69)</u>
Closing net book amount	<u>546</u>	<u>498</u>	<u>1,044</u>
At 31 December 2006			
Cost	1,383	2,251	3,634
Accumulated depreciation	<u>(837)</u>	<u>(1,753)</u>	<u>(2,590)</u>
Net book amount	<u>546</u>	<u>498</u>	<u>1,044</u>

19 **Investment properties**

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
At 1 January	8,210	4,500
Transfer from leasehold land and buildings (<i>notes 17 and 18(a)</i>)	—	2,404
Fair value gains	<u>440</u>	<u>1,306</u>
At 31 December	<u>8,650</u>	<u>8,210</u>

The investment properties of the Group were revalued at 31 December 2006 on an open market value basis by an independent firm of professional surveyor, CS Surveyors Limited.

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

20 Investments in subsidiaries and amounts due from subsidiaries

(a) Investments in subsidiaries

	Company	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	1,848,497	1,848,497
Less: accumulated impairment losses	<u>(584,549)</u>	<u>(584,549)</u>
	<u>1,263,948</u>	<u>1,263,948</u>

Details of the principal subsidiaries of the Company are set out in note 38.

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

21 Investments in jointly controlled entities

	Group	
	Share of net assets	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	475,549	422,893
	-----	-----
Share of post-acquisition results and reserves		
- profit before income tax	78,217	49,309
- income tax	<u>(3,004)</u>	<u>(9,295)</u>
	75,213	40,014
	-----	-----
Capital injection	101,500	53,846
Disposals	—	(51,853)
Exchange differences	<u>18,908</u>	<u>10,649</u>
	-----	-----
At 31 December	<u>671,170</u>	<u>475,549</u>

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

	Guangzhou Northern Second Ring Expressway Co., Ltd.		Guangzhou Western Second Ring Expressway Co., Ltd.	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income	137,753	117,549	—	—
Expenses	<u>(62,540)</u>	<u>(77,535)</u>	<u>—</u>	<u>—</u>
Profit	<u>75,213</u>	<u>40,014</u>	<u>—</u>	<u>—</u>
Assets:				
Non-current assets	945,777	920,716	798,743	399,211
Current assets	<u>5,259</u>	<u>5,547</u>	<u>18,120</u>	<u>46,107</u>
	<u>951,036</u>	<u>926,263</u>	<u>816,863</u>	<u>445,318</u>
Liabilities:				
Non-current liabilities	(495,558)	(558,225)	(528,500)	(175,000)
Current liabilities	<u>(29,308)</u>	<u>(30,470)</u>	<u>(43,363)</u>	<u>(132,337)</u>
	<u>(524,866)</u>	<u>(588,695)</u>	<u>(571,863)</u>	<u>(307,337)</u>
Net assets	<u>426,170</u>	<u>337,568</u>	<u>245,000</u>	<u>137,981</u>

Details of the Group's jointly controlled entities are set out in note 38.

22 Investments in associates

	Share of net assets <i>HK\$'000</i>	Group Loans receivable <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	849,539	793,031	1,642,570
Share of post-acquisition results and reserves			
- profit before income tax	202,211	—	202,211
- income tax	(17,797)	—	(17,797)
	184,414	—	184,414
Dividends	(53,229)	—	(53,229)
Interest	—	40,099	40,099
Repayments	—	(153,630)	(153,630)
Exchange differences	20,598	5,720	26,318
At 31 December 2005	<u>1,001,322</u>	<u>685,220</u>	<u>1,686,542</u>
At 1 January 2006	1,001,322	685,220	1,686,542
Share of post-acquisition results and reserves			
- profit before income tax	280,179	—	280,179
- income tax	(38,925)	—	(38,925)
	241,254	—	241,254
Dividends	(79,532)	—	(79,532)
Interest	—	31,080	31,080
Repayments	—	(176,915)	(176,915)
Capitalisation of loans receivable	225,324	(225,324)	—
Exchange differences	38,230	5,157	43,387
At 31 December 2006	<u>1,426,598</u>	<u>319,218</u>	<u>1,745,816</u>

The loan balances are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rates ranging from 7.50% to 8.25% (2005: 5.25% to 7.25%) per annum and lending rates of financial institutions in China at approximately 6.12% (2005: 6.12%) per annum.

