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越 秀 交 通 有 限 公 司
GZI Transport Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 1052)

Announcement of 2008 Final Results

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual results of the Company and its subsidiaries (“Group”) for the year ended 31 December 2008 (“Reporting Year”).

OPERATING RESULTS AND DIVIDEND

The global economy was in chaos in 2008 as corporate profits and fair values plunged and liquidity dried up worldwide since the outbreak of the global financial crisis in the 3rd quarter of 2008. Despite the global financial turmoil, the Group posted record high profit before tax and revenue for the Reporting Year, which was mainly attributable to the increased weight of expressways in its toll road portfolio back in 2007. Toll revenue for the Reporting Year increased by 16.5 percent to HK\$1.0 billion as compared to 2007. Profit attributable to equity holders of the Company for the Reporting Year amounted to HK\$607.5 million, representing an increase of 23.5 percent or HK\$115.6 million as compared to the restated figure in 2007. Basic earnings per share for 2008 amounted to HK\$0.363 (2007 (Restated): HK\$0.376).

The Board recommended the distribution of 2008 final dividend of HK\$0.08 (2007: HK\$0.0775) per share, together with the paid interim dividend of HK\$0.08 (2007: 0.0575) per share, representing an overall dividend payout ratio of 44.1 percent (2007 (Restated): 45.9 percent) for the year.

ANNUAL REVIEW AND PROSPECTS

REVIEW: BUSINESS OPERATIONS AND DEVELOPMENT

Traffic trend in Pearl River Delta (“PRD”) region

The Group’s toll roads and bridges are mainly concentrated in the PRD region, one of the two high growth engines in the PRC, and in particular, the outskirts of Guangzhou. As consumption power in these areas has been growing at a great pace continuously during recent years, more road users tend to take the expressways instead of congested city and Class I and II highways for the quick access and expanding network. The average daily toll traffic volume and toll revenue of the Group’s expressways, such as GNSR expressway, GWSR expressway and Shantou Bay Bridge, have recorded continuous and steady growth in 2008. Conversely, traffic was diverted from Class I and II highways, where traffic flow was also affected by the widening of the toll free “green channel” for agricultural produce as a relief measure following the massive earthquake in Sichuan in May 2008. Consequently, with the exception of Xiang Jiang Bridge II and Guanghua Highway, the average daily toll traffic volume and toll revenue of the Group’s Class I and II highways have declined as compared to 2007.

Investments

The management reckoned a couple of years ago that with the growing maturity of the expressway network and the steady increase in gross domestic production, expressways would outperform Class I and II highways generally. In light, the Group revised its corporate strategy and put the optimization of its toll road mix as its top priority. In 2007, the Group acquired an additional 20.0 percent equity interest in GNSR Expressway through the exercise of its shareholder’s pre-emptive right.

In 2008, with the proceeds of the open offer in 2007 and surplus funds in hand, the Group continued to focus its efforts on expanding its asset base and portfolio ratio of expressways to Class I and II highways. In January, the Group completed the acquisition of an additional 2.78 percent equity interest in Guangdong Humen Bridge Co., Ltd. (“Humen Bridge Co.”) from the outgoing shareholder, SDIC Communications Co., increasing the percentage of equity attributable to the Group to 27.78 percent.

On 10 December 2008, the Group entered into an Equity Transfer Agreement for the acquisition of 90.0 percent equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. (“Cangyu Expressway Co., Ltd.”). The principal asset of Cangyu Expressway Co., Ltd. is the operating right of Cangyu Expressway (“Cangyu Expressway”). Cangyu Expressway is located in Cangwu County of Wuzhou City in Guangxi Province with a total length of approximately 23.334 km. The consideration payable for the acquisition was approximately HK\$145.2 million. With the opening of Provincial Highway S368 connecting Cangyu Expressway to Guangdong Province in late 2008 and other connecting expressways in 2009 and 2010, the Group expects the acquisition would begin to generate reasonable contributions to the profits of the Group in near future.

PROSPECTS: YEAR OF EXPANSION

2009 will be a mixed bag of challenges and opportunities.

We expect the effects the financial tsunami will substantially, if not fully, be unfolded in 2009. With consumption contraction in the U.S. and Europe, demand for Chinese exports would shrink. Unless domestic consumption could be brought up to counter the expected loss in export, it is very likely that cargo freight volume in the PRD region would be significantly affected as a result. We would also expect that the impact of the Guangdong Provincial Government’s drive to upgrade the industries in the PRD region on cargo freight volume will be felt during the transition.

To mitigate the impact of the global financial turmoil, the PRC government has announced a RMB4.0 trillion stimulus package, including a considerable slice of public spending on infrastructure, to increase domestic demand. In addition, new measures to attain the proclaimed target of “maintaining 8.0 percent” in GDP growth by the Central Government, such as naming the automobile industry as one of the 10 favoured industries for future development, new fuel tax policy, reduction of oil prices and motor vehicle acquisition tax for small cars, have been put in place. The stimulus package, policies and measures are expected to create a favorable environment for the growth of the domestic infrastructure sector in the long term.

Turning back to the PRD region, where most of our toll roads are situated, the Highway Bureau of Guangdong Province confirmed at the beginning of 2009 that 2009 would be a “Year of Accelerated Construction”, such that an estimated investment of RMB48.50 billion in road construction would be completed within the year, and the construction of another 19 projects in progress would be accelerated. With further progress in the construction of an integrated PRD region, the position of Guangzhou as a political, traffic, cultural and economic centre will be strengthened progressively.

While we will continue to focus our attention on the PRD region, the Group will also monitor closely the expressway and bridge projects in the other more economically well-developed areas in the PRC, including the Pan-Bohai Economic Circle and the Yangtze River Delta region for acquisition opportunities.

Our 2008 results are telling us that our corporate strategy of increasing our investments in expressways in contrast to Class I and II highways clearly paid off. We will continue to pursue this corporate strategy. With a very low gearing ratio and ample cash in hand, we are confident that the Group is well positioned and ready to realize our corporate goal of optimizing our toll road mix in the land of abundant opportunities, including the downsizing of Class I and II highways in our portfolio. We will strive to acquire more quality assets so as to expand our solid foundation for future sustainable growth. 2009 will be a year of expansion for the Group.

APPRECIATION

In the past year, the executive directors, independent directors, senior management officers and all staff continued to exemplify their team spirit with pragmatic, diligent, dedicated and excellence pursuing attitudes towards their work, overcoming the difficulties brought by the financial tsunami as well as capturing development opportunities for the Company, thus creating the best results in the history of the Group. On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to everyone. I would also like to express my gratitude on behalf of the Group to all shareholders, our friends from the banking and commercial sectors, and our business partners for their consistent support over the years. The Group will continue to pursue business development and scientific management diligently so as to maintain a stable and solid growth in the Company results and strive to keep the yield for shareholders growing continuously.

