GZI Transport Limited
越秀交通有限公司

(Stock Code: 1052)

Annual Report 2009

Contents

Five Years Financial Highlights

INCOME STATEMENT

Year ended 31 December

(HK$'000)	2009	2008	2007 Restated	2006	2005
Revenue	**1,136,566**	1,014,486	870,778	448,531	424,845
Earnings before interests, tax, depreciation and amortization ("EBITDA") [1]	**1,065,023**	1,050,182	912,972	639,074	561,124
Profit before income tax	**661,222**	836,232	645,595	523,604	372,326
Profit for the year	**566,412**	748,202	561,706	487,912	337,893
Profit attributable to:					
Equity holders of the Company	**434,241**	607,533	491,915	461,157	305,898
Minority interest	**132,171**	140,669	69,791	26,755	31,995
Basic earnings per share for profit attributable to the equity holders of the Company	**HK$0.260**	HK$0.363	HK$0.376	HK$0.413	HK$0.274
Dividend per share	**HK$0.160**	HK$0.160	HK$0.135	HK$0.135	HK$0.100

BALANCE SHEET

As at 31 December

(HK$'000)	2009	2008	2007 Restated	2006	2005
Total Assets	**13,802,723**	12,149,853	11,320,312	4,947,235	4,631,092
Total Liabilities	**3,057,502**	2,097,476	2,139,395	526,100	633,422
Total Equity	**10,745,221**	10,052,377	9,180,917	4,421,135	3,997,670
Equity attributable to:					
Equity holders of the Company	**8,650,316**	8,399,710	7,692,189	4,185,989	3,752,559
Minority interest	**2,094,905**	1,652,667	1,488,728	235,146	245,111
Net assets per share to equity holders of the Company	**HK$5.17**	HK$5.02	HK$4.60	HK$3.75	HK$3.36

FINANCIAL RATIOS

Year ended 31 December

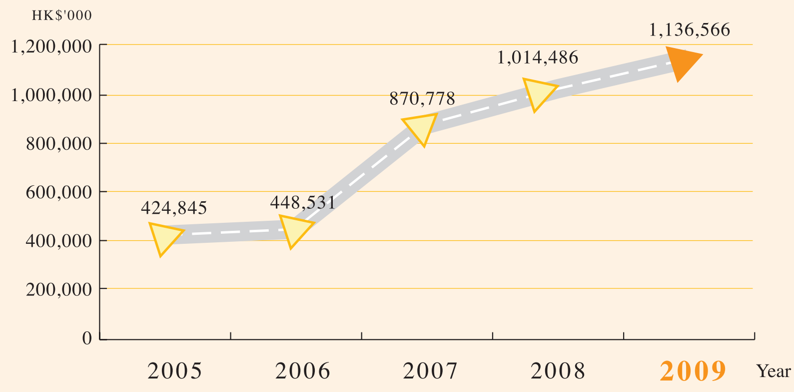
	2009	2008	2007 Restated	2006	2005
Return on equity attributable to equity holders of the Company	**5.02%**	7.20%	6.40%	11.00%	8.15%
Interest Coverage	**15 times**	15 times	16 times	275 times	53 times
Gross gearing ratio (total borrowings /total capitalization[2])	**16.80%**	11.70%	14.20%	9.70%	13.10%

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

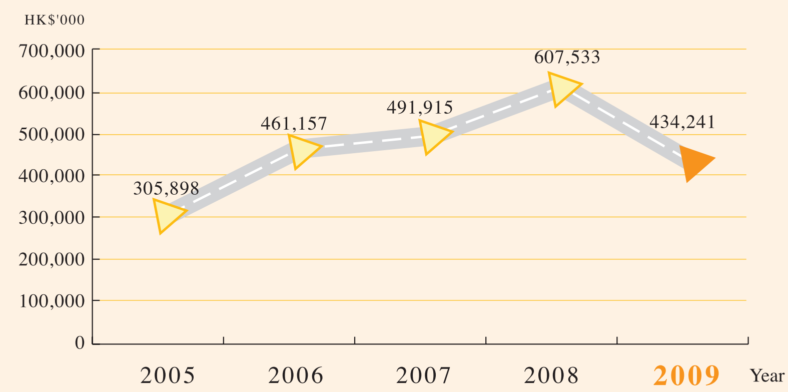
Note 2: Total capitalization = total borrowings + equity attributable to equity holders of the Company

Five Years Financial Highlights

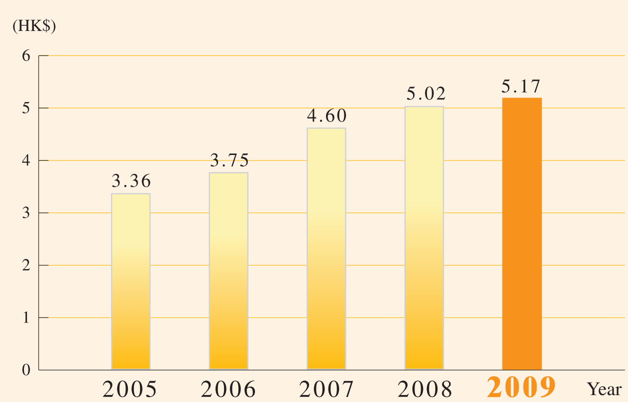
Revenue

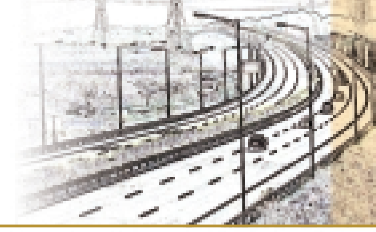


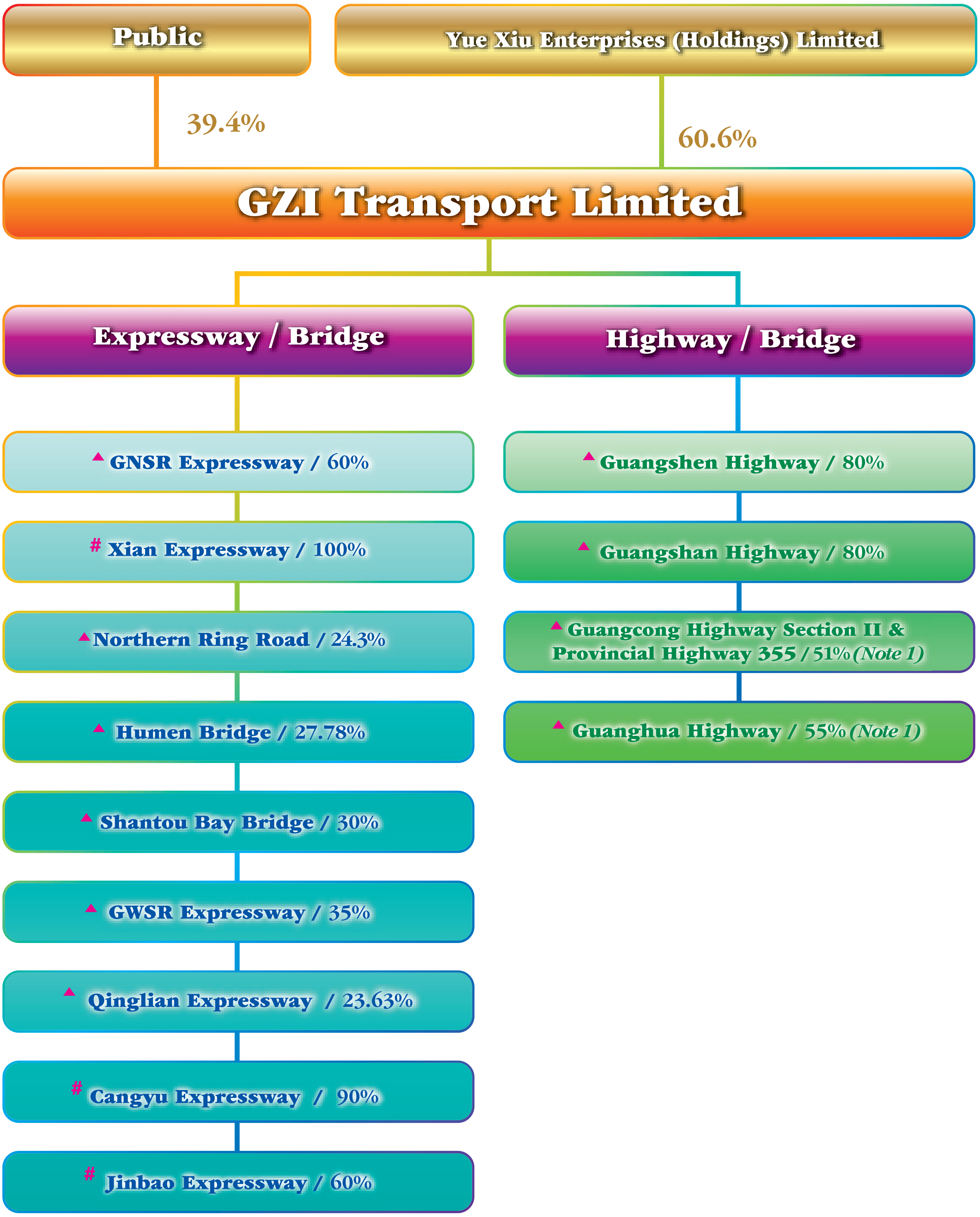
Profit attributable to equity holders of the Company



Net assets per share to equity holders of the Company







▲ inside Guangdong Province

outside Guangdong Province

Note 1: Details of the Group's attributable interests in Guanghua Highway and Guangcong Highway Section II & Provincial Highway 355 are set out in Management Discussion and Analysis on page 16 (note 1).

Corporate Profile

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

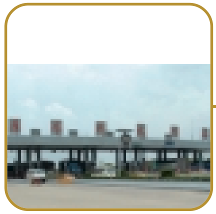
As at 31 December 2009, the Group had a total of 13 investments in its operating toll road and bridge projects which include expressways and bridges such as Guangzhou City Northern Ring Road ("Northern Ring Road"), Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangdong Humen Bridge ("Humen Bridge") and Shantou Bay Bridge, all of which are located within Guangdong Province; Guangshen Highway Guangzhou Section ("Guangshen Highway") which connects Guangzhou City to Shenzhen City, and toll projects passing through Guangdong, Hunan and Jiangxi provinces such as Guangshan Highway along NH324 Guangzhou section ("Guangshan Highway"); Guangcong Highway connecting Tai Ping Chang, Conghua City and Wenquan ("Guangcong Highway II and Provincial Highway 355") along NH105 Guangzhou section and the juncture section between the crossing at Conghua City and Fogang County; Guanghua Highway and Qinglian Expressway which connects Qingyuan City and Lianzhou City, as well as Xian to Lintong Expressway in Shaanxi Province ("Xian Expressway"); Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway") and Jinbao Expressway in Tianjin Municipality ("Jinbao Expressway"). Total attributable length of the Group's toll roads and bridges as at 31 December 2009 is approximately 331.7 km.

Lianzhou City
107
Qingyuan City
Conghua City
105
Huadu District
324
To Shantou
To Guangxi
Guangzhou City
Pearl River
Shenzhen
Hong Kong
Zhuhai
Macau
Guangdong Province
Shantou City
National Highway 324
Shenshan Highway
1. Guangshen Highway
2. Guangshan Highway
3. Guangcong Highway Section II and Provincial Highway 355
4. Guanghua Highway
5. Humen Bridge
6. GNSR Expressway
7. Northern Ring Road
8. Qinglian Expressway
9. GWSR Expressway
10.Shantou Bay Bridge

1

Guangshen Highway

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



2

Guangshan Highway

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

3

Guangcong Highway Section II & Provincial Highway 355

Guangcong Highway Section II measures approximately 33.1 km long with six lanes which connects inter-provincial traffic between Guangdong Province and provinces in Eastern China such as Jiangxi and intra-municipality traffic between Guangzhou and Conghua City in the northeast, where a hot spring resort is located. Provincial Highway 355 measures approximately 33.3 km long with four lanes which connects inter-provincial traffic between Guangdong and Hunan provinces.

4

Guanghua Highway

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

5

Humen Bridge

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

6

GNSR Expressway

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

7

Northern Ring Road

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

8

Qinglian Expressway

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

9

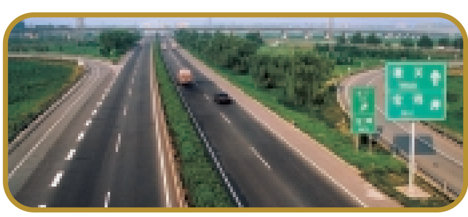
GWSR Expressway

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

10

Shantou Bay Bridge

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

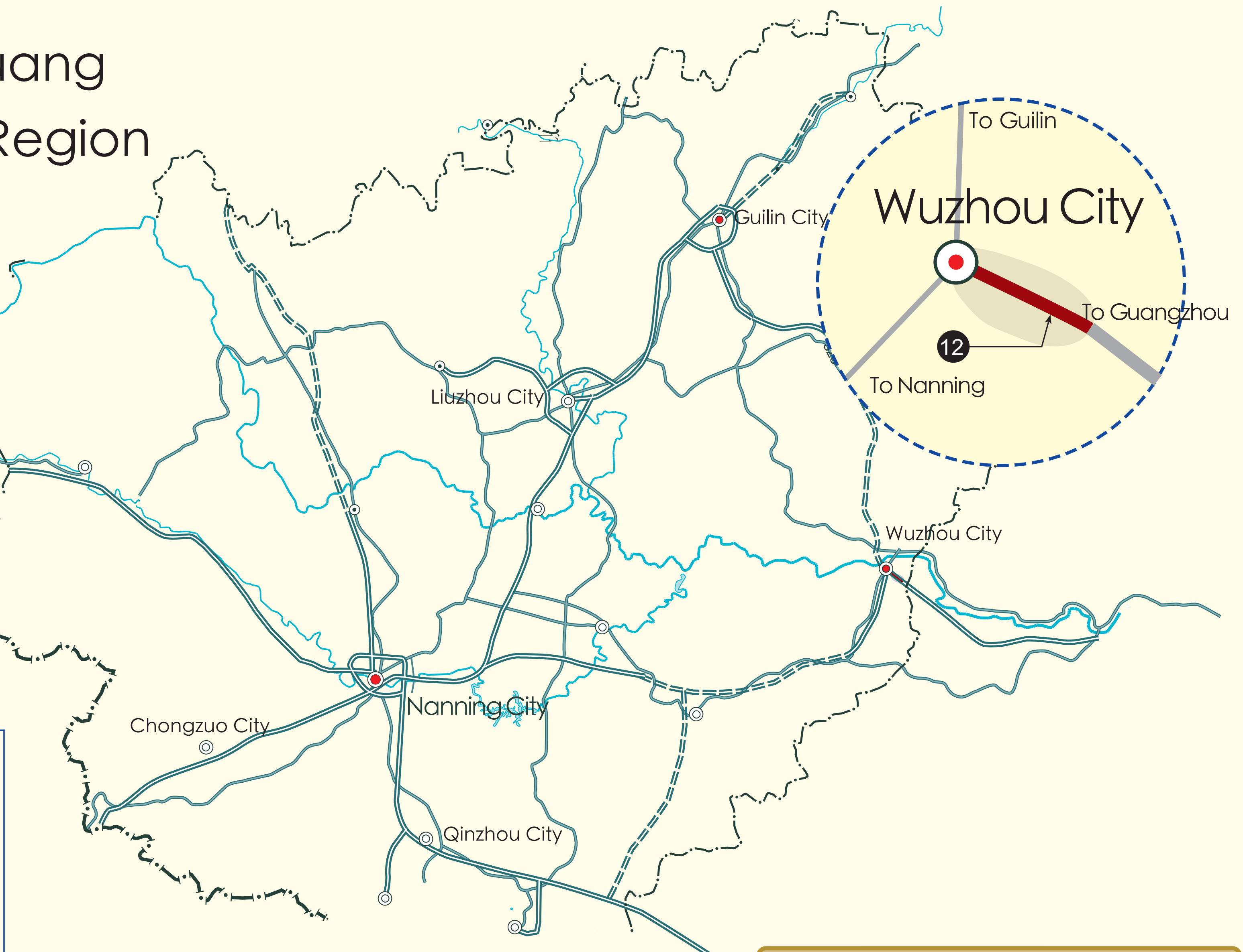


11

Xian Expressway

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

Guangxi Zhuang Autonomous Region



12

Cangyu Expressway

is located in Cangwu County of Wuzhou City in Guangxi Zhuang Autonomous Region, linking the Cangwu County of Guangxi Zhuang Autonomous Region with the Yunan County of Guangdong Province. It also forms a part of the GuangWu Expressway (from Guangzhou to Wuzhou) of approximately 23.334 km long with four-lane dual direction.

Jinbao Expressway

13 is located in the west of Tianjin Municipality, intersecting with Hebei Province, and linking the Jinbao Expressway (Hebei section), Jinjin Expressway, Jinghu Expressway and Tianjin Waihuan Lane etc, with length of approximately 23.944km with four-lane dual direction.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Mr. Zhang Zhaoxing
Chairman

Chairman's Statement

"On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 (the "Reporting Year")."

During the Reporting Year, the Group took appropriate actions to counter the effect of the financial turmoil and we invested further on quality projects. Notwithstanding that the operations/ revenue of some of the Class I highways were negatively affected by the financial turmoil and a difficult economic environment in Pearl River Delta in the first half year, we succeeded in registering double digit growth in revenue for the whole year, thanks to a sharp rise of revenue in the second half of the Reporting Year. Driven by the strong growth in revenue from GNSR Expressway and satisfactory toll incomes from new investments, the Group attained its highest yearly revenue since its listing in Hong Kong.

Despite a lower profit in the Reporting Year, which was an outcome of a number of factors outside the business domain, we are cautiously optimistic as to our business in 2010 as China is expected to maintain its path of steady macroeconomic growth.

OPERATING RESULTS AND DIVIDEND

Toll revenue for the Reporting Year increased by 12.0 percent to HK$1.14 billion as compared to 2008, which was mainly attributable to strong growth in toll revenue from GNSR Expressway and contributions from new investment projects including Cangyu Expressway and Jinbao Expressway.

During the Reporting Year, profit attributable to equity holders of the Company amounted to HK$434 million, 28.5 percent lower than 2008. Although GNSR Expressway and Shantou Bay Bridge contributed satisfactory incomes, a year on year decline in the profit attributable to shareholders was registered as the Company made a provision for impairment losses on intangible operating rights of approximately HK$170 million (or HK$120 million after deducting the amount attributable to minority interests) in the first half year. This led to a decrease of basic earnings per share to HK$0.26 for 2009 (2008: HK$0.363).

Excluding the impairment losses on intangible operating rights of approximately HK$170 million (or HK$120 million after deducting the amount attributable to minority interests), the operating profit would have been HK$650 million, or 11.9 percent higher as compared to 2008 and the profit attributable to equity holders of the Company would have been HK$550 million, or 8.8 percent lower than 2008, and basic earnings per share would have been HK$0.331.

The Board has recommended the payment of a final dividend for 2009 of HK$ 0.12 (2008: HK$0.08) per share. Together with the interim dividend of HK$0.04 (2008: HK$0.08) per share, total dividends for the Reporting Year will amount to HK$0.16 (2008: HK$0.16) per share, representing a dividend payout ratio of 61.5 percent (2008: 44.1 percent).

