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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 2009 Final Results

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).

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	2	1,136,566	1,014,486
Construction income of toll highways and bridges upgrade services		21,475	3,818
Other income	3	911	886
Other gains - net	4	85,685	34,770
Business tax		(38,716)	(36,853)
Amortisation of intangible operating rights		(218,717)	(163,771)
Staff costs		(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	5	(50,253)	(28,598)
Loss for the year of disposal group	12	<u>(11,191)</u>	<u>—</u>
Operating profit before impairment losses on intangible operating rights		649,515	580,574
Impairment losses on intangible operating rights		<u>(172,474)</u>	<u>—</u>
		477,041	580,574
Share of loss of a jointly controlled entity		(11,667)	(19,816)
Share of profits less losses of associates		237,405	295,717
Interest income on loans to associates		17	5,962
Finance income	6	25,112	50,974
Finance costs	6	<u>(66,686)</u>	<u>(77,179)</u>
Profit before income tax expense		661,222	836,232
Income tax expense	7	<u>(94,810)</u>	<u>(88,030)</u>
Profit for the year		<u>566,412</u>	<u>748,202</u>

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Attributable to:			
- Equity holders of the Company		434,241	607,533
- Minority interest		<u>132,171</u>	<u>140,669</u>
		<u>566,412</u>	<u>748,202</u>
Earnings per share for profit attributable to the equity holders of the Company for the year			
- Basic and diluted	8	<u>HK26.0 cents</u>	<u>HK36.3 cents</u>
Dividends	9	<u>267,706</u>	<u>267,706</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>4,161</u>	<u>418,328</u>
Total comprehensive income for the year	<u>584,515</u>	<u>1,177,644</u>
Total comprehensive income attributable to:		
- Equity holders of the Company	451,385	971,044
- Minority interest	<u>133,130</u>	<u>206,600</u>
	<u>584,515</u>	<u>1,177,644</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009**

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Intangible operating rights		8,169,461	7,048,250
Goodwill		212,759	125,994
Leasehold land		647	665
Property, plant and equipment		92,247	37,629
Investment properties		10,050	8,800
Investment in a jointly controlled entity		329,462	269,151
Investments in associates		2,005,831	2,090,232
Available-for-sale financial assets		166,560	147,735
Other non-current receivables		<u>180,234</u>	<u>—</u>
		<u>11,167,251</u>	<u>9,728,456</u>
Current assets			
Trade receivables	10	19,402	12,304
Other receivables, deposits and prepayments	10	107,402	30,195
Cash and cash equivalents		<u>2,219,464</u>	<u>2,378,898</u>
		<u>2,346,268</u>	<u>2,421,397</u>
Assets classified as held for sale	12	<u>289,204</u>	<u>—</u>
Total assets		<u>13,802,723</u>	<u>12,149,853</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		167,316	167,316
Reserves - others		8,282,220	8,098,541
Reserves - proposed final dividend		<u>200,780</u>	<u>133,853</u>
		8,650,316	8,399,710
Minority interest		<u>2,094,905</u>	<u>1,652,667</u>
Total equity		<u>10,745,221</u>	<u>10,052,377</u>

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		1,392,232	978,873
Deferred income tax liabilities		<u>1,071,316</u>	<u>816,513</u>
		<u>2,463,548</u>	<u>1,795,386</u>
Current liabilities			
Borrowings		355,457	136,070
Amounts due to a minority shareholder of subsidiaries		55,775	11,340
Amounts due to holding companies		2,416	3,066
Trade and other payables and accrued charges	11	154,891	141,108
Current income tax liabilities		<u>19,800</u>	<u>10,506</u>
		<u>588,339</u>	<u>302,090</u>
Liabilities classified as held for sale	12	<u>5,615</u>	<u>—</u>
Total liabilities		<u>3,057,502</u>	<u>2,097,476</u>
Total equity and liabilities		<u>13,802,723</u>	<u>12,149,853</u>
Net current assets		<u>1,757,929</u>	<u>2,119,307</u>
Total assets less current liabilities		<u>13,214,384</u>	<u>11,847,763</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 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

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 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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Toll revenue	<u>1,136,566</u>	<u>1,014,486</u>

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.