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollar	953	1,024
US dollar	253,751	351,808
Renminbi	<u>64,514</u>	<u>332,388</u>
	<u>319,218</u>	<u>685,220</u>

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

	Guangdong Qinglian							
	Guangdong Humen		Highway Development		Guangzhou Northring		Guangdong Shantou Bay	
	Bridge Co., Ltd.		Co., Ltd.		Freeway Co., Ltd.		Bridge Co., Ltd.	
	2006	2005	2006	2005	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income	200,199	152,340	28,018	27,909	152,685	133,685	41,630	35,087
Expenses	<u>(63,418)</u>	<u>(49,617)</u>	<u>(33,277)</u>	<u>(35,317)</u>	<u>(65,920)</u>	<u>(62,182)</u>	<u>(18,663)</u>	<u>(17,491)</u>
Profit/(loss)	<u>136,781</u>	<u>102,723</u>	<u>(5,259)</u>	<u>(7,408)</u>	<u>86,765</u>	<u>71,503</u>	<u>22,967</u>	<u>17,596</u>
Assets:								
Non-current assets	701,403	629,622	761,381	708,997	278,179	273,338	291,626	293,384
Current assets	<u>18,292</u>	<u>13,097</u>	<u>60,299</u>	<u>22,087</u>	<u>47,180</u>	<u>77,286</u>	<u>4,622</u>	<u>3,028</u>
	719,695	642,719	821,680	731,084	325,359	350,624	296,248	296,412
Liabilities:								
Non-current liabilities	(356,572)	(425,344)	(181,295)	(385,152)	(70,998)	(119,838)	(28,128)	(44,231)
Current liabilities	<u>(16,703)</u>	<u>(13,863)</u>	<u>(69,727)</u>	<u>(17,817)</u>	<u>(9,822)</u>	<u>(11,232)</u>	<u>(3,139)</u>	<u>(2,040)</u>
	<u>(373,275)</u>	<u>(439,207)</u>	<u>(251,022)</u>	<u>(402,969)</u>	<u>(80,820)</u>	<u>(131,070)</u>	<u>(31,267)</u>	<u>(46,271)</u>
Net assets	<u>346,420</u>	<u>203,512</u>	<u>570,658</u>	<u>328,115</u>	<u>244,539</u>	<u>219,554</u>	<u>264,981</u>	<u>250,141</u>

Details of the Group's associates are set out in note 38.

23 Available-for-sale financial assets

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	65,925	143,124
Impairment losses charged to income statement	(10,982)	(44,251)
Increase/(decrease) in fair value credited/(charged) to equity (<i>note 29</i>)	3,802	(36,088)
Transfer to asset held for sale	(15,000)	—
Exchange differences	<u>2,526</u>	<u>3,140</u>
At 31 December	<u>46,271</u>	<u>65,925</u>

These financial assets represent unlisted equity securities stated at fair value as at 31 December 2006 and are denominated in Renminbi.

24 Other non-current asset

The amount represents a deposit paid for the acquisition of an additional 20% equity interest in a jointly controlled entity, Guangzhou Northern Second Ring Expressway Co., Ltd. Details of the acquisition are set out in note 36.

25 Asset held for sale

The Group has 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 is yet to be completed.

26 Trade and other receivables, deposits and prepayments

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

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

27 Bank balances and cash

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	248,305	253,068	57,167	40,495
Short-term bank deposits	<u>91,409</u>	<u>115,815</u>	<u>91,409</u>	<u>115,815</u>
	<u>339,714</u>	<u>368,883</u>	<u>148,576</u>	<u>156,310</u>

The effective interest rate on short-term bank deposits was 4.14% (2005: 3.86%) per annum; these deposits have an average maturity of 7 days.

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollar	82,321	82,935	80,926	82,838
US dollar	80,606	51,376	58,619	34,958
Renminbi	<u>176,787</u>	<u>234,572</u>	<u>9,031</u>	<u>38,514</u>
	<u>339,714</u>	<u>368,883</u>	<u>148,576</u>	<u>156,310</u>

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.

28 Share capital

	Company	
	<i>Number of shares</i>	<i>HK\$'000</i>
	Ordinary shares of HK\$0.1 each	
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2005	1,114,649,530	111,465
Issued under employee share option scheme	<u>792,000</u>	<u>79</u>
At 31 December 2005 and 2006	<u>1,115,441,530</u>	<u>111,544</u>

Share options

Pursuant to a share option scheme (the "Old Share Option Scheme") approved by shareholders of the Company on 3 January 1997, the Board of Directors of the Company ("Board") may, at their discretion, grant to Directors and employees of the Company or any of its subsidiaries options to subscribe for ordinary shares in the Company.