Chairman's Statement

ANNUAL REVIEW AND PROSPECTS

Review: Business Operations and Development

Macroeconomic factors

As compared to the same period in 2008, GDP growth rate in China was a moderate 6.1 percent in the first quarter of the Reporting Year under the adverse impact of the global financial turmoil. GDP growth rebounded in the second quarter to 7.9 percent as compared with the same period of 2008, driven by the RMB 4.0 trillion stimulus package introduced by the central government and a comparatively loose monetary policy on infrastructure investments. GDP growth gained momentum in the third and fourth quarters and reached 8.9 percent and 10.7 percent respectively. Economic growth in China outperformed other major economies in the globe, achieving an 8.7 percent growth rate in 2009.

Analysis on main regions: Pearl River Delta region ("PRD")

The Group's projects are mainly located in Guangdong Province and PRD, especially the area around Guangzhou City. The Group has accumulated rich and practical experience in the construction and operation of expressways and bridges and has cultivated a team of key management talents with sound expertise and innovative minds. During the second half of the Reporting year, our projects in the PRD benefited from the revival of the country´s economy and a series of government policies to boost the economy. Mature projects such as GNSR Expressway, Humen Bridge and Shantou Bay Bridge are major beneficiaries of strong revival in traffic volume in the second half of the Reporting Year. In particular, Qinglian Expressway recorded exponential growth in toll revenue as it started to collect toll fee based on expressway rates and in accordance with Toll-by-Weight Standards from the beginning of the second half of the Reporting Year.

Expand investment in expressways and underweight the investment in general highways

In 2009, the Group seized the opportunities emerging from the financial crisis by acquiring a 90.0 percent equity interest of the project company operating Cangyu Expressway and a 60.0 percent equity interest of the project companies operating Jinbao Expressway. As at the end of 2009, expressways and Class I highways accounted for approximately 68.7 percent and 10.6 percent (2008: 57.8 percent and 20.1 percent) of the Group's total assets respectively. Over the last five years, the share of toll revenue from expressways has been on the rise and that of Class I highway has been declining (please refer to the chart of Revenue proportion from 2005 to 2009 in "Business Review" section).

Adjustment to the management structure

During the Reporting Year, Yuexiu Property Company Limited (formerly known as "Guangzhou Investment Company Limited"), the former controlling shareholder of the Company, completed a restructuring exercise and as a result, Yue Xiu Enterprises (Holdings) Limited became the Company's controlling shareholder. As such, our administrative procedure was simplified. At the same time, we streamlined the Board by reducing the number of directors from 15 to 9, with the 3 independent non-executive directors remaining intact. Moreover, the management of the Company was further reinforced, currently with 1 general manager, 1 senior deputy general manager and 3 deputy general managers in place. All of them have extensive experience in their relevant professions and are tasked with clearly defined scope of work and responsibilities. Supported by the new management structure, the Group succeeded in reinforcing project investment, operations management, project cost control, internal audit and risk control, as well as capital market management, and therefore lifting the overall standard of corporate governance.

PROSPECTS: OPERATIONS MANAGEMENT AND INVESTMENT

Operation outlook

Road toll revenue highly correlates with the macroeconomic trend of the respective localities. With the continuous expansion of toll road investments in Mainland China, we will continue to study the country's general economic conditions, especially provinces in which our investments are located. Looking ahead, we expect to face new opportunities and challenges brought about by the changing economic environment in the coming years.

According to the report presented by the Premier of the State Council, Wen Jiabao, on the Third Session of the 11th National People's Congress held on 5 March 2010, China's estimated GDP growth for 2010 is expected to reach 8 percent. The relatively high GDP growth rate is beneficial to the stable expansion of the Group's toll road operation in 2010. It is expected that GNSR Expressway, Humen Bridge, Northern Ring Road, Shantou Bay Bridge, Xian Expressway and Jinbao Expressway will continue to generate solid profits for the Group as they capitalize on the stable economic development of their respective localities. Qinglian Expressway, GWSR Expressway and Cangyu Expressway are still in an initial growth period but they will become the Group's new profit drivers when their respective road networks become more sophisticated and offer better connectivity.

The Asian Games, which will be held in Guangzhou in November 2010, will boost the passenger and freight transport in the Guangzhou area. The hosting of the Asian Games is expected to favor the Group's toll road operation because our projects in the area mainly comprise city ring roads and intra-city highways which connect transport hubs such as Guangzhou Baiyun Airport.

Investment policy and preference

The Group will adhere to its investment strategies and step up investment in quality toll roads by deploying its strong capital resources (The Group had cash and bank balance of HK$2.22 billion as at 31 December 2009). The Group will also consider investing in other infrastructure projects.

The Group is tracking closely a number of regions in the PRC with relatively mature economic development. These regions mainly include: (1) the PRD which has a highly developed economy; (2)the western provinces benefiting from the China-ASEAN Free Trade Area; (3) the Bohai Rim which receives major government policy support and enjoys rapid economic growth in recent years; and (4)the central regions which offer new growth opportunities rendered by the service of the Wuhan-Guangzhou High-speed Railway. The Group will explore mature projects in these target areas as well as new projects with satisfactory return and good development prospects, so as to enhance the overall asset size, profitability, and risk profile.

APPRECIATION

During the Reporting Year, our directors, senior management officers and all staff, adopted a pragmatic attitude and managed to capitalize on several investment opportunities. Our management standard was further enhanced and Group revenue reached a record high in 2009. The Group will continue to expand its operating scale and strengthen its risks control by speeding up investment, enhancing asset portfolio, applying scientific management, and improving management quality, with a view to generate enhanced return for shareholders and enter a new stage of corporate development.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude and appreciation to our shareholders, our colleagues in the banking and commercial sectors, and our business partners for their continued support over the years.

Zhang Zhaoxing
Chairman

Hong Kong, 16 March 2010

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Total Length (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
Subsidiaries						
GNSR Expressway	42.4	6	9	Expressway	60.00	23
Xian Expressway	20.1	4	3	Expressway	100.00	7
Cangyu Expressway	23.3	4	1	Expressway	90.00	21
Jinbao Expressway	23.9	4	3	Expressway	60.00	20
Guangshen Highway	23.1	6	1	Class I Highway	80.00	17
Guangshan Highway	64.0	4	2	Class I Highway	80.00	17
Guangcong Highway Section II	33.1	6	1	Class I Highway	51.00	17
& Provincial Highway 355[1]	33.3	4	1	Class I Highway	51.00	17
Guanghua Highway[1]	20.0	6	1	Class I Highway	55.00	18
Associates and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78	20
Northern Ring Road	22.0	6	11	Expressway	24.30	14
Qinglian Expressway						
Expressway Section[2]	215.2	4	5	Expressway	23.63	25
National Highway 107	253.0	2	4	Class II Highway	23.63	19
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	19
GWSR Expressway[3]	39.6	6	5	Expressway	35.00	subject to approval

(1) As at 1 December 2009, the Group entered into the following agreements with GHDC: (1) Guangzhou Xinguang Equity Transfer Contract; (2) Guangzhou Xinguang Debt Assignment; (3) Guangzhou Tailong Equity Transfer Contract; (4) Guangzhou Tailong Debt Assignment; and (5) Compensation Agreement. The respective acquisitions of additional 35.0 percent equity interests in Guanghua Highway and 39.0 percent equity interests in Guangcong Highway Section II & Provincial Highway 355 are subject to approvals from the relevant regulatory authorities. Upon completion of the approvals, the Group will hold 90.0 percent equity interests in Guanghua Highway and Guangcong Highway Section II & Provincial Highway 355 respectively.

(2) For the main part of the original Qinglian Class I Highway, being Fengtouling to Lianzhou Section and Fengbu to Jingkou Section, we have started collecting tolls in accordance with expressway toll fare standards since 1 July 2009.

(3) The operating term of GWSR Expressway is subject to approval from the relevant regulatory authority.

Toll Summary of Toll Roads and Bridges

For the year ended 31 December 2009

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll fare per vehicle	
	(vehicle/day)	*Change* %	*(RMB/day)*	*Change* %	*(RMB)*	*Change* %
Expressways and Bridges						
GNSR Expressway[a][1]	87,636	10.5	1,686,712	25.2	19.2	12.9
Humen Bridge[b][2]	57,679	-8.2	2,372,711	-12.5	41.1	-4.9
Xian Expressway[a][3]	38,444	-1.4	503,907	-2.7	13.1	-1.5
Northern Ring Road[b][4]	132,736	-17.9	1,095,481	-30.9	8.3	-15.3
Shantou Bay Bridge[b]	12,093	3.2	467,213	5.0	38.6	1.6
GWSR Expressway[b][5]	14,762	56.5	471,014	56.2	31.9	-0.3
Cangyu Expressway[a][6]	3,432	N/A	121,691	N/A	35.5	N/A
Jinbao Expressway[a][7]	19,917	N/A	427,591	N/A	21.5	N/A
Qinglian Expressway (Expressway Section)[b][8]	15,841	N/A	825,366	N/A	52.1	N/A
Class I Highways and Bridges						
Guangshen Highway[a]	11,271	-18.1	76,110	-16.3	6.8	3.0
Guangshan Highway[a]	14,848	-15.4	145,259	-12.3	9.8	4.3
Guangcong Highway Section II & Provincial Highway 355[a]	15,760	-1.0	118,024	0.5	7.5	1.4
Guanghua Highway[a]	7,492	-31.6	62,800	-32.0	8.4	0.0
Qinglian Expressway (National Highway 107)[b]	13,212	17.9	237,094	31.3	18.2	11.7

(a) Subsidiary (consolidated in the Group's financial statements)

(b) Associate/Jointly Controlled Entity (equity accounted for in the Group's financial statements)

(1) As Guangzhou City commenced to implement the new truck-control measures from 2009 and Northern Ring Road is to be closed down for an overhaul from 18 July 2009 to 8 November 2009, more vehicles may divert to GNSR Expressway.

(2) Due to a drop in the import and export of China and economic transformation of the PRD since the end of 2008, the toll revenue of Humen Bridge decreased 24.0 percent, 26.1 percent and 4.2 percent in the first, second and third quarter respectively and increased 9.1 percent in the fourth quarter as compared to the corresponding period of 2008.

(3) The Xian to Tongguan Section of Xian Expressway prohibited trucks from entering at all entrances on the Xian to Tongguan side from 6 November 2009 and only two entrances, namely Tongguan entrance and Qindong entrance, remain open for trucks in the opposite direction with all other entrances closed. It is expected that the effects of these measures are temporary.

(4) Guangzhou commenced to implement the new truck-control measures from 2009, prohibiting trucks of the three types from entering Guangzhou during some periods of time; the Guangqing to Cencun Section of Northern Ring Road was closed down for an overhaul from 18 July 2009 to 8 November, which was completed ahead of schedule by about 2 months.

(5) With the integration of Guangzhou City and Foshan City, the GWSR Expressway was benefited from the opening to traffic of Heshun Flyover on 15 October 2009.

(6) The acquisition of Cangyu Expressway was completed in mid January 2009.

(7) The acquisition of Jinbao Expressway was completed in early December 2009.

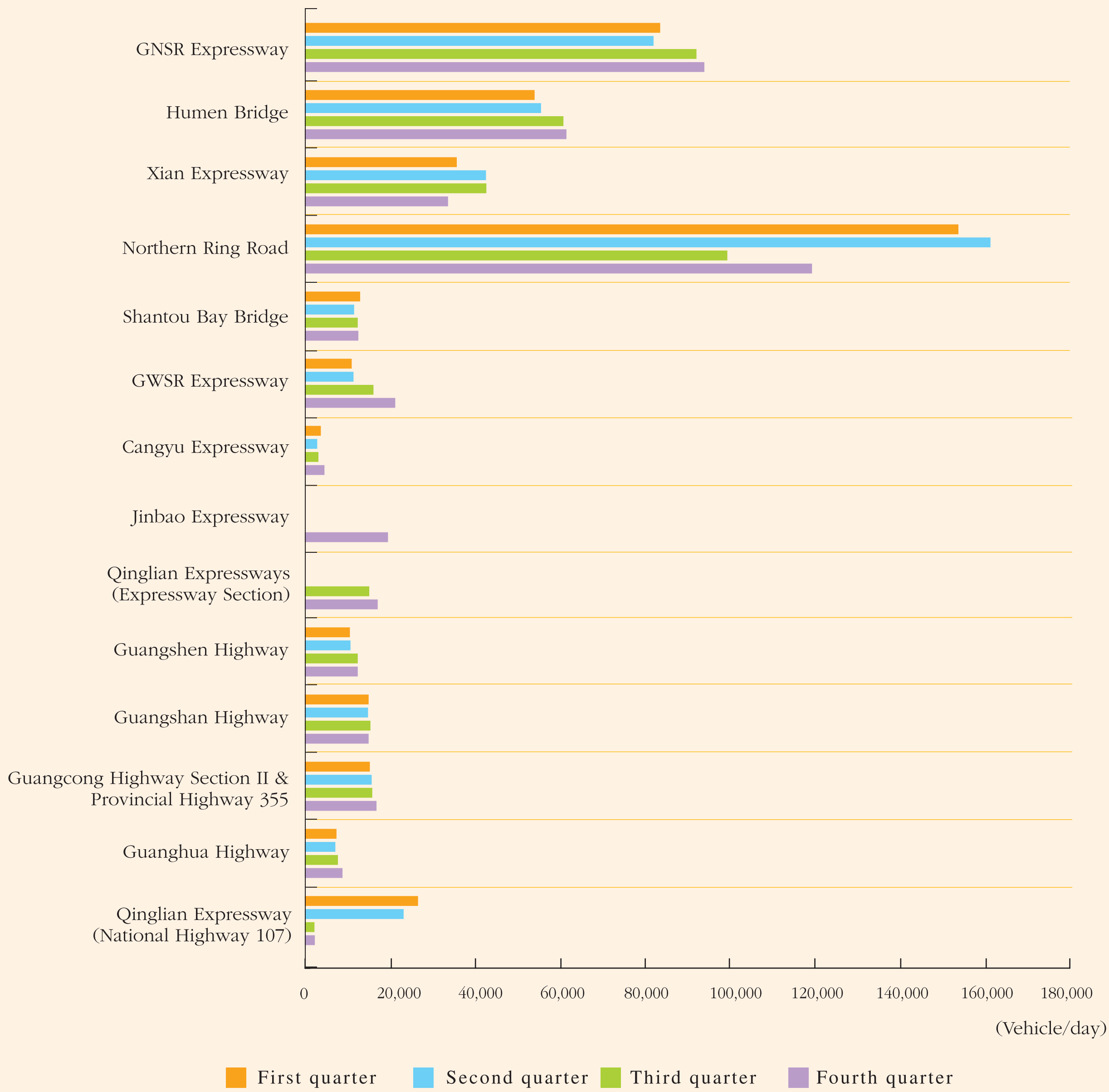
(8) Fengtouling to Lianzhou Section and Fengbu to Jingkou Section of Qinglian Expressway have started collecting tolls in accordance with expressway toll fare standards since 1 July 2009, and required a toll fare charge on a weight basis since 1 November 2009.

Toll Roads and Bridges

Analysis of average daily toll traffic volume from the first quarter to the fourth quarter of the year 2009

	Average daily toll traffic volume of the first quarter (vehicle/day)	Average daily toll traffic volume of the second quarter (vehicle/day)	Average daily toll traffic volume of the third quarter (vehicle/day)	Average daily toll traffic volume of the fourth quarter (vehicle/day)
Expressways and Bridges				
GNSR Expressway	83,293	81,778	91,873	93,443
Humen Bridge	53,783	55,345	60,512	60,966
Xian Expressway	35,480	42,397	42,515	33,364
Northern Ring Road	153,587	160,747	98,867	118,501
Shantou Bay Bridge	12,683	11,391	12,183	12,122
GWSR Expressway	10,847	11,151	15,997	20,930
Cangyu Expressway	3,409	2,811	3,034	4,464
Jinbao Expressway	N/A	N/A	N/A	19,286
Qinglian Expressway (Expressway Section)	N/A	N/A	14,912	16,921
Class I Highways and Bridges				
Guangshen Highway	10,422	10,409	12,159	12,064
Guangshan Highway	14,732	14,727	15,186	14,743
Guangcong Highway Section II & Provincial Highway 355	15,178	15,523	15,651	16,675
Guanghua Highway	7,154	6,829	7,488	8,482
Qinglian Expressway (National Highway 107)	26,294	23,111	1,929	1,905

Analysis of average daily toll traffic volume from the first quarter to the fourth quarter of the year 2009



Summary of operating performance

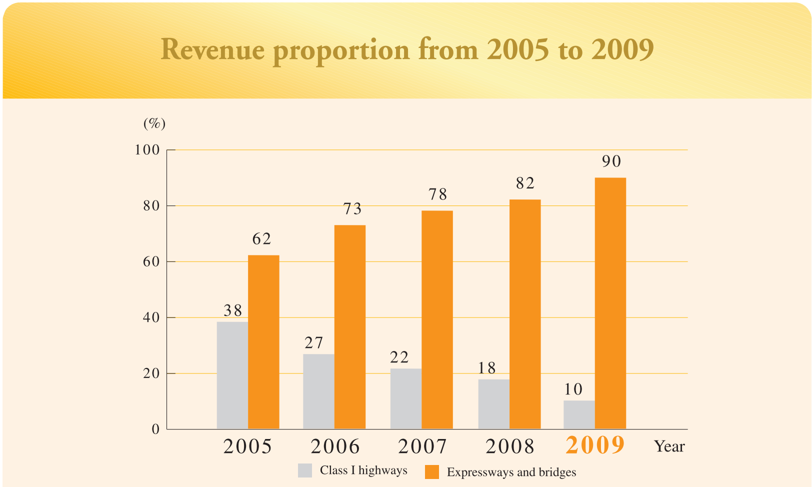
During the first six months of 2009, owing to the impact of the global financial turmoil, China's GDP growth fell from 6.8 percent for the fourth quarter of 2008 to 6.1 percent for the first quarter of 2009, and rebounded to 7.9 percent, 8.9 percent and 10.7 percent for the second, third and fourth quarter of 2009 respectively. China's GDP for 2009 amounted to RMB33,535.3 billion, an increase of 8.7 percent as compared with the previous year on price-adjusted basis, meeting the "official 8 percent economic-growth target" established at the beginning of the year. According to the report presented by the Premier of the State Council, Wen Jiabao, on the Third Session of the 11th National People's Congress held on 5 March 2010, China's estimated GDP growth for 2010 will be approximately 8 percent.

As for our projects in the PRD, benefiting from the revival of the Country's economy and a series of policies intended to boost the economy, the average daily traffic volume of Humen Bridge, GNSR Expressway and GWSR Expressway recorded a growth as compared with both the corresponding quarter of the previous year and the previous quarter of this year.

As for Guangxi Cangyu Expressway, we implemented a series of measures right after we acquired the company such as improving its management system, enforcing rules and regulations, upgrading tolling facilities and monitoring system and introducing Toll-by-Weight Standards to improve its profitability. Moreover, benefiting from the establishment of the China-ASEAN Free Trade Area and reshuffle of industrial structure of the PRD whereby Guangxi Area will be the focus of industrial development, the integration of the economy of Guangxi Area with the economies of the nations in the region is greatly enhanced, underpinning the accelerated and smooth economic development of Guangxi Area. In 2009, Guangxi Cangyu Expressway recorded a growth on average daily toll traffic volume and average daily toll revenue of 337.5 percent and 796.1 percent respectively (for reference and comparison purpose), as compared with 2008.