Zhang Zhaoxing

Chairman

Hong Kong, 18 March 2009

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>(Restated) HK\$'000</i>
Revenue	2	1,014,486	870,778
Other income	3	4,704	53,143
Other gains — net	4	34,770	39,204
Construction costs of toll highways and bridges upgrade services		(3,818)	(52,245)
Amortisation of intangible operating rights		(163,771)	(235,299)
Toll highways and bridges operating expenses	5	(185,436)	(136,067)
General and administrative expenses	5	(82,968)	(78,836)
Business tax		(36,853)	(32,907)
Impairment losses on goodwill		<u>(540)</u>	<u>(3,671)</u>
Operating profit		580,574	424,100
Finance costs - net	6	(26,205)	(34,289)
Interest income on loans to associates		5,962	20,369
Share of profits less losses of associates		295,717	247,597
Share of profits less losses of jointly controlled entities		<u>(19,816)</u>	<u>(12,182)</u>
Profit before income tax expense		836,232	645,595
Income tax expense	7	<u>(88,030)</u>	<u>(83,889)</u>
Profit for the year		<u>748,202</u>	<u>561,706</u>
Attributable to:			
- Equity holders of the Company		607,533	491,915
- Minority interests		<u>140,669</u>	<u>69,791</u>
		<u>748,202</u>	<u>561,706</u>
Earnings per share for profit attributable to the equity holders of the Company for the year			
- Basic and diluted	8	<u>HK36.3 cents</u>	<u>HK37.6 cents</u>
Dividends	9	<u>267,706</u>	<u>225,877</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>
ASSETS			
Non-current assets			
Intangible operating rights		7,048,250	6,795,284
Leasehold land		665	683
Property, plant and equipment		37,629	34,854
Investment properties		8,800	9,550
Investment in a jointly controlled entity		269,151	227,873
Investments in associates		2,090,232	1,688,892
Deferred income tax assets		—	127
Available-for-sale financial assets		147,735	114,285
Other non-current asset		—	17,375
Goodwill		<u>125,994</u>	<u>119,186</u>
		<u>9,728,456</u>	<u>9,008,109</u>
Current assets			
Trade and other receivables, deposits and prepayments	10	42,499	19,187
Cash and cash equivalents		<u>2,378,898</u>	<u>2,293,016</u>
		<u>2,421,397</u>	<u>2,312,203</u>
Total assets		<u><u>12,149,853</u></u>	<u><u>11,320,312</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		167,316	167,316
Reserves		<u>8,232,394</u>	<u>7,524,873</u>
		8,399,710	7,692,189
Minority interests		<u>1,652,667</u>	<u>1,488,728</u>
Total equity		<u>10,052,377</u>	<u>9,180,917</u>

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		978,873	1,002,655
Deferred income tax liabilities		<u>816,513</u>	<u>716,905</u>
		<u>1,795,386</u>	<u>1,719,560</u>
Current liabilities			
Amounts due to a minority shareholder of subsidiaries		11,340	2,873
Amounts due to holding companies		3,066	3,269
Trade and other payables and accrued charges	11	141,108	141,524
Current income tax liabilities		10,506	6,974
Borrowings		<u>136,070</u>	<u>265,195</u>
		<u>302,090</u>	<u>419,835</u>
Total liabilities		<u>2,097,476</u>	<u>2,139,395</u>
Total equity and liabilities		<u>12,149,853</u>	<u>11,320,312</u>
Net current assets		<u>2,119,307</u>	<u>1,892,368</u>
Total assets less current liabilities		<u>11,847,763</u>	<u>10,900,477</u>

NOTES:

1 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 following interpretations are mandatory for the financial year ended 31 December 2008.

HKAS 39 and HKFRS 7	Reclassification of Financial Assets (Amendments)
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Services Concession Arrangements
HK(IFRIC)-Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for HK(IFRIC)-Int 12, the adoption of these amendments to standards and interpretations do not have significant impact on the Group’s financial statements.

HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of HK(IFRIC)-Int 12 resulted in a retrospective change in accounting policy for the toll highways and bridges of the Group and of its associates and jointly controlled entity. Before the adoption of HK(IFRIC)-Int 12, certain of these toll highways and bridges were recorded as tangible infrastructures. Following the adoption of HK(IFRIC)-Int 12, these tangible infrastructures are recognised as intangible operating rights to the extent that the Group, its associates and jointly controlled entity receive a right (a license) to charge users of the public service. In addition, management applies units-of-usage method as the amortisation method for the intangible operating rights of the Group and of its associates and jointly controlled entity and accounted for the associated deferred tax liabilities, including the effect from the change in the Corporate Income Tax Law of the PRC (the “New CIT Law”) in March 2007 (note 7(b)) retrospectively.

As a toll roads constructor, the Group, its associates and jointly controlled entity account for revenue and costs relating to toll roads construction or upgrade services in accordance with HKAS 11 “Construction Contracts”.

The adoption of HK(IFRIC)-Int 12 resulted in the following adjustments:

	As at 31 December 2008 HK\$'000	As at 31 December 2007 HK\$'000
Consolidated balance sheet		
Increase in intangible operating rights	3,025,970	2,807,912
Decrease in tangible infrastructures	(2,918,864)	(2,807,912)
Increase in goodwill	4,502	—
Decrease in investments in associates	(66,629)	(66,629)
Increase in deferred income tax liabilities	(61,364)	(36,159)
(Increase)/decrease in minority interests	(16,014)	13,722
Decrease in retained profits	<u>32,399</u>	<u>89,066</u>
	2008 HK\$'000	2007 HK\$'000
Consolidated income statement		
Increase in construction income for upgrade services	3,818	52,245
Increase in construction costs of upgrade services	(3,818)	(52,245)
Decrease in amortisation of intangible operating rights	107,106	—
Decrease in impairment of goodwill	4,502	—
Decrease in share of profits less losses of associates	—	(66,629)
Increase in income tax expense	(25,205)	(36,159)
(Increase)/decrease in minority interests	(29,736)	13,722
Increase/(decrease) in basic and diluted earnings per share (in HK cent per share)	<u>3.39</u>	<u>(6.81)</u>

Certain of the toll highways and bridges of the Group were previously recorded as intangible operating rights and amortised on a straight-line basis over the respective operating periods. Given there were no independent traffic forecast performed for these toll highways and bridges in 2007 or before, their accumulated amortisation charges as at 31 December 2007 were not restated based on units-of-usage method upon the adoption of HK(IFRIC)-Int 12.

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

		Effective for accounting periods beginning on or after
HKAS 1 (revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (amendment)	Borrowing Costs	1 January 2009
HKAS 27 (revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 and HKAS 1 (amendment)	Financial Instruments: Presentation	1 January 2009
HKFRSs (amendments)	Improvements to HKFRSs	1 January 2009
HKFRS 2 (amendment)	Share-based Payment	1 January 2009
HKFRS 3 (amendment)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owner	1 July 2009
HK(IFRIC)-Int 18	Transfer of Assets from Customers	1 July 2009

Management is in the process of making an assessment of the impact of these new standards, amendments to standards and interpretations 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 Revenue

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Toll revenue	<u>1,014,486</u>	<u>870,778</u>

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

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

3 **Other income**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction income of toll highways and bridges upgrade services	3,818	52,245
Advertising income	507	507
Rental income from investment properties	<u>379</u>	<u>391</u>
	<u><u>4,704</u></u>	<u><u>53,143</u></u>

4 **Other gains - net**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value (loss)/gain on investment properties	(750)	900
Net foreign exchange gains	33,857	36,731
Others	<u>1,663</u>	<u>1,573</u>
	<u><u>34,770</u></u>	<u><u>39,204</u></u>