As at 31 December 2006, 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 under the Old Share Option Scheme and their related exercise price are as follows:

Date of grant	Exercise price per share HK\$	Balance outstanding as at 1 January		Options lapsed during the year		Options exercised during the year		Balance outstanding as at 31 December	
		2006	2005	2006	2005	2006	2005	2006	2005
7 April 2000	0.752	<u>230,000</u>	<u>1,114,000</u>	<u>(230,000)</u>	<u>(92,000)</u>	<u>—</u>	<u>(792,000)</u>	<u>—</u>	<u>230,000</u>

On 25 June 2002, the Company adopted a new share option scheme (the “New Share Option Scheme”), under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the number of shares in issue as at 25 June 2002. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited’s (the “Stock Exchange”) daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. As at 31 December 2006, no such options have been granted to any person since its adoption.

29 Reserves

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 earnings (note (c)) HK\$'000	Total HK\$'000
Balance at 1 January 2005	576,947	1,705,497	15,620	11,479	29,049	—	1,049,871	3,388,463
Currency transaction differences								
- Group	—	—	—	43,935	—	—	—	43,935
- Associates	—	—	—	26,318	—	—	—	26,318
- Jointly controlled entities	—	—	—	10,649	—	—	—	10,649
Decrease in fair value of available-for-sale financial assets	—	—	—	—	—	(36,088)	—	(36,088)
Fair value adjustment on loans from minority shareholders of subsidiaries	—	—	15,620	—	—	—	—	15,620
Profit for the year	—	—	—	—	—	—	305,898	305,898
Issue of shares	516	—	—	—	—	—	—	516
2004 Final dividend (note 13)	—	—	—	—	—	—	(58,524)	(58,524)
2005 Interim dividend (note 13)	—	—	—	—	—	—	(55,772)	(55,772)
Balance at 31 December 2005	<u>577,463</u>	<u>1,705,497</u>	<u>31,240</u>	<u>92,381</u>	<u>29,049</u>	<u>(36,088)</u>	<u>1,241,473</u>	<u>3,641,015</u>
Representing:								
Retained earnings							1,185,701	
2005 Final dividend proposed							<u>55,772</u>	
							<u>1,241,473</u>	

	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 earnings (note (c)) HK\$'000	Total 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 (note 13)	—	—	—	—	—	—	(55,772)	(55,772)
2006 Interim dividend (note 13)	—	—	—	—	—	—	(72,504)	(72,504)
Balance at 31 December 2006	<u>577,463</u>	<u>1,705,497</u>	<u>47,867</u>	<u>172,501</u>	<u>26,945</u>	<u>(32,286)</u>	<u>1,576,458</u>	<u>4,074,445</u>
Representing:								
Retained earnings							1,498,377	
2006 Final dividend proposed							<u>78,081</u>	
							<u>1,576,458</u>	

- (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 therefor 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\$1,734,000 (2005: HK\$1,536,000) attributable to associates.
- (c) Included in the Group's retained earnings are retained earnings of HK\$638,028,000 (2005: HK\$486,007,000) and HK\$64,500,000 (2005: accumulated losses of HK\$10,700,000) attributable to associates and jointly controlled entities respectively.

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	Share premium	Contributed surplus	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	576,947	1,773,497	370,915	2,721,359
Profit for the year	—	—	98,442	98,442
Issue of shares	516	—	—	516
2004 Final dividend (<i>note 13</i>)	—	—	(58,524)	(58,524)
2005 Interim dividend (<i>note 13</i>)	—	—	(55,772)	(55,772)
	<u>577,463</u>	<u>1,773,497</u>	<u>355,061</u>	<u>2,706,021</u>
At 31 December 2005				
Representing:				
Retained earnings			299,289	
2005 Final dividend proposed			<u>55,772</u>	
			<u>355,061</u>	
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 (<i>note 13</i>)	—	—	(55,772)	(55,772)
2006 Interim dividend (<i>note 13</i>)	—	—	(72,504)	(72,504)
	<u>577,463</u>	<u>1,773,497</u>	<u>340,938</u>	<u>2,691,898</u>
At 31 December 2006				
Representing:				
Retained earnings			262,857	
2006 Final dividend proposed			<u>78,081</u>	
			<u>340,938</u>	

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.