Tianjin, being a sixth largest city in terms of GDP in 2008, achieved a GDP of RMB141,693 million for the first quarter of 2009 and reached RMB250,378 million for the fourth quarter of 2009, contributing to an aggregate GDP of the city for the whole year at RMB750.08 billion, increasing by a sharp 16.5 percent. The Jinbao Expressway, benefiting from the economic development of Tianjin and surrounding cities, has been enjoying a two-digit growth on its monthly toll revenue since August 2009, as compared with the corresponding period of the previous year. It is expected that certain sections of the Expressway need to go through an overhaul as per the Country´s inspection requirements.

Guangzhou City will hold the Asian Games in November 2010 and will meet with a remarkable boom of passenger and freight transport. Since our major projects in Guangzhou area are city ring roads and intra-city highways, which connect transport hubs such as Guangzhou Baiyun International Airport, it is expected that the hosting of the Asian Games could be a valuable opportunity for our toll operations.



(Note: using figures of revenue attributable to non-controlling expressways and bridges).

Management Discussion and Analysis

As China's economy has gone through the hardest time and is on track of revival, which, together with the introduction of more stimulus policies, all our projects registered better results for the second half of 2009 over the first half except for the Xian Expressway and Northern Ring Road. Revenue from Xian Expressway was adversely affected as trucks are temporarily banned from using the whole section of Xitong Expressway on the Xian to Tongguan side due to the improvement and expansion works, while Northern Ring Road suffered from a total close-down for construction works in the Guangqing to Cencun section.

Expressways and bridges

Expressways and bridges in Guangdong Province

GNSR Expressway

The average daily toll traffic volume was 87,636 vehicles and the average daily toll revenue was RMB1,687,000, representing an increase of 10.5 percent and 25.2 percent respectively, as compared with 2008.

With the continuous economic growth of Guangzhou City and improvement of highway network surrounding the GNSR Expressway, and as Guangzhou City commenced to implement the new truck-control measures from 2009 and Northern Ring Road was closed for an overhaul from 18 July 2009 to 8 November 2009, some of the Northern Ring Road travellers turned to GNSR Expressway, remarkably boosting the traffic volume and toll revenue of GNSR Expressway. The resumption of traffic on Northern Ring Road may lead to a slight drop of traffic volume through the GNSR Expressway, as some drivers may still keep using GNSR Expressway with which they have been acquainted, therefore the traffic volume will continue to grow despite the resumption of traffic on Northern Ring Road.

GWSR Expressway

The average daily toll traffic volume was 14,762 vehicles and the average daily toll revenue was RMB471,000, representing an increase of 56.5 percent and 56.2 percent respectively, as compared with 2008.

GWSR Expressway maintained a strong growth in 2009, benefiting mainly from our successful promotional activities, the close of Northern Ring Road for overhaul and the opening to traffic of Heshun Flyover on 15 October. With the integration of Guangzhou City and Foshan City, the GWSR Expressway was benefited from the opening to traffic of Heshun Flyover. On one hand, GWSR Expressway connects with the northern extension of the Yihuandong Road of Foshan City, offering easy access for the people in Nanhai and Sanshui areas to GWSR Expressway, on the other hand, the newly opened expressway will be the route with the shortest travel time connecting Foshan and the new airport of Guangzhou, which reduces the travelling time by half, to half an hour.

Northern Ring Road

The average daily toll traffic volume was 132,736 vehicles and the average daily toll revenue was RMB1,095,000, representing a decrease of 17.9 percent and 30.9 percent respectively, as compared with 2008.

Main reasons for the drop of traffic volume for the year are as follows: (1) Guangzhou commenced to implement the new truck-control measures from 2009, which bans non-Guangzhou registered 5-ton or above (including 5-ton) trucks from 7:00 to 21:00 and Guangzhou registered 15-ton or above trucks from 7:00 to 20:00 within the Guangqing to Guangyan section, which effectively cut the average daily flow of the above-mentioned trucks by 5,000 as compared with the corresponding period of the previous year. (2) In May 2009, the Shabei and Xunfengzhou section suffered from a subsiding of road due to the damage inflicted by construction of Wuguang Railway, causing traffic suspension.(3) The Guangqing to Cencun section was closed for an overhaul on 18 July 2009 which completed on 8 November 2009, ahead of schedule by two months. The total capital layout of the overhaul per budget amounted to about RMB320 million. Despite the above mishaps, the performance of Northern Ring Road has basically been restored to the level for the same period of 2008.

Humen Bridge

The average daily toll traffic volume was 57,679 vehicles and the average daily toll revenue was RMB2,373,000, representing a decrease of 8.2 percent and 12.5 percent respectively, as compared with 2008.

Due to the as adverse effects resulted from the drop in imports and exports of China and economic transformation of the PRD since the end of 2008, traffic volume of Humen Bridge dropped markedly in the first half of 2009. However, with a bundle of government stimulating policies and favourable tax treatments on the purchase of low discharge passenger vehicles started to take effect from July 2009, sales of Category I vehicles rose sharply while sales of Category III passenger vehicles had been on stable growth. The average daily traffic volume through Humen Bridge dropped by 19.49 percent for the first quarter of 2009, dropped by 22.15 percent for the second quarter of 2009, rose by 1.36 percent for the third quarter of 2009, and rose by 13.26 percent for the fourth quarter of 2009, as compared with the corresponding periods of 2008. At present, we anticipate that traffic flows, turnover and profitability of Humen Bridge will restore to the level before the financial crisis with the improvement of the export sector.

Shantou Bay Bridge

The average daily toll traffic volume was 12,093 vehicles and average daily toll revenue was RMB467,000 in 2009, representing an increase of 3.2 percent and 5.0 percent respectively, as compared with 2008.

Benefiting from government policies to boost domestic demand and vehicle purchases, small vehicles, especially Category I vehicles, accounted for a higher share of traffic flow and toll revenue, which contributed to a sable performance of Shantou Bay Bridge. Since Shantou Bay Bridge is located at China's West-Strait Economic Zone in which Shantou City and the surrounding areas will enjoy constant and stable growth, the traffic volume of the bridge is also expected to maintain stable growth 2010.

Qinglian Expressway

Qinglian Expressway (the expressway section) recorded average daily toll traffic volume of 15,841 vehicles, and Qinglian Expressway (the 107 National Highway section) recorded average daily toll traffic volume of 13,212 vehicles, representing an increase of 17.9 percent as compared with 2008.

The main part (Fengtouling-Lianzhou section and Fengbu-Jingkou section) of expressway upgrade of Qinglian Project was completed and the expressway rates started to apply from 1 July 2009. The implementation of Toll-by-Weight since 1 November 2009 also helped to push up toll revenue. Qinglian Expressway (Liannan section) is currently under construction and is expected to open to traffic by the end of 2010, which will increase expressway toll mileage by 25 to 27 kilometers. In addition, Yilian Expressway connecting with this Project to the north is expected to open to traffic at the end of 2010, by then it will be able to attract the southbound traffic from Hunan Province on the heavy duty Jingzhu Expressway, hence achieving a higher utilization of transport capacity.

Expressways and bridges outside Guangdong Province

Xian Expressway

The average daily toll traffic volume was 38,444 vehicles and the average daily toll revenue was RMB504,000 in 2009, representing a decrease of 1.4 percent and 2.7 percent respectively as compared to 2008.

With effect from 6 November 2009, Shaanxi Provincial Government decided to prohibit truck entry for the whole section of Xitong Expressway on the Xian to Tongguan side with all entrances closed except Tongguan and Qindong entrances, so as to ensure the progress of reconstruction and expansion works and ease traffic congestion in the sections under construction of Xitong Expressway. Such measure cut the traffic volume of Xian Expressway by 30.0 percent as compared with the corresponding period of last year, and its effect is temporary. Certain sections of Huaqing Expressway which run parallel with Xian Expressway, have been open to traffic and started to collect tolls. However, its traffic splitting effect has not been proven so far.

Cangyu Expressway

The average daily toll traffic volume was 3,432 vehicles and the average daily toll revenue was RMB122,000 in 2009.The Group completed the acquisition of Cangyu Expressway in mid January 2009. For reference and comparison purposes, the average daily toll traffic volume and average daily toll revenue in 2009 increased by 337.5 percent and 796.1 percent respectively as compared to 2008.

The Company successfully acquired Cangyu Expressway on 19 January 2009. Benefiting from the establishment of the China-ASEAN Free Trade Area and reshuffle of industrial structure of the PRD whereby Guangxi Area will be the focus of industrial development, the integration of the economy of Guangxi Area with the economies of the nations in the region is greatly enhanced, underpinning the accelerated and smooth economic development of Guangxi Area. Moreover, we implemented a series of measures towards the operation of the expressway, such as improving the management system, enforcing rules and regulations, upgrading tolling facilities and monitoring system and introducing Toll-by-Weight Standards. We also enhanced job skill training on staff, emphasized human resources development, strengthened promotional activities and road maintenance. As a result of the above efforts, the toll traffic volume and toll revenue in 2009 increased significantly as compared with the same period of the previous year. The Guangwu Expressway made possible a full range expressway connection from Wuzhou to Guangzhou and effectively reduced the traveling time from over four hours to less than three hours. It is expected that the traffic volume of Guangxi Cangyu Expressway will also maintain a constant and stable growth in 2010.

Jinbao Expressway

The average daily toll traffic volume was 19,917 vehicles and the average daily toll revenue was RMB428,000 in 2009. The Group completed the acquisition of Jinbao Expressway in early December 2009. For reference and comparison purposes, the average daily toll traffic volume and average daily toll revenue in 2009 increased by 10.2 percent and 15.3 percent respectively as compared to 2008.

Jinbao Expressway is another project successfully acquired by the Company in 2009 following Guangxi Cangyu Expressway. Its acquisition was completed on 2 December 2009. The project was open to traffic in 2000. The Tianjin section starts from the exit of Tianjin Waihuan Lane (extended line of No. 3 Road Dingzi Gu Waihuan) to Hebei Province, covering 23.944 km. It is expected that this project will become a new profit source of the Company.

Class I highways inside Guangdong Province

Guangshen Highway, Guangshan Highway, Guangcong Highway Section II and Provincial Highway 355, Guanghua Highway

The average daily toll traffic volume of Guangshen Highway was 11,271 vehicles and the average daily toll revenue was RMB76,000 in 2009, representing a decrease of 18.1 percent and 16.3 percent respectively as compared with 2008.

The average daily toll traffic volume of Guangshan Highway was 14,848 vehicles and the average daily toll revenue was RMB145,000 in 2009, representing a decrease of 15.4 percent and 12.3 percent respectively as compared with 2008.

The average daily toll traffic volume of Guangcong Highway Section II and Provincial Highway 355 was 15,760 vehicles and the average daily toll revenue was RMB118,000 in 2009, representing a decrease of 1.0 percent and a slight increase of 0.5 percent respectively as compared with 2008.

The average daily toll traffic volume of Guanghua Highway was 7,492 vehicles and the average daily toll revenue was RMB63,000 in 2009, representing a decrease of 31.6 percent and 32.0 percent respectively as compared with 2008.

The four Class I Highways mentioned above are all located in Guangzhou city. Operating revenues have followed the gradual revival of the Country's economy in 2009. Operating revenues of the above four highways in the second half of 2009 increased by 12.59 percent as compared with the first half of the year. As to Class I Highways, average daily toll traffic volume in 2009 decreased by 23.94 percent in the first quarter, 21.46 percent in the second quarter, 10.88 percent in the third quarter and 2.47 percent in the forth quarter as compared to the corresponding periods of 2008. It is expected that toll revenues will rebound in 2010 by further strengthening operational control and management.

The management of the Group anticipated that the toll revenue of its Class I Highways will represent a smaller share to the total toll revenue of the Group due to the continuous investment in expressways.

Management Discussion and Analysis

The following discussion and analysis of the Group's financial condition and operating results should be read in conjunction with the Group's consolidated financial statements and accompanying notes.

FINANCIAL REVIEW

Operating Results Key Figures

	2009 HK$'000	2008 HK$'000	Change %
Revenue	**1,136,566**	1,014,486	12.0
Operating profit before impairment losses on intangible operating rights	**649,515**	580,574	11.9
Net loss from jointly controlled entity	**(11,667)**	(19,816)	-41.1
Net contributions from associates	**237,422**	301,679	-21.3
Finance costs	**(66,686)**	(77,179)	-13.6
Income tax	**(94,810)**	(88,030)	7.7
Profit attributable to equity holders of the Company	**434,241**	607,533	-28.5
Basic earnings per share	**HK$0.26**	HK$0.363	-28.5
Dividends	**267,706**	267,706	

Analysis of operating results

Revenue

The Group reported its 2009 revenue of approximately HK$1.14 billion, increased by 12.0 percent over 2008. The revenue growth from GNSR Expressway (29.0 percent) and revenue from the newly acquired Cangyu Expressway (approximately HK$48.5 million) and Jinbao Expressway (approximately HK$13.3 million) have collectively offset the loss in revenue caused by the cessation of toll operating rights in Guangcong Highway I and Xiang Jiang Bridge II since 1 January 2009.

The overall improvement in traffic flow in the second half of 2009 and the additional revenue from the newly acquired Jinbao Expressway (HK$13.3 million) in December 2009 has led to a 24.2 percent growth in the overall revenue for the second half of 2009 of approximately HK$629.7 million as compared with the revenue for the first half of 2009 of approximately HK$506.9 million. With the Group's existing toll highways and bridges alone (i.e. excluding revenue from Jinbao Expressway which was acquired in December 2009), revenue in the second half of 2009 was 21.6 percent higher than the first half of 2009.

Revenue structure and proportion

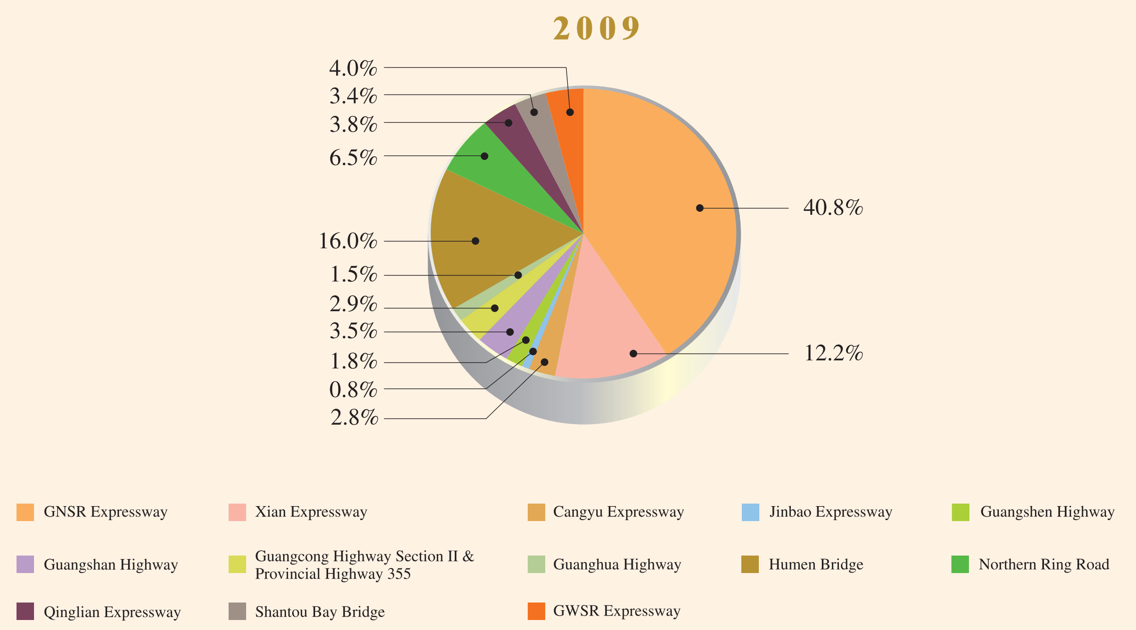
	Road type	Revenue for the year ended 31 December 2009 (HK$'000)	Proportion to total toll portfolio %	Change %
Subsidiaries				
GNSR Expressway	Expressway	699,206	40.8	29.0
Xian Expressway	Expressway	208,888	12.2	0.2
Cangyu Expressway[(1)]	Expressway	48,454	2.8	N/A
Jinbao Expressway[(2)]	Expressway	13,294	0.8	N/A
Guangshen Highway	Class I Highway	31,551	1.8	-13.8
Guangshan Highway	Class I Highway	60,215	3.5	-9.7
Guangcong Highway Section II & Provincial Highway 355	Class I Highway	48,925	2.9	3.5
Guanghua Highway	Class I Highway	26,033	1.5	-30.0
Total revenue of subsidiaries		1,136,566		12.0
Associates & Jointly Controlled Entity (attributable to the Group)				
Humen Bridge	Suspension Bridge	273,290	16.0	-9.9
Northern Ring Road	Expressway	110,625	6.5	-28.9
Qinglian Expressway	Expressway	65,081	3.8	250.3
Shantou Bay Bridge	Suspension Bridge	58,103	3.4	8.1
GWSR Expressway	Expressway	68,336	4.0	60.9
Total attributable revenue of associates & jointly controlled entity		575,435		0.3
Total revenue of the Group's toll portfolio		1,712,001	100.0	

(1) The acquisition of Cangyu Expressway was completed in mid-January 2009. For comparison purpose, revenue for 2009 was about 793.7 percent higher than the revenue for 2008.

(2) The acquisition of Jinbao Expressway was completed in early December 2009. For comparison purpose, revenue for 2009 grew by 15.0 percent as compared to 2008.

(3) Toll collection of Guangcong Highway Section I and toll collection of Xiang Jiang Bridge II ceased on 1 January 2009.