5 **Expenses by nature**

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of prepaid operating lease payments	18	17
Auditor's remuneration	1,753	1,530
Depreciation of property, plant and equipment	5,561	3,873
Loss on disposal of property, plant and equipment	196	—
Outgoings in respect of investment properties	4	3
Maintenance expenses of toll highways and bridges	92,913	61,159
Staff costs	110,099	89,112
Other operating expenses of toll highways and bridges	37,334	34,738
Sundries	<u>20,526</u>	<u>24,471</u>
	<u><u>268,404</u></u>	<u><u>214,903</u></u>

6 Finance costs - net

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses:		
- Bank borrowings	62,713	60,138
- Loans from minority shareholders of subsidiaries	25,560	16,627
Fair value adjustment on loans from minority shareholders of subsidiaries	<u>(11,094)</u>	<u>(14,615)</u>
Finance costs	77,179	62,150
Bank interest income	<u>(50,974)</u>	<u>(27,861)</u>
Net finance costs	<u><u>26,205</u></u>	<u><u>34,289</u></u>

7 Income tax expense

- (a) No provision for Hong Kong profits tax has been made in the financial statements as the Group had no income assessable to Hong Kong profits tax during the year (2007: nil).
- (b) The PRC enterprise income tax is provided on the profits of the Group's subsidiaries, associates and a jointly controlled entity in mainland China in accordance with the Income Tax Law of mainland China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law").

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate of 25% over a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the Group for the year ended 31 December 2008 is 18% (2007: 18%, comprising 15% state tax and 3% local tax).

Dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at a tax rate of 5% or 10%. The applicable withholding tax rate for the Group for the year ended 31 December 2008 is 10%.

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

	2008	2007
	<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>
PRC enterprise income tax		
Current income tax		
- Current year	39,131	36,846
- Under-provision in prior year	4,834	—
Deferred income tax		
- Current year	44,065	10,884
- Impact of change in tax rate (note 7(b))	<u>—</u>	<u>36,159</u>
	<u>88,030</u>	<u>83,889</u>

8 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.

	2008	2007
	<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>607,533</u>	<u>491,915</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,307,970</u>
Basic and diluted earnings per share (HK cents)	<u>36.3</u>	<u>37.6</u>

9 Dividends

	Company	
	<i>2008</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK\$0.08 (2007: HK\$0.0575) per share	133,853	96,207
Final, proposed, of HK\$0.08 (2007: HK\$0.0775) per share	<u>133,853</u>	<u>129,670</u>
	<u>267,706</u>	<u>225,877</u>

At a meeting held on 18 March 2009, the Directors proposed a final dividend of HK\$0.08 per share. Such dividend is to be approved by the shareholders at the Annual General Meeting on 2 June 2009. These financial statements do not reflect this dividend payable.

10 Trade and other receivables, deposits and prepayments

As at 31 December 2008, trade receivables amounted to HK\$12,304,000 (2007: HK\$7,822,000) which are aged below 30 days (2007: 30 days).

11 Trade and other payables and accrued charges

As at 31 December 2008, trade payables amounted to HK\$84,800,000 (2007: HK\$62,800,000) which are aged below 30 days (2007: 30 days).

12 Post balance sheet events

- (a) On 10 December 2008, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of a 90 percent equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. whose principal asset is the toll operating right of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to Rmb128.1 million (approximately HK\$145.2 million) and Rmb19.4 million (approximately HK\$22.0 million) respectively, of which Rmb62.7 million and Rmb3.9 million were paid respectively on 19 January 2009. On the same date, the acquisition was approved by the Guangxi government and the transaction was completed.
- (b) In view of the continual integration of Changsha, Zhuzhou and Xiangtan and the proposed introduction of the annual travel pass system for the merging districts, the Group entered into an agreement with Xiangtan Municipal Government in January 2009 for the disposal of the operating right of Xian Jiang Bridge II, for an aggregate cash consideration of Rmb271,000,000. The consideration was negotiated with reference to the Group's projected revenues and returns from 1 January 2009 until the end of the concessionary period, i.e. 30 November 2021 and was to be paid by 26 half yearly installments commencing from 30 May 2009 with the final payment due on 30 November 2021. The discounted value of the installments/receivables as valued by an independent valuer amounted to Rmb169.6 million (equivalent to approximately HK\$192.4 million). As at 31 December 2008, the carrying value of Xiang Jiang Bridge II is approximately HK\$122 million.
- (c) The Taihe toll station of Guangcong Highway Section I, a Class I highway, was closed down in January 2009 for relocation at the request of the Guangzhou Municipal Government on the understanding that the loss occasioned by such relocation, if any, would be compensated by the government. At present, the Company is in negotiation with the relevant government authorities for the relocation and other possible options, including, but not limited to a buy back, in relation to the Taihe toll station.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Toll summary of toll roads and bridges

For the year ended 31 December 2008

	Average daily toll traffic volume (vehicle/day)		Average daily toll revenue (RMB/day)		Weighted average toll fare per vehicle (RMB)	
		Change %		Change %		Change %
Expressways and Bridges						
GNSR Expressway ^(a)	79,315	15.8	1,346,732	7.4	17.0	-7.2
Northern Ring Road ^(b)	161,739	-1.4	1,585,906	-12.1	9.8	-10.8
Humen Bridge ^(b)	62,822	1.5	2,712,812	-1.9	43.2	-3.4
Shantou Bay Bridge ^(b)	11,720	3.3	445,090	1.3	38.0	-2.0
GWSR Expressway ^(b)	9,433	59.5	301,455	70.3	32.0	6.8
Xian Expressway ^(a)	38,994	4.4	517,983	5.7	13.3	1.3
Class I and II Highways and Bridges						
Guangshen Highway ^(a)	13,754	-29.3	90,962	-26.3	6.6	4.3
Guangshan Highway ^(a)	17,552	-22.4	165,708	-21.8	9.4	0.8
Guangcong Highway Section I ^(a)	9,948	-16.5	118,465	-14.5	11.9	2.4
Guangcong Highway Section II & Provincial Highway 355 ^(a)	15,922	-15.2	117,485	-13.7	7.4	1.8
Guanghua Highway ^(a)	10,960	2.7	92,412	0.3	8.4	-2.3
Qinglian Highways ^(b)	11,067	-24.4	180,612	-26.2	16.3	-2.4
Xiang Jiang Bridge II ^(a)	6,465	14.2	70,390	14.3	10.9	0.1

(a) Subsidiary (consolidated in the financial statements)

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

Overview of Operating Environment and Performance

During the first half of 2008, natural disasters occurred in Mainland China, including snowstorms in the southern regions occurring at the beginning of the year and the super-strong earthquake in Sichuan occurring in May, the sudden change in the macroeconomic environment in the fourth quarter of 2008 was attributable to the outbreak of the financial credit crisis in the United States, which caused a drastic decline in the global economy of an unprecedented scale and developed into a

financial tsunami that swept the world. Despite being confronted with multiple challenges, the toll revenue of the Group and the profit attributable to equity holders of the Company in 2008 still increased by 16.5 percent to HK\$1.0 billion and 23.5 percent to HK\$607.5 million respectively as compared to restated figure in 2007.