3 Other income

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Advertising income	568	507
Rental income from investment properties	<u>343</u>	<u>379</u>
	<u>911</u>	<u>886</u>

4 Other gains - net

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Fair value gain/(loss) on investment properties	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	65,960	—
Sundries	<u>2,823</u>	<u>1,663</u>
	<u>85,685</u>	<u>34,770</u>

5 Other miscellaneous expenses

Other miscellaneous expenses is stated after charging the follows:

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

6 Finance income/costs

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Finance income		
Bank interest income	13,909	50,974
Interest income on other non-current receivables	<u>11,203</u>	<u>—</u>
	<u>25,112</u>	<u>50,974</u>
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	<u>15,941</u>	<u>11,094</u>
Finance costs	<u>(66,686)</u>	<u>(77,179)</u>

7 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 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 percent with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate of 25 percent 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 percent (2008: 18 percent).

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 percent or 10 percent. 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 percent or 10 percent (2008: 10 percent).

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC enterprise income tax		
Current income tax		
- Current year	68,168	39,131
- Under-provision in prior year	142	4,834
Deferred income tax	<u>26,500</u>	<u>44,065</u>
	<u>94,810</u>	<u>88,030</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax less share of results of associates and a jointly controlled entity	<u>435,484</u>	<u>560,331</u>
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	<u>—</u>	<u>55</u>
Income tax expense	<u>94,810</u>	<u>88,030</u>

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%).

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.

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

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

9 Dividends

	Company	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>200,780</u>	<u>133,853</u>
	<u>267,706</u>	<u>267,706</u>

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.

10 Trade and other receivables, deposits and prepayments

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

Note:

- (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.

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.

11 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.

12 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 percent equity interest in and net receivable from Taihe Highway Limited with consideration of additional equity interests of 35 percent and 39 percent 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:

	<i>HK\$'000</i>
Revenue	492
Expenses	<u>(11,683)</u>
Loss for the year of disposal group	<u>(11,191)</u>

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 Fengtoulung 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 opening to traffic of Heshun Flyover of the GWSR Expressway on 15 October 2009, the integration of Guangzhou City and Foshan City was achieved.
- (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 on 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

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 RMB 750.08 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.

Revenue proportion from 2005 to 2009

	2009	2008	2007	2006	2005
Class I highways	10%	18%	22%	27%	38%
Expressways and bridges	<u>90%</u>	<u>82%</u>	<u>78%</u>	<u>73%</u>	<u>62%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

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 of Tongxi Expressway, 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 Intersection on 15 October. With the opening to traffic of Heshun Intersection of the GWSR Expressway, the integration of Guangzhou City and Foshan City was eventually achieved. 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 stable 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 Tongxi 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 fourth 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.

FINANCIAL REVIEW

Operating Results Key Figures

	2009	2008	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
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	<u>26,033</u>	1.5	-30.0
Total revenue of subsidiaries		<u>1,136,566</u>		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	<u>68,336</u>	4.0	60.9
Total attributable revenue of associates & jointly controlled entity		<u>575,435</u>		0.3
Total revenue of the Group's toll portfolio		<u>1,712,001</u>	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 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	<u>13,924</u>	<u>12,109</u>	15.0
Total revenue of subsidiaries	<u>629,708</u>	<u>506,858</u>	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	<u>41,622</u>	<u>26,714</u>	55.8
Total attributable revenue of associates and jointly controlled entity	<u>298,463</u>	<u>276,972</u>	7.8

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 HK\$11.7 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		Change %
	2009 HK\$'000	2008 HK\$'000	
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	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	<u>(534,886)</u>
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	<u>(24)</u>	<u>17,981</u>
Cash and cash equivalents at 31 December	2,230,703	<u><u>2,378,898</u></u>
Less: Cash and cash equivalents classified as assets held for sale	<u>(11,239)</u>	
Cash and cash equivalents in the consolidated balance sheet	<u>2,219,464</u>	

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	2008
	HK\$'000	HK\$'000
Bank borrowings	1,300,965	759,723
Loans from a minority shareholder of subsidiaries	<u>446,724</u>	<u>355,220</u>
Total borrowings	1,747,689	1,114,943
Capital and reserves attributable to Company's equity holders	<u>8,650,316</u>	<u>8,399,710</u>
Total capitalization	<u>10,398,005</u>	<u>9,514,653</u>
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.

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 2009, 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 2009 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, 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.

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

Hong Kong, 16 March 2010

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

Executive Directors: ZHANG Zhaoxing (Chairman), LI Xinmin, LIANG Ningguang, LIU Yongjie, QIAN Shangning and WANG Shuhui

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