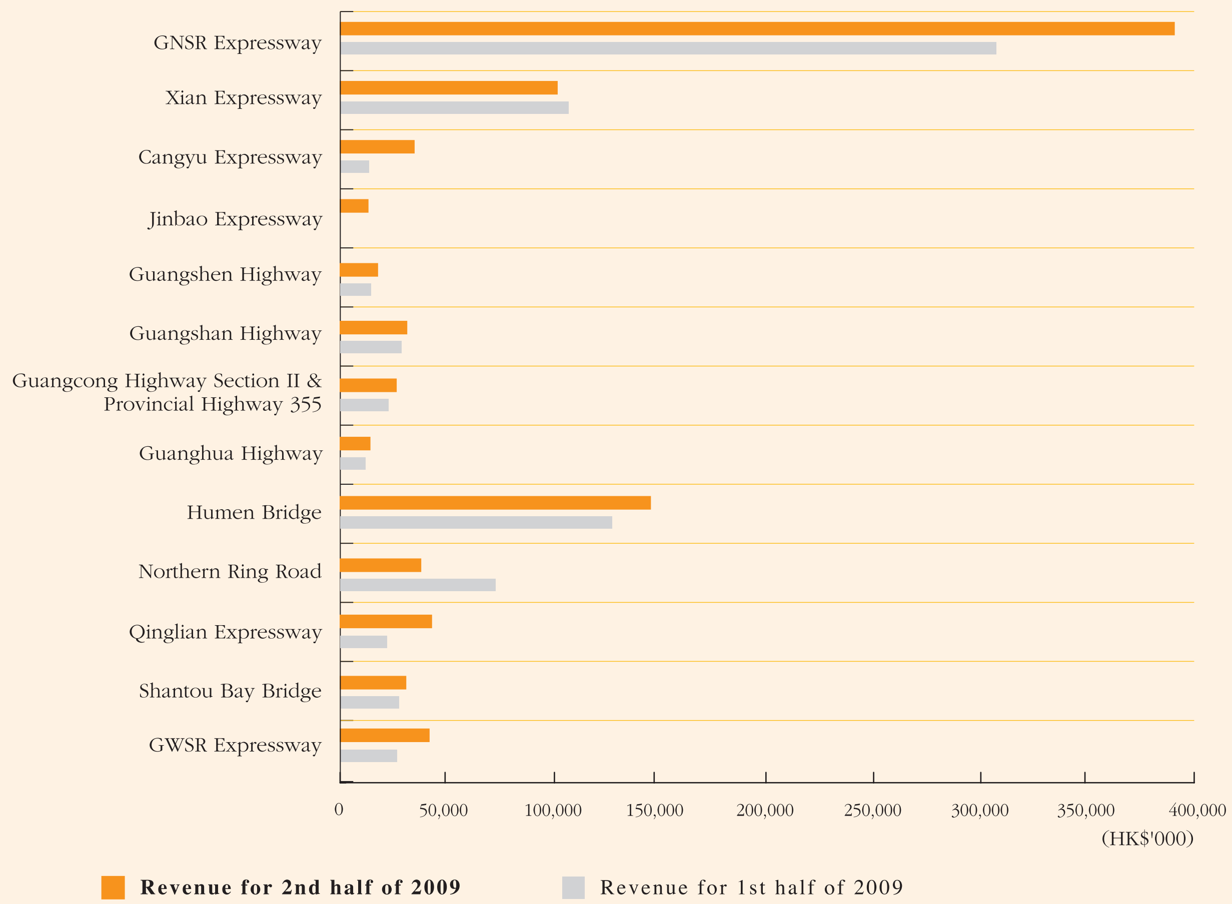
Revenue proportion to total toll portfolio



Revenue comparison between First half of 2009 and Second half of 2009

	Revenue for 2nd half of 2009 (HK$'000)	Revenue for 1st half of 2009 (HK$'000)	2nd half of 2009 Vs 1st half of 2009 Change %
Subsidiaries			
GNSR Expressway	391,519	307,687	27.3
Xian Expressway	101,772	107,116	-5.0
Cangyu Expressway	34,700	13,754	152.3
Jinbao Expressway	13,294	—	N/A
Guangshen Highway	17,258	14,293	20.7
Guangshan Highway	31,170	29,045	7.3
Guangcong Highway Section II & Provincial Highway 355	26,071	22,854	14.1
Guanghua Highway	13,924	12,109	15.0
Total revenue of subsidiaries	629,708	506,858	24.2
Associates & Jointly Controlled Entity (attributable to the Group)			
Humen Bridge	145,602	127,688	14.0
Northern Ring Road	37,829	72,796	-48.0
Qinglian Expressway	42,856	22,225	92.8
Shantou Bay Bridge	30,554	27,549	10.9
GWSR Expressway	41,622	26,714	55.8
Total attributable revenue of associates and jointly controlled entity	298,463	276,972	7.8

Revenue comparison between First half of 2009 and Second half of 2009



Construction income and construction costs of toll highways and bridges

During year 2009, the Group recognized construction income of approximately HK$21.5 million and costs of approximately HK$21.5 million associated with upgrade services provided under the services concession arrangements for GNSR Expressway in accordance with the relevant requirements of HK(IFRIC) Int-12. The Group did not recognized profit from the aforementioned upgrade services.

Other gains – net

Other gains – net in 2009 included an one off gain on disposal of an intangible operating right of approximately HK$66.0 million and a waiver of bank loan interest expense of approximately HK$15.5 million; leading other gains – net in 2009 to increase by 146.4 percent to HK$85.7 million from HK$34.8 million in 2008.

Operating and administrative expenses

Amortisation of intangible operating rights

Amortisation of intangible operating rights has increased by HK$54.9 million to HK$218.7 million in 2009, represented 33.6 percent over 2008. First of all, the increase was mainly due to the impact in relation to the adoption of HK(IFRIC) Int-12 in 2008 which has an effect of reducing the amortization expense provided for that year. Secondly, additional amortization expenses were required to be provided in respect of upgraded service costs capitalized to certain existing intangible operating rights. Thirdly, amortisation of intangible operating rights from newly acquired Cangyu Expressway and Jinbao Expressway has also added to the total increase.

Staff costs

With the drop in profit attributable to equity holders, the discretionary bonus of directors was also reduced by HK$5.2 million accordingly in 2009. However, overall staff costs in 2009 has shown a 14.8 percent increase as compared to 2008, the main reasons of which were: firstly, staff costs incurred by the newly acquired Cangyu Expressway and Jinbao Expressway; secondly, basic salary, bonus and staff welfare have been adjusted upwards especially in those performing subsidiaries such as GNSR Expressway Co., Ltd. ("GNSR Expressway Co."); thirdly, additional headcounts across different levels have been recruited to prepare for the expansion of the Group; and lastly redundancy costs incurred in respect of those toll stations ceased operation.

Maintenance expenses of toll highways and bridges

While there were increases in toll highways and bridges maintenance expenses recorded in the 2009 income statements of Xian Expressway and the newly acquired Cangyu Expressway (increment of approximately HK$8.7 million and HK$5.4 million); conversely, GNSR Expressway has reflected a decline in maintenance expenses of approximately HK$29.2 million in its 2009 income statement. The offsetting effect has led to a drop in the overall maintenance expenses of toll highways and bridges from approximately HK$92.9 million in 2008 to approximately HK$79.2 million in 2009.

Other operating expenses of toll highways and bridges

Other operating expenses of toll highways and bridges for 2009 have increased by approximately HK$11.9 million as compared to 2008. The increase was mainly attributable to the finalisation of certain operating expenses in relation to prior years with the service provider of approximately HK$16.7 million in 2009.

Other miscellaneous expenses

Other miscellaneous expenses increased by HK$21.7 million or 75.7 percent to HK$50.3 million in 2009. With new acquisitions in 2009, the Group has incurred higher legal and professional fees than 2008. Depreciation of other fixed assets related to the newly acquired subsidiaries in 2009 and no recurrence in 2009 of the write back of certain expense over-provision were also main reasons to the increase.

Loss for the year of disposal group

Guangcong Highway Section I, held by Guangzhou Taihe Highways Development Company Limited ("Taihe Highways Limited") was closed down since January 2009. The loss for the year of disposal group of approximately HK$11.2 million represented the administrative expenses of Taihe Highways Limited, mainly redundancy costs incurred for the year ended 31 December 2009.

Impairment losses on intangible operating rights

The Group has recorded impairment losses of approximately HK$172.5 million (HK$119.7 million if net of minority interest) in the first half of 2009 in respect of Class I highways, whose profit contribution (before impairment losses) in aggregate only represented approximately 6.1 percent of the total profit (before impairment losses) attributable to equity holders of the Company. No impairment indicators have existed in the second half of 2009.

Share of loss of a jointly controlled entity

Stepping into its third year of operation, the operating loss of GWSR Expressway Co., Ltd. ("GWSR Expressway Co.") in 2009 continued to narrow down to HK$11.7 million, an improvement of 41.1 percent.

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

The overall net contributions from the Group's associates dropped 21.3 percent in 2009 amounted to HK$237.4 million as compared to 2008. Contributions from Humen Bridge and Northern Ring Road decreased by 6.0 percent and 48.4 percent respectively in 2009 to HK$188.9 million and HK$37.3 million. With the slowdown of the economic growth in the entire Pearl River Delta Region, toll revenue apparently slowed down since the second half of 2008 to the first half of 2009. Toll revenue has rebounded in the second half of 2009 for Humen Bridge; hence, share of profit of Humen Bridge for the second half of 2009 was higher than the first half by 11.7 percent. Northern Ring Road's toll collection was affected by the overhaul made in the second half of 2009 although the negative impact was lesser than originally forecasted. Since 1 July 2009, Qinglian Expressway commenced its toll collection, while toll revenue has increased substantially by 250.3 percent year on year but with the borrowing costs no longer qualified for capitalization since then, the borrowing costs are recognised in income statement of Qinglian Expressway, and reflected a decrease in share of result of this associate. The results of Qinglian Expressway attributable to the Group showed a loss of approximately HK$18.1 million. Shantou Bay Bridge increased slightly by 2.9 percent which was mainly affected by the "Green Channel" policy commencing 2008, leading to a slower toll revenue growth.

Finance costs

Finance costs for 2009 amounted to HK$66.7 million which was 13.6 percent lower than 2008. Finance costs in respect of bank loan interests have increased by approximately HK$8.2 million over 2008 mainly due to bank loan interests from the newly acquired Cangyu Expressway and Jinbao Expressway. Finance costs in respect of minority shareholders' loan interests have decreased by approximately HK$18.7 million over 2008, of which approximately HK$10.3 million was due to the loan restructuring made in 2009.

Income tax

Total income tax (representing current income tax and deferred income tax) in 2009 amounted to HK$94.8 million, representing a 7.7 percent increase over 2008. With the implementation of the New Corporate Income Tax Law ("CITL") of the PRC, PRC joint ventures are required to withhold the income tax upon distributions to non-resident shareholders in respect of profits from 2008 onwards. In this connection, the 2009 deferred income tax has included a provision for withholding tax on distributable dividends of approximately HK$45.8 million (in 2008, being the first year of the implementation of the New CITL, provision of withholding tax to the extent of the Group's intended 2008 distributable dividends amounted to approximately HK$29.9 million was made). Looking into the current income tax, while the overall PRC taxable income level in 2009 was comparatively lower than 2008, however, income tax rate applicable to the Group's PRC subsidiaries and associates in 2009 has increased to 20.0 percent (2008: 18.0 percent) under the 5 year transition period provided by the New CITL of the PRC. Moreover, year 2009 was the first taxable year of GNSR Expressway Co., and its enterprise income tax incurred in 2009 amounted to approximately HK$42.5 million.

Profit attributable to equity holders of the Company

The Group reported its profit attributable to equity holders for 2009 of approximately HK$434.2 million, a drop of 28.5 percent over 2008. In the first half of 2009 impairment losses were provided on intangible operating rights of certain Class I highways amounted to approximately HK$172.5 million (HK$119.7 million if net of minority interest). With the improving toll traffic in the second half of 2009, both revenue and profit for the second half of 2009 have rebounded by double digits as compared to the first half figures. Accordingly, no impairment assessment was necessary in the second half of 2009 as the directors did not aware of any impairment indicators existed during the period. On the operation side, net contributions from Xian Expressway and associates (profits and interest income in aggregate) declined about 37.3 percent and 21.3 percent respectively or by approximately HK$46.9 million and HK$64.3 million respectively over 2008, the reasons of which were: Xian Expressway's revenue was affected from traffic restriction on trucks due to construction work in progress of a parallel road in the fourth quarter of 2009; the impact of financial tsunami in the first half of 2009 to Humen Bridge; the major overhaul of Northern Ring Road in the second half of 2009; and the commencement of Qinglian Expressway's toll collection in second half of 2009 leading to all related borrowing costs no longer qualified for capitalization. The up sides of the Group's 2009 profit were profit contributions from newly acquired Cangyu Expressway and Jinbao Expressway, both have contributed approximately HK$14.8 million and HK$5.2 million respectively to the Group in 2009. Profit from GNSR Expressway grew 47.5 percent to approximately HK$230.6 million while the Group's jointly controlled entity GWSR Expressway has improved by 41.1 percent with its 2009 loss attributable to the Group being narrowed down to approximately HK11.7 million from the 2008 loss of approximately HK$19.8 million.

In light of the improvement of the economy in the second half of 2009 and that no further impairment losses were required to be provided, the overall profit attributable to equity holders in the second half of 2009 amounted to approximately HK$258.0 million as compared to HK$176.3 million in the first half of 2009, represented an improvement of 46.4 percent.

Final dividend

The Directors recommended the payment of final dividend of HK$0.12 (2008: HK$0.08) per share payable to shareholders whose names appeared on the register of members of the Company on 1 June 2010. Subject to the approval of shareholders at the Annual General Meeting to be held on 1 June 2010, the final dividend will be paid on 9 June 2010. Together with the interim dividend of HK$0.04 (2008: HK$0.08) per share, total dividends for the year ended 31 December 2009 will amount to HK$0.16 (2008: HK$0.16) per share, representing a dividend payout ratio of 61.5 percent (2008: 44.1 percent).

Financial Position Key Figures

	As at 31 December		
	2009 HK$'000	2008 HK$'000	Change %
Non-current assets	11,167,251	9,728,456	14.8
Non-current liabilities	2,463,548	1,795,386	37.2
Cash and cash equivalents	2,219,464	2,378,898	-6.7
Total borrowings	1,747,689	1,114,943	56.8
Bank borrowings	1,300,965	759,723	71.2
Current ratio (excluded assets held for sale)	4.0 times	8.0 times	
Interest coverage	15.0 times	15.0 times	
Capital and reserves attributable to the Company's equity holders	8,650,316	8,399,710	3.0

Non-current assets

The Group is principally engaged in investment in and development, operation and management of toll highways and bridges. The non-current assets are mainly intangible operating rights in toll expressways and bridges. As at 31 December 2009, non-current assets related to the PRC subsidiary holding Guangcong Highway I amounted to approximately HK$289.2 million was reclassified to "assets held for sale" leaving the Group's non-current assets balance amounting to HK$11.2 billion, which was 14.8 percent higher than the figure as at 31 December 2008. Such increase was mainly derived from two new acquisitions; namely, 90.0 percent equity interest of Cangyu Expressway Co., Ltd. ("Cangyu Expressway Co.") in mid January 2009 and 60.0 percent equity interest of the three PRC companies jointly hold Tianjin Jinbao Expressway (collectively called "Jinbao Company") in early December 2009.

Non-current liabilities

As at 31 December 2009, the Group's non-current liabilities increased by 37.2 percent to HK$2.5 billion. Non-current liabilities of the Group included long term borrowings (i.e. maturity beyond one year) of HK$1.39 billion (31 December 2008: HK$978.9 million) and deferred income tax liabilities of HK$1.07 billion (31 December 2008: HK$816.5 million).

Long term borrowings included long term bank borrowings of approximately HK$945.5 million (31 December 2008: HK$623.7 million) and loans from minority shareholders of subsidiaries of HK$446.7 million (31 December 2008: HK$355.2 million) which are all denominated in Rmb. The increase in long term bank borrowings was mainly due to bank loan (long term portion) from the newly acquired Cangyu Expressway Co. of approximately HK$440.1 million and Jinbao Company of approximately of HK$153.3 million. There was increase in the loans from minority shareholders of subsidiaries. While there was a loan from a minority shareholder of the subsidiary holding Xiang Jiang Bridge II written off in the first half of 2009, the newly acquired Jinbao Company has brought in an amount due to minority shareholder of approximately HK$105.0 million.

The increase in deferred income tax liabilities at 31 December 2009 was mainly due to the 2009 provision as well as to deferred tax liabilities which arose from fair value adjustments recognised in the acquisitions of Cangyu Expressway Co. and Jinbao Company of approximately HK$38.3 million and HK$201.0 million respectively.

Cash flows

The Group's cash and cash equivalents as at 31 December 2009 amounted to approximately HK$2.2 billion which was 6.7 percent lower than the level at 31 December 2008.

Analyses of cash and cash equivalents movements for the year ended 31 December 2009 and 2008 are summarized below:

	2009 HK$'000	2008 HK$'000
Net cash generated from operating activities	632,597	581,157
Net cash (used in)/generated from investing activities	(360,458)	21,630
Net cash used in financing activities	(420,310)	(534,886)
Net (decrease)/increase in cash and cash equivalents	(148,171)	67,901
Cash and cash equivalents at 1 January	2,378,898	2,293,016
Effect of foreign exchange rate changes	(24)	17,981
Cash and cash equivalents at 31 December	2,230,703	2,378,898
Less: Cash and cash equivalents classified as assets held for sale	(11,239)	
Cash and cash equivalents in the consolidated balance sheet	2,219,464	

Net cash generated from operating activities during the year ended 31 December 2009 amounted to approximately HK$632.6 million (2008: HK$581.2 million) which was after deduction of interest expenses of approximately HK$88.5 million (2008: HK$73.6 million) and China enterprise income tax of approximately HK$70.9 million (2008: HK$40.9 million).

Net cash used in investing activities during the year ended 31 December 2009 amounted to approximately HK$360.5 million (2008: net cash generated HK$21.6 million). On the outflow side, approximately HK$731.2 million (2008: HK$253.1 million) was attributable to capital expenditures. The inflow side mainly include, investment returns from associates amounted to approximately HK$321.8 million (2008: HK$223.8 million); bank interest income amounted to approximately HK$27.6 million (2008: HK$51.0 million); and proceeds from Xiang Jiang Bridge II's compensation receivable of approximately HK$18.8 million.

Net cash used in financing activities during the year ended 31 December 2009 amounted to approximately HK$420.3 million (2008: HK$534.9 million). Apart from the initial bank loan of approximately HK$431.6 million brought into the Group upon the acquisition of Cangyu Expressway Co., new bank loans drawn by Cangyu Expressway Co. after acquisition by the Group amounted to approximately HK$15.8 million. Acquisition of Jinbao Company has also brought in bank loan of approximately HK$228.3 million but no new bank loans have been drawn afterward. Cash used in financing activities were mainly repayments of bank loans amounted to approximately HK$143.1 million (2008: HK$225.5 million); investment returns to minority shareholders of subsidiaries of approximately HK$92.2 million (2008: HK$45.9 million); and dividends paid of HK$200.8 million (2008: HK$263.5 million).

Current ratio (excluded assets held for sale)

The current ratio (current assets over current liabilities) as at 31 December 2009 was 4.0 times (2008: 8.0 times). Cash and cash equivalents are the major components of the Group's current assets. Included in the Group's current liabilities as at 31 December 2009 was a current portion of a long term bank borrowing (i.e. maturity within one year) of approximately HK$355.5 million (2008: HK$136.1 million). In the opinion of the management, with such a large amount of cash holding by the Group coupled with a stable stream of operating cash flow and steady cash return from investments, liquidity risk is not an immediate issue.

Interest coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cashflow effect). The interest coverage ratios calculated for the two years ended 31 December 2009 and 2008 were at similar level of 15.0 times.

Capital expenditures and investments

Two major acquisitions were completed in 2009, the first one was the acquisition of a 90.0 percent equity interest in Cangyu Expressway Co. that was completed in mid January 2009 with relevant capital expenditure of approximately HK$195.2 million and the second was the acquisition of 60.0 percent equity interest in Jinbao Company amounted to approximately HK$375.9 million (2008: balance consideration paid for the acquisition of additional 2.78 percent equity interest in Humen Bridge Co. of HK$193.5 million apart from the deposit paid in late 2007 of approximately HK$17.4 million). During 2009, balance of the capital injection into GWSR Expressway Co. of approximately HK$71.6 million was paid (2008: HK$47.6 million). As part of the disposal arrangement of Guangcong Highway Section I, a total of approximately HK$51.7 million was initially paid as a deposit for acquisition of the additional equity interests in two existing subsidiaries of the Group. Additions to interests in toll highways and bridges (upgraded services) and other fixed assets during 2009 amounted to HK$36.8 million (2008: HK$11.1 million).

Capital structures

	2009 HK$'000	2008 HK$'000
Bank borrowings	1,300,965	759,723
Loans from a minority shareholder of subsidiaries	446,724	355,220
Total borrowings	1,747,689	1,114,943
Capital and reserves attributable to Company's equity holders	8,650,316	8,399,710
Total capitalization	10,398,005	9,514,653
Gross gearing ratio (total borrowings/total capitalization)	16.8%	11.7%

Bank borrowings of the Group as at 31 December 2009 amounted to approximately HK$1.3 billion which are RMB floating rate loans obtained in Mainland China and were secured by way of pledge of the respective toll collection rights of subsidiaries holding the toll expressways. About 27.3 percent of total bank borrowings amounted to approximately HK$355.5 million are repayable within one year and about 72.7 percent or approximately HK$945.5 million are long term. The effective interest rate of these bank borrowings as at 31 December 2009 was 6.49 percent per annum.