30 Borrowings

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Loans from minority shareholders of subsidiaries	449,739	421,864
	-----	-----
Current		
Short-term bank borrowings	—	67,308
Current portion of long-term bank borrowings	—	76,923
	-----	-----
	—	144,231
	-----	-----
Total borrowings, unsecured and denominated in Renminbi	<u>449,739</u>	<u>566,095</u>

(a) The bank borrowings at 31 December 2005 were fully repaid in 2006.

The loans from minority shareholders of subsidiaries are not repayable within one year.

(b) The effective interest rate of bank borrowings at 31 December 2005 was 5.184%.

Except for an aggregate amount of HK\$129,000,000 (2005: HK\$120,561,000) which bears interest at the prevailing Bank of China Rmb long-term lending rates ranging from 6.120% to 6.840% (2005: 6.120%) per annum, the loans from minority shareholders of subsidiaries are interest-free.

(c) The carrying amounts of the non-current borrowings approximate to their fair values.

The fair values are based on cash flows discounted using a rate of 5.184% (2005: 5.184%).

The carrying amounts of current borrowings approximate their fair value.

31 Deferred income tax

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets	(312)	(417)
Deferred income tax liabilities	<u>5,484</u>	<u>5,985</u>
	<u>5,172</u>	<u>5,568</u>

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	5,568	6,667
Credited to income statement (<i>note 10(c)</i>)	<u>(396)</u>	<u>(1,099)</u>
At 31 December	<u>5,172</u>	<u>5,568</u>

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

Deferred income tax assets:

	Revaluation of investment properties <i>HK\$'000</i>
At 1 January 2005	(586)
Charged to income statement	<u>169</u>
At 31 December 2005	(417)
Charged to income statement	<u>105</u>
At 31 December 2006	<u>(312)</u>

Deferred income tax liabilities:

	Accelerated depreciation <i>HK\$'000</i>
At 1 January 2005	7,253
Credited to income statement	<u>(1,268)</u>
At 31 December 2005	5,985
Credited to income statement	<u>(501)</u>
At 31 December 2006	<u>5,484</u>

32 Amounts due to a minority shareholder of subsidiaries and holding companies

The amounts are unsecured, interest free and repayable on demand. They are denominated in Renminbi and Hong Kong dollar respectively.

33 Note to the consolidated cash flow statement

Reconciliation of operating profit to net cash generated from operations

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	184,819	130,647
Amortisation/depreciation of interests in toll highways and bridges	111,623	106,051
Amortisation of prepaid operating lease payment	18	30
Depreciation of property, plant and equipment	2,480	2,397
Impairment losses on available-for-sale financial assets	10,982	44,251
Fair value gains on investment properties	(440)	(1,306)
Loss on disposal of property, plant and equipment	24	—
Gain on disposal of partial interest in a jointly controlled entity	—	(11,705)
Exchange differences	(27,147)	11,486
	<u>282,359</u>	<u>281,851</u>
Operating profit before working capital changes	282,359	281,851
Decrease/(increase) in receivables, deposits and prepayments	12,894	(5,710)
Increase/(decrease) in payables and accrued charges	16,937	(2,194)
Decrease in amount due to a minority shareholder of subsidiaries	(4,723)	(2,316)
Increase in amounts due to holding companies	373	682
	<u>307,840</u>	<u>272,313</u>
Net cash generated from operations	<u>307,840</u>	<u>272,313</u>

34 Commitments

At 31 December 2006, the Group had financial commitments in respect of equity capital to be injected to two jointly controlled entities of approximately HK\$648,800,000 (2005: one jointly controlled entity of approximately HK\$198,558,000), of which HK\$543,800,000 relates to an acquisition as disclosed as subsequent event in note 36.

At 31 December 2006, the Group's share of capital commitments of a jointly controlled entity not included in the above approximates to HK\$243,600,000 (2005: HK\$599,200,000).

At 31 December 2006, the Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease payments		
Not later than one year	294	202
Later than one year and not later than five years	<u>294</u>	<u>—</u>
	<u>588</u>	<u>202</u>
Lease receipts		
Not later than one year	391	293
Later than one year and not later than five years	<u>361</u>	<u>29</u>
	<u>752</u>	<u>322</u>

The Company had no commitments at 31 December 2006 and 2005.