The management recognized that the operating performance of expressways was better than Class I and II highways in recent years, because toll traffic volume of Class I and II highways continued to show a natural downward trend under the impact of continuing significant fluctuations of fuel prices and the expressway networking effect. In view of this, the Group made a timely adjustment to its business policy by focusing on increasing investment in expressways and bridges, and intended to cease investing in new Class I and II highways and reduce their percentage share gradually. From April 2007 to January 2008, the Group further acquired 20.0 percent equity interest in the GNSR Expressway and 2.78 percent equity interest in Humen Bridge to secure the income sources of the Group, providing a solid foundation for the Group's long-term steady growth. On 10 December 2008, the Group entered into an Equity Transfer Agreement for the acquisition of 90.0 percent equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. ("Cangyu Expressway Co., Ltd.") (Please refer to the announcement on the same date for details). The principal asset of Cangyu Expressway Co., Ltd. is the operating right of Cangyu Expressway ("Cangyu Expressway") linking Cangwu County of Wuzhou City in Guangxi Province to Yunan County of Guangdong Province. The consideration payable for the acquisition was approximately HK\$145.2 million. Cangyu Expressway connects with Yunwu Expressway (eastbound to the PRD), Guiwu Expressway (northbound to Hezhou and Guilin areas) and Cenwu Expressway (southbound to Nanning areas via Cenxi), it is an important road section in the implementation of the national plan for the Great West Development. According to the traffic development plans of both Guangxi Province and Guangdong Province, the expressways going towards the above three directions will be fully open to traffic one after the other (among which, Cenwu Expressway was opened to traffic in January 2008). With a comparatively lower cost per km (at a construction cost of not exceeding RMB24,000,000 per km projected on the basis of the above acquisition price and banking liability level of the project company, which is much lower than the current construction cost of RMB70,000,000 to RMB80,000,000 per km of existing similar standard roads in the adjacent areas) and being the interchange and connecting route of the above expressways, the Group expects that upon completion of the acquisition, it will help to increase the proportion of expressway projects in the Group's assets, facilitate further expansion of the Group's market share in the highway industry, and contribute to the profits of the Group in the long run.

Performance Analysis of Expressways and Bridges

Inside Guangdong Province

GNSR Expressway

In 2008, the average daily toll traffic volume was 79,315 vehicles and the average daily toll revenue was RMB1,346,732, representing an increase of 15.8 percent and 7.4 percent respectively as compared to 2007.

From March to June 2008, the closure of the Ren He Bridge for maintenance diverted most vehicles using the National Highway G106 originally to use the Beicun to Banghu section of the GNSR Expressway, thereby offsetting the adverse impact created by the complete one-way closure of the Guangzhou-Shenzhen Superhighway (“GS Superhighway”)(Shenzhen towards Guangzhou direction) for maintenance from mid-February to early July 2008 which has prevented vehicles to reach other areas through the Huocun toll station of the GNSR Expressway. Benefiting from the full operation of the GWSR Expressway, vehicles shuttling between the eastern and western regions of Guangdong are using the GNSR Expressway more frequently, leading to continuous natural growth of traffic volume on the GNSR Expressway. In addition, upon the commencement of operation of the Guangzhou Eastern Second Ring Expressway in mid-December 2008, it is anticipated that more vehicles going to the northern Guangdong, eastern Guangdong and western Guangdong areas or heading south to the PRD from areas such as Huangpu and Panyu will travel through the GNSR Expressway. The traffic flow of the GNSR Expressway is expected to continue further growth.

Northern Ring Road

In 2008, the average daily toll traffic volume was 161,739 vehicles and the average daily toll revenue was RMB1,585,906, representing a decline of 1.4 percent and 12.1 percent respectively as compared to 2007.

The main reasons attributable to the decline included the complete one-way closure of GS Superhighway (Shenzhen towards Guangzhou direction) for maintenance for about four months starting from 18 February 2008, resulting in a significant decrease in traffic volume from the Guandan entrance of the Northern Ring Road. With effect from 26 January 2008, the entire Northern Ring Road was included in the “green channel” zone, waiving toll fees for vehicles legally carrying fresh farm produce and livestock, resulting in an increase in toll free vehicles as compared to 2007. From 18 September 2008 to early 2009, the section from Chen Shan viaduct to Shui Kou

viaduct of the Fokai Expressway in the vicinity of the Northern Ring Road was fully closed for maintenance, only single direction traffic was allowed from Guangzhou towards Kaiping, resulting in a reduction of traffic flow entering the Northern Ring Road.

Moreover, there was a change in the vehicle type ratio in 2008. There was a significant increase in the traffic volume percentage of private cars that were Type I vehicles being charged a lower toll fee. Such vehicles accounted for approximately 52.5 percent of the total toll traffic volume. On the contrary, the percentage of Type II to Type V vehicles declined. Besides, the East-South-West Ring Road near the Northern Ring Road stopped charging toll fee from the second half of 2007, leading to a great number of large vehicles such as trucks diverting to the East-South-West Ring Road.

Humen Bridge

The average daily toll traffic volume in 2008 was 62,822 vehicles, an increase of 1.5 percent as compared to 2007; and the average daily toll revenue in 2008 was RMB2,712,812, representing a decline of 1.9 percent as compared to 2007.

In September 2007, by taking advantage of the divestment by SDIC Communications Co., the original shareholder of Humen Bridge Co., of 10.0 percent of its equity interest, the Group exercised its pre-emptive right to acquire, on a pro-rata basis, an additional 2.78 percent interest. Upon completion of the acquisition in late January 2008, the Group's equity interest in Humen Bridge Co. increased to 27.78 percent.

The total toll traffic volume of Humen Bridge in 2008 experienced slower growth than in 2007. This was mainly attributable to the impact of the domestic macroeconomic policy and the structural adjustments of industries in the PRD, resulting in outward relocations or closures of some factory enterprises. The transportation market was shrinking, and as a result, the traffic volume of Type V vehicles using the Humen Bridge decreased by 13.3 percent as compared to 2007. Hence, the average daily toll revenue in 2008 was slightly lower than in 2007. At present, the PRD region under which the Humen Bridge was administered is conducting discussions and studies for forming a unified toll fee collection network with the eastern Guangdong areas, if implemented, this is expected to be beneficial to the enhancement of the service standard and the increase in traffic capacity of the expressway network.

Shantou Bay Bridge

In 2008, the average daily toll traffic volume was 11,720 vehicles and the average daily toll revenue was RMB445,090, representing an increase of 3.3 percent and 1.3 percent respectively as compared to 2007.

In 2008, the GDP growth of Shantou was 10.5 percent higher than in 2007. Given the continued steady growth of the economy of Shantou, the local traffic volume kept growing steadily and naturally. However, the Shantou Bay Bridge was included in the “green channel” zone during 2008, and the ratio of toll vehicle types in 2008 showed that the toll traffic percentage of small passenger vehicles belonging to Type I being charged a lower toll fee, increased gradually and accounted for approximately 56.3 percent of the total toll traffic volume, while the toll traffic percentage of light and medium sized vehicles belonging to Types II and III declined. However, the traffic volume of Type V heavy cargo trucks increased. As a result, both the average daily toll traffic volume and the average daily toll revenue of the Shantou Bay Bridge increased slightly as compared to 2007.