Loans from minority shareholders are part of the original capital contributions made by minority shareholders in respect of their respective equity shareholdings in certain subsidiaries in accordance with the terms of the relevant joint venture agreements to set up those subsidiaries. These loans are unsecured and denominated in RMB. During 2009, a loan amounted to approximately HK$15.5 million was waived by a minority shareholder. Among the minority shareholders' loans, except for one in the amount of approximately HK$146.5 million was bearing interest, the rest were interest-free loans stated at fair values. The acquisition of Jinbao Company has brought in a non-interest bearing amount due to minority interest with its fair value of approximately HK$105.0 million.

As at 31 December 2009, the capital and reserves attributable to the Company's equity holders amounted to HK$8.7 billion which accounted for 83.2 percent of the Group's total capitalisation. As at 31 December 2008, the capital and reserves attributable to the Company's equity holders amounted to HK$8.4 billion being 88.3 percent of the Group's total capitalisation. Capital and reserves attributable to the Company's equity holders as at 31 December 2009 was 3.0 percent higher than the figure as at 31 December 2008 which was due to the increase in net profit retained for the year after appropriation of 2008 final dividend and 2009 interim dividend.

TREASURY POLICIES

The Group's treasury policies have primarily been focused on preventing risk and enhancing liquidity. Cash is managed conservatively and investments and utilization of financial products are evaluated thoroughly.

The Group's businesses are principally conducted in the PRC. All of its revenue is derived from the PRC and denominated in RMB. At the same time, most of its expenses are incurred in the PRC and denominated in RMB, except that certain fund-raising exercises are conducted in Hong Kong. As a result, there is a natural and high degree of match between the Group's revenue and expenses in terms of currency.

As of 31 December 2009, a substantial portion of the Group's cash and cash equivalents, which was mainly derived from an open offer conducted in August 2007, sat in Hong Kong and amounted to approximately HK$1.64 billion of cash. The open offer was undertaken in anticipation of aggressive asset investments in the following years at the time. In light of escalating asset prices fuelled by ample liquidity following the open offer, the Group decided to adopt a more conservative approach in evaluating investment opportunities. At the same time, the Group was prudent in managing the cash balance and steered clear of exotic financial products despite the high cash level. As a result, the Group managed to escape the bloodbath of the financial crisis that started to unravel in 2008.

Now that the financial crisis has started to subside and the markets are stabilizing, the Group, armed with abundant internal liquidity and a very low leverage level, is prepared to be more aggressive in deploying its internal cash in search of attractive investment opportunities in its core businesses. However, before the internal cash can be fully and satisfactorily deployed, there exists a risk to its value, given that the Group's functional currency has now been switched to RMB. The Group's cash sitting in Hong Kong and denominated in HKD will lose value if RMB appreciates and vice versa. The Group is of the view that the risk of RMB appreciating in value relative to USD and thus HKD in 2010 and possibly beyond is tangible. Therefore, the Group is now actively looking to adopt hedging strategies to neutralize the risk of the movement of RMB and its impact on the Group's financial performance.

All of the Group's borrowings are incurred in the PRC. At the moment, the Group considers the risk of re-financing and interest rate risk to be minimal. As the Group continues to develop and venues of financing grow, management of such risk will become more critical.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has no material capital commitments and significant contingent liabilities as at 31 December 2009.

EMPLOYEES

As at 31 December 2009, the Group had approximately 1,401 employees of which about 1,162 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which would award its employees according to the performance of the Group and individual employees.

POST BALANCE SHEET EVENT

On 25 September 2009, the Company's wholly owned subsidiary, Choice Tone Limited ("Choice Tone"), entered into a Deed of Sale and Purchase (the "Deed"), with, among others, Glorious Sun (Highway Development) Limited (the "Vendor") to acquire a 60.0 percent equity interest in each of three PRC companies that operate the Tianjin section of Jinbao Expressway for a consideration of RMB340,000,000. Details of the transaction were contained in the Company's announcement dated 25 September 2009.

The transaction was completed on 2 December 2009. On 8 March 2010, the Board was notified that a writ of summons (the "Writ") was issued by the Vendor against Choice Tone alleging that Choice Tone was indebted to the Vendor for the sum of RMB3,545,053.92 pursuant to the Deed. As Choice Tone has not received any statement of claim, the Board is not able to comment on the merits of the claim by the Vendor. On the other hand, the Company and the Directors are of the view that Choice Tone has not breached the terms and conditions of the Deed and deny that Choice Tone is indebted to the Vendor for the claimed amount pursuant to the Deed. The Board is currently seeking legal advice regarding this proceeding and reserves the right to claim against the Vendor for any damages incurred regarding the claim.

Directors' Profiles

Executive Directors

Mr Zhang Zhaoxing, aged 46, was appointed executive director and Chairman of the Company on 31 July 2008. He is also a vice chairman and general manager of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the ultimate holding company of the Company, and a vice chairman and general manager of Yuexiu Property Company Limited (formerly known as ("Guangzhou Investment Company Limited"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Chairman of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange.

Mr Li Xinmin, aged 58, was appointed executive director of the Company on 19 June 2001. He is also the Deputy Chairman and General Manager of the Company. Mr Li has over 30 years of experience in highway construction and management. He had held positions including department head of the maintenance engineering division of transport authority in China and was the general manager of the GNSR Expressway Co. From March 2004 to April 2005, Mr Li was general manager of the Company.

Mr Liang Ningguang, aged 56, was appointed executive director of the Company on 25 September 1996. He is also a director and a vice chairman of Yue Xiu. Mr Liang graduated from the Central Television University in China majoring in finance and obtained a Master Degree in business administration from the Murdoch University in Australia. He is also a member of the Chinese Institute of Certified Public Accountants and a senior accountant in China. He is the Chairman, an executive director and also a responsible officer of GZI REIT Asset Management Limited, a company licensed by The Securities and Futures Commission to conduct the regulated activity of asset management and the manager of GZI Real Estate Investment Trust, a collective investment scheme listed on the Stock Exchange. Mr Liang is a responsible officer licensed under the Securities and Futures Ordinance of Hong Kong to carry on regulated activities types 1, 4 and 9. He was previously a deputy director of the Guangzhou Municipal Taxation Bureau and had over 20 years of experience in finance and management prior to joining Yue Xiu in 1989.

Mr Liu Yongjie, aged 52, was appointed executive director of the Company on 14 August 2009.He is also a deputy general manager of Yue Xiu. He graduated from the University of Hubei (formerly known as Wuhan Teachers' College) in China and obtained an Executive Master degree of Business Administration from Honolulu University. Before joining Yue Xiu in 2005, Mr Liu was a director and deputy general manager of Guangzhou City Construction & Development Co. Ltd., and was responsible for strategic planning in property development, property management, promotional campaigns, asset acquisition and asset enhancement. Mr Liu has more than 15 years of experience in property investment, project planning and management. He had been an assistant to the director of, and a research fellow in economic studies in, the Economic Research Centre in Guangzhou. Mr Liu is an executive director and chief executive officer of GZI REIT Asset Management Limited. He is a responsible officer licensed under the Securities and Futures Ordinance of Hong Kong to carry on regulated activities type 9.

Mr Qian Shangning, aged 47, was appointed executive director on 12 April 2007. He is also the Senior Deputy General Manager of the Company. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Guangzhou in Legal Studies. Mr Qian also holds an Executive Master of Business Administration degree awarded by South China University of Technology. Between 1998 to 2001, Mr Qian had been a senior management member of GNSR Expressway Co. Mr Qian has 27 years of experience in highway construction and is a senior engineer in China.

Mr Wang Shuhui, aged 38, was appointed executive director of the Company on 3 November 2009. He is the general manager of development, planning and co-operation department of Yue Xiu and is mainly responsible for the formulation and dynamic management of the group's development strategy and the feasibility study of major investment projects. Mr Wang graduated from the School of Finance of the Southwestern University of Finance and Economics and holds a master degree in monetary economics and banking and an economist qualification from Jinan University. Before he joined Yue Xiu in May 2006, Mr Wang had over 13 years of experience in Guangzhou Securities Co., Ltd. and had held senior management positions (including the project manager of the securities issuance consultancy department, manager of the research and development department, director of the office of the CEO, general manager of the human resource department and the assistant to the CEO, board secretary, vice president) in such company. Mr Wang has solid knowledge and extensive professional experiences in financial industry and is familiar with the practice in the financial markets of Mainland China and the practice of listed company business operation.

Independent Non-executive Directors

Mr Fung Ka Pun, aged 64, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the vice chairman of CIAM Group Limited (formerly known as E2-Capital (Holdings) Limited), a company listed on the Stock Exchange. He is also the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, Denway Motors Limited, a non-executive director of China SCE Property Holdings Limited and deputy chairman and an independent non-executive director of Samling Global Limited. The shares of the companies mentioned above are listed on the Stock Exchange. He is also an independent non-executive director of Lei Shing Hong Limited which shares were delisted on 17 March 2008.

Mr Lau Hon Chuen, GBS, JP, **alias Ambrose Lau**, aged 62, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited, Glorious Sun Enterprises Limited, Yuexiu Property Company Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr Cheung Doi Shu, aged 48, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors. He is also an independent non-executive director of Denway Motors Limited, a company listed on the Stock Exchange.

Corporate Governance Report

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

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

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

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

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

The key corporate governance principles and practices of the Company are summarised below.

THE BOARD

Responsibilities

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

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

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For a list of directors during the year ended 31 December 2009 and their respective profiles, please refer to the Directors' Profiles and page 48 of the Report of the Directors.

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

During the year ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Appointment and Succession Planning of Directors

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

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

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

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

In accordance with the Company's Bye-Laws, all directors of the Company are subject to retirement by rotation at least once every three years.

Training for Directors

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

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

Board Meetings

Number of Meetings and Directors' Attendance

In year 2009, the Board held 12 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2009**
Executive directors	
Zhang Zhaoxing	12/12
Li Xinmin	12/12
Liang Ningguang	12/12
Liu Yongjie[1]	9/9
Qian Shangning	12/12
Liang Yi[3]	8/8
Cai Tielong[3]	6/8
Chen Guanzhan[3]	7/8
Yuan Hongping[3]	5/8
He Zili[2]	3/4
Zhang Siyuan[3]	6/8
Luo Jinbiao[3]	4/8
Zhang Huping[3]	6/8
Wang Shuhui[4]	4/4
Independent Non-executive directors	
Fung Ka Pun	10/12
Lau Hon Chuen Ambrose	11/12
Cheung Doi Shu	12/12

Note:

1. Appointed with effect from 14 August 2009

2. Resigned with effect from 14 August 2009

3. Resigned with effect from 3 November 2009

4. Appointed with effect from 3 November 2009

Practices and Conduct of Meetings

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The position of the Chairman is held by Mr Zhang Zhaoxing while the position of General Manager is held by Mr Li Xinmin.

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2009 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	**Attendance of Audit Committee meetings in 2009**
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

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

The Company's annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

Remuneration Committee

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

The Remuneration Committee met once on 15 March 2010 (with all three members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

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

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2009.

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

During the year ended 31 December 2009, the remuneration paid to the external auditors of the Company in respect of audit related services amounted to HK$2,284,500 and non-audit services fees amounted to HK$484,900 have been incurred.

INTERNAL CONTROLS

The Board is responsible for the establishment of the internal control system of the Company and for review, through its audit committee, of the effectiveness of the system.

The internal control system of the Company is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage risks and to safeguard the assets of the Company against loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

The Company's internal control system is operated through segregation of duties (e.g. between toll collecting staff and supervision staff), staff management, budget management, toll collection audit, financial accounting system controls, repairs and maintenance project management and so forth. Apart from periodic review by senior management including financial controllers designated by the Company to each major operation, internal audit department of the Company or audit groups of each major toll road operation were responsible for inspecting and assessing the performance of such operation. In financial accounting system control, the Company has adopted relevant procedures including strict compliance with approval procedures, proper safekeeping of fixed assets, verification and maintenance of accounting records, so as to ensure financial information, whether applied in operation or for public disclosure purposes, are reliable.

The Board has reviewed the internal control system of the Company and considered it to be effective and did not note any material deviation during the Reporting Year.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

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

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

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

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

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 56.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2009:

	HK$'000
Interim dividend of HK$0.04 per share paid on 22 October 2009	66,926
Proposed final dividend of HK$0.12 per share	200,780
	267,706

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2010 to Tuesday, 1 June 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 24 May 2010.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable donations totalling HK$10,000 to charitable organisation for charitable purpose.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2009	2008	2007	2006	2005
			(Restated)		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to equity holders of the Company	**434,241**	607,533	491,915	461,157	305,898
Assets and liabilities					
Total assets	**13,802,723**	12,149,853	11,320,312	4,947,235	4,631,092
Total liabilities	**(3,057,502)**	(2,097,476)	(2,139,395)	(526,100)	(633,422)
	10,745,221	10,052,377	9,180,917	4,421,135	3,997,670

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2009 are set out in note 41 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the distributable reserves of the Company available for distribution amounted to HK$2,540,093,000 (2008: HK$2,547,806,000).

DIRECTORS

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

Executive directors

Mr Zhang Zhaoxing	
Mr Li Xinmin	
Mr Liang Ningguang	
Mr Liu Yongjie	(appointed on 14 August 2009)
Mr Qian Shangning	
Mr. Wang Shuhui	(appointed on 3 November 2009)
Mr Liang Yi	(resigned on 3 November 2009)
Mr Cai Tielong	(resigned on 3 November 2009)
Mr Chen Guanzhan	(resigned on 3 November 2009)
Ms Yuan Hongping	(resigned on 3 November 2009)
Mr He Zili	(resigned on 14 August 2009)
Mr Zhang Siyuan	(resigned on 3 November 2009)
Mr Luo Jinbiao	(resigned on 3 November 2009)
Mr Zhang Huping	(resigned on 3 November 2009)

Independent Non-executive directors

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

The Directors' Profiles are set out on pages 38 to 39.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Li Xinmin, Qian Shangning and Lau Hon Chuen Ambrose retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Messrs Liu Yongjie and Wang Shuhui retire in accordance with Bye-Law 102 of the Company's Bye-Laws and, being eligible, offer themselves for re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

The independent non-executive directors of the Company received HK$540,000 as Directors' fees for the year ended 31 December 2009.

DIRECTORS' INTEREST IN CONTRACTS

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

CONNECTED TRANSACTIONS

During the Reporting Year, the Group entered into the following connected transactions[1]:

Date of Agreement	Document	Name of Contracting Party	Name of Counter Party	Nature of transaction	Consideration	Disclosure[1]/ Shareholders Approval[3]	Remarks
1.12.2009	Compensation Agreement	Company	Guangzhou Highways Development Company (GHDC)[2]	Compensation for 80% interest in relation to closure of Taihe Toll Road Station of Guangcong Highway Section I	RMB217,927,400	Circular despatched on 22 December 2009	Pending PRC regulatory approval
1.12.2009	Equity Transfer Contract	Top Global Holdings Limited (wholly owned subsidiary of the Company)	GHDC	Acquisition of 35% equity interest in Guangzhou Xinguang	RMB3,519,600	Circular despatched on 22 December 2009	Pending PRC regulatory approval
1.12.2009	Debt Assignment	Top Global Holdings Limited	GHDC	Assignment of existing shareholder loan to Guangzhou Xinguang on dollar to dollar basis	RMB107,428,000	Circular despatched on 22 December 2009	Pending PRC regulatory approval
1.12.2009	Equity Transfer Contract	Fortune Success Group Limited (wholly owned subsidiary of the Company)	GHDC	Acquisition of 39% equity interest in Guangzhou Tailong	RMB41,847,200	Circular despatched on 22 December 2009	Pending PRC regulatory approval
1.12.2009	Debt Assignment	Fortune Success Group Limited	GHDC	Assignment of existing shareholder loan to Guangzhou Tailong on dollar to dollar basis	RMB65,132,600	Circular despatched on 22 December 2009	Pending PRC regulatory approval

Notes:

1 These transactions constitute a discloseable and connected transaction of the Company.

2 GHDC is a connected person of the Company because it is a substantial shareholder holding 20%, 49%, 45%, 20%, 20% and 30% respectively of equity interest in six subsidiaries of the Company.

3 No shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of these transactions. These transactions were approved by written independent shareholders' resolutions in lieu of a general meeting. The written resolutions were obtained from a closely allied group of shareholders holding more than 50% in nominal value of the securities giving the right to vote at a general meeting.

The transactions described in Related Party Transactions in note 38(b)(i)(ii) to the consolidated financial statements constitute other connected transactions entered into or continued by the Group during the Reporting Year.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2009 is set out in note 30 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2009, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Ningguang	Personal	34,950	0.002
Mr Liu Yongjie	Personal	61,650	0.004
Mr Li Xinmin	Personal	200,000	0.012
Mr Qian Shangning	Personal	200,000	0.012
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012

Save as disclosed herein, as at 31 December 2009, none of the Directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2009, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	**Long position in shares**	**Approximate % of interest**
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	(a)	1,013,636,050	60.58
Grace Lord Group Limited	(a)	578,428,937	34.57
First Dynamic Limited	(a)	367,500,000	21.96
Housemaster Holdings Limited	(a)	367,500,000	21.96
Shanghai Industrial Investment (Holdings) Company Limited	(b)	100,046,000	5.98
Mr Cheah Cheng Hye	(c)	98,211,000	5.86
Hang Seng Bank Trustee International Limited	(c)	98,211,000	5.86
Cheah Company Limited	(c)	98,211,000	5.86
Cheah Capital Management Limited	(c)	98,211,000	5.86
Value Partners Group Limited	(c)	98,211,000	5.86
Value Partners Limited	(c)	98,211,000	5.86
Ms To Hau Yin	(c)	98,211,000	5.86

Notes:

(a) Yue Xiu held 8,653 Shares as beneficial owner and deemed interest in the balance of 1,013,627,397 Shares through its wholly-owned subsidiaries, namely, Grace Lord Group Limited, Housemaster Holdings Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd. and Greenwood Pacific Limited.

(b) The capacity of Shanghai Industrial Investment (Holdings) Company Limited in holding the 100,046,000 shares is attributable to interests of controlled corporations.

(c) Value Partners Limited held these shares as investment manager. Mr Cheah Cheng Hye, being the founder of The C H Cheah Family Trust, is deemed to be interested in 98,211,000 shares by virtue of the SFO. Hang Seng Bank Trustee International Limited, the trustee of The C H Cheah Family Trust, holds 100% interest in Cheah Company Limited which holds 100% interest in Cheah Capital Management Limited, which holds a 31.23% interest in Value Partners Group Limited, which in turn holds 100% interest in Value Partners Limited.