35 Related party transactions

(a) Related parties

The Group is controlled by GZI Transport (Holdings) Limited, which owns approximately 67% of the Company's shares. The Company's Directors regard Guangzhou Investment Company Limited (incorporated in Hong Kong) 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 has significant transaction during the year, and their relationship with the Company as at 31 December 2006:

Significant related party	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A substantial shareholder of ultimate holding company (2005: ultimate holding company)
Guangzhou Investment Company Limited ("GZI")	Ultimate holding company (2005: an intermediate holding company)
Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR")	A jointly controlled entity of a subsidiary
Guangzhou Western Second Ring 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 other than state-controlled enterprises*

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative service fees shared with GZI	1,300	1,300
Rental expenses paid to Yue Xiu	<u>202</u>	<u>202</u>

(c) *Key management compensation*

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term benefits	<u>24,271</u>	<u>16,071</u>

36 **Subsequent event**

On 20 November 2006, the Group entered into an agreement (the “agreement”) with Guangzhou Development Infrastructure Investments Co., Ltd., to acquire an additional 20% equity interest in a jointly controlled entity, Guangzhou Northern Second Ring Expressway Co., Ltd., for a consideration of RMB666,200,000. A deposit of HK\$132,580,000 (equivalent to approximately RMB133,906,000) was paid on 20 November 2006. The acquisition was completed in March 2007 and was financed by a 5-year unsecured bank loan and internal funds.

37 **Approval of financial statements**

The consolidated financial statements were approved by the Board on 10 April 2007.

38 **Group structure**

As at 31 December 2006, the Company held shares/interest in the following principal subsidiaries, jointly controlled entities 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
			2006 and 2005		
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands each	50,000 Ordinary shares of US\$1	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.

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	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
			2006 and 2005	2006 and 2005	
			Direct	Indirect	
Bentfield Limited Islands	British Virgin	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 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.
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

APPENDIX I
FINANCIAL INFORMATION

	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
			2006 and 2005	2006 and 2005	
			Direct	Indirect	
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 Guangdong Humen Bridge Co., Ltd.
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US\$1	—	100	Investment holding
Proterall Limited Islands	British Virgin of US\$1	1 Ordinary share	—	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
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

	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	
			2006 and 2005			
			Direct	Indirect		
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	
	Place of establishment and operation	Issued and fully paid up share capital/registered capital	Percentage of voting power	Percentage of attributable interest held by the Company		Principal activities
				Direct	Indirect	
Jointly controlled entities						
Guangzhou Northern Second Ring Expressway Co., Ltd.	People's Republic of China	Rmb900,000,000	40	—	40	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
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	2006 and 2005		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

4. MATERIAL ADVERSE CHANGE

At the close of business on 2 August 2007, being the latest practicable date for the purpose of this material adverse change statement, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest audited financial statements of GZI Transport were made up.

5. INDEBTEDNESS OF THE GROUP**Borrowings**

At the close of business on 30 June 2007, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$1,951,378,000 which comprised long-term bank borrowings of approximately HK\$1,423,918,000, short-term bank borrowings of approximately HK\$55,464,000 and loans from minority shareholders of subsidiaries of approximately HK\$471,996,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business as at 30 June 2007.

6. WORKING CAPITAL

The Directors are of the opinion that, based on the internal generated funds, the available banking and other facilities and the estimated net proceeds of the Open Offer, the Group will have sufficient working capital for its present requirements and for the period ending twelve months from the date of the Prospectus in the absence of any unforeseen circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

REPORT FROM ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF GZI TRANSPORT LIMITED

We report on the statement of unaudited pro forma net tangible assets of GZI Transport Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 75 under the heading of “Unaudited Pro Forma Statement of Net Tangible Assets of the Group” (the “unaudited pro forma financial information”) in Appendix II of the Prospectus of the Company dated 7 August 2007, in connection with the Open Offer by the Company (the “Prospectus”).