GWSR Expressway

In 2008, the average daily toll traffic volume was 9,433 vehicles and the average daily toll revenue was RMB301,455, representing an increase of 59.5 percent and 70.3 percent respectively as compared to 2007.

In December 2007, the southern section of the GWSR Expressway was open to traffic; vehicles from the Western Guangdong area were able to reach Baiyun Airport directly via the Fokai Expressway and Guangsan Expressway, or reach the northern Guangdong and eastern Guangdong areas via the GWSR Expressway, enhancing the traffic capacity of the GWSR Expressway. As the GWSR Expressway enters its second year of operation, it is generally known and used by vehicle drivers. Moreover, the Guangzhou Eastern Second Ring Expressway was open to traffic in December 2008, and the Foshan First Ring Extension section has also connected with the GWSR Expressway. With the above favourable factors, the average daily toll revenue of the GWSR Expressway gained favourable growth in 2008. The GWSR Expressway is regarded as a project possessing better growth potential under the Group. It is expected to bring stable investment returns to the Group in future.

Outside Guangdong Province

Xian Expressway

In 2008, the average daily toll traffic volume was 38,994 vehicles and the average daily toll revenue was RMB517,983, representing an increase of 4.4 percent and 5.7 percent respectively as compared to 2007.

The average daily toll traffic volume and the average daily toll revenue of the Xian Expressway have been maintaining double digit steady growth for many years, however, the growth rate slowed down slightly in 2008. This was mainly attributable to the occurrence of rare snowstorms in the PRC and the strong earthquake in Sichuan, and as a result, the Shaanxi Province required all roads in the province to waive toll fees for vehicles transporting relief materials. Being affected by the natural disasters, inter and intra provincial passenger and cargo turnover dropped drastically during the first half of 2008; and as the financial tsunami broke out in the fourth quarter of 2008 that swept the world, the global economy worsened dramatically, domestic economic and trading activities were affected. Formerly after entering the winter season, the climate and traffic conditions were favourable for the transportation market, under such circumstances the average daily toll traffic volume should rebound and rose higher, however, the average daily toll traffic volume in December 2008 levelled off as compared to the same period in 2007, and the toll revenue even dropped to a lower level than the same period in 2007. So, the performance of the Xian Expressway was inevitably affected by the above factors with a slower growth in 2008.

With the rapid development of the economy of the western region of the PRC, the traffic volume of the Xian Expressway is gradually showing signs of saturation. Considering the saturation of traffic volume and the remaining eight-year term of operation of the Xian Expressway, the Group is actively studying various proposals for road improvement and their feasibility, including the reconstruction of the Xian Expressway into a two-way eight-lane expressway subject to the approval of the extension of the toll collection period by the relevant approval authorities (conditions to be agreed through negotiation).

Performance Analysis of Class I and II Highways and Bridges

Inside Guangdong Province

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

The average daily toll traffic volume of the Guangshen Highway was 13,754 vehicles in 2008 and the average daily toll revenue was RMB90,962, representing a decline of 29.3 percent and 26.3 percent respectively as compared to 2007. The average daily toll traffic volume of the Guangshan Highway was 17,552 vehicles in 2008 and the average daily toll revenue was RMB165,708, representing a decline of 22.4 percent and 21.8 percent respectively as compared to 2007. The average daily toll traffic volume of the Guangcong Highway Section I was 9,948 vehicles in 2008 and the average daily toll revenue was RMB118,465, representing a decline of 16.5 percent and 14.5 percent respectively as compared to 2007. The average daily toll traffic

volume of the Guangcong Highway Section II and the Provincial Highway 355 was 15,922 vehicles in 2008 and the average daily toll revenue was RMB117,485, representing a decline of 15.2 percent and 13.7 percent respectively as compared to 2007. The average daily toll traffic volume of the Guanghua Highway was 10,960 vehicles in 2008 and the average daily toll revenue was RMB92,412, representing an increase of 2.7 percent and 0.3 percent respectively as compared to 2007.

The above five Class I and II highways are located in the Guangzhou area. With the exception of Guanghua Highway which has more stable performance, the toll traffic volume of all other highways have kept declining naturally. The major attributing factors include: the comprehensive construction of the expressway network, the increasingly apparent highway networking effect; the persistent increases in fuel prices, the complete realization of the energy saving advantage of expressways, resulting in increasing diversion of the traffic flow. Meanwhile, the “green channel” policy has been extended to the year end of 2008, which has also resulted in an adverse effect on toll revenue. Guanghua Highway is still maintaining growth; the closure of the Ren He Bridge of National Highway 106 for maintenance from March to June 2008 diverted a portion of the vehicles to the Guanghua Highway.

Qinglian Highways

In 2008, the average daily toll traffic volume was 11,067 vehicles and the average daily toll revenue was RMB180,612, representing a decline of 24.4 percent and 26.2 percent respectively as compared to 2007.

Certain sections of the Qinglian Class II Highway carried out short-term road surface maintenance and reinforcement works during the first half of 2008, resulting in a substantial drop in the toll traffic volume. Qinglian Class I Highway was fully closed during the first three quarters of 2008 for reconstruction into an expressway. By the fourth quarter of 2008, upon the progressive completion of the reconstruction of Qinglian Class I Highway into an expressway, toll traffic volume diverted to other roads earlier was returning gradually. Although the overall toll traffic volume of Qinglian Highways in 2008 was lower as compared to 2007, the extent of the decrease was narrowed remarkably.

On 26 December 2008, the road surface work for the project of reconstructing Qinglian Class I Highway into an expressway was completed. Since complementary works are expected to be completed in the first half of 2009, it is expected that Qinglian Class I Highway will only start collecting tolls in accordance with expressway toll fare standards in the second half of 2009.

Outside Guangdong Province

Xiang Jiang Bridge II

In 2008, the average daily toll traffic volume was 6,465 vehicles and the average daily toll revenue was RMB70,390, representing an increase of 14.2 percent and 14.3 percent respectively as compared to 2007.

With the continual integration of the Chang(sha)-Zhu(zhou)-Xiang(tan), the regional economy continued to perform well, which facilitated the natural growth of traffic at Xiang Jiang Bridge II. The project company raised the actual toll revenue rate by upgrading the toll system and commencing toll target competition in April 2008.

FINANCIAL REVIEW

Operating Results Key Figures

	2008	2007	Change
	<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>	<i>%</i>
Profit attributable to equity holders of the Company	607,533	491,915	23.5
Revenue	1,014,486	870,778	16.5
Operating profit	580,574	424,100	36.9
Finance costs - net	26,205	34,289	-23.6
Net contributions from associates	301,679	267,966	12.6
Net loss from jointly controlled entities	-19,816	-12,182	-62.7
Income tax	88,030	83,889	4.9
Interest coverage	15 times	16 times	
Dividends	267,706	225,877	

Analysis of operating results

Profit attributable to equity holders of the Company

The Group reported its profit attributable to equity holders for 2008 of approximately HK\$607.5 million, representing a 23.5 percent growth over the restated comparative figure in 2007. The comparative figures in 2007 were restated with adjustments made for the adoption of HK(IFRIC)-Int 12: Services Concession Arrangements and accounted for the associated deferred tax liabilities, including the effect from the change in the New Corporate Income Tax Law (“CITL”) of the PRC approved on 16 March 2007. Contributing to the profit growth were GNSR Expressway (104.1 percent growth); Xiang Jiang Bridge II (52.6 percent growth); Humen Bridge (19.4 percent growth); Xian Expressway (18.2 percent growth); Guangcong Highway Sections I and II (15.2 percent and 32.5 percent growth).