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

SHARE OPTIONS

On 25 June 2002, the shareholders of the Company approved the resolutions relating to the termination of the old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("Board") may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries ("Participants") options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10% of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1% of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders' approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK$10, with full payment of the exercise price to be made upon exercise of an option. As at 31 December 2009, no such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITORS

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

On behalf of the Board

Zhang Zhaoxing
Chairman

Hong Kong, 16 March 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

TO THE SHAREHOLDERS OF GZI TRANSPORT LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of GZI Transport Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 121, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	**1,136,566**	1,014,486
Construction income of toll highways and bridges upgrade services		**21,475**	3,818
Other income	6	**911**	886
Other gains - net	7	**85,685**	34,770
Business tax		**(38,716)**	(36,853)
Amortisation of intangible operating rights	16	**(218,717)**	(163,771)
Staff costs	8	**(126,384)**	(110,099)
Maintenance expenses of toll highways and bridges		**(79,182)**	(92,913)
Construction costs of toll highways and bridges upgrade services		**(21,475)**	(3,818)
Other operating expenses of toll highways and bridges		**(49,204)**	(37,334)
Other miscellaneous expenses	10	**(50,253)**	(28,598)
Loss for the year of disposal group	35	**(11,191)**	—
Operating profit before impairment losses on intangible operating rights		**649,515**	580,574
Impairment losses on intangible operating rights	16	**(172,474)**	—
		477,041	580,574
Share of loss of a jointly controlled entity	22	**(11,667)**	(19,816)
Share of profits less losses of associates	23	**237,405**	295,717
Interest income on loans to associates		**17**	5,962
Finance income	11	**25,112**	50,974
Finance costs	11	**(66,686)**	(77,179)
Profit before income tax expense		**661,222**	836,232
Income tax expense	12	**(94,810)**	(88,030)
Profit for the year		**566,412**	748,202
Attributable to:			
– Equity holders of the Company		**434,241**	607,533
– Minority interest		**132,171**	140,669
		566,412	748,202
Earnings per share for profit attributable to the equity holders of the Company for the year – Basic and diluted	14	**HK 26.0 cents**	HK 36.3 cents
Dividends	15	**267,706**	267,706

The notes on pages 64 to 121 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009	2008
	HK$'000	HK$'000
Profit for the year	**566,412**	748,202
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax	**13,942**	11,114
Currency translation differences	**4,161**	418,328
Total comprehensive income for the year	**584,515**	1,177,644
Total comprehensive income attributable to:		
– Equity holders of the Company	**451,385**	971,044
– Minority interest	**133,130**	206,600
	584,515	1,177,644

The notes on pages 64 to 121 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Intangible operating rights	16	**8,169,461**	7,048,250
Goodwill	17	**212,759**	125,994
Leasehold land	18	**647**	665
Property, plant and equipment	19	**92,247**	37,629
Investment properties	20	**10,050**	8,800
Investment in a jointly controlled entity	22	**329,462**	269,151
Investments in associates	23	**2,005,831**	2,090,232
Available-for-sale financial assets	24	**166,560**	147,735
Other non-current receivables	25	**180,234**	—
		11,167,251	9,728,456
Current assets			
Trade receivables	26	**19,402**	12,304
Other receivables, deposits and prepayments	26	**107,402**	30,195
Cash and cash equivalents	27	**2,219,464**	2,378,898
		2,346,268	2,421,397
Assets classified as held for sale	35	**289,204**	—
Total assets		**13,802,723**	12,149,853

The notes on pages 64 to 121 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**167,316**	167,316
Reserves – others	29	**8,282,220**	8,098,541
Reserves – proposed final dividend	29	**200,780**	133,853
		8,650,316	8,399,710
Minority interest		**2,094,905**	1,652,667
Total equity		**10,745,221**	10,052,377
LIABILITIES			
Non-current liabilities			
Borrowings	30	**1,392,232**	978,873
Deferred income tax liabilities	31	**1,071,316**	816,513
		2,463,548	1,795,386
Current liabilities			
Borrowings	30	**355,457**	136,070
Amounts due to a minority shareholder of subsidiaries	32	**55,775**	11,340
Amounts due to holding companies	32	**2,416**	3,066
Trade and other payables and accrued charges	33	**154,891**	141,108
Current income tax liabilities		**19,800**	10,506
		588,339	302,090
Liabilities classified as held for sale	35	**5,615**	—
Total liabilities		**3,057,502**	2,097,476
Total equity and liabilities		**13,802,723**	12,149,853
Net current assets		**1,757,929**	2,119,307
Total assets less current liabilities		**13,214,384**	11,847,763

Zhang Zhaoxing
Director

Li Xinmin
Director

The notes on pages 64 to 121 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	19	**3,029**	2,996
Investments in subsidiaries	21(a)	**1,849,633**	1,848,497
		1,852,662	1,851,493
Current assets			
Amounts due from subsidiaries	21(b)	**2,264,435**	1,899,225
Deposits and prepayments	26	**1,040**	2,594
Cash and cash equivalents	27	**1,569,318**	1,939,415
		3,834,793	3,841,234
Total assets		**5,687,455**	5,692,727
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**167,316**	167,316
Reserves – others	29	**5,037,489**	5,112,129
Reserves – proposed final dividend	29	**200,780**	133,853
Total equity		**5,405,585**	5,413,298
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	21(b)	**254,970**	251,163
Amounts due to holding companies	32	**2,137**	2,787
Other payables and accrued charges	33	**24,763**	25,479
Total liabilities		**281,870**	279,429
Total equity and liabilities		**5,687,455**	5,692,727
Net current assets		**3,552,923**	3,561,805
Total assets less current liabilities		**5,405,585**	5,413,298

Zhang Zhaoxing
Director

Li Xinmin
Director

The notes on pages 64 to 121 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from operations	36	**792,050**	695,639
Interest paid		**(88,517)**	(73,618)
China enterprise income tax paid		**(70,936)**	(40,864)
Net cash generated from operating activities		**632,597**	581,157
Cash flows from investing activities			
Payments of construction costs of toll highways and bridges upgrade services		**(21,475)**	(3,818)
Acquisition of subsidiaries		**(571,130)**	—
Payments for acquiring additional interest in subsidiaries	26(b)	**(51,692)**	—
Capital injection to a jointly-controlled entity		**(71,550)**	(47,624)
Payments for acquiring additional interest in an associate		**—**	(193,514)
Proceeds from disposal of intangible operating rights		**18,773**	—
Proceeds from disposal of property, plant and equipment		**2,593**	—
Investments in available-for-sale financial assets		**—**	(898)
Purchase of property, plant and equipment		**(15,328)**	(7,248)
Repayment of loans advanced to associates		**1,990**	182,912
Dividends received from associates		**319,791**	40,846
Interest received		**27,570**	50,974
Net cash (used in)/generated from investing activities		**(360,458)**	21,630
Cash flows from financing activities			
Proceeds from bank borrowings		**15,786**	—
Repayment of bank loans		**(143,101)**	(225,473)
Repayment of loans from a minority shareholder of subsidiary		**(1,564)**	(3,229)
Dividends paid to the Company's equity holders		**(200,779)**	(263,523)
Dividends paid to minority interest		**(90,652)**	(42,661)
Net cash used in financing activities		**(420,310)**	(534,886)
Net (decrease)/increase in cash and cash equivalents		**(148,171)**	67,901
Cash and cash equivalents at 1 January		**2,378,898**	2,293,016
Effect of foreign exchange rate changes		**(24)**	17,981
Cash and cash equivalents classified as held for sales	35	**(11,239)**	—
Cash and cash equivalents at 31 December	27	**2,219,464**	2,378,898

The notes on pages 64 to 121 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Attributable to equity holders of the Company: Share capital	Reserves (note 29)	Minority interest	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2008		167,316	7,524,873	1,488,728	9,180,917
Comprehensive income					
Profit for the year		—	607,533	140,669	748,202
Other comprehensive income					
Currency translation differences	29	—	352,397	65,931	418,328
Increase in fair value of available-for-sale financial assets	29	—	24,724	—	24,724
Deferred tax on fair value gain of available-for-sale financial assets		—	(13,610)	—	(13,610)
Total other comprehensive income		—	363,511	65,931	429,442
Total comprehensive income		—	971,044	206,600	1,177,644
Transactions with owners					
Dividends to the Company's equity holders	29	—	(263,523)	—	(263,523)
Dividends to minority interest		—	—	(42,661)	(42,661)
Total transactions with owners		—	(263,523)	(42,661)	(306,184)
Balance at 31 December 2008		167,316	8,232,394	1,652,667	10,052,377

The notes on pages 64 to 121 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Attributable to equity holders of the Company			
		Share capital	Reserves (note 29)	Minority interest	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2009		167,316	8,232,394	1,652,667	10,052,377
Comprehensive income					
Profit for the year		—	434,241	132,171	566,412
Other comprehensive income					
Currency translation differences	29	—	3,202	959	4,161
Increase in fair value of available-for-sale financial assets	29	—	18,589	—	18,589
Deferred tax on fair value gain of available-for-sale financial assets		—	(4,647)	—	(4,647)
Total other comprehensive income		—	17,144	959	18,103
Total comprehensive income		—	451,385	133,130	584,515
Transactions with owners					
Acquisition of subsidiaries		—	—	399,760	399,760
Dividends to the Company's equity holders		—	(200,779)	—	(200,779)
Dividends to minority interest		—	—	(90,652)	(90,652)
Total transactions with owners		—	(200,779)	309,108	108,329
Balance at 31 December 2009		167,316	8,483,000	2,094,905	10,745,221

The notes on pages 64 to 121 are an integral part of these financial statements.

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 in Hong Kong is 23rd 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 (the "Stock Exchange").

These financial statements are presented in Hong Kong thousand dollars unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company on 16 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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 and amendments to existing standards and relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2009 for the Group.

HKAS 1 (revised)	Presentation of Financial Statements
HKAS 16 (amendment)	Property, Plant and Equipment
HKAS 19 (amendment)	Employee Benefits
HKAS 23 (revised)	Borrowing Costs
HKAS 27 (amendment)	Consolidated and Separate Financial Statements
HKAS 28 (amendment)	Investments in Associates
HKAS 31 (amendment)	Interest in Joint Venture
HKAS 36 (amendment)	Impairment of Assets
HKAS 38 (amendment)	Intangible Assets
HKAS 39 (amendment)	Financial Instruments: Recognition and Measurement
HKAS 40 (amendment)	Investment Property
HKFRS 2 (amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (amendment)	Financial Instruments: Disclosure
HKFRS 8	Operating Segments

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The adoption of these new standards and amendments do not have significant impact on the Group's financial statements except for HKAS 1 (revised) and HKFRS 8 which require additional disclosures in the financial statements.

HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses that is "non-owner changes in equity" in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The financial statement has been prepared under the revised disclosure requirements.

HKFRS 8, "Operating segments", HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This did not result in an increase in the number of reportable segments presented.

The following amendments to existing standards and relevant to its operations have been issued but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (amendment)	Presentation of Financial Statement	1 January 2010
HKAS 7 (amendment)	Cash Flow Statements	1 January 2010
HKAS 17 (amendment)	Leases	1 January 2010
HKAS 18 (amendment)	Revenue	1 January 2010
HKAS 24 (revised)	Related Parties Disclosures	1 January 2011
HKAS 27 (revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 36 (amendment)	Impairment of Assets	1 January 2010
HKAS 38 (amendment)	Intangible Assets	1 July 2009
HKAS 39 (amendment)	Financial Instruments: Recognition and Measurement	1 January 2010
HKFRS 3 (revised)	Business Combinations	1 July 2009
HKFRS 5 (amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
HKFRS 9	Financial Instruments	1 January 2013

Management is in the process of making an assessment of the impact of these amendments and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

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

(i) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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 consolidated 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) Transactions with minority interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(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 entity's post-acquisition profits or losses is recognised in the consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(iv) 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 investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated 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.

In the company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2(j)). The results of associated companies are accounted for the company on the basis of dividend received and receivable.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of the Company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

(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 functional currency of the Company is Renminbi ("RMB").

The consolidated financial statements are presented in Hong Kong dollars ("HK dollars") as the Directors consider that presentation of financial statements in HK dollars will facilitate analysis of the financial information of the Group.

(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 consolidated income statement.

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

(iii) Group companies

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for periods of 20 to 36 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway / bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road / bridge services and are recorded in the consolidated balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights 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 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.

(f) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(g) Leasehold land

The upfront prepayments made for leasehold land are expensed in the consolidated income statement on a straight line basis over the period of the operating lease or where there is impairment, it is recognised immediately.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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 in the consolidated income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated at rates sufficient to write off their costs 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' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 consolidated income statement.

(i) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by C S Surveyors Limited. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gain – net".

Land held under operating leases are 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of investments in subsidiaries, associates, a jointly controlled entity and non-financial assets

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

Impairment testing of the investments in subsidiaries, associates or a jointly controlled entity is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or a jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(k) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables 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.

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non current assets.

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. Loans and receivables are carried at amortised cost using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of financial assets (continued)

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(m) 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.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and short-term bank deposits with original maturities of three months or less.

(o) Disposal groups held for sale

Disposal groups are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 consolidated income statement over the period of the borrowings using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 consolidated income statement in the period in which they are incurred.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only 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 a jointly controlled entity, 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.

Deferred income taxes and liability are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which 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 vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

(u) 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) Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(v) Construction income of upgrade services is recognised under the percentage of completion method. The stage of completion is measured on the basis of contract costs incurred up to the balance sheet date as a percentage to the total estimated cost to be incurred for each contract.

(v) 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.

(w) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders and Directors.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Company and major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. It did not have significant exposure to foreign exchange risk in the PRC, except for certain cash at bank balances of HK$1,346,000,000 (2008; HK$1,783,000,000) which were denominated in Hong Kong dollars ("HKD") as at 31 December 2009. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2009, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been HK$67,300,000 (2008: HK$89,200,000) higher/lower, mainly as a result of net foreign exchange on translation of HKD-denominated cash and bank balances.

The Group currently does not have a foreign currency hedging policy on the foreign currency balances.

(ii) Cash flow interest rate risk

Besides cash and cash equivalents, the interest rate risk of which is considered immaterial, 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 loans from minority shareholders of subsidiaries were issued at fixed rates or interest free, and expose the Group to fair value interest-rate risk.

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

At 31 December 2009, if interest rates on Renminbi-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been decreased/increased by HK$87,384,000 (2008: HK$5,575,000).

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and trade receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with State-owned banks or listed banks, management considers these balances are subject to low credit risk.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

Group

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
As at 31 December 2009				
Borrowings	**—**	**438,815**	**862,470**	**629,321**
Amount due to a minority shareholder of subsidiaries	**55,775**	**—**	**—**	**—**
Amounts due to holding companies	**2,416**	**—**	**—**	**—**
Trade and other payables and accrued charges	**—**	**154,891**	**—**	**—**
	58,191	**593,706**	**862,470**	**629,321**
As at 31 December 2008				
Borrowings	—	176,411	524,406	526,419
Amount due to a minority shareholder of subsidiaries	11,340	—	—	—
Amounts due to holding companies	3,066	—	—	—
Trade and other payables and accrued charges	—	141,108	—	—
	14,406	317,519	524,406	526,419

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Company

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
As at 31 December 2009				
Amounts due to subsidiaries	**254,970**	**—**	**—**	**—**
Amounts due to holding companies	**2,137**	**—**	**—**	**—**
Trade and other payables and accrued charges	**—**	**9,408**	**—**	**—**
	257,107	**9,408**	**—**	**—**
As at 31 December 2008				
Amounts due to subsidiaries	251,163	—	—	—
Amounts due to holding companies	2,787	—	—	—
Trade and other payables and accrued charges	—	25,479	—	—
	253,950	25,479	—	—

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

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

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

The Group's strategy is to maintain low gearing ratio. As at 31 December 2009 and 2008, the Group reported net cash position as set out below. Accordingly, the gearing ratio as at 31 December 2009 was nil (2008: Nil).

	2009 **HK$'000**	2008 HK$'000
Borrowings	**1,747,689**	1,114,943
Amounts due to a minority shareholder of subsidiaries	**55,775**	11,340
Amounts due to holding companies	**2,416**	3,066
Total borrowings	**1,805,880**	1,129,349
Less: cash and cash equivalents	**(2,219,464)**	(2,378,898)
Net cash	**(413,584)**	(1,249,549)

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The carrying value less impairment provision of trade and other receivables, deposits, trade and other payables, and balances with related parties are a reasonable approximation of their fair values. Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in balance sheet at fair value, this requires disclosure of fair value measurements by each of the fair value measurement hierarchy. The Group has only one financial instruments available-for-sale financial assets which inputs for the most - that are not based on observable market data (that is, unobservable inputs).

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
- Equity securities (note 24)	—	—	166,560	166,560
Total assets	—	—	166,560	166,560

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows or market comparison approach are used to determine fair value for the financial instruments. 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 JUDGEMENTS

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) Amortisation of intangible operating rights

Amortisation of intangible operating rights 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 0% to 162%. The wide range of growth rates is due to the fact that traffic volumes of certain toll highways and bridges of the Group have become saturated; while a toll highway owned by the Group's associate changed from Class I highway to expressway started at 1 July 2009 and it is forecasted that the growth rate of this toll highway would lower in the coming years.

(b) Current income tax and deferred income tax

The Group is subject to income tax in PRC. 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.

(c) Impairment of intangible operating rights

The Group tests whether intangible operating right has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating right belongs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise.

As at 30 June 2009, management identified impairment indicators to the intangible operating rights of certain Class I highways which the Group operates. Impairment losses of HK$172.5 million (2008: Nil) were charged to the consolidated income statement in accordance with HKAS 36 "Impairment of Assets" in the first half of 2009. The impairment is a result of the continuation of the adverse market for the period. No further impairment indicator was identified by the management thereafter.

5 REVENUE

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

	2009 HK$'000	2008 HK$'000
Toll revenue	**1,136,566**	1,014,486

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group's internal reporting in order to assess performance of the Group's sole operating segment - Toll highways and bridges projects in the PRC. The Board of Directors assesses the performance of this sole operating segment based on measure of consolidated profit for the year.

No segment analysis of the Group's revenue and contribution to operating profit is presented as the Group's consolidated financial statements already provide the Board of Directors information on the assessment of the performance of the Group.

6 OTHER INCOME

	2009 HK$'000	2008 HK$'000
Advertising income	**568**	507
Rental income from investment properties	**343**	379
	911	886

7 OTHER GAINS - NET

	2009 HK$'000	2008 HK$'000
Fair value gain/(loss) on investment properties (note 20)	**1,250**	(750)
Net foreign exchange gains	**160**	33,857
Waiver of bank loan interest expenses	**15,492**	—
Gain on disposal of intangible operating rights (note 25)	**65,960**	—
Sundries	**2,823**	1,663
	85,685	34,770

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 HK$'000	2008 HK$'000
Wages and salaries	**84,449**	88,391
Pension costs (defined contribution plans)	**6,112**	5,477
Social security costs	**7,814**	7,202
Staff welfare	**28,009**	9,029
	126,384	110,099

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 as 5% to 12% and 5% respectively of basic salaries of the employees.

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 were no forfeited contributions for the year ended 31 December 2009.

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

Subsidiaries of the Company in the PRC 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 20% of the monthly salaries of the employees.