The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed Open Offer might have affected the relevant financial information of the Group. The basis of preparation of the statement of unaudited pro forma financial information is set out on page 75 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group as at 31 December 2006 with the audited consolidated financial statements of the Group as at 31 December 2006, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma consolidated net tangible assets as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2006 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
7 August 2007

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. UNAUDITED PRO FORMA STATEMENT OF NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative and unaudited pro forma statement of net tangible assets of the Group which has been prepared on the basis as set out in the notes below for the purpose of illustrating the effect of the Open Offer as if it had taken place on 31 December 2006. This statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Company had the Open Offer been completed as at 31 December 2006 or any future date:

Audited consolidated net tangible assets attributable to equity holders of the Group as at 31 December 2006 <i>HK\$'000</i> <i>(Note 1)</i>	Consolidated net tangible assets per Share attributable to equity holders of the Group as at 31 December 2006 <i>HK\$</i> <i>(Note 1)</i>	Add: Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma net tangible assets attributable to equity holders of the Group <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma net tangible assets per Share attributable to equity holders of the Group after the Open Offer <i>HK\$</i> <i>(Note 4)</i>
<u>2,573,466</u>	<u>2.31</u>	<u>2,171,843</u>	<u>4,745,309</u>	<u>2.84</u>

Notes:

1. The audited consolidated net tangible assets attributable to equity holders of the Group as at 31 December 2006 represent audited consolidated net assets attributable to equity holders of the Group of HK\$4,185,989,000 less the carrying value of intangible operating rights of interests in toll highways and bridges of HK\$1,612,523,000 as at 31 December 2006 as extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2006. The consolidated net tangible assets per Share attributable to equity holders of the Group as at 31 December 2006 is HK\$2.31 which is based on the audited consolidated net tangible assets attributable to equity holders of the Group as at 31 December 2006 of HK\$2,573,466,000 and 1,115,441,530 Shares in issue as at 31 December 2006.
2. The estimated net proceeds are based on 557,720,765 Offer Shares to be issued at the Subscription Price of HK\$3.93 per Offer Share, after deduction of the related expenses of approximately HK\$20,000,000 as estimated by the directors.
3. The unaudited pro forma net tangible assets attributable to equity holders of the Group represent the audited net tangible assets of the Group as at 31 December 2006 (*Note 1*) plus the estimated net proceeds from the Open Offer (*Note 2*).
4. The unaudited pro forma net tangible assets per Share attributable to equity holders of the Group after the Open Offer is based on the unaudited pro forma net tangible assets attributable to equity holders of the Group of HK\$4,745,309,000 (*Note 3*) and 1,673,162,295 Shares, which is the aggregate of 1,115,441,530 Shares in issue as at 31 December 2006 and 557,720,765 Offer Shares to be issued pursuant to the Open Offer.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2006.

1. RESPONSIBILITY STATEMENT

The Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Head office and principal place of business	25th Floor Yue Xiu Building 160 Lockhart Road Wanchai Hong Kong
Registered office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Financial adviser to the Company	Goldbond Capital (Asia) Limited 3901B, 39th Floor, Tower 1 Lippo Centre 89 Queensway Hong Kong
Underwriter	Guangzhou Investment Company Limited 26th Floor, Yue Xiu Building 160 Lockhart Road Wanchai Hong Kong
Legal advisers to the Company	<i>On Hong Kong Law</i> Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong <i>On Bermuda Law</i> Appleby 5511 The Center 99 Queen's Road Central Central Hong Kong

Auditor	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building Central Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Abacus Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Authorised representatives	Mr Liang Ningguang 11A, Block 3, City Garden 233 Electric Road North Point Hong Kong Mr Zhang Siyuan Flat G, 22/F, Block 5 Tanner Garden No. 18 Tanner Road North Point Hong Kong
Company secretary	Mr Yu Tat Fung, solicitor, Hong Kong
Qualified accountant	Ms Chan Kam Ting Sharon FCCA, FCPA

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive (if any) had, or was deemed to have any interests or short positions in the shares, underlying shares or debentures of GZI Transport or any of its associated corporations (within the meaning of the SFO) which are (a) required to be notified to GZI Transport and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they have taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by GZI Transport pursuant to Section 352 of the SFO; or (c) required to be notified to GZI Transport and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules.

(a) **Long Positions in shares of Guangzhou Investment, the holding company of GZI Transport:**

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Yi	Beneficial owner	7,000,000	0.10%
Mr Liang Ningguang	Beneficial owner	7,300,000	0.11%
Mr Fung Ka Pun	Beneficial owner	500,000	0.01%

(b) **Long positions in the underlying shares of equity derivatives of Guangzhou Investment:**

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options ^(Note) outstanding as at the Latest Practicable Date
Mr Ou Bingchang	02/06/2003	0.5400	9,000,000

Note: 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 the grant, respectively.