Revenue

The Group reported revenue of HK\$1.0 billion in 2008, increased by 16.5 percent over 2007. The growth in revenue was derived from GNSR Expressway (41.9 percent growth), with its full year’s revenue of HK\$542.1 million consolidated to the Group in 2008 (for comparison, assuming GNSR Expressway was consolidated to the Group since 1 January 2007, its revenue growth rate would be 10.9 percent); Xiang Jiang Bridge II (18.1 percent growth); Xian Expressway (9.1 percent growth); and Guanghua Highway (3.6 percent growth).

Revenue structure and proportion

	Revenue for the year ended 31 December 2008 (HK\$'000)	Proportion to total revenue %	Change %
Subsidiaries			
Guangshen Highway	36,617	3.6	-23.9
Guangshan Highway	66,706	6.6	-19.2
Guangcong Highway Section I	47,688	4.7	-11.7
Guangcong Highway Section II & Provincial Highway 355	47,294	4.6	-10.8
Guanghua Highway	37,201	3.7	3.6
GNSR Expressway ⁽¹⁾	542,129	53.4	41.9
Xian Expressway	208,515	20.6	9.1
Xiang Jiang Bridge II	<u>28,336</u>	<u>2.8</u>	18.1
Total	<u>1,014,486</u>	<u>100.0</u>	16.5
Associates & Jointly Controlled Entity (attributable to the Group)			
Humen Bridge	303,438	52.9	12.5
Northern Ring Road	155,676	27.1	-9.2
Qinglian Highways	18,579	3.2	-21.0
Shantou Bay Bridge	53,752	9.4	4.6
GWSR Expressway	<u>42,472</u>	<u>7.4</u>	69.8
Total	<u>573,917</u>	<u>100.0</u>	6.1

- (1) The comparison as presented here is based on recognising the full year revenue for 2008 and the nine months' revenue for 2007 (GNSR Expressway Co., Ltd. became a subsidiary of the Group on 1 April 2007). For comparison purpose, GNSR Expressway's revenue growth on year on year basis, assuming it was consolidated to the Group since 1 January 2007 was 10.9 percent.

Operating profit

While overall toll traffic of the Group's toll projects in 2008 was affected by both natural disasters and unfavorable general economic factors at different extent, internal management team of each project company has endeavored to adopt various effective operating and maintenance costs control measures to mitigate the negative impact from these adverse effects; and also with the adjustments made in the accounting books in respect to the amortisation of intangible operating rights, as a result, operating profit for the year ended 31 December 2008 grew 36.9 percent to HK\$580.6 million as compared with 2007. GNSR Expressway with its full year's operating profit of HK\$343.6 million consolidated to the Group in 2008 marked a 66.1 percent growth over nine months' (from date of acquisition in April to December 2007) operating profit in 2007 (assuming GNSR Expressway was consolidated to the Group since 1 January 2007, the operating profit growth rate would be 19.8 percent). As for other subsidiaries, Xiang Jiang Bridge II grew 64.4 percent; Guangcong Highway Section II grew 56.3 percent; Guanghua Highway grew 48.8 percent; Xian Expressway grew 19.2 percent; and Guangcong Highway Section I grew 18.1 percent. While operating profit from PRC subsidiaries in aggregate posted an overall 35.7 percent growth in 2008 to HK\$595.9 million, head office's net expenditures were increased slightly by just 1.5 percent to HK\$15.3 million.

Finance costs — net

Gross finance costs for 2008 amounted to HK\$77.2 million after set off with bank interest income of HK\$51.0 million resulted to finance costs, net of HK\$26.2 million which was 23.6 percent lower than 2007. Gross finance costs for 2008 was 24.2 percent higher than 2007 mainly due to the full year's finance costs of GNSR Expressway of approximately HK\$62.7 million that was consolidated to the Group in 2008 versus the nine months' finance costs consolidated to the Group in 2007 of HK\$50.1 million, an increment of 25.1 percent; although this impact was minimized by the downward adjustment of RMB lending rates and the continual repayment of bank loan principal in 2008. Moreover, bank interest income being derived from the cash raised by the open offer in August 2007 was 83.0 percent higher than 2007.

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

The overall net contributions from the Group's associates posted 12.6 percent growth in 2008 amounted to HK\$301.7 million as compared to the restated comparative figure in 2007. Contribution from Humen Bridge increased by 19.4 percent to HK\$201.1 million as compared to the restated figure in 2007 of HK\$168.4 million. The adjustment (mainly on deferred income tax) made retrospectively to 2007 has reversed the negative growth position of Humen Bridge in 2008. With the slowdown of the economic growth in the entire Pearl River Delta Region, toll revenue apparently slowed down in the second half of 2008. Year 2008 was the first taxable year of Humen Bridge Co. with overall tax increment (attributable portion) of approximately HK\$7.1 million. As normal toll operation was interrupted by the redevelopment work in progress (upgrade from class I highway into an expressway), Qinglian Highways continued to post negative result. Northern Ring Road which toll revenue was affected by a number of negative factors in 2008 such as repairs and maintenance of the vicinity toll road; widening of the "Green Channel" zone that accommodate more toll free vehicles; and the termination of toll collection in the nearby East-South-west Ring Road, had experienced its first time drop of 15.6 percent in 2008. Shantou Bay Bridge increased slightly by 1.9 percent mainly because of its tax rate increased to 18.0 percent in 2008 (second taxable year) as compared to 7.5 percent in 2007. Secondly, it was affected by the "Green Channel" policy commencing 2008, leading to a slower toll revenue growth.

Share of profit less losses of jointly controlled entities

For the year ended 31 December 2008, the Group had share of losses of jointly controlled entity mainly represented GWSR Expressway Co. amounted to HK\$19.8 million. Whereas for the year ended 31 December 2007, the share of losses of jointly controlled entities amounted to HK\$12.2 million being share of losses from GWSR Expressway Co. of HK\$33.8 million offset by share of profit from GNSR Expressway Co. of HK\$21.6 million. As a matter of accounting classification, the full year's result of GNSR Expressway Co. was consolidated to the Group as a subsidiary for the year ended 31 December 2008 whereas in 2007, the attributable result of GNSR Expressway Co. from 1 January 2007 up to acquisition date, i.e. the first quarter of 2007 was treated as share of profit of a jointly controlled entity. GWSR Expressway Co. had just commenced its operation in late December 2006. Stepping into its second full year of operation, GWSR Expressway Co. was still operating at a loss which was expected because in the initial stage of operation of a toll road, traffic flow has not yet reached the normal level and that revenue generated was not yet sufficient to cover the finance costs.