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Total HK$'000
Executive directors				
ZHANG Zhaoxing (a)	—	772	1,790	2,562
LI Xinmin	—	772	1,790	2,562
QIAN Shangning	—	720	1,517	2,237
LIANG Ningguang	—	614	1,426	2,040
LIANG Yi (b)	—	512	1,188	1,700
CAI Tielong (b)	—	500	1,032	1,532
HE Zili (f)	—	384	891	1,275
YUAN Hongping (b)	—	500	1,032	1,532
CHEN Guanzhan (b)	—	512	1,188	1,700
ZHANG Siyuan (b)	—	500	1,032	1,532
LUO Jinbiao (b)	—	500	1,032	1,532
ZHANG Huping (b)	—	500	1,032	1,532
LIU Yongjie (e)	—	72	167	239
WANG, Shuhui (c)	—	102	238	340
	—	6,960	15,355	22,315
Non-executive directors				
FUNG Ka Pun[1]	180	—	—	180
LAU Hon Chuen Ambrose[1]	180	—	—	180
CHEUNG Doi Shu[1]	180	—	—	180
	540	—	—	540
	540	6,960	15,355	22,855

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

(a) The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Total HK$'000
Executive directors				
ZHANG Zhaoxing (a)	—	300	802	1,102
OU Bingchang (d)	—	420	1,123	1,543
LI Xinmin	—	720	1,924	2,644
QIAN Shangning	—	720	1,987	2,707
LIANG Ningguang	—	600	1,604	2,204
LIANG Yi	—	600	1,604	2,204
CAI Tielong	—	600	1,655	2,255
HE Zili	—	600	1,604	2,204
YUAN Hongping	—	600	1,655	2,255
CHEN Guanzhan	—	600	1,604	2,204
ZHANG Siyuan	—	600	1,655	2,255
LUO Jinbiao	—	600	1,655	2,255
ZHANG Huping	—	600	1,655	2,255
	—	7,560	20,527	28,087
Non-executive directors				
FUNG Ka Pun[1]	180	—	—	180
LAU Hon Chuen Ambrose[1]	180	—	—	180
CHEUNG Doi Shu[1]	180	—	—	180
	540	—	—	540
	540	7,560	20,527	28,627

[1]*independent non-executive director*

Notes:

(a) Appointed on 31 July 2008

(b) Resigned on 3 November 2009

(c) Appointed on 3 November 2009

(d) Resigned on 31 July 2008

(e) Appointed on 14 August 2009

(f) Resigned on 14 August 2009

No Directors waived emoluments in respect of the years ended 31 December 2009 and 2008. No emoluments were paid or payable by the Group to any Directors as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2009 and 2008 are also Directors whose emoluments are reflected in the analysis presented above.

10 OTHER MISCELLANEOUS EXPENSES

Other miscellaneous expenses is stated after charging the follows:

	2009 HK$'000	2008 HK$'000
Amortisation of prepaid operating lease payments (note 18)	**18**	18
Auditor's remuneration	**2,300**	1,753
Depreciation of property, plant and equipment (note 19)	**9,680**	5,561
Loss on disposal of property, plant and equipment	**1**	196
Impairment losses on goodwill (note 17)	**3,593**	540
Outgoings in respect of investment properties	**38**	4
Sundries	**34,623**	20,526
	50,253	28,598

11 FINANCE INCOME/COSTS

	2009 HK$'000	2008 HK$'000
Finance income		
Bank interest income	**13,909**	50,974
Interest income on other non-current receivables	**11,203**	—
	25,112	50,974
Interest expenses:		
– Bank loans	**(70,872)**	(62,713)
– Loans from a minority shareholder of subsidiaries	**(11,755)**	(25,560)
Fair value adjustment on loans from a minority shareholder of subsidiaries	**15,941**	11,094
Finance costs	**(66,686)**	(77,179)

12 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no income assessable to Hong Kong profits tax during the year (2008: Nil).

(b) During the year ended 31 December 2009, China's enterprises income tax was provided on the profits of the Group's subsidiaries, associates and a jointly controlled entity in the PRC in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises are subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate 25% over a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the year ended 31 December 2009 is 20% (2008: 18%).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profit of the Group's subsidiaries and associates in the PRC at tax rates of 5% or 10% (2008: 10%).

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

	2009	2008
	HK$'000	HK$'000
PRC enterprise income tax		
Current income tax		
– Current year	**68,168**	39,131
– Under-provision in prior year	**142**	4,834
Deferred income tax (note 31)	**26,500**	44,065
	94,810	88,030

12 INCOME TAX EXPENSE (continued)

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

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

	2009	2008
	HK$'000	HK$'000
Profit before income tax less share of results of associates and a jointly controlled entity	**435,484**	560,331
Calculated at a tax rate of 20% (2008: 18%)	**87,097**	100,860
Income not subject to tax	**(19,786)**	(18,067)
Expenses not deductible for tax purposes	**21,536**	10,425
Profit of a subsidiary under tax holiday (note)	**(42,539)**	(42,027)
Withholding tax on undistributed profits of subsidiaries and associates	**45,831**	29,900
Unrecognised temporary differences	**2,529**	2,050
Under-provision in prior year	**142**	4,834
Others	**—**	55
Income tax expense	**94,810**	88,030

Note:

A subsidiary (Guangzhou Northern Second Ring Expressway Company Limited) of the Group enjoyed two years' exemption of income tax for 2007 and 2008 and the income for 2009 is subject to a preferential rate of 10% (2008: 0%).

13 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$193,066,000 (2008: HK$751,585,000).

14 EARNINGS PER SHARE

Basic and diluted earnings per share are 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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**434,241**	607,533
Weighted average number of ordinary shares in issue ('000)	**1,673,162**	1,673,162
Basic and diluted earnings per share (HK cents)	**26.0**	36.3

The diluted earnings per share for the year ended 31 December 2009 equals to the basic earnings per share as there are no potential dilative ordinary shares in issue during the year.

15 DIVIDENDS

	Company	
	2009	2008
	HK$'000	HK$'000
Interim, paid, of HK$0.04 (2008: HK$0.08) per share	**66,926**	133,853
Final, proposed, of HK$0.12 (2008: HK$0.08) per share	**200,780**	133,853
	267,706	267,706

At a meeting held on 16 March 2010, the Directors proposed a final dividend of HK$0.12 per share. Such dividend is to be approved by the shareholders at the Annual General Meeting on 1 June 2010. These financial statements do not reflect this dividend payable.

16 INTANGIBLE OPERATING RIGHTS

	HK$'000
Year ended 31 December 2008	
Opening net book amount	6,795,284
Additions	3,818
Amortisation	(163,771)
Exchange differences	412,919
Closing net book amount	7,048,250
At 31 December 2008	
Cost	8,393,290
Accumulated amortisation	(1,345,040)
Net book amount	7,048,250
Year ended 31 December 2009	
Opening net book amount	**7,048,250**
Acquisition of subsidiaries	**1,907,884**
Disposal	**(148,495)**
Transfer to assets held for sale (note 35)	**(277,809)**
Additions	**21,475**
Impairment losses (note)	**(172,474)**
Amortisation	**(218,717)**
Exchange differences	**9,347**
Closing net book amount	**8,169,461**
At 31 December 2009	
Cost	**9,457,544**
Accumulated amortisation	**(1,288,083)**
Net book amount	**8,169,461**

At 31 December 2009, intangible operating rights with net book amount of HK$6,835,176,000 (2008: HK$5,031,181,000) were pledged to secure the Group's bank borrowings (note 30).

Note:

With the continuation of the adverse market conditions, the Directors had assessed the carrying value of the toll operating rights of Class I highways held by the Group, and had identified impairment indicators in respect of certain toll operating rights of Class I highways, including Guangcong Highway Section I, Guangcong Highway Section II and Provincial Highway 355, Guanghua Highway and Guangshen Highway. An impairment loss of HK$172.5 million, based on independent valuations under value-in-use basis, was recognised in the consolidated income statement, resulting in the carrying amount of these toll operating rights being written down to their recoverable amounts.

17 GOODWILL

	2009 HK$'000	2008 HK$'000
At 1 January	**125,994**	119,186
Acquisition of subsidiaries (note 34)	**90,213**	—
Exchange differences	**145**	7,348
Impairment losses	**(3,593)**	(540)
At 31 December	**212,759**	125,994

Goodwill is attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 20% additional interest in GNSR Expressway Co., Ltd. in 2007, 90% interest in Cangwu Guihai Cangyu Expressway Co., Ltd. ("Cangyu Expressway Co., Ltd") and 60% interest in Tianjin Jinfu Expressway Co., Ltd., Tianjin Yuanhong Expressway Co., Ltd. and Tianjin Langdao Expressway Co. Ltd. (collectively "Tianjin Expressway Limited") in 2009.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management.

Key assumptions and considerations used for the value-in-use calculations included estimated toll increase, vehicle types of the toll highways and bridges operation and expected gross domestic product growth rate.

Management determined budgeted estimated toll increase, vehicle types and expected gross domestic product growth rate based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the toll highways and bridges operator industry.

18 LEASEHOLD LAND

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

	2009 HK$'000	2008 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**647**	665

	2009 HK$'000	2008 HK$'000
At 1 January	**665**	683
Amortisation	**(18)**	(18)
At 31 December	**647**	665

19 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2008				
Opening net book amount	11,142	21,054	2,658	34,854
Exchange differences	—	1,144	140	1,284
Additions	—	4,276	2,972	7,248
Disposals	—	(196)	—	(196)
Depreciation	(734)	(4,049)	(778)	(5,561)
Closing net book amount	10,408	22,229	4,992	37,629
At 31 December 2008				
Cost	18,348	43,862	10,356	72,566
Accumulated depreciation	(7,940)	(21,633)	(5,364)	(34,937)
Net book amount	10,408	22,229	4,992	37,629
Year ended 31 December 2009				
Opening net book amount	**10,408**	**22,229**	**4,992**	**37,629**
Exchange differences	**—**	**50**	**6**	**56**
Additions	**—**	**10,034**	**5,294**	**15,328**
Acquisition of a subsidiary	**21,427**	**28,720**	**1,460**	**51,607**
Disposals	**—**	**(914)**	**(1,679)**	**(2,593)**
Depreciation	**(1,329)**	**(7,361)**	**(990)**	**(9,680)**
Transfer to asset classified as held for sale (note 35)	**—**	**(24)**	**(76)**	**(100)**
Closing net book amount	**30,506**	**52,734**	**9,007**	**92,247**
At 31 December 2009				
Cost	**39,775**	**82,275**	**12,768**	**134,818**
Accumulated depreciation	**(9,269)**	**(29,541)**	**(3,761)**	**(42,571)**
Net book amount	**30,506**	**52,734**	**9,007**	**92,247**

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2008			
Opening net book amount	813	487	1,300
Additions	103	2,013	2,116
Depreciation	(274)	(146)	(420)
Closing net book amount	642	2,354	2,996
At 31 December 2008			
Cost	1,809	3,570	5,379
Accumulated depreciation	(1,167)	(1,216)	(2,383)
Net book amount	642	2,354	2,996
Year ended 31 December 2009			
Opening net book amount	**642**	**2,354**	**2,996**
Exchange difference	**—**	**4**	**4**
Additions	**533**	**—**	**533**
Disposal	**(5)**	**(12)**	**(17)**
Depreciation	**(267)**	**(220)**	**(487)**
Closing net book amount	**903**	**2,126**	**3,029**
At 31 December 2009			
Cost	**2,254**	**3,330**	**5,584**
Accumulated depreciation	**(1,351)**	**(1,204)**	**(2,555)**
Net book amount	**903**	**2,126**	**3,029**

20 INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
At 1 January	**8,800**	9,550
Fair value gain/(loss)	**1,250**	(750)
At 31 December	**10,050**	8,800

The investment properties of the Group were revalued at 31 December 2009 on the basis of their open market values as determined by an independent firm of professional surveyor, CS Surveyors Limited, appointed by the Group.

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

21 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**1,849,633**	1,848,497

Details of the principal subsidiaries of the Company are set out in note 41.

(b) The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand and denominated mainly in Renminbi.

The carrying amounts of the amounts due from/to subsidiaries approximate their fair values.

22 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Share of net assets	
	2009	2008
	HK$'000	HK$'000
At 1 January	**269,151**	227,873
Share of results for the year		
– loss before income tax	**(15,556)**	(33,677)
– income tax	**3,889**	13,861
	(11,667)	(19,816)
Exchange differences	**428**	13,470
Additional capital contribution to a jointly controlled entity	**71,550**	47,624
At 31 December	**329,462**	269,151

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

	Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR Expressway Co., Ltd.")	
	2009	2008
	HK$'000	HK$'000
Revenue	**66,080**	41,057
Expenses	**(77,747)**	(60,873)
Loss	**(11,667)**	(19,816)
Assets:		
Non-current assets	**1,064,261**	1,096,662
Current assets	**20,271**	56,312
	1,084,532	1,152,974
Liabilities:		
Non-current liabilities	**(674,339)**	(762,785)
Current liabilities	**(80,731)**	(121,038)
	(755,070)	(883,823)
Net assets	**329,462**	269,151

Details of the Group's jointly controlled entity are set out in note 41.

23 INVESTMENTS IN ASSOCIATES

	Share of net assets HK$'000	Loans receivable (note (b)) HK$'000	Total HK$'000
At 1 January 2008	1,539,227	149,665	1,688,892
Share of results for the year			
– profit before income tax	345,672	—	345,672
– income tax	(49,955)	—	(49,955)
	295,717	—	295,717
Dividends	(40,846)	—	(40,846)
Acquisition of additional interest in an associate (note (a))	183,655	27,234	210,889
Interest income	—	5,962	5,962
Repayments	—	(182,912)	(182,912)
Exchange differences	110,506	2,024	112,530
At 31 December 2008	2,088,259	1,973	2,090,232
At 1 January 2009	**2,088,259**	**1,973**	**2,090,232**
Share of results for the year			
– profit before income tax	**281,333**	—	**281,333**
– income tax	**(43,928)**	—	**(43,928)**
	237,405	—	**237,405**
Dividends	**(319,791)**	—	**(319,791)**
Interest income	—	**17**	**17**
Repayments	—	**(1,990)**	**(1,990)**
Exchange differences	**(42)**	—	**(42)**
At 31 December 2009	**2,005,831**	—	**2,005,831**

Notes:

(a) In January 2008, the Group acquired 2.78% additional interest in Guangdong Humen Bridge Co., Ltd. at a consideration of HK$210,889,000, of which a deposit of HK$17,375,000 was paid in 2007. After the acquisition, the Group holds 27.78% interest in Guangdong Humen Bridge Co., Ltd.

(b) The loans receivable are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rate of 3.25% (2008: 3.25%) per annum and the lending rates of financial institutions in PRC of 5.31% (2008: 5.31%) per annum.

23 INVESTMENTS IN ASSOCIATES (continued)

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

	2009 HK$'000	2008 HK$'000
US dollars	—	492
Renminbi	—	1,481
	—	1,973

The carrying amounts of the loans receivable approximate their fair values.

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Revenue	273,291	294,335	62,567	17,639	107,301	150,994	56,354	52,140
Expenses	(84,372)	(99,075)	(80,708)	(17,916)	(69,964)	(78,594)	(27,064)	(23,806)
Profit/(loss)	188,919	195,260	(18,141)	(277)	37,337	72,400	29,290	28,334
Assets:								
Non-current assets	1,043,844	1,068,234	2,205,475	1,960,516	386,788	354,214	292,222	299,322
Current assets	29,671	36,085	34,871	24,428	46,501	27,209	8,866	4,010
	1,073,515	1,104,319	2,240,346	1,984,944	433,289	381,423	301,088	303,332
Liabilities:								
Non-current liabilities	(134,725)	(129,321)	(1,369,951)	(1,135,658)	(222,902)	(146,685)	(15,010)	(10,859)
Current liabilities	(20,594)	(28,707)	(254,043)	(215,813)	(19,755)	(14,846)	(5,427)	(3,870)
	(155,319)	(158,028)	(1,623,994)	(1,351,471)	(242,657)	(161,531)	(20,437)	(14,729)
Net assets	918,196	946,291	616,352	633,473	190,632	219,892	280,651	288,603

Details of the Group's associates are set out in note 41.

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
	HK$'000	HK$'000
At 1 January	**147,735**	114,285
Addition	**—**	898
Increase in fair value credited to equity (note 29)	**18,589**	24,724
Exchange differences	**236**	7,828
At 31 December	**166,560**	147,735

The balance represents unlisted equity securities stated at fair value, which was valued based on market comparison approach.

25 OTHER NON-CURRENT RECEIVABLES

Non-current receivable represents the non-current portion of present value of consideration receivable, which was discounted at rate of 5.32% in relation to the disposal of the Group's toll operating rights of Xiang Jiang Bridge II during the year. The total consideration was RMB183.2 million (approximately HK$207.7 million) and carrying amount of the intangible operating right was RMB125.1 million (approximately HK$141.9 million). The gain on disposal was RMB58.1 million (approximately HK$66.0 million).

As at 31 December 2009, the total remaining balance of the consideration receivable is RMB165.2 million (approximately HK$187.3 million) which will be settled by 24 half yearly installments until end of the concessionary period, i.e. 30 November 2021. RMB158.9 million (approximately HK$180.2 million) will be received after 2010 according to the receipt schedule.

26 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group

	2009 HK$'000	2008 HK$'000
Trade receivables (note a)	**19,402**	12,304
Other receivables, deposits and prepayments (note b)	**107,402**	30,195
	126,804	42,499

Company

	2009 HK$'000	2008 HK$'000
Deposit and prepayments	**1,040**	2,594

Notes:

(a) As at 31 December 2009, trade receivables amounted to HK$19,402,000 (2008: HK$12,304,000) which are aged below 30 days (2008: 30 days).

The Group's revenue is received in cash and it usually does not maintain any accounts receivable balances. Accordingly, the Group does not have any specified credit period for its customers.

As at 31 December 2009 and 2008, no trade receivables were past due and impaired and no provision for impairment loss has been provided for trade receivables.

(b) As at 31 December 2009, the Group's other receivable included RMB45.4 million (approximately HK$51.7 million) being a deposit for the additional equity interests in two existing subsidiaries of the Group, the completion of these acquisitions is subject to approvals from the relevant regulatory authorities (note 35).

As at 31 December 2009 and 2008, all other receivables, deposits and prepayments were performing.

The Group and the Company does not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables as stated in the balance sheets.

The carrying amounts of trade and other receivables, deposits and prepayments approximate their fair values and are mainly denominated in Renminbi.

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**906,638**	566,481	**256,492**	126,998
Short-term bank deposits	**1,312,826**	1,812,417	**1,312,826**	1,812,417
	2,219,464	2,378,898	**1,569,318**	1,939,415
Maximum exposure to credit risk	**2,218,961**	2,378,547	**1,569,243**	1,939,307

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**1,345,856**	1,783,293	**1,288,185**	1,720,538
US dollars	**290,022**	180,648	**263,987**	169,043
Renminbi	**583,586**	414,957	**17,146**	49,834
	2,219,464	2,378,898	**1,569,318**	1,939,415

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

28 SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	Number of shares	HK$'000
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	1,673,162,295	167,316

Share Options

On 25 June 2002, the Company adopted a 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's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. As at 31 December 2009, no such options had been granted to any person since its adoption.

29 RESERVES

Group

	Share premium	Capital reserve (note (a))	Exchange fluctuation reserve	Statutory reserves (note (b))	Available-for-sale financial assets fair value reserve	Retained profits (note (c))	Asset revaluation reserve (note (d))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2008	2,698,176	1,705,497	447,335	28,839	32,586	1,961,108	651,332	7,524,873
Comprehensive income								
Profit for the year	—	—	—	—	—	607,533	—	607,533
Other comprehensive income								
Currency transaction differences	—	—	352,397	—	—	—	—	352,397
– Subsidiaries	—	—	226,397	—	—	—	—	226,397
– Associates	—	—	112,530	—	—	—	—	112,530
– Jointly controlled entity	—	—	13,470	—	—	—	—	13,470
Increase in fair value of available-for-sale financial assets	—	—	—	—	24,724	—	—	24,724
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	—	—	(13,610)	—	—	(13,610)
Transfers	—	—	—	8,265	—	(6,351)	(1,914)	—
Total other comprehensive income	—	—	352,397	8,265	11,114	(6,351)	(1,914)	363,511
Total comprehensive income	—	—	352,397	8,265	11,114	601,182	(1,914)	971,044
Transactions with owners								
Dividends	—	—	—	—	—	(263,523)	—	(263,523)
– 2007 Final dividend (note 15)	—	—	—	—	—	(129,670)	—	(129,670)
– 2008 Interim dividend (note 15)	—	—	—	—	—	(133,853)	—	(133,853)
Balance at 31 December 2008	2,698,176	1,705,497	799,732	37,104	43,700	2,298,767	649,418	8,232,394
Representing:								
Retained profits						2,164,914		
2008 Final dividend proposed						133,853		
						2,298,767		

29 RESERVES (continued)

Group

	Share premium	Capital reserve (note (a))	Exchange fluctuation reserve	Statutory reserves (note (b))	Available-for-sale financial assets fair value reserve	Retained profits (note (c))	Asset revaluation reserve (note (d))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2009	2,698,176	1,705,497	799,732	37,104	43,700	2,298,767	649,418	8,232,394
Comprehensive income								
Profit for the year	—	—	—	—	—	434,241	—	434,241
Other comprehensive income								
Currency transaction differences	—	—	3,202	—	—	—	—	3,202
– Subsidiaries	—	—	2,818	—	—	—	—	2,818
– Associates	—	—	(44)	—	—	—	—	(44)
– Jointly controlled entity	—	—	428	—	—	—	—	428
Increase in fair value of available-for-sale financial assets	—	—	—	—	18,589	—	—	18,589
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	—	—	(4,647)	—	—	(4,647)
Transfers	—	—	—	12,182	—	3,221	(15,403)	—
Total other comprehensive income	—	—	3,202	12,182	13,942	3,221	(15,403)	17,144
Total comprehensive income	—	—	3,202	12,182	13,942	437,462	(15,403)	451,385
Transactions with owners								
Dividends								
– 2008 Final dividend (note 15)	—	—	—	—	—	(133,853)	—	(133,853)
– 2009 Interim dividend (note 15)	—	—	—	—	—	(66,926)	—	(66,926)
Balance at 31 December 2009	2,698,176	1,705,497	802,934	49,286	57,642	2,535,450	634,015	8,483,000
Representing:								
Retained profits						2,334,670		
2009 Final dividend proposed						200,780		
						2,535,450		

29 RESERVES (continued)

Group (continued)

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

(b) Statutory reserves represent enterprise expansion and general reserve funds set up by the operating subsidiaries, associates and a jointly controlled entity in PRC. As stipulated by regulations in PRC, the Company's subsidiaries, associates and a jointly controlled entity established and operated in PRC 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 PRC, 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.

(c) Included in the Group's retained profits are retained profits of HK$843,283,000 (2008: HK$925,666,000) and accumulated losses of HK$65,250,000 (2008: HK$53,583,000) attributable to associates and a jointly controlled entity respectively.

(d) The asset revaluation reserve represents the fair value gain attributable to the 40% equity interest in GNSR Expressway Co., Ltd. previously held by the Group arising from the acquisition of 20% additional equity interest in GNSR Expressway Co., Ltd. The balance is transferred to retained profits on an units-of-usage basis based on the traffic volume for the period over the projected total traffic volume throughout the operating period of the toll highway.

29 RESERVES (continued)

Company

	Share premium	Contributed surplus (note)	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	2,698,176	1,773,497	286,247	4,757,920
Total comprehensive income and profit for the year	—	—	751,585	751,585
Transactions with owners:				
2007 Final dividend (note 15)	—	—	(129,670)	(129,670)
2008 Interim dividend (note 15)	—	—	(133,853)	(133,853)
At 31 December 2008	2,698,176	1,773,497	774,309	5,245,982
Representing:				
Retained profits			640,456	
2008 Final dividend proposed			133,853	
			774,309	
At 1 January 2009	**2,698,176**	**1,773,497**	**774,309**	**5,245,982**
Total comprehensive income and profit for the year	—	—	**193,066**	**193,066**
Transactions with owners:				
2008 Final dividend (note 15)	—	—	**(133,853)**	**(133,853)**
2009 Interim dividend (note 15)	—	—	**(66,926)**	**(66,926)**
At 31 December 2009	**2,698,176**	**1,773,497**	**766,596**	**5,238,269**
Representing:				
Retained profits			**565,816**	
2009 Final dividend proposed			**200,780**	
			766,596	

Note:

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.

30 BORROWINGS

	2009 HK$'000	2008 HK$'000
Long-term bank loans	**1,300,965**	759,723
Loans from a minority shareholder of certain subsidiaries	**446,724**	355,220
Total borrowings denominated in Renminbi	**1,747,689**	1,114,943
Less: Portion of long-term bank loans due within one year shown under current liabilities	**(355,457)**	(136,070)
	1,392,232	978,873

(a) As at 31 December 2009, the Group's borrowings were repayable as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**355,457**	136,070
Between one to two years	**818,740**	491,290
Between two and five years	**573,492**	487,583
	1,747,689	1,114,943

(b) The bank loans are secured by intangible operating rights of the Group (note 16) and the effective interest rates of bank loans at 31 December 2009 is 6.49% (2008: 6.72%).

(c) The loans from a minority shareholder of certain subsidiaries are unsecured, not repayable within one year and interest-free except for an amount of HK$146,508,000 (2008: HK$146,275,000) which bears interest at a rate mutually agreed between the Group and the minority shareholder (2008: 5.94% per annum).

The carrying amounts of the interest-free loans from a minority shareholder of certain subsidiaries approximate their fair values which are calculated based on cash flows discounted using a rate of 5.31% (2008: 5.31%) per annum.

(d) The carrying amounts of borrowings approximate their fair values as the impact of discounting is not significant.

The borrowings are denominated in Renminbi.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are within one year (2008: within one year).

31 DEFERRED INCOME TAX

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

	2009 HK$'000	2008 HK$'000
PRC enterprise income tax		
Deferred income tax liabilities to be recovered after more than 12 months	**1,056,358**	792,652
Deferred income tax liabilities to be recovered within 12 months	**14,958**	23,861
	1,071,316	816,513

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

	2009 HK$'000	2008 HK$'000
At 1 January	**816,513**	716,778
Acquisition of subsidiaries	**239,308**	—
Exchange differences	**4,842**	42,060
Disposal	**(1,792)**	—
Transferred to current income tax	**(13,149)**	—
Charged to income statement (note 12(c))	**26,500**	44,065
Charged to reserves	**4,647**	13,610
Classified as held for sales (note 35)	**(5,553)**	—
At 31 December	**1,071,316**	816,513

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

Deferred income tax assets:

	Fair value loss on investment properties HK$'000
At 1 January 2008	(127)
Charged to consolidated income statement	127
At 31 December 2008 and 31 December 2009	—

31 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

	Undistributed profits of subsidiaries and associates HK$'000	Fair value gain on interest in a toll highway arising from acquisition of subsidiaries HK$'000	Accelerated amortisation of intangible operating rights HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
At 1 January 2008	—	586,524	130,381	—	716,905
Charged/(credited) to consolidated income statement	29,900	(12,295)	26,333	—	43,938
Charged to reserve	—	—	—	13,610	13,610
Exchange differences	—	36,031	6,029	—	42,060
At 31 December 2008	29,900	610,260	162,743	13,610	816,513
At 1 January 2009	**29,900**	**610,260**	**162,743**	**13,610**	**816,513**
Acquisition of subsidiaries	—	**239,308**	—	—	**239,308**
Transferred to current income tax	**(13,149)**	—	—	—	**(13,149)**
Disposal	—	—	**(1,792)**	—	**(1,792)**
Charged/(credited) to consolidated income statement	**45,831**	**(10,225)**	**(9,106)**	—	**26,500**
Charged to reserve	—	—	—	**4,647**	**4,647**
Exchange differences	**954**	**619**	**2,825**	**444**	**4,842**
Classified as held for sale (note 35)	—	—	**(5,553)**	—	**(5,553)**
At 31 December 2009	**63,536**	**839,962**	**149,117**	**18,701**	**1,071,316**

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 HK dollars respectively.

33 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

As at 31 December 2009, trade payables amounted to HK$63.2 million (2008: HK$84.8 million) which are aged below 30 days (2008: 30 days).

The carrying amounts of trade and other payables and accrued charges approximate their fair value and are mainly denominated in Renminbi.

34 BUSINESS COMBINATIONS

(a) On 10 December 2008, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90% equity interest in Cangyu Expressway Co., Ltd., whose principal asset is the toll operating rights of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to RMB173 million (equivalent to HK$194.6 million). The acquisition was completed on 19 January 2009.

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

	HK$'000
Purchase consideration:	
Cash paid	194,610
Direct cost relating to the acquisition	1,587
Total purchase consideration	196,197
Fair value of net identifiable assets acquired (see below)	(153,720)
Goodwill	42,477

The goodwill is attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 90% interest in Cangyu Expressway Co., Ltd.

34 BUSINESS COMBINATIONS (continued)

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

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Bank balances and cash	956	956
Interests in toll highways and bridges	648,260	494,884
Property, plant and equipment	32,777	32,777
Trade receivables	910	910
Other receivables, deposits and prepayments	26,070	26,070
Amounts due to minority shareholders	(18,082)	(18,082)
Trade payables and accrued charges	(50,179)	(50,179)
Borrowings	(431,568)	(431,568)
Deferred income tax liabilities	(38,344)	—
Net identifiable assets acquired	170,800	55,768
Net identifiable assets attributable to the 90% equity interest acquired by the Group	153,720	50,191
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		196,197
Cash and cash equivalents of the subsidiary acquired		(956)
Cash outflow on acquisition in 2009		195,241

34 BUSINESS COMBINATIONS (continued)

(b) On 25 September 2009, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 60% equity interest in Tianjin Expressway Limited., whose principal asset is the toll operating right of Jinbao Expressway. The acquisition was completed on 2 December 2009.

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

	HK$'000
Purchase consideration:	
Cash paid	406,017
Direct cost relating to the acquisition	4,212
Foreign indebtedness assumed	114,067
Total purchase consideration	524,296
Fair value of net identifiable assets acquired (see below)	(476,560)
Goodwill	47,736

The goodwill is attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 60% interest in Tianjin Expressway Limited.

34 BUSINESS COMBINATIONS (continued)

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

	Fair value	Acquiree's carrying amount
	HK$'000	HK$'000
Bank balances and cash	34,340	34,340
Interests in toll highways and bridges	1,259,624	455,769
Property, plant and equipment	18,830	18,830
Other receivables, deposits and prepayments	11,264	11,264
Amount due from shareholders	114,067	114,067
Amounts due to minority shareholders	(110,773)	(110,773)
Trade payables and accrued charges	(31,573)	(31,573)
Borrowings	(235,575)	(235,575)
Deferred income tax liabilities	(200,964)	—
Net identifiable assets acquired	859,240	256,349
Net identifiable assets attributable to the 60% equity interest acquired by the Group	476,560	128,501
Cash outflow to acquire business, net of cash acquired:		
Cash consideration		410,229
Cash and cash equivalents of the subsidiary acquired		(34,340)
Cash outflow on acquisition in 2009		375,889

35 DISPOSAL GROUP

The Taihe toll station of Guangcong Highway Section I, a class I highway held by Guangzhou Taihe Highways Development Company Limited ("Taihe Highways Limited"), was closed down in January 2009 for relocation at the request of the Guangzhou Municipal People's Government ("GZ Government"). On 1 December 2009, the PRC joint venture partner of Taihe Highways Limited, namely Guangzhou Highways Development Company ("GHDC") and the Group entered into compensation agreements whereby GHDC would acquire the Group's entire 80% equity interest in and net receivable from Taihe Highway Limited with consideration of additional equity interests of 35% and 39% in Guangzhou Xinguang Highways Development Company Limited ("Xinguang") and Guangzhou Tailong Highways Development Company Limited ("Tailong") respectively and assignment of debts of RMB107.4 million (approximately HK$121.8 million) and RMB65.1 million (approximately HK$73.8 million) due from Xinguang and Tailong respectively to the Group.

As of 31 December 2009, the completion of the aforementioned transaction is subject to approvals from the relevant regulatory authorities.

The results of Taihe Highway Limited for the year since it was classified as a disposal group are as follows:

	HK$'000
Revenue	492
Expenses	(11,683)
Loss for the year of disposal group	(11,191)

The major classes of assets and liabilities of Taihe Highways Limited are as follows:

	As at 31 December 2009 HK$'000
Assets	
Intangible operating rights	277,809
Property, plant and equipment	100
Other receivables, deposits and prepayments	56
Cash and cash equivalents	11,239
Assets classified as held for sale	289,204
Liabilities	
Deferred income tax liabilities	5,553
Trade and other payables and accrued charges	62
Liabilities classified as held for sale	5,615

36 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit on to cash generated from operations:

	2009 HK$'000	2008 HK$'000
Operating profit	**477,041**	580,574
Amortisation of intangible operating rights	**218,717**	163,771
Amortisation of prepaid operating lease payment	**18**	18
Depreciation of property, plant and equipment	**9,680**	5,561
Fair value (gains)/losses on investment properties	**(1,250)**	750
Impairment loss on goodwill	**3,593**	540
Impairment losses on intangible operating rights	**172,474**	—
Gain on disposal of intangible operating rights	**(65,960)**	—
Loss on disposal of property, plant and equipment	**—**	196
Exchange differences	**(113)**	(33,857)
Operating profit before working capital changes	**814,200**	717,553
Decrease/(increase) in trade and other receivables, deposits and prepayments	**17,465**	(23,312)
Decrease in trade and other payables and accrued charges	**(64,658)**	(6,233)
Increase in amounts due to a minority shareholder of subsidiaries	**25,693**	7,834
Decrease in amounts due to holding companies	**(650)**	(203)
Cash generated from operations	**792,050**	695,639

37 COMMITMENTS

At 31 December 2009, the Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2009 HK$'000	2008 HK$'000
Lease payments		
Not later than one year	**536**	294
Later than one year and not later than five years	**536**	294
	1,072	588
Lease receipts		
Not later than one year	**374**	259
Later than one year and not later than five years	**49**	299
	423	558

The Company had no commitments at 31 December 2009 and 2008.

38 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard Yue Xiu Enterprises (Holdings) Limited (incorporated in Hong Kong) as its ultimate holding company. In December 2009, the former controlling shareholder of the Company, Yuexiu Property Company Limited (formerly known as "Guangzhou Investment Company Limited") completed a reorganization exercise by which all the shares of the Company held by Yuexiu Property Company Limited were either distributed or sold by way of an open offer to its qualifying shareholders. Upon completion of the reorganisation, Yue Xiu Enterprises (Holdings) Limited became the controlling shareholder of the 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 period, and their relationship with the Company as at 31 December 2009:

Significant related party	**Relationship with the Company**
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Ultimate holding company
Yuexiu Property Company Limited ("Yuexiu Property")	An associate of a ultimate holding company (ultimate holding company before 30 November 2009)
GWSR Expressway Co., Ltd.	A jointly controlled entity of a subsidiary
Guangdong Humen Bridge Co., Ltd.	An associate of a subsidiary
Guangdong Qinglian Highway Development Co., Ltd.	An associate of a subsidiary
Guangdong Shantou Bay Bridge Co., Ltd.	An associate of a subsidiary
Guangzhou Northring Freeway Co., Ltd.	An associate of a subsidiary

(b) Transactions with related parties

	2009 **HK$'000**	2008 HK$'000
(i) Administrative service fees paid to Yuexiu Property	**1,300**	1,300
(ii) Rental expenses paid to Yue Xiu	**357**	386
(iii) Interest expense paid to a minority shareholder of a subsidiary	**660**	10,944
	2,317	12,630

(c) Key management compensation

	2009 **HK$'000**	2008 HK$'000
Salaries and other short-term benefits	**22,855**	28,627

Key management personnel represents the Directors of the Company and their remunerations are set out in note 9.

39 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation or restated to disclose the results of disposal group.

40 APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors of the Company on 16 March 2010.

41 GROUP STRUCTURE

As at 31 December 2009, the Company held shares/interest in the following principal subsidiaries, a jointly controlled entity and associates.

	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1.00 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Choice Tone Limited	Hong Kong	1 Ordinary share of HK$1.00 each	—	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd, Tianjin Langdao Expressway Co., Ltd and Tianjin Yuanhong Expressway Co., Ltd.
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Tailong Highways Development Company Limited
Frame Bridge Enterprises Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share of HK$1.00 each	—	100	Investment holding in Guangxi Cangwu Guihai Cangyu Expressway Co., Ltd.

41 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Percentage of attributable interest held by the Company Indirect	Principal activities
Principal subsidiaries (continued)					
Guangzhou Nanxin Highways Development Company Limited	People's Republic of China, limited liability company	Rmb141,463,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen
Guangzhou Northern Second Ring Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb900,000,000	—	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou 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 (note 35)
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 355 linking Conghua and Longtan

41 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Principal subsidiaries (continued)					
Guangzhou 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
Guangxi Cangwu Guihai Cangyu Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb190,925,000	—	90	Development and management of Cangyu Expressway in Guangxi
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 (note 25)
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding

41 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Percentage of attributable interest held by the Company Indirect	Principal activities
Principal subsidiaries (continued)					
Kinleader Co., Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HK$1.00 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	—	100	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guandong Humen Bridge Co., Ltd.
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
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$1.00 each	—	100	Property holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	—	100	Investment holding in Shaanxi Jinxiu Transport Co., Limited
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited

41 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Principal subsidiaries (continued)					
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings. Ltd	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Unique Wealth Investment Ltd	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1.00 each	—	83.3	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited
Tianjin Jinfu Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb74,660,000	—	60 (note a)	Development and management of Jinbao Expressway in Tianjin
Tianjin Langdao Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb91,708,000	—	60 (note a)	Development and management of Jinbao Expressway in Tianjin
Tianjin Yuanhong Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb98,832,000	—	60 (note a)	Development and management of Jinbao Expressway in Tianjin

Note a: The profit sharing ratio is 90% up to 2012, 40% from 2013 to 2015 and 60% from 2016 onwards.

41 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Registered capital	Percentage of Interest in ownership/voting power/ profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Jointly controlled entity						
Guangzhou Western Second Ring Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb1,000,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

	Place of incorporation/ establishment and operation and kind of legal entity	Registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Associates					
Guangdong Humen Bridge Co., Ltd.	People's Republic of China, limited liability company	Rmb273,900,000	—	27.78	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Co., Ltd.	People's Republic of China, limited liability company	Rmb1,200,000,000	—	23.6	Development and management of Qinglin Expressway and National Highway 107 linking Qingyuan and Lianzhou
Guangdong Shantou Bay Bridge Co., Ltd.	People's Republic of China, limited liability company	Rmb75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Co., Ltd.	People's Republic of China, limited liability company	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhaoxing *(Chairman)*
Mr Li Xinmin
Mr Liang Ningguang
Mr Liu Yongjie
(appointed with effect from 14 August 2009)
Mr Qian Shangning
Mr Wang Shuhui
(appointed with effect from 3 November 2009)

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Ms Chan Kam Ting Sharon

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

SHARE LISTING

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited-1052
Reuters-1052.HK
Bloomberg-1052 HK

INVESTOR RELATIONS

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WEBSITES TO ACCESS COMPANY INFORMATION

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