4. SUBSTANTIAL SHAREHOLDERS

- (a) Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive (if any) of GZI Transport, no person (not being a Director or the chief executive (if any) of GZI Transport) had an interest or short position in the Shares or underlying shares which would fall to be disclosed to GZI Transport and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of GZI Transport:

LONG POSITION

Name of shareholder	Long position in Shares	Approximate % of interest
Yue Xiu ⁽¹⁾	1,343,652,840 ⁽²⁾	80.31% ⁽³⁾
Guangzhou Investment ⁽⁴⁾	1,289,955,727 ⁽⁵⁾	77.10% ⁽³⁾
First Dynamic Limited ⁽⁶⁾	1,125,000,000 ⁽⁷⁾	67.24% ⁽³⁾
Round Table Holdings Limited ⁽⁸⁾	1,125,000,000 ⁽⁷⁾	67.24% ⁽³⁾
GZI Transport Holdings ⁽⁹⁾	1,125,000,000 ⁽⁷⁾	67.24% ⁽³⁾
Housemaster Holdings Limited ⁽¹⁰⁾	551,250,000 ⁽¹¹⁾	32.95% ⁽³⁾
Power Head Limited ⁽¹⁰⁾	236,250,000 ⁽¹²⁾	14.12% ⁽³⁾
Delta Force Holdings Limited ⁽¹⁰⁾	168,750,000 ⁽¹³⁾	10.09% ⁽³⁾
Lawson Enterprises Limited ⁽¹⁰⁾	168,750,000 ⁽¹³⁾	10.09% ⁽³⁾
HSBC Holdings plc ⁽¹⁴⁾	164,754,727	9.85% ⁽³⁾
Mr Cheah Cheng Hye ⁽¹⁵⁾	140,976,000	12.63%
Value Partners ⁽¹⁵⁾	140,976,000	12.63%
Shanghai Industrial Investment (Holdings) Company Limited ⁽¹⁶⁾	56,374,000	5.05%

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

(2): This includes the deemed interest in 557,720,764 Offer Shares, being the aggregate of 164,754,727 Underwritten Shares underwritten by Guangzhou Investment and 392,966,037 Offer Shares which Yue Xiu and Guangzhou Investment have undertaken to subscribe or procure their respective subsidiaries to subscribe for.

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

(4): Yue Xiu holds a deemed 48.89% interest in Guangzhou Investment.

(5): This includes the deemed interest in 539,821,727 Offer Shares, being the aggregate of 164,754,727 Underwritten Shares underwritten by Guangzhou Investment and 375,067,000 Offer Shares which Guangzhou Investment has undertaken to subscribe or procure its subsidiaries to subscribe for.

- (6): This is a controlled corporation of Yue Xiu.
- (7): This includes the deemed interest in 375,000,000 Offer Shares.
- (8): This is a controlled corporation of Guangzhou Investment.
- (9): This entity is indirectly owned as to 49% by Yue Xiu and as to 51% by Guangzhou Investment.
- (10): This is a controlled corporation of GZI Transport Holdings.
- (11): This includes the deemed interest in 183,750,000 Offer Shares.
- (12): This includes the deemed interest in 78,750,000 Offer Shares.
- (13): This includes the deemed interest in 56,250,000 Offer Shares.
- (14): This entity is the controlling entity of the Sub-underwriter and the long position represents the Sub-underwriter's deemed interest in the Sub-underwritten Offer Shares.
- (15): Value Partners held 140,976,000 Shares as investment manager. Mr Cheah Cheng Hye was deemed to be interested in these Shares as a result of his indirect holding of such Shares through his controlled corporation, Value Partners.
- (16): This was attributable to interests held by its controlled corporations.

SHORT POSITION

Name of shareholder	Short position in Shares	Approximate % of interest
Yue Xiu ⁽¹⁾	164,754,727	9.85% ⁽²⁾
Guangzhou Investment ⁽³⁾	164,754,727	9.85% ⁽²⁾

(1): This entity is the controlling entity of the Underwriter and the short position represents the Underwriter's deemed interest in the Sub-underwritten Offer Shares.

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

(3): This short position represents the Underwriter's deemed interest in the Sub-underwriting Agreement.

- (b) Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive (if any) of the Company, no person (other than members of the Group) directly or indirectly is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the members of the Group (other than GZI Transport).

Name of subsidiaries	Name of substantial shareholder	Approximate % of interest held
Guangzhou Nanxin Highways Development Company Limited	GHDC	20
Guangzhou Taihe Highways Development Company Limited	GHDC	20
Guangzhou Tailong Highways Development Company Limited	GHDC	49
Guangzhou Weian Highways Development Company Limited	GHDC	20
Guangzhou Xinguang Highways Development Company Limited	GHDC	45
Hunan Yue Tung Highway and Bridge Development Company Limited	中國湘潭湘橋發展股份有限公司	10
Yan Tung Investment Limited	Festoon Enterprises Limited	16.67
GNSR Expressway Co., Ltd.	GHDC	30
	廣東省公路建設公司	10

5. EXPERT

The following is the qualification of the expert who has given opinions or advice which is contained in the Prospectus:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion of its report as set out in the Prospectus and references to its name in the form and context in which they appear respectively. The report given by PricewaterhouseCoopers is given as of the date of the Prospectus for publication herein.

As at the Latest Practicable Date, PricewaterhouseCoopers was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either direct or indirect, in any assets which had been since 31 December 2006 (being the date to which the latest published audited financial statements of GZI Transport were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any members of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by GZI Transport and its subsidiaries within the two years immediately preceding the date of the Prospectus and are or may be material:

- Sale and purchase agreement dated 29 December 2005 entered into between Bentfield Limited (“Bentfield”), a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of GZI Transport, and GHDC in respect of the disposal of a 6% equity interest in GNSR Expressway Co., Ltd. (whose only asset is Guangzhou Northern Second Ring Expressway, a six-lane 42.42 km expressway with nine toll stations), for a consideration of RMB 66,100,000;
- Equity transfer agreement dated 20 November 2006 entered into between Bentfield Limited and Guangzhou Development Infrastructure Investment Co., Ltd. for the acquisition of an additional 20% equity interest in GNSR Expressway Co., Ltd. for a consideration of RMB 666,200,000;
- Loan agreement dated 9 March 2007 entered into between Bank of China (Hong Kong) Limited and GZI Transport for a 5 year unsecured term loan of HK\$400 million for the purpose of financing part of the consideration payable by Bentfield under the above equity transfer agreement; and
- the Underwriting Agreement.

Save as aforesaid, no material contract (not being contracts entered into in the ordinary course of business carried on by the Group) has been entered into by any member of the Group within the two years preceding the date of the Prospectus.

9. LEGAL EFFECT

The Prospectus, the accompanying Application Form and Excess Application Form, and all acceptances of any offer or application contained in such documents, are governed by and shall be

construed in accordance of the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

10. EXPENSES

The expenses in connection with the Open Offer, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK\$20,000,000 and will be payable by GZI Transport.

11. DOCUMENTS REGISTERED BY THE REGISTRARS OF COMPANIES

A copy of the Prospectus, the Application Form, the Excess Application Form and the written consent given by PricewaterhouseCoopers as referred to in this appendix, have been registered with the Registrar of Companies in Hong Kong. A copy of the Prospectus, the Application Form and the Excess Application Form have been filed with the Registrar of Companies in Bermuda.

12. MISCELLANEOUS

- (a) None of the Directors has any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).
- (b) As at the Latest Practicable Date, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.
- (c) None of the Directors has any direct or indirect interest in any assets which had been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, GZI Transport or any of its subsidiaries since 31 December 2006 (the date to which the latest published audited financial statements of GZI Transport were made up).
- (d) The English texts of the Prospectus and the accompanying Application Forms and Excess Application Forms shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of GZI Transport in Hong Kong at 25th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong from the date of the Prospectus up to and including Tuesday, 21 August 2007:

- (a) the Bye-laws of GZI Transport;
- (b) the annual reports of GZI Transport for each of the two years ended 31 December 2006;

- (c) the written consent from PricewaterhouseCoopers referred to in the paragraph headed “Expert” in this appendix;
- (d) the report issued by PricewaterhouseCoopers in connection with the unaudited pro forma statement of net tangible assets of the Group, the text of which is set out in Appendix II to the Prospectus; and
- (e) all material contracts referred to in the paragraph headed “Material Contracts” in this appendix.