Income tax

Total income tax (representing current income tax and deferred income tax) in 2008 amounted to HK\$88.0 million, representing a 4.9 percent increase over the restated comparative figure in 2007. With the implementation of the New 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 2008 deferred income tax has included a provision for withholding tax on dividends for 2008 of HK\$29.9 million. On the other hand, due to the effects of both the new standard tax rate under the New CITL and the adoption of HK(IFRIC)-Int 12 relevant to the calculation of the Group's deferred income tax, the 2007 comparative figure was restated upward by HK\$36.2 million to HK\$47.0 million. Looking into the current income tax, while income tax rates of the subsidiaries of the Group (except for two subsidiaries with tax rates increased from 15.0 percent to 18.0 percent) for the two years ended 31 December 2008 and 2007 were the same being 18.0 percent, there was an under provision adjustment of HK\$4.8 million made in 2008.

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). With the increase in gross finance costs, interest coverage for the year ended 31 December 2008 was 15 times (2007: 16 times).

Final dividend

The Directors recommended the payment of final dividend of HK\$0.08 (2007: HK\$0.0775) per share payable to shareholders whose names appeared on the register of members of the Company on 2 June 2009. Subject to the approval of shareholders at the Annual General Meeting to be held on 2 June 2009, the final dividend will be paid on 12 June 2009. Together with the interim dividend of HK\$0.08 (2007: HK\$0.0575) per share, total dividends for the year ended 31 December 2008 will amount to HK\$0.16 (2007: HK\$0.135) per share, representing a dividend payout ratio of 44.1 percent (2007 restated: 45.9 percent).

Financial Position Key Figures

	As at 31 December		Change
	2008	2007	
	<i>(Restated)</i>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Non-current assets	9,728,456	9,008,109	8.0
Non-current liabilities	1,795,386	1,719,560	4.4
Cash and cash equivalents	2,378,898	2,293,016	3.7
Total borrowings	1,114,943	1,267,850	-12.1
Bank borrowings	759,723	934,430	-18.7
Current ratio	8.0 times	5.5 times	45.5
Capital and reserves attributable to the Company's equity holders	8,399,710	7,692,189	9.2

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 2008, the Group's non-current assets amounted to HK\$9.7 billion, which increased by 8.0 percent over the restated comparative figure as at 31 December 2007. Such increase was mainly derived from appreciation of RMB, acquisition of the additional 2.78 percent of equity interest in Humen Bridge Co. and also from profit contributions from equity investments.

Non-current liabilities

As at 31 December 2008, the Group's non-current liabilities amounted to HK\$1.8 billion which was 4.4 percent higher than the restated closing figure as at year end 2007. Non-current liabilities of the Group included long term borrowings (i.e. maturity beyond one year) and deferred income tax liabilities. Long term borrowings amounted to HK\$978.9 million (2007: HK\$1,002.7 million) which included long term bank borrowings of approximately HK\$623.7 million (2007: HK\$669.2 million) and loans from minority shareholders of subsidiaries of HK\$355.2 million (2007: HK\$333.4 million) which are all denominated in RMB. Deferred income tax liabilities (denominated in RMB) at 31 December 2008 of approximately HK\$816.5 million (2007 (restated): HK\$716.9 million) were comprised of accelerated amortisation of approximately HK\$162.7 million (2007 (restated): HK\$130.4 million), fair value gain on interest in a toll highway arising from acquisition of a subsidiary amounted to approximately HK\$610.3 million (2007:

HK\$586.5 million), from undistributed profits of subsidiaries, associates and jointly controlled entity of HK\$29.9 million (2007: HK\$ nil) and deferred tax arising from accumulated increase in fair value of available for sale financial assets of HK\$13.6 million (2007: HK\$ nil). The increment in deferred income tax liabilities of 13.9 percent over the restated year end figure in 2007 was mainly due to appreciation of RMB and the deferred tax provisions made on undistributed profits which was only required commencing 1 January 2008 and available for sale financial assets.

Cash flows

The Group's cash and cash equivalents as at 31 December 2008 amounted to approximately HK\$2.4 billion which was 3.7 percent higher than the level at 31 December 2007.

Analyses of cash and cash equivalents movements for the year ended 31 December 2008 and 2007 are summarized below:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	581,157	540,694
Net cash generated from / (used in) investing activities	21,630	-158,196
Net cash (used in) / generated from in financing activities	<u>-534,886</u>	<u>1,565,066</u>
Net increase in cash and cash equivalents	67,901	1,947,564
Cash and cash equivalents at 1 January	2,293,016	339,714
Effect of foreign exchange rate changes	<u>17,981</u>	<u>5,738</u>
Cash and cash equivalents at 31 December	<u><u>2,378,898</u></u>	<u><u>2,293,016</u></u>

Net cash generated from operating activities during the year ended 31 December 2008 amounted to approximately HK\$581.2 million (2007: HK\$540.7 million) which was after deduction of interest expenses of approximately HK\$73.6 million (2007: HK\$60.4 million) and China enterprise income tax of approximately HK\$40.9 million (2007: HK\$39.5 million).

Net cash generated from investing activities during the year ended 31 December 2008 amounted to approximately HK\$21.6 million (2007: net cash used HK\$158.2 million). On the outflow side, approximately HK\$253.1 million (2007: HK\$607.2 million) was attributable to capital expenditures. On the inflow side, investment

returns from associates amounted to approximately HK\$223.8 million (2007: HK\$405.3 million); bank interest income amounted to approximately HK\$51.0 million (2007: HK\$27.9 million); and no disposal proceeds from available-for-sale financial asset were received in 2008 (2007: approximately HK\$15.5 million).

Net cash used in financing activities during the year ended 31 December 2008 amounted to approximately HK\$534.9 million (2007: net cash inflow of HK\$1.57 billion). No new financing arrangements were arranged in 2008 (2007: approximately HK\$415.5 million from new bank loans and approximately HK\$2.2 billion were from open offer). Cash outflow from financing activities mainly were repayments of bank loans amounted to approximately HK\$225.5 million (2007: HK\$676.0 million); investment returns to minority shareholders of subsidiaries of approximately HK\$45.9 million (2007: HK\$176.6 million); and dividends paid of HK\$263.5 million (2007: HK\$174.3 million).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2008 was 8.0 times (2007: 5.5 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 2008 was a current portion of a long term bank borrowing (i.e. maturity within one year) of approximately HK\$136.1 million (2007: HK\$265.2 million). In the opinion of the management, with such a large amount of cash sitting in the balance sheet at 31 December 2008 coupled with a stable stream of operating cash flow and steady cash return from investments, liquidity risk is not an immediate issue for the Group.

Capital expenditures and investments

During the year ended 31 December of 2008, a significant acquisition related to the additional 2.78 percent equity interest in Humen Bridge Co. was completed with capital expenditure paid in the first half of 2008 amounted to approximately HK\$193.5 million being the balance consideration of the said acquisition (a deposit of approximately HK\$17.4 million was paid in late 2007). A partial injection of equity contribution to a jointly controlled entity amounted to approximately HK\$47.6 million was made in the second half of 2008. Capital expenditures on intangible operating rights and fixed assets in 2008 amounted to approximately HK\$11.1 million (2007: HK\$57.0 million). Apart from the aforesaid, there were no material capital expenditures in 2008.

Capital structures

	2008	2007
	<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>
Bank borrowings	759,723	934,430
Loans from minority shareholders	<u>355,220</u>	<u>333,420</u>
Total borrowings	1,114,943	1,267,850
Capital and reserves attributable to Company's equity holders	<u>8,399,710</u>	<u>7,692,189</u>
Total capitalization	<u>9,514,653</u>	<u>8,960,039</u>
Gross gearing ratio (total borrowings/total capitalization)	11.7%	14.2%

Bank borrowings of the Group as at 31 December 2008 amounted to approximately HK\$759.7 million which are RMB floating rate loans obtained in Mainland China and were secured by way of pledge of the toll collection right of GNSR Expressway Co. About 17.9 percent of total bank borrowings amounted to approximately HK\$136.1 million are repayable within one year and about 82.1 percent or approximately HK\$623.6 million are long term. The effective interest rate of these bank borrowings as at 31 December 2008 was 6.72 percent per annum.

Loans from minority shareholders are part of capital contributions made by minority shareholders in respect of their respective equity shareholdings in certain subsidiaries in accordance with the terms of the relevant joint venture agreements to set up those subsidiaries. These loans are unsecured and denominated in RMB. Except for minority shareholder's loan of one subsidiary in the amount of approximately HK\$146.3 million which bore interest at the prevailing RMB long term lending rates of 5.94 percent per annum promulgated by The People's Bank of China during 2008, the rest are interest-free loans stated at fair values.

As at 31 December 2008, the capital and reserves attributable to the Company's equity holders amounted to HK\$8.4 billion which accounted for 88.3 percent of the Group's total capitalisation. As at 31 December 2007 (restated), the capital and reserves attributable to the Company's equity holders amounted to HK\$7.7 billion being 85.8 percent of the Group's total capitalisation. Capital and reserves

attributable to the Company's equity holders as at 31 December 2008 was 9.2 percent higher than the restated figure as at 31 December 2007 which was due to the increase in net profit retained for the year after appropriation of 2007 final dividend and increase in exchange fluctuation reserve resulted from appreciation of RMB.

TREASURY POLICIES

The Group has always been prudent in its treasury policies, maintaining high liquidity and low financial gearing. As at 31 December 2008, the Group's cash and cash equivalents amounted to HK\$2.38 billion and its gearing ratio (total borrowings to total capitalization) stood at 11.7 percent.

A substantial portion of the Group's cash and cash equivalents was mainly derived from the HK\$2.19 billion proceeds raised by way of an open offer last August 2007. The Group's principal operations are in China and most of the income is denominated in RMB. The main cash outflows in Hong Kong were related to cash dividend payments to shareholders and Hong Kong head office administrative expenditures. The Group will capitalize on the different levels of liquidity offered by both Hong Kong and China as its financing strategy.

In view of the current RMB appreciation trend, management considers that with the Group's current bank borrowings that are denominated in RMB and that no speculative derivative or structured product transactions, collateralized debt obligations or off-balance sheet liabilities have been entered into by the Group, currency exposure is minimal. However, management will from time to time closely review and monitor the currency exposure of its HK dollars and US dollars denominated cash and cash equivalents at 31 December 2008 amounted to HK\$1.96 billion. The Group will adopt appropriate hedging strategy such as currency swaps as and when appropriate to hedge its currency risks.

The Group's policy on interest rate risk management is to monitor and review from time to time the interest rate fluctuation, and refinance at a lower cost for existing loans or enter into new bank facilities when favourable pricing opportunities arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2008, the Group had financial commitments to a jointly controlled entity in respect of equity capital balance to be injected to GWSR Expressway Co. of RMB63.0 million (equivalent to approximately HK\$71.4 million). This balance would be paid by stages in such amount and by such date as to be determined by the board of directors of GWSR Expressway Co.

On 10 December 2008, the Group had entered into an Equity Transfer Agreement to acquire 90.0 percent equity interest in Cangyu Expressway Co., Ltd. for a total consideration of RMB128.1 million (equivalent to approximately HK\$145.2 million) plus an additional registered share capital of RMB19.4 million (equivalent to approximately HK\$22.0 million), making the total financial commitments at 31 December 2008 in respect of this acquisition amounted to RMB147.5 million (equivalent to approximately HK\$167.2 million).

Except for the aforementioned financial commitments, the Group has no other material capital commitments as at 31 December 2008.

There were no significant contingent liabilities as at 31 December 2008.

EMPLOYEES

As at 31 December 2008, the Group had approximately 1,285 employees of which about 1,096 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 EVENTS

In view of the continual integration of Changsha, Zhuzhou and Xiangtan and the proposed introduction of the annual travel pass system for the merging districts, the Group entered into an agreement with Xiangtan Municipal Government in January 2009 for the disposal of the operating right of Xian Jiang Bridge II, for an aggregate cash consideration of Rmb271,000,000. The consideration was negotiated with reference to the Group's projected revenues and returns from 1 January 2009 until the end of the concessionary period, i.e. 30 November 2021 and was to be paid by 26 half yearly installments commencing from 30 May 2009 with the final payment due on 30 November 2021. The discounted value of the installments/receivables as valued by an independent valuer amounted to Rmb169.6 million (equivalent to approximately HK\$192.4 million). As at 31 December 2008, the carrying value of Xiang Jiang Bridge II is approximately HK\$122 million. The disposal was in line with the Group's corporate strategy to optimize our toll road mix in our portfolio.

On 10 December 2008, the Group has entered into an Equity Transfer Agreement (refer to Announcement on the same date) with independent third parties in connection with the acquisition of a 90.0 percent equity interest in Cangyu Expressway Co., Ltd. which principal asset is the operating right of Cangyu Expressway. On 19 January 2009, the Group has paid HK\$71.2 million (equivalent

to approximately RMB62.7 million) and HK\$4.4 million (equivalent to approximately RMB3.9million) being the initial payment of the acquisition consideration of approximately HK\$145.2 million (equivalent to approximately RMB128.1 million) and the partial payment to the additional registered capital contribution required of HK\$22.0 million (equivalent to approximately RMB19.4 million) respectively. Parties to the Equity Transfer Agreement had confirmed that equity transfer was completed on 19 January 2009.

The Taihe toll station of Guangcong Highway Section I, a Class I highway, was closed down in January 2009 for relocation at the request of the Guangzhou Municipal Government on the understanding that the loss occasioned by such relocation, if any, would be compensated by the government. At present, the Company is in negotiation with the relevant government authorities for the relocation and other possible options, including, but not limited to a buy back, in relation to the Taihe toll station.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code Provisions”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2008, except for the following deviations:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the non-executive Directors of the Company is appointed for a specific term. However, all the non-executive Directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Bye-Laws. All the non-executive Directors of the Company had retired by rotation during the past three years. They have been re-elected.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto as set out in the preliminary announcement for the year ended 31 December 2008 have been agreed by the Group’s auditor, PricewaterhouseCoopers, Hong Kong, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers, Hong Kong in this respect did not constitute an assurance

engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers, Hong Kong on the preliminary announcement.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2009 to Tuesday, 2 June 2009, 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, 25 May 2009.

By order of the board of
GZI Transport Limited
ZHANG Zhaoxing
Chairman

Hong Kong, 18 March 2009

As at the date of this announcement, the Board comprises:

Executive Directors: ZHANG Zhaoxing (Chairman), LI Xinmin, QIAN Shangning, LIANG Ningguang, LIANG Yi, CAI Tielong, HE Zili, YUAN Hongping, CHEN Guanzhan, ZHANG Siyuan, LUO Jinbiao and ZHANG Huping

Independent Non-executive Directors: FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu