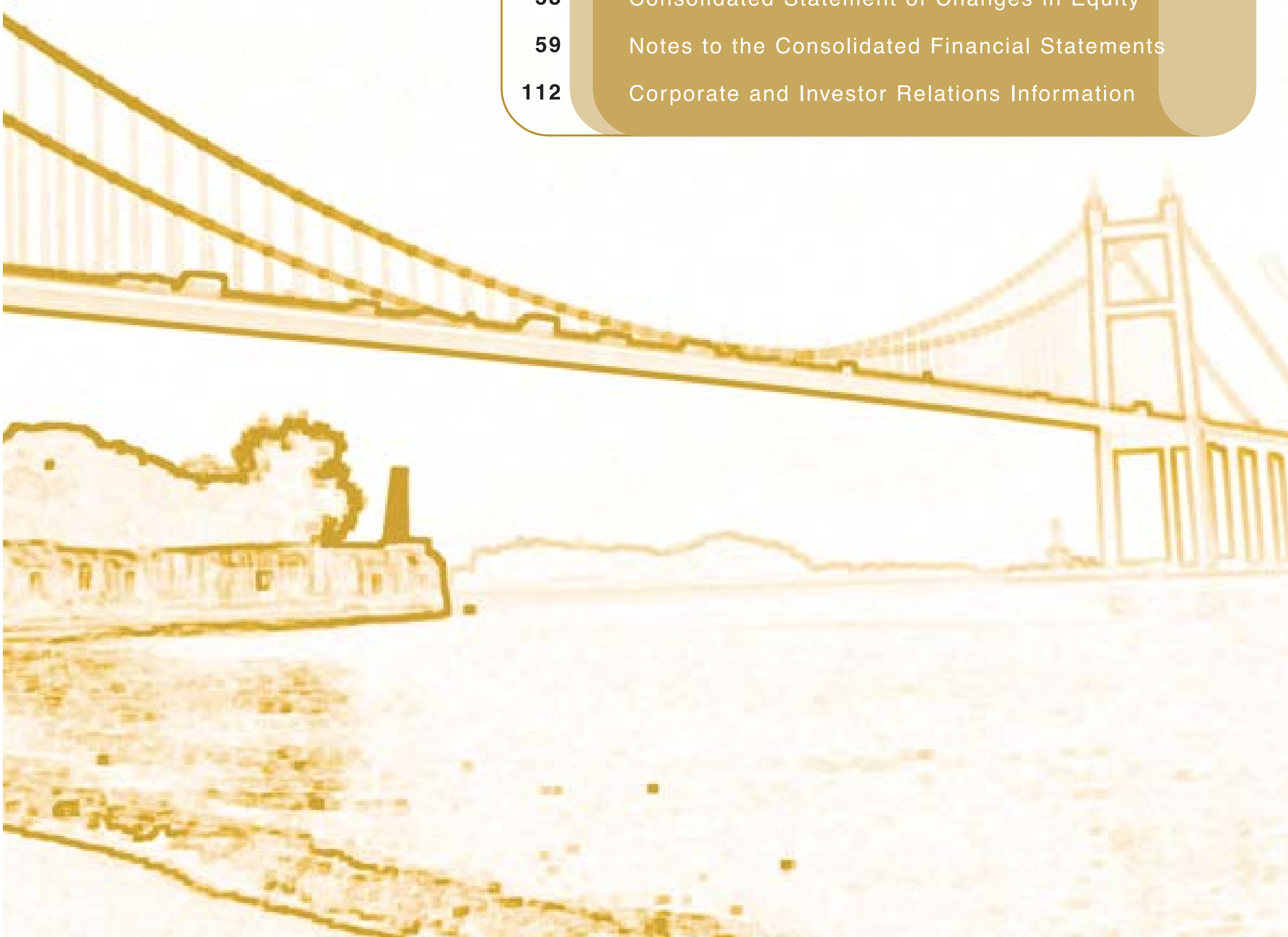
GZI Transport Limited
越秀交通有限公司
(Stock Code: 01052)

2008 ANNUAL REPORT

CONTENTS



Five Years Financial Highlights

INCOME STATEMENT

Year ended 31 December

(HK$'000)	**2008**	2007 Restated	2006	2005	2004
Revenue	**1,014,486**	870,778	448,531	424,845	400,212
Earnings before interests, tax, depreciation and amortization ("EBITDA") [1]	**1,050,182**	912,972	639,074	561,124	459,945
Profit before income tax	**836,232**	645,595	523,604	372,326	336,429
Profit for the year	**748,202**	561,706	487,912	337,893	302,794
Profit attributable to:					
Equity holders of the Company	**607,533**	491,915	461,157	305,898	277,029
Minority interests	**140,669**	69,791	26,755	31,995	25,765
Basic earnings per share for profit attributable to the equity holders of the Company	**HK$0.363**	HK$0.376	HK$0.413	HK$0.274	HK$0.249
Dividend per share	**HK$0.1600**	HK$0.1350	HK$0.1350	HK$0.1000	HK$0.0975

BALANCE SHEET

As at 31 December

(HK$'000)	**2008**	2007 Restated	2006	2005	2004
Total Assets	**12,149,853**	11,320,312	4,947,235	4,631,092	4,486,660
Total Liabilities	**2,097,476**	2,139,395	526,100	633,422	753,797
Total Equity	**10,052,377**	9,180,917	4,421,135	3,997,670	3,732,863
Equity attributable to:					
Equity holders of the Company	**8,399,710**	7,692,189	4,185,989	3,752,559	3,484,308
Minority interests	**1,652,667**	1,488,728	235,146	245,111	248,555
Net assets per share to equity holders of the Company	**HK$5.02**	HK$4.60	HK$3.75	HK$3.36	HK$3.13

FINANCIAL RATIOS

Year ended 31 December

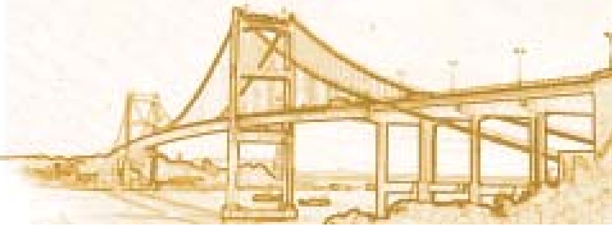
	2008	2007 Restated	2006	2005	2004
Return on equity attributable to equity holders of the Company	**7.20%**	6.40%	11.00%	8.15%	7.95%
Interest Coverage	**15 times**	16 times	275 times	53 times	32 times
Gross gearing ratio (total borrowings /total capitalization[2])	**11.70%**	14.20%	9.70%	13.10%	16.20%
Net gearing ratio ((total borrowings less cash and cash equivalents)/ net capitalization [3])	**N/A**	N/A	2.60%	5.00%	12.30%

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

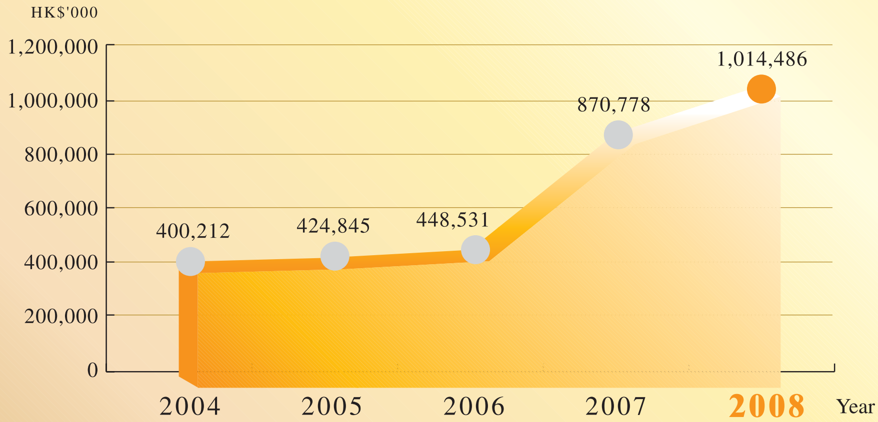
Note 2: Total capitalization = total borrowings + equity attributable to equity holders of the Company

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

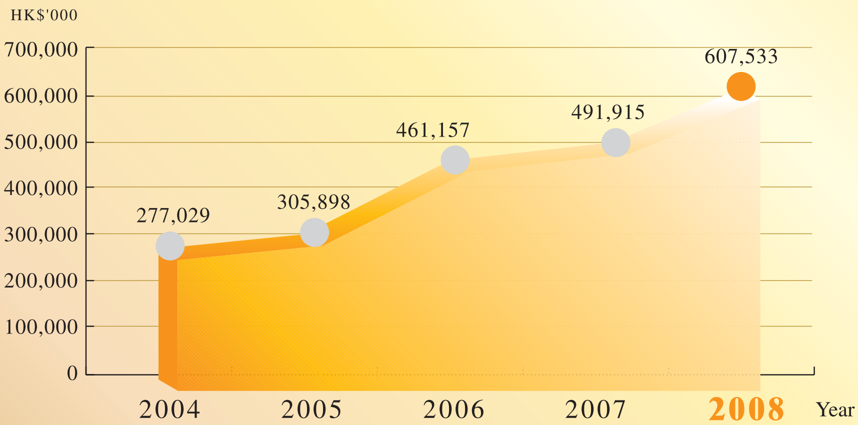
Five Years Financial Highlights



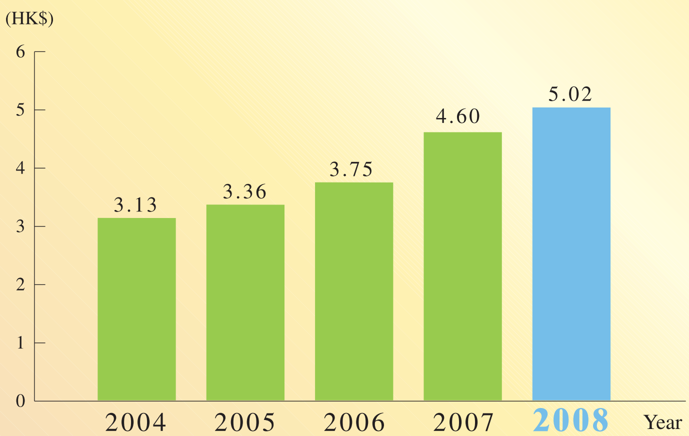
Revenue



Profit attributable to equity holders of the Company



Net assets per share to equity holders of the Company



Public — 29.6%*

Yue Xiu Enterprises (Holdings) Limited

Guangzhou Investment Company Limited

70.4%

GZI Transport Limited

Expressway / Bridge

- ▲ GNSR Expressway / 60%
- # Xian Expressway / 100%
- ▲ Northern Ring Road / 24.3%
- ▲ Humen Bridge / 27.78%
- ▲ Shantou Bay Bridge / 30%
- ▲ GWSR Expressway / 35%
- # Cangyu Expressway / 90% (Note 2)

Highway / Bridge

- ▲ Guangshen Highway / 80%
- ▲ Guangshan Highway / 80%
- ▲ Guangcong Highway Section I / 80% (Note 1)
- ▲ Guangcong Highway Section II & Provincial Highway 355 / 51%
- ▲ Guanghua Highway / 55%
- # Xiang Jiang Bridge II/ 75% (Note 1)
- ▲ Qinglian Highways (Expressway work-in-progress) / 23.63%

* including 10.99 percent held by Value Partners Limited and its associates per record of disclosure of shareholder's interest kept by the Company under Section 336 of the Securities and Futures Ordinance.

▲ inside Guangdong Province

outside Guangdong Province

Note 1 : Toll collection ceased in January 2009, details are set out in Management Discussion and Analysis on page 33.

Note 2 : Acquisition was completed in mid-January 2009, details are set out in Management Discussion and Analysis on page 33.

Corporate Profile

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

As at 31 December 2008, the Group had a total of 13 investments in its operating toll road and bridge projects which include expressways and bridges such as Guangzhou City Northern Ring Road ("Northern Ring Road"), Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangdong Humen Bridge ("Humen Bridge") and Shantou Bay Bridge, all of which are located within Guangdong Province; Guangshen Highway Guangzhou Section ("Guangshen Highway") which connects Guangzhou City to Shenzhen City, and toll projects passing through Guangdong, Hunan and Jiangxi provinces such as Guangshan Highway along NH324 Guangzhou section ("Guangshan Highway"); Guangcong Highway connecting Guangdong University of Foreign Studies and Tai Ping Chang, Conghua City ("Guangcong Highway Section I") and Guangcong Highway connecting Tai Ping Chang, Conghua City and Wenquan ("Guangcong Highway II and Provincial Highway 355") both along NH105 Guangzhou section and the juncture section between the crossing at Conghua City and Fogang County; Guanghua Highway and Qinglian Highways (Expressway work-in-progress) along NH107 Qingyuan to Lianzhou section, as well as Xian to Lintong Expressway in Shaanxi Province ("Xian Expressway") and Xiang Jiang Bridge II in Xiangtan City of Hunan Province ("Xiang Jiang Bridge II"). Total attributable length of the Group's toll roads and bridges as at 31 December 2008 is approximately 324.3 km.

Guangdong Province
Guangxi Zhuang Autonomous Region
Lianzhou City
107
Qingyuan City
105
Conghua City
Huadu District
324
To Shantou
To Guangxi
Guangzhou City
Pearl River
Shenzhen
Hong Kong
Zhuhai
Macau
To Guilin
To Yunnan
Wuzhou City
To Nanning
Shantou City
National Highway 324
Shenshan Highway
1. Guangshen Highway
2. Guangshan Highway
3. Guangcong Highway Section I
4. Guangcong HIghway Section II and Provincial Highway 355
5. Guanghua Highway
6. Humen Bridge
7. GNSR Expressway
8. Northern Ring Road
9. Qinglian Highways (Expressway work-in-progress)
10. Shantou Bay Bridge
11. GWSR Expressway
12. Cangyu Expressway

1

Guangshen Highway

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

2

Guangshan Highway

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

3

Guangcong Highway Section I

is a section of National Highway 105, measures approximately 33.3 km long with six lanes. It mainly connects inter-provincial traffic between Guangdong Province and provinces in Eastern China such as Jiangxi and intra-municipality traffic between Guangzhou and Conghua City in the northeast, where a hot spring resort is located.

4

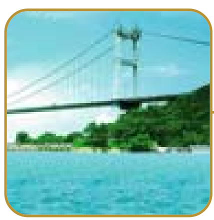
Guangcong Highway Section II & Provincial Highway 355

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

5

Guanghua Highway

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



6

Humen Bridge

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

7

GNSR Expressway

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

8

Northern Ring Road

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

9

Qinglian Highways (Expressway work-in-progress)

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

10

Shantou Bay Bridge

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

11

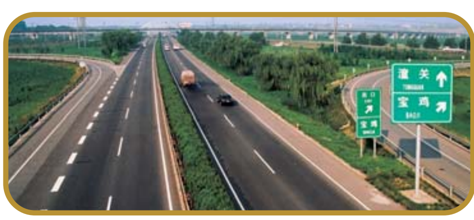
GWSR Expressway

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

12

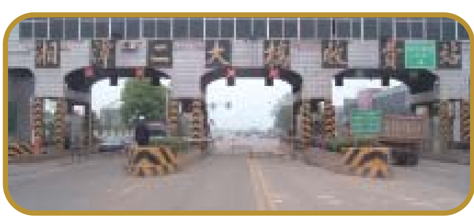
Cangyu Expressway (acquisition completed in January 2009)

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



Xian Expressway

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



14

Xiang Jiang Bridge II

is located in Xiang Tan City of Hunan Province with a total length of approximately 1.8 km long with four lanes and a part of National Highway 107 linking the northern and southern banks of Xiang Jiang. It primarily connects inter-provincial traffic between Guangdong Province and Hunan Province.

Mr. Zhang Zhaoxing
Chairman

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

GWSR Expressway

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).

GNSR Expressway

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 Zhuang Autonomous Region 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 of 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.

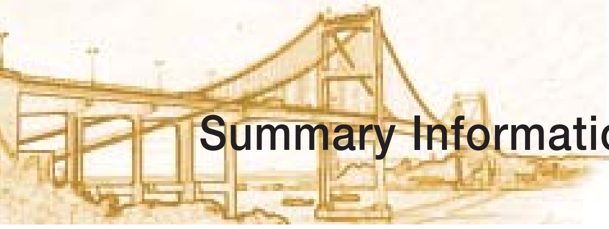
APPRECIATION

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

GWSR Expressway



Summary Information of Operating Toll Roads and Bridges

	Length (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
Subsidiaries						
Guangshen Highway	23.1	6	1	Class I Highway	80.00	18
Guangshan Highway	64.0	4	2	Class II Highway	80.00	18
Guangcong Highway Section I	33.3	6	1	Class I Highway	80.00	18
Guangcong Highway Section II &	33.1	6	1	Class I Highway	51.00	18
Provincial Highway 355	33.3	4	1	Class I Highway	51.00	
Guanghua Highway	20.0	6	1	Class I Highway	55.00	19
GNSR Expressway	42.4	6	9	Expressway	60.00	24
Xian Expressway	20.1	4	3	Expressway	100.00	8
Xiang Jiang Bridge II	1.8	4	1	Rigid Frame Bridge	75.00	13
Associates and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78	21
Northern Ring Road	22.0	6	11	Expressway	24.30	15
Qinglian Highways						
National Highway 107	253.0	2	4	Class II Highway	23.63	
Highway Between Qingyuan and						20
Lianzhou Cities[(1)]	215.2	4	5	Class I Highway	23.63	
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	20
GWSR Expressway[(2)]	39.6	6	5	Expressway	35.00	subject to approval

(1) The road surface work for reconstruction project of Qinglian Class I Highway into an expressway was completed on 26 December 2008. Since complementary works are expected to be completed in 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.

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

BUSINESS REVIEW

Toll Summary of Toll Roads and Bridges

For the year ended 31 December 2008

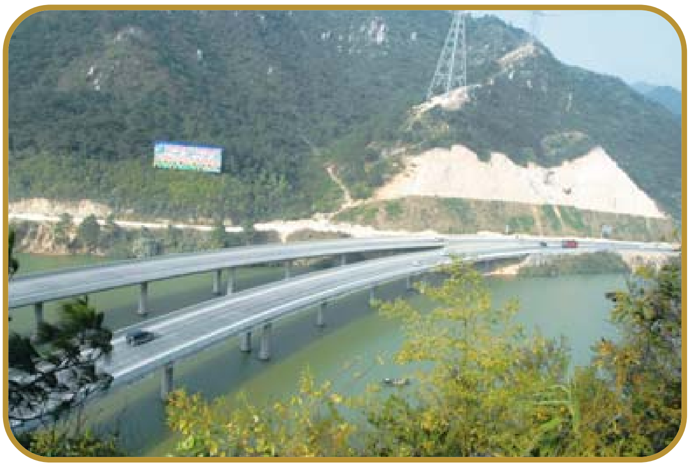
	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll fare per vehicle	
	(vehicle/day)	*Change* %	*(RMB/day)*	*Change* %	*(RMB)*	*Change* %
Expressways and Bridges						
GNSR Expressway[a]	79,315	15.8	1,346,732	7.4	17.0	-7.2
Northern Ring Road[b]	161,739	-1.4	1,585,906	-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.



Qinglian Expressway (work-in-progress) - Jingkou Bridge

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 Zhuang Autonomous Region 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 and Guangdong Provinces, 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.

GNSR Expressway

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 Guangdan 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.

Shantou Bay Bridge

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 a 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.

Management Discussion and Analysis

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

FINANCIAL REVIEW

Operating Results Key Figures

	2008	2007 (Restated)	Change
	HK$'000	HK$'000	%
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 (51.2 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 per cent and 32.5 percent growth).

Revenue

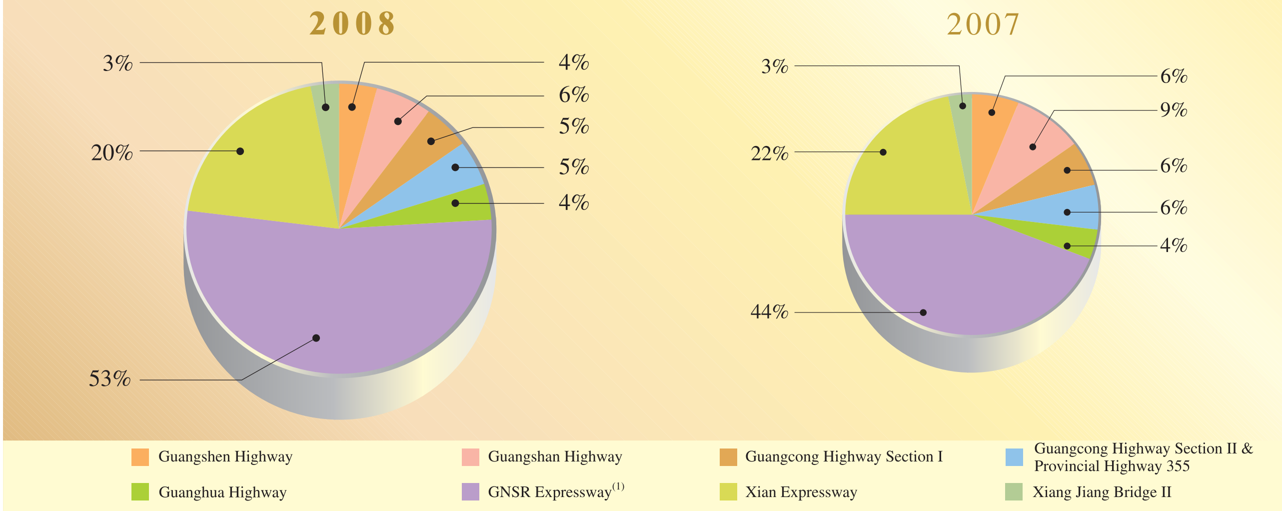
The Group reported revenue of HK$1.0 billion in 2008, increased by 16.5 percent over 2007. The growth in revenue was derived from GNSR Expressway (41.9 percent growth), with its full year's revenue of HK$542.1 million consolidated to the Group in 2008 (for comparison, assuming GNSR Expressway was consolidated 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	28,336	2.8	18.1
Total	1,014,486	100.0	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	42,472	7.4	69.8
Total	573,917	100.0	6.1

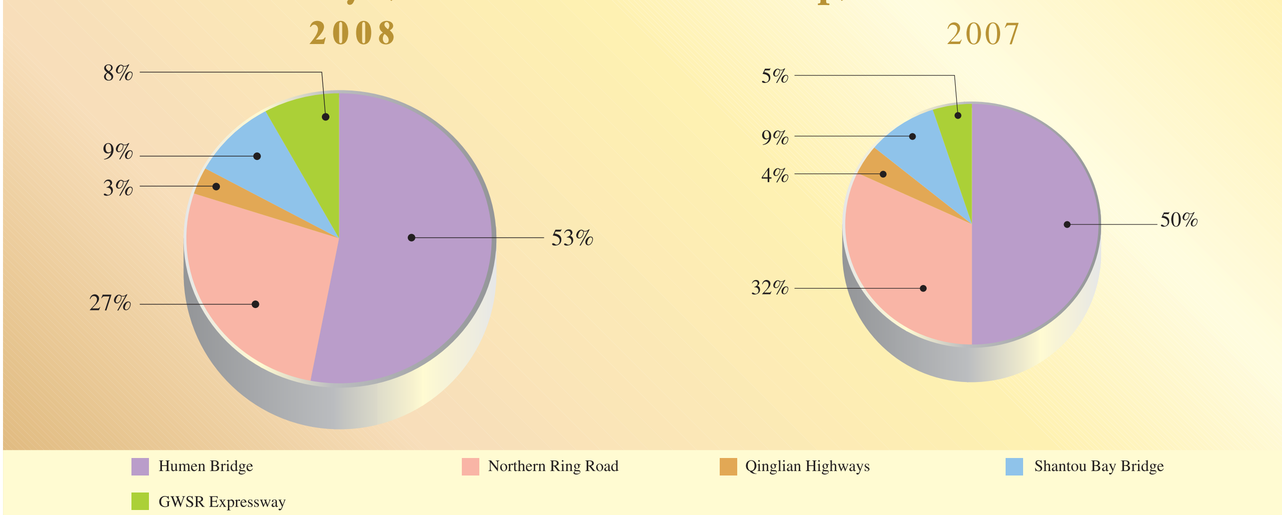
(1) The comparison as presented here is based on recognising the full year revenue for 2008 and the nine months' revenue for 2007 (GNSR Expressway Co., Ltd. became a subsidiary of the Group on 1 April 2007). For comparison purpose, GNSR Expressway's revenue growth on year on year basis, assuming it was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

Analysis of Toll Revenue of Subsidiaries



(1) GNSR Expressway Co. changed from jointly controlled entity to subsidiary since 28 March 2007.

Analysis of Toll Revenue of Associates and Jointly Controlled Entity (attributable to the Group)



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.

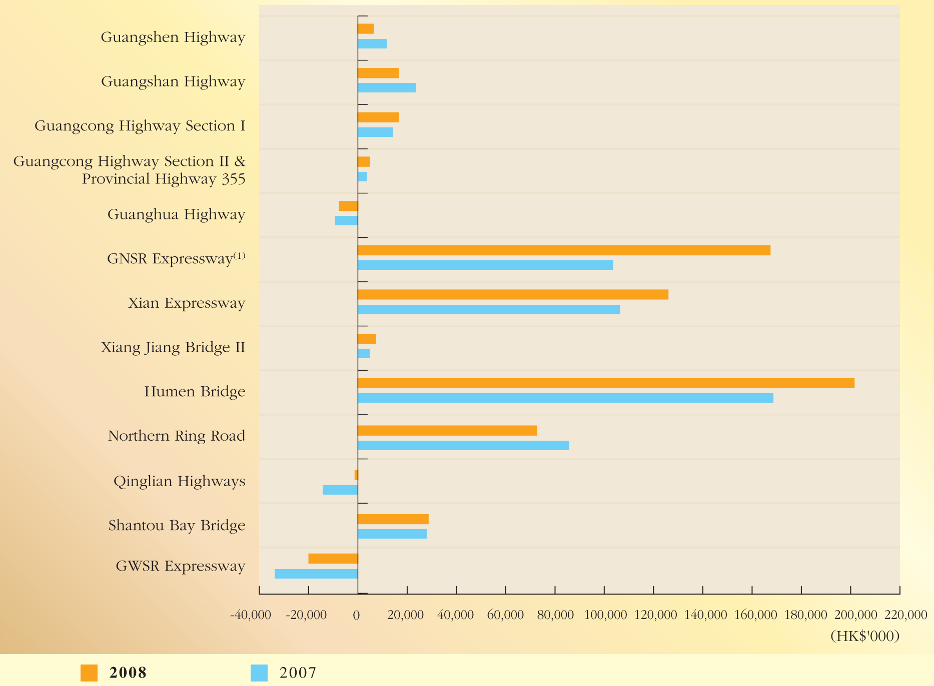
Share of profit less losses of jointly controlled entities

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.

Profit attributable to equity holders of the Company by toll projects



(1) GNSR Expressway Co. changed from jointly controlled entity to subsidiary since 28 March 2007.

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		
	2008	2007 (Restated)	Change
	HK$'000	HK$'000	%
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$1,002.6 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 HK$'000	2007 HK$'000
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	-534,886	1,565,066
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	17,981	5,738
Cash and cash equivalents at 31 December	2,378,898	2,293,016

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
		(Restated)
	HK$'000	HK$'000
Bank borrowings	759,723	934,430
Loans from minority shareholders	355,220	333,420
Total borrowings	1,114,943	1,267,850
Capital and reserves attributable to Company's equity holders	8,399,710	7,692,189
Total capitalization	9,514,653	8,960,039
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 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 Chang(sha)-Zhu(zhou)-(Xiang) tan 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 Xiang 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.

Qinglian Expressway (work-in-progress) - Dubu Bridge No. 3

Executive Directors

Mr Zhang Zhaoxing, aged 45, was appointed executive director and Chairman of the Company on 31 July 2008. He is also a vice chairman and general manager of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the controlling shareholder of the ultimate holding company, namely, Guangzhou Investment Company Limited ("GZI"), of the Company, and a vice chairman and general manager of GZI, a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Chairman of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange.

Mr Li Xinmin, aged 57, was appointed executive director of the Company on 19 June 2001. He is also the Deputy Chairman of the Company and a director of GZI. Mr Li has over 30 years of experience in highway construction and management. He had held positions including department head of the maintenance engineering division of transport authority in China and was the general manager of the GNSR Expressway Co. From March 2004 to April 2005, Mr Li was general manager of the Company.

Mr Qian Shangning, aged 46, was appointed executive director and General Manager of the Company on 12 April 2007. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Guangzhou in Legal Studies. Between 1998 to 2001, Mr Qian had been a senior management member of the Group's jointly controlled entity, GNSR Expressway Co. Mr Qian has 26 years of experience in highway construction and is a senior engineer in China.

Mr Liang Ningguang, aged 55, was appointed executive director of the Company on 25 September 1996. He is also a director and a vice chairman of Yue Xiu. Mr Liang graduated from the Central Television University in China majoring in finance and obtained a Master Degree in business administration from the Murdoch University in Australia. He is also a member of the Chinese Institute of Certified Public Accountants and a senior accountant in China. He is the Chairman, an executive director and also a responsible officer of GZI REIT Asset Management Limited, a company licensed by The Securities and Futures Commission to conduct the regulated activity of asset management and the manager of GZI Real Estate Investment Trust, a collective investment scheme listed on the Stock Exchange. Mr Liang is a responsible officer licensed under the Securities and Futures Ordinance of Hong Kong to carry on regulated activities types 1, 4 and 9. He was previously a deputy director of the Guangzhou Municipal Taxation Bureau and had over 20 years of experience in finance and management prior to joining Yue Xiu in 1989.

Mr Liang Yi, aged 56, was appointed executive director of the Company on 28 February 2003. He is also a director of Yue Xiu and a vice chairman and an executive director of GZI. Mr Liang graduated from the Chinese People's Liberation Army Engineering Soldier's University majoring in public administration. Prior to joining Yue Xiu in June 2001, he assumed leading roles in Guangzhou Chemical Industry Bureau and organizations under Committee of Guangzhou. Mr Liang had made outstanding contribution in establishing the administrative supervisory system of Guangzhou. He has over 20 years of experience in public administration.

Mr Cai Tielong, aged 45, was appointed executive director of the Company on 12 April 2007. Mr Cai graduated from Hunan Central South University of Technology in Mechanical & Mining Engineering, and obtained a Master's Degree. Mr Cai has 18 years of experience in project management and 12 years of experience in project surveillance, and is a senior engineer in China.

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

Ms Yuan Hongping, aged 40, was appointed executive director of the Company on 12 April 2007. Ms Yuan graduated from Sun Yat-Sen University in Guangzhou, in Chinese, and later obtained a Master Degree in Corporate Management from Sun Yat-Sen University. Ms Yuan has 17 years of corporate management experience, and is a senior economist in China.

Mr He Zili, aged 59, was appointed executive director of the Company on 1 April 2000. He is also an executive director of GZI. Mr He graduated from the Central Television University in China with an economics degree. Prior to joining Yue Xiu in 1991, he worked as a deputy manager of Guangzhou Taxi Company Limited in charge of finance and accounting. After joining Yue Xiu, Mr He had been the general manager of the finance department, the investment and business department, and the capital management department. Mr He is currently the deputy group financial controller of Yue Xiu and the financial controller of GZI. He has over 40 years of experience in finance and accounting and is a senior accountant in China.

Mr Zhang Siyuan, aged 42, was appointed executive director of the Company on 1 August 1999. He graduated from Chongqing Transport Institute in China. Prior to joining the Group in 1997, Mr Zhang had over 10 years of experience in highway construction and management and is an engineer in China.

Mr Luo Jinbiao, aged 42, was appointed executive director of the Company on 12 April 2007. Mr Luo graduated from Xian Transport Institute in Highway and Urban Transportation. Mr Luo has 20 years of experience in project management and surveillance, and is a senior engineer in China. He had also served as deputy director and director of Guangzhou Highways Management Bureau Engineering Research Institute.

Mr Zhang Huping, aged 45, was appointed executive director of the Company on 2 November 2005. Mr Zhang graduated from Guangzhou Finance and Trade Management Institute, majoring in accounting. He has engaged in cost accounting in large state-owned enterprises, and has over 20 years of experience in corporate accounting management and highway financial management. Mr Zhang has accumulated experience in computer financial and accounting management, accounting and automobile transportation management. He was a director of the first board of Guangzhou Institute of Accounting Computerization. He was also an accountant at the Planning and Finance Office of Guangzhou Highways Management Bureau.

Independent Non-executive Directors

Mr Fung Ka Pun, aged 63, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the vice chairman of CIAM Group Limited (formerly known as E2-Capital (Holdings) Limited), a company listed on the Stock Exchange. He is also the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, Denway Motors Limited and deputy chairman and an independent non-executive director of Samling Global Limited. The shares of the companies mentioned above are listed on the Stock Exchange. He is also an independent non-executive director of Lei Shing Hong Limited which shares were delisted on 17 March 2008.

Mr Lau Hon Chuen, GBS, JP, **alias Ambrose Lau**, aged 61, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited, Glorious Sun Enterprises Limited, GZI, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr Cheung Doi Shu, aged 47, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors. He is also an independent non-executive director of Denway Motors Limited, a company listed on the Stock Exchange.

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

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

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

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

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

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

THE BOARD

Responsibilities

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

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

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For a list of directors during the year ended 31 December 2008 and their respective profiles, please refer to the Directors' Profiles and page 46 of the Report of the Directors.

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

During the year ended 31 December 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Appointment and Succession Planning of Directors

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

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

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

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

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

Training for Directors

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

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

Board Meetings

Number of Meetings and Directors' Attendance

In year 2008, the Board held 5 meetings. The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2008**
Executive directors	
Zhang Zhaoxing[1]	2/2
Ou Bingchang[2]	3/3
Li Xinmin	5/5
Qian Shangning	5/5
Liang Ningguang	5/5
Liang Yi	5/5
Cai Tielong	5/5
Chen Guanzhan	5/5
Yuan Hongping	4/5
He Zili	5/5
Zhang Siyuan	4/5
Luo Jinbiao	5/5
Zhang Huping	5/5
Independent Non-executive directors	
Fung Ka Pun	5/5
Lau Hon Chuen Ambrose	5/5
Cheung Doi Shu	4/5

Note:

1. Appointed with effect from 31 July 2008

2. Resigned with effect from 31 July 2008

Practices and Conduct of Meetings

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The position of the Chairman is held by Mr Zhang Zhaoxing while the position of General Manager is held by Mr Qian Shangning.

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2008 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	**Attendance of Audit Committee meetings in 2008**
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

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

The Company's annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee.

Remuneration Committee

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

The Remuneration Committee met once on 16 March 2009 (with all three members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2008.

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

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

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2008.

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

During the year ended 31 December 2008, the remuneration paid to the external auditors of the Company in respect of audit services amounted to HK$1,422,500 and no non-audit services fees have been incurred.

INTERNAL CONTROLS

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

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

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

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

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

The Directors submit their report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 53.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2008:

	HK$'000
Interim dividend of HK$0.08 per share paid on 22 October 2008	133,853
Proposed final dividend of HK$0.08 per share	133,853
	267,706

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.

RESERVES

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

DONATIONS

During the year, the Group made charitable donations totalling HK$1,000,000 to charitable organisation for charitable purpose.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 18 to the financial statements.

SHARE CAPITAL

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

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2008	2007	2006	2005	2004
		(Restated)			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to equity holders of the Company	**607,533**	491,915	461,157	305,898	277,029
Assets and liabilities					
Total assets	**12,149,853**	11,320,312	4,947,235	4,631,092	4,486,660
Total liabilities	**(2,097,476)**	(2,139,395)	(526,100)	(633,422)	(753,797)
	10,052,377	9,180,917	4,421,135	3,997,670	3,732,863

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2008 are set out in note 40 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the distributable reserves of the Company available for distribution amounted to HK$2,547,806,000 (2007: HK$2,059,744,000).

DIRECTORS

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

Executive directors

Mr Zhang Zhaoxing	(appointed on 31 July 2008)
Mr Ou Bingchang	(resigned on 31 July 2008)
Mr Li Xinmin	
Mr Qian Shangning	
Mr Liang Ningguang	
Mr Liang Yi	
Mr Cai Tielong	
Mr Chen Guanzhan	
Ms Yuan Hongping	
Mr He Zili	
Mr Zhang Siyuan	
Mr Luo Jinbiao	
Mr Zhang Huping	

Independent Non-executive directors

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

The Directors' Profiles are set out on pages 36 to 37.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Qian Shangning, Liang Ningguang, Chen Guanzhan, Fung Ka Pun and Cheung Doi Shu retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr Zhang Zhaoxing retires in accordance with Bye-Law 102 of the Company's Bye-Laws and, being eligible, offers himself for re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

The independent non-executive directors of the Company received HK$540,000 as Directors' fees for the year ended 31 December 2008.

DIRECTORS' INTEREST IN CONTRACTS

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

CONNECTED TRANSACTIONS

The transactions described in Related Party Transactions in note 37(b) to the consolidated financial statements constitute discloseable connected transactions entered into or continued by the Group during the Reporting Year.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2008 is set out in note 30 to the financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2008, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

I. Long positions in shares of Guangzhou Investment Company Limited ("GZI"), the holding company of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Ningguang	Personal	300,000	0.004
Mr Fung Ka Pun	Personal	1,000,000	0.014

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

			Number of options		
Name of Director	Date of grant	Exercise price per share HK$	outstanding as at 1 January 2008	granted during the year	outstanding as at 31 December 2008
Mr Lau Hon Chuen, Ambrose	28/05/2008	1.556	-	2,800,000	2,800,000

The share options are exercisable from 28 May 2008 to 27 May 2018, of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)) thereof are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

Save as disclosed herein, as at 31 December 2008, none of the Directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2008, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	**Long position in shares**	**Approximate % of interest**
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	(a)	1,177,880,113	70.40
GZI	(a)	1,125,201,000	67.25
Treasure House Limited	(a)	375,000,000	22.41
First Dynamic Limited	(a)	750,000,000	44.83
Round Table Holdings Limited	(a)	750,000,000	44.83
GZI Transport (Holdings) Limited	(a)	750,000,000	44.83
Housemaster Holdings Limited	(a)	367,500,000	21.96
Power Head Limited	(a)	157,500,000	9.41
Delta Force Holdings Limited	(a)	112,500,000	6.72
Lawson Enterprises Limited	(a)	112,500,000	6.72
Mr Cheah Cheng Hye	(b)	183,931,000	10.99
Hang Seng Bank Trustee International Limited	(b)	183,931,000	10.99
Cheah Company Limited	(b)	183,931,000	10.99
Cheah Capital Management Limited	(b)	183,931,000	10.99
Value Partners Group Limited	(b)	183,931,000	10.99
Value Partners Limited	(b)	183,931,000	10.99
Ms To Hau Yin	(b)	183,931,000	10.99
Shanghai Industrial Investment (Holdings) Company Limited	(c)	119,047,000	7.12

Notes:

(a) Yue Xiu held 8,653 shares as beneficial owner and the deemed interest in the balance of 1,177,871,460 shares through its controlled corporations.

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

GZI Transport (Holdings) Limited is owned as to 51% by Round Table Holdings Limited and 49% by First Dynamic Limited. First Dynamic Limited is wholly-owned by Yue Xiu which also through certain subsidiaries owned about 47% of the issued share capital of GZI as at 31 December 2008. Round Table Holdings Limited is wholly-owned by GZI which also directly holds 201,000 shares of the Company. By virtue of the SFO, GZI, Round Table Holdings Limited and First Dynamic Limited are deemed to be interested in the 750,000,000 shares.

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

(b) Value Partners Limited held these shares as investment manager. Mr Cheah Cheng Hye, being the founder of The C H Cheah Family Trust, is deemed to be interested in 183,931,000 shares by virtue of the SFO. Hang Seng Bank Trustee International Limited, the trustee of The C H Cheah Family Trust, holds 100% interest in Cheah Company Limited which holds 100% interest in Cheah Capital Management Limited, which holds a 35.65% interest in Value Partners Group Limited, which in turn holds 100% interest in Value Partners Limited.

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

(c) The capacity of Shanghai Industrial Investment (Holdings) Company Limited in holding the 119,047,000 shares is attributable to interests of controlled corporations.

SHARE OPTIONS

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

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("Board") may grant to any person being an employee, officer, director, agent, consultant or representative of GZI, Yue Xiu, the Company or any of their respective subsidiaries ("Participants") options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10% of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1% of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders' approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of GZI, Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of GZI, Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK$10, with full payment of the exercise price to be made upon exercise of an option. As at 31 December 2008, no such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on publicly available information, as at the date of this report, GZI, the controlling shareholder of the Company, together with its controlling shareholder, Yue Xiu, and its associates ("GZI Group"), currently hold 1,177,880,113 shares, representing approximately 70.40% of the entire issued share capital in the Company. Value Partners Limited currently hold 183,931,000 shares in the Company. The aggregate shareholding interest of the GZI Group and Value Partners Limited in the Company is approximately 81.39%, thereby resulting in a public float of approximately 18.61%, which is below the prescribed minimum level of 25%.

Reference is made to the announcement of the Company dated 14 July 2008 ("Announcement").

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITORS

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

On behalf of the Board

Zhang Zhaoxing
Chairman

Hong Kong, 18 March 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

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

We have audited the consolidated financial statements of GZI Transport Limited (the "Company") set out on pages 53 to 111, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 (Restated) HK$'000
Revenue	5	**1,014,486**	870,778
Other income	6	**4,704**	53,143
Other gains – net	7	**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	8	**(185,436)**	(136,067)
General and administrative expenses	8	**(82,968)**	(78,836)
Business tax		**(36,853)**	(32,907)
Impairment losses on goodwill	25	**(540)**	(3,671)
Operating profit		**580,574**	424,100
Finance costs - net	9	**(26,205)**	(34,289)
Interest income on loans to associates	22	**5,962**	20,369
Share of profits less losses of associates	22	**295,717**	247,597
Share of profits less losses of jointly controlled entities	21	**(19,816)**	(12,182)
Profit before income tax expense		**836,232**	645,595
Income tax expense	10	**(88,030)**	(83,889)
Profit for the year		**748,202**	561,706
Attributable to:			
- Equity holders of the Company	11	**607,533**	491,915
- Minority interests		**140,669**	69,791
		748,202	561,706
Earnings per share for profit attributable to the equity holders of the Company for the year			
- Basic and diluted	12	**HK 36.3 cents**	HK 37.6 cents
Dividends	13	**267,706**	225,877

The notes on pages 59 to 111 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 (Restated) HK$'000
ASSETS			
Non-current assets			
Intangible operating rights	16	**7,048,250**	6,795,284
Leasehold land	17	**665**	683
Property, plant and equipment	18(a)	**37,629**	34,854
Investment properties	19	**8,800**	9,550
Investment in a jointly controlled entity	21	**269,151**	227,873
Investments in associates	22	**2,090,232**	1,688,892
Deferred income tax assets	31	**—**	127
Available-for-sale financial assets	23	**147,735**	114,285
Other non-current asset	24	**—**	17,375
Goodwill	25	**125,994**	119,186
		9,728,456	9,008,109
Current assets			
Trade and other receivables, deposits and prepayments	26	**42,499**	19,187
Cash and cash equivalents	27	**2,378,898**	2,293,016
		2,421,397	2,312,203
Total assets		**12,149,853**	11,320,312
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**167,316**	167,316
Reserves	29	**8,232,394**	7,524,873
		8,399,710	7,692,189
Minority interests		**1,652,667**	1,488,728
Total equity		**10,052,377**	9,180,917

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 (Restated) HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	30	**978,873**	1,002,655
Deferred income tax liabilities	31	**816,513**	716,905
		1,795,386	1,719,560
Current liabilities			
Amounts due to a minority shareholder of subsidiaries	32	**11,340**	2,873
Amounts due to holding companies	32	**3,066**	3,269
Trade and other payables and accrued charges	33	**141,108**	141,524
Current income tax liabilities		**10,506**	6,974
Borrowings	30	**136,070**	265,195
		302,090	419,835
Total liabilities		**2,097,476**	2,139,395
Total equity and liabilities		**12,149,853**	11,320,312
Net current assets		**2,119,307**	1,892,368
Total assets less current liabilities		**11,847,763**	10,900,477

Zhang Zhaoxing
Director

Qian Shangning
Director

The notes on pages 59 to 111 are an integral part of these financial statements.

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18(b)	**2,996**	1,300
Investments in subsidiaries	20(a)	**1,848,497**	1,263,948
		1,851,493	1,265,248
Current assets			
Amounts due from subsidiaries	20(b)	**1,899,225**	1,943,712
Deposits and prepayments	26	**2,594**	731
Cash and cash equivalents	27	**1,939,415**	1,998,972
		3,841,234	3,943,415
Total assets		**5,692,727**	5,208,663
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	**167,316**	167,316
Reserves	29	**5,245,982**	4,757,920
Total equity		**5,413,298**	4,925,236
LIABILITIES			
Current liabilities			
Amounts due to holding companies	32	**2,787**	17,754
Amounts due to subsidiaries	20(b)	**251,163**	237,612
Other payables and accrued charges		**25,479**	28,061
Total liabilities		**279,429**	283,427
Total equity and liabilities		**5,692,727**	5,208,663
Net current assets		**3,561,805**	3,659,988
Total assets less current liabilities		**5,413,298**	4,925,236

Zhang Zhaoxing
Director

Qian Shangning
Director

The notes on pages 59 to 111 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	35	**695,639**	640,526
Interest paid		**(73,618)**	(60,363)
China enterprise income tax paid		**(40,864)**	(39,469)
Net cash generated from operating activities		**581,157**	540,694
Cash flows from investing activities			
Payments of construction costs of toll highways and bridges upgrade services		**(3,818)**	(47,008)
Deposit paid for acquisition of additional interest in an associate		**—**	(17,375)
Payments for acquiring additional interest in an associate		**(193,514)**	—
Acquisition of a subsidiary		**—**	(532,835)
Capital injection to a jointly-controlled entity		**(47,624)**	—
Proceeds from disposal of property, plant and equipment		**—**	366
Proceeds from disposal of available-for-sale financial assets		**—**	15,464
Investment in available-for-sale financial assets		**(898)**	—
Purchase of property, plant and equipment		**(7,248)**	(9,942)
Repayment of loans from associates		**182,912**	193,786
Dividends received from associates		**40,846**	211,487
Interest received		**50,974**	27,861
Net cash generated from/(used in) investing activities		**21,630**	(158,196)
Cash flows from financing activities			
Proceeds from bank borrowings		**—**	415,463
Repayment of bank loans		**(225,473)**	(676,036)
Repayment of loans from minority shareholders of subsidiaries		**(3,229)**	(140,496)
Dividends paid to the Company's equity holders		**(263,523)**	(174,288)
Dividends paid to minority interests		**(42,661)**	(36,062)
Issue of shares		**—**	2,176,485
Net cash (used in)/generated from financing activities		**(534,886)**	1,565,066
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		**17,981**	5,738
Cash and cash equivalents at 31 December		**2,378,898**	2,293,016
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	27	**2,378,898**	2,293,016

The notes on pages 59 to 111 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	Attributable to equity holders of the Company: Share capital HK$'000	Reserves (note 29) HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2007		111,544	4,074,445	235,146	4,421,135
Currency translation differences	29	—	274,834	99,716	374,550
Increase in fair value of available-for-sale financial assets	29	—	64,872	—	64,872
Net gain recognised directly in equity		—	339,706	99,716	439,422
Profit for the year		—	491,915	69,791	561,706
Total recognised income for 2007		—	831,621	169,507	1,001,128
Issue of shares	28 & 29	55,772	2,120,713	—	2,176,485
Acquisition of a subsidiary	29	—	672,382	1,120,137	1,792,519
Dividends to the Company's equity holders	29	—	(174,288)	—	(174,288)
Dividends to minority interests		—	—	(36,062)	(36,062)
		55,772	2,618,807	1,084,075	3,758,654
Balance at 31 December 2007		167,316	7,524,873	1,488,728	9,180,917
Balance at 1 January 2008					
As previously reported		**167,316**	**7,613,939**	**1,502,450**	**9,283,705**
Effect of adoption of HK(IFRIC)-Int 12		**—**	**(89,066)**	**(13,722)**	**(102,788)**
As restated		**167,316**	**7,524,873**	**1,488,728**	**9,180,917**
Currency translation differences	29	**—**	**352,397**	**65,931**	**418,328**
Increase in fair value of available-for-sale financial assets	29	**—**	**24,724**	**—**	**24,724**
Deferred tax on fair value gain of available-for-sale financial assets		**—**	**(13,610)**	**—**	**(13,610)**
Net gain recognised directly in equity		**—**	**363,511**	**65,931**	**429,442**
Profit for the year		**—**	**607,533**	**140,669**	**748,202**
Total recognised income for 2008		**—**	**971,044**	**206,600**	**1,177,644**
Dividends to the Company's equity holders	29	**—**	**(263,523)**	**—**	**(263,523)**
Dividends to minority interests		**—**	**—**	**(42,661)**	**(42,661)**
		—	**(263,523)**	**(42,661)**	**(306,184)**
Balance at 31 December 2008		**167,316**	**8,232,394**	**1,652,667**	**10,052,377**

The notes on pages 59 to 111 are an integral part of these financial statements.

1 GENERAL INFORMATION

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

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

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

These financial statements have been approved for issue by the board of directors of the Company on 18 March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The following 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 10(b)), retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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	**32,399**	89,066

	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)	**3.39**	(6.81)

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 1 January 2007 and 31 December 2007 were not restated based on units-of-usage method upon the adoption of HK(IFRIC)-Int 12.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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.

(b) Consolidation

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

(i) Subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses.

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

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

(iii) Joint ventures

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Goodwill

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

(d) Intangible operating rights

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

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges and the concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road/bridge services. Intangible assets resulting from the application of HK(IFRIC)-Int 12 are recorded in the consolidated balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period of 20 to 36 years over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

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

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

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

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

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

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

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are performed on an open market basis, related to individual properties, and separate values are not attributed to land and buildings.

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

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

Changes in fair values are recognised in the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(h) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale financial assets are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include, but not limited to the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

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

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised as "other gains - net" in the consolidated income statement.

(j) Cash and cash equivalents

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

(k) Trade and other payables

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

(l) Borrowings

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Current and deferred income tax

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

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

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

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

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

(n) Share capital

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

(o) Share-based compensation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue recognition

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

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

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

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

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

(q) Borrowing costs

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

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

(r) Retirement benefit costs

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

(s) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies (continued)

(iii) Group companies

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

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

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

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

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

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

(t) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

At 31 December 2008, if HK dollars had weakened/strengthened by 5% against the Renminbi with all other variables held constant, profit for the year would have been HK$10,043,000 (2007: HK$11,411,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated net receivables from group companies. Equity would have been HK$104,534,000 (2007: HK$85,379,000) higher/lower, arising mainly from net foreign exchange losses/gains on translation of Renminbi-denominated net investments in toll projects in mainland China.

(ii) Cash flow and fair value interest rate risk

Besides cash and cash equivalent in the interest rate risk of which is considered immaterial, the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's loans from minority shareholders of subsidiaries were issued at fixed rates or interest free, and expose the Group to fair value interest-rate risk.

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

At 31 December 2008, if interest rates on Renminbi-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been decreased/increased by HK$5,575,000 (2007: HK$6,339,000).

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of cash and cash equivalents, trade receivables and loan receivable from an associate included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such amounts are placed with State-owned banks or banks with upper medium grade and are subject to low credit risk.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2008				
Borrowings	—	**176,411**	**524,406**	**526,419**
Amounts due to a minority shareholder of subsidiaries	**11,340**	—	—	—
Amounts due to holding companies	**3,066**	—	—	—
Trade and other payables and accrued charges	—	**141,108**	—	—
	14,406	**317,519**	**524,406**	**526,419**
As at 31 December 2007				
Borrowings	—	326,189	748,176	321,034
Amounts due to a minority shareholder of subsidiaries	2,873	—	—	—
Amounts due to holding companies	3,269	—	—	—
Trade and other payables and accrued charges	—	141,524	—	—
	6,142	467,713	748,176	321,034

3.2 Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

The Group's strategy is to maintain low gearing ratio. As at 31 December 2008 and 2007, the Group reported net cash position as set out below. Accordingly, the gearing ratio as at 31 December 2008 was zero (2007: zero).

	2008	2007
	HK$'000	HK$'000
Borrowings	**1,114,943**	1,267,850
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	**141,108**	141,524
Total borrowings	**1,270,457**	1,415,516
Less: cash and cash equivalents	**(2,378,898)**	(2,293,016)
Net cash	**(1,108,441)**	(877,500)

3.3 Fair value estimation

The carrying value less impairment provision of trade and other receivables, deposits, trade and other payables, and balances with related parties are a reasonable approximation of their fair values. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

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

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 0% to 65%. The wide range of growth rates is due to the fact that traffic volumes of certain toll highways and bridges of the Group have become saturated; while a toll highway owned by the Group's jointly controlled entity commenced operation in late 2006 and it is forecasted that the growth rate of this toll highway would remain at a high level in the coming years.

(b) Current income tax and deferred income tax

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

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

(c) Impairment of intangible operating rights

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

As at 31 December 2007 and 2008, management did not identify any impairment indicator for the intangible operating rights.

5 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 HK$'000	2007 HK$'000
Toll revenue	**1,014,486**	870,778

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.

6 OTHER INCOME

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

7 OTHER GAINS - NET

	2008	2007
	HK$'000	HK$'000
Fair value (loss)/gain on investment properties (note 19)	**(750)**	900
Net foreign exchange gains	**33,857**	36,731
Others	**1,663**	1,573
	34,770	39,204

8 EXPENSES BY NATURE

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

	2008	2007
	HK$'000	HK$'000
Amortisation of prepaid operating lease payments (note 17)	**18**	17
Auditor's remuneration	**1,753**	1,530
Depreciation of property, plant and equipment (note 18(a))	**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 (note 14)	**110,099**	89,112
Other operating expenses of toll highways and bridges	**37,334**	34,738
Sundries	**20,526**	24,471
	268,404	214,903

9 FINANCE COSTS - NET

	2008 HK$'000	2007 HK$'000
Interest expenses:		
- Bank borrowings	**62,713**	60,138
- Loans from minority shareholders of subsidiaries	**14,466**	2,012
Finance costs	**77,179**	62,150
Bank interest income	**(50,974)**	(27,861)
Net finance costs	**26,205**	34,289

10 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 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%.

10 INCOME TAX EXPENSE (continued)

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

	2008	2007
		(Restated)
	HK$'000	HK$'000
PRC enterprise income tax		
Current income tax		
– Current year	**39,131**	36,846
– Under-provision in prior year	**4,834**	—
Deferred income tax (note 31)		
– Current year	**44,065**	10,884
– Impact of change in tax rate (note 10(b))	**—**	36,159
	88,030	83,889

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

	2008	2007
		(Restated)
	HK$'000	HK$'000
Profit before income tax less share of results of associates and jointly controlled entities	**560,331**	410,180
Calculated at a tax rate of 18% (2007: 18%)	**100,860**	73,832
Income not subject to tax	**(18,067)**	(6,307)
Expenses not deductible for tax purposes	**10,425**	2,328
Effect of different tax rates	**—**	(1,877)
Remeasurement of deferred tax due to change of tax rate	**—**	36,159
Profit of a subsidiary under tax holiday	**(42,027)**	(20,246)
Withholding tax on undistributed profits of associates	**29,900**	—
Unrecognised temporary differences in prior year	**2,050**	—
Under-provision of current income tax in prior year	**4,834**	—
Others	**55**	—
Income tax expense	**88,030**	83,889

The aggregate deferred tax liabilities that were charged to equity is HK$13,610,000 (2007: Nil).

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$751,585,000 (2007: HK$119,597,000).

12 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
		(Restated)
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**607,533**	491,915
Weighted average number of ordinary shares in issue ('000)	**1,673,162**	1,307,970
Basic and diluted earnings per share (HK cents)	**36.3**	37.6

13 DIVIDENDS

	Company	
	2008	2007
	HK$'000	HK$'000
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	**133,853**	129,670
	267,706	225,877

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.

14 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages and salaries	**88,391**	73,286
Pension costs (defined contribution plans)	**5,477**	4,045
Social security costs	**7,202**	4,370
Staff welfare	**9,029**	7,411
	110,099	89,112

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

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for the year ended 31 December 2008. Forfeited contributions amounted to HK$34,000 for the year ended 31 December 2007.

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

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

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

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

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

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

[1] *independent non-executive director*

Notes:

(a) Appointed on 31 July 2008

(b) Resigned on 31 July 2008

(c) Appointed on 12 April 2007

(d) Resigned on 12 April 2007

(e) Resigned on 11 October 2007

No Directors waived emoluments in respect of the years ended 31 December 2008 and 2007. No emoluments were paid or payable by the Group to any Directors as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2008 and 2007 are also Directors whose emoluments are reflected in the analysis presented above.

16 INTANGIBLE OPERATING RIGHTS

	Group		
	Intangible operating rights	Tangible infrastructure	Total
	HK$'000	HK$'000	HK$'000
Year ended 31 December 2007			
Opening net book amount			
As previously reported	1,612,523	331,159	1,943,682
Effect of adoption of HK(IFRIC)-Int 12	331,159	(331,159)	—
As restated	1,943,682	—	1,943,682
Additions	52,245	—	52,245
Acquisition of a subsidiary	4,592,168	—	4,592,168
Amortisation	(235,299)	—	(235,299)
Exchange differences	442,488	—	442,488
Closing net book amount	6,795,284	—	6,795,284
At 31 December 2007			
Cost	7,905,189	—	7,905,189
Accumulated amortisation	(1,109,905)	—	(1,109,905)
Net book amount	6,795,284	—	6,795,284
Year ended 31 December 2008			
Opening net book amount			
As previously reported	**3,987,372**	**2,807,912**	**6,795,284**
Effect of adoption of HK(IFRIC)-Int 12	**2,807,912**	**(2,807,912)**	**—**
As restated	**6,795,284**	**—**	**6,795,284**
Additions	**3,818**	**—**	**3,818**
Amortisation	**(163,771)**		**(163,771)**
Exchange differences	**412,919**	**—**	**412,919**
Closing net book amount	**7,048,250**	**—**	**7,048,250**
At 31 December 2008			
Cost	**8,393,290**	**—**	**8,393,290**
Accumulated amortisation	**(1,345,040)**	**—**	**(1,345,040)**
Net book amount	**7,048,250**	**—**	**7,048,250**

At 31 December 2008, a toll highway operating right with net book amount of HK$5,031,181,000 (2007: HK$4,798,164,000) was pledged to secure the Group's bank borrowings.

17 LEASEHOLD LAND

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

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**665**	683

	2008	2007
	HK$'000	HK$'000
At 1 January	**683**	700
Amortisation	**(18)**	(17)
At 31 December	**665**	683

18 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2007				
Opening net book amount	11,791	12,365	2,506	26,662
Exchange differences	—	900	170	1,070
Additions	83	8,874	985	9,942
Acquisition of a subsidiary	—	1,419	—	1,419
Disposals	—	(203)	(163)	(366)
Depreciation	(732)	(2,301)	(840)	(3,873)
Closing net book amount	11,142	21,054	2,658	34,854
At 31 December 2007				
Cost	18,348	38,385	7,748	64,481
Accumulated depreciation	(7,206)	(17,331)	(5,090)	(29,627)
Net book amount	11,142	21,054	2,658	34,854
Year ended 31 December 2008				
Opening net book amount	**11,142**	**21,054**	**2,658**	**34,854**
Exchange differences	**—**	**1,144**	**140**	**1,284**
Additions	**—**	**4,276**	**2,972**	**7,248**
Disposals	**—**	**(196)**	**—**	**(196)**
Depreciation	**(734)**	**(4,049)**	**(778)**	**(5,561)**
Closing net book amount	**10,408**	**22,229**	**4,992**	**37,629**
At 31 December 2008				
Cost	**18,348**	**43,862**	**10,356**	**72,566**
Accumulated depreciation	**(7,940)**	**(21,633)**	**(5,364)**	**(34,937)**
Net book amount	**10,408**	**22,229**	**4,992**	**37,629**

18 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2007			
Opening net book amount	546	498	1,044
Exchange differences	4	33	37
Additions	337	—	337
Depreciation	(74)	(44)	(118)
Closing net book amount	813	487	1,300
At 31 December 2007			
Cost	1,732	2,350	4,082
Accumulated depreciation	(919)	(1,863)	(2,782)
Net book amount	813	487	1,300
Year ended 31 December 2008			
Opening net book amount	**813**	**487**	**1,300**
Additions	**103**	**2,013**	**2,116**
Depreciation	**(274)**	**(146)**	**(420)**
Closing net book amount	**642**	**2,354**	**2,996**
At 31 December 2008			
Cost	**1,809**	**3,570**	**5,379**
Accumulated depreciation	**(1,167)**	**(1,216)**	**(2,383)**
Net book amount	**642**	**2,354**	**2,996**

19 INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**9,550**	8,650
Fair value (loss)/gain	**(750)**	900
At 31 December	**8,800**	9,550

The investment properties of the Group were revalued at 31 December 2008 on the basis of their open market values as determined by an independent firm of professional surveyor, CS Surveyors Limited, appointed by the Group.

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

20 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**1,848,497**	1,848,497
Less: accumulated impairment losses	**—**	(584,549)
	1,848,497	1,263,948

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

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

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

21 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	Share of net assets	
	2008	2007
	HK$'000	HK$'000
At 1 January	**227,873**	671,170
Share of results for the year		
- loss before income tax	**(33,677)**	(15,348)
- income tax	**13,861**	3,166
	(19,816)	(12,182)
Transfer (note)	**—**	(447,755)
Exchange differences	**13,470**	16,640
Additional capital contribution to a jointly controlled entity	**47,624**	—
At 31 December	**269,151**	227,873

Note:

The amount represents the interest in GNSR Expressway Co., Ltd. which became a subsidiary of the Group after the Group acquired 20% additional equity interest in GNSR Expressway Co., Ltd. on 28 March 2007. The results and financial position of GNSR Expressway Co., Ltd. have been consolidated in the Group's financial statements after 31 March 2007. Details of the business combination are set out in note 34.

21 INVESTMENT IN A JOINTLY CONTROLLED ENTITY (continued)

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

	GNSR Expressway Co., Ltd.		Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR Expressway Co., Ltd.")	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Income	**—**	41,306	**41,057**	24,155
Expenses	**—**	(19,721)	**(60,873)**	(57,922)
Profit/(loss)	**—**	21,585	**(19,816)**	(33,767)
Assets:				
Non-current assets	**—**	—	**1,096,662**	1,027,148
Current assets	**—**	—	**56,312**	41,039
	—	—	**1,152,974**	1,068,187
Liabilities:				
Non-current liabilities	**—**	—	**(762,785)**	(642,042)
Current liabilities	**—**	—	**(121,038)**	(198,272)
	—	—	**(883,823)**	(840,314)
Net assets	**—**	—	**269,151**	227,873

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

22 INVESTMENTS IN ASSOCIATES

	Group		
	Share of net assets	Loans receivable (note (b))	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2007	1,426,598	319,218	1,745,816
Share of results for the year			
- profit before income tax	348,980	—	348,980
- income tax	(101,383)	—	(101,383)
	247,597	—	247,597
Dividends	(211,487)	—	(211,487)
Interest income	—	20,369	20,369
Repayments	—	(193,786)	(193,786)
Exchange differences	76,519	3,864	80,383
At 31 December 2007	1,539,227	149,665	1,688,892
At 1 January 2008			
As previously reported	**1,605,856**	**149,665**	**1,755,521**
Effect of adoption of HK(IFRIC)-Int 12	**(66,629)**	**—**	**(66,629)**
As restated	**1,539,227**	**149,665**	**1,688,892**
Share of results for the year			
– profit before income tax	**345,672**	**—**	**345,672**
– income tax	**(49,955)**	**—**	**(49,955)**
	295,717	**—**	**295,717**
Dividends	**(40,846)**	**—**	**(40,846)**
Acquisition of additional interest in an associate (note (a))	**183,655**	**27,234**	**210,889**
Interest income	**—**	**5,962**	**5,962**
Repayments	**—**	**(182,912)**	**(182,912)**
Exchange differences	**110,506**	**2,024**	**112,530**
At 31 December 2008	**2,088,259**	**1,973**	**2,090,232**

Note:

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

(b) The loans receivable are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rate of 3.25% (2007: 7.25%) per annum and the lending rates of financial institutions in mainland China of 5.31% (2007: 7.47%) per annum.

22 INVESTMENTS IN ASSOCIATES (continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
US dollars	**492**	122,497
Renminbi	**1,481**	27,168
	1,973	149,665

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

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2008	2007 (Restated)	**2008**	2007 (Restated)	**2008**	2007 (Restated)	**2008**	2007 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Income	**294,335**	261,564	**17,639**	22,314	**150,994**	166,302	**52,140**	49,855
Expenses	**(99,075)**	(113,234)	**(17,916)**	(36,457)	**(78,594)**	(80,548)	**(23,806)**	(22,199)
Profit/(loss)	**195,260**	148,330	**(277)**	(14,143)	**72,400**	85,754	**28,334**	27,656
Assets:								
Non-current assets	**1,068,234**	749,599	**1,960,516**	1,185,606	**354,214**	291,879	**299,322**	293,676
Current assets	**36,085**	34,092	**24,428**	35,127	**27,209**	57,750	**4,010**	2,662
	1,104,319	783,691	**1,984,944**	1,220,733	**381,423**	349,629	**303,332**	296,338
Liabilities:								
Non-current liabilities	**(129,321)**	(247,620)	**(1,135,658)**	(554,408)	**(146,685)**	(173,471)	**(10,859)**	(28,530)
Current liabilities	**(28,707)**	(20,368)	**(215,813)**	(70,476)	**(14,846)**	(13,763)	**(3,870)**	(2,528)
	(158,028)	(267,988)	**(1,351,471)**	(624,884)	**(161,531)**	(187,234)	**(14,729)**	(31,058)
Net assets	**946,291**	515,703	**633,473**	595,849	**219,892**	162,395	**288,603**	265,280

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

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**114,285**	46,271
Addition	**898**	—
Increase in fair value credited to equity (note 29)	**24,724**	64,872
Exchange differences	**7,828**	3,142
At 31 December	**147,735**	114,285

The balance represents unlisted equity securities stated at fair value, which was determined based on the net asset value of the investee companies. The assets and liabilities of the investee companies are of high liquidity and substantially stated at fair value.

24 OTHER NON-CURRENT ASSET

The amount at 31 December 2007 represents a deposit paid for acquiring an additional 2.78% equity interest in an associate, Guangdong Humen Bridge Co., Ltd. Details of the acquisition are set out in note 22(a).

25 GOODWILL

	2008	2007
	HK$'000	HK$'000
At 1 January	**119,186**	—
Acquisition of a subsidiary (note 34)	—	115,043
Exchange differences	**7,348**	7,814
Impairment losses	**(540)**	(3,671)
At 31 December	**125,994**	119,186

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

26 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) and denominated in Renminbi (2007: Renminbi).

As at 31 December 2008, no trade receivables were past due and impaired (2007: nil) and no provision for impairment loss has been provided for trade receivables (2007: nil).

The carrying amounts of trade and other receivables, deposits and prepayments approximate their fair values.

The Group and the Company does not hold any collateral as security.

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**566,481**	326,116	**126,998**	32,072
Short-term bank deposits	**1,812,417**	1,966,900	**1,812,417**	1,966,900
	2,378,898	2,293,016	**1,939,415**	1,998,972
Maximum exposure to credit risk	**2,378,547**	2,292,495	**1,939,307**	1,998,898

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**1,783,293**	1,922,945	**1,720,538**	1,922,492
US dollars	**180,648**	79,110	**169,043**	52,129
Renminbi	**414,957**	290,961	**49,834**	24,351
	2,378,898	2,293,016	**1,939,415**	1,998,972

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

28 SHARE CAPITAL

	Company	
	Ordinary shares of HK$0.1 each	
	Number of shares	HK$'000
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007	1,115,441,530	111,544
Issue of shares	557,720,765	55,772
At 31 December 2007 and 31 December 2008	1,673,162,295	167,316

In August 2007, the Company completed an open offer, under which 557,720,765 new shares of HK$0.1 each were allotted and issued at the price of HK$3.93 per share for cash.

Share options

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

On 25 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including Executive Directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the number of shares in issue as at 25 June 2002. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's (the "Stock Exchange") daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. As at 31 December 2008, no such options had been granted to any person since its adoption.

29 RESERVES

Group

	Share premium HK$'000	Capital reserve (note (a)) HK$'000	Capital contribution reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserves (note (b)) HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Retained profits (note (c)) HK$'000	Asset revaluation reserve (note (d)) HK$'000	Total HK$'000
Balance at 1 January 2007	577,463	1,705,497	47,867	172,501	26,945	(32,286)	1,576,458	—	4,074,445
Currency transaction differences	—	—	—	274,834	—	—	—	—	274,834
- Subsidiaries	—	—	—	177,810	—	—	—	—	177,810
- Associates	—	—	—	80,384	—	—	—	—	80,384
- Jointly controlled entities	—	—	—	16,640	—	—	—	—	16,640
Increase in fair value of available -for-sale financial assets	—	—	—	—	—	64,872	—	—	64,872
Transfer	—	—	(47,867)	—	1,894	—	67,023	(21,050)	—
Net gain/(loss) recognised directly in equity	—	—	(47,867)	274,834	1,894	64,872	67,023	(21,050)	339,706
Profit for the year	—	—	—	—	—	—	491,915	—	491,915
Total recognised income/(loss) for the year	—	—	(47,867)	274,834	1,894	64,872	558,938	(21,050)	831,621
Issue of shares	2,120,713	—	—	—	—	—	—	—	2,120,713
Acquisition of a subsidiary	—	—	—	—	—	—	—	672,382	672,382
Dividends	—	—	—	—	—	—	(174,288)	—	(174,288)
- 2006 Final dividend	—	—	—	—	—	—	(78,081)	—	(78,081)
- 2007 Interim dividend (note 13)	—	—	—	—	—	—	(96,207)	—	(96,207)
Balance at 31 December 2007	2,698,176	1,705,497	—	447,335	28,839	32,586	1,961,108	651,332	7,524,873
Representing:									
Retained profits							1,831,438		
2007 Final dividend proposed							129,670		
							1,961,108		

29 RESERVES (continued)

Group

	Share premium HK$'000	Capital reserve (note (a)) HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserves (note (b)) HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Retained profits (note (c)) HK$'000	Asset revaluation reserve (note (d)) HK$'000	Total HK$'000
Balance at 1 January 2008								
As previously reported	2,698,176	1,705,497	447,335	28,839	32,586	2,050,174	651,332	7,613,939
Effect of adoption of HK(IFRIC)-Int 12	—	—	—	—	—	(89,066)	—	(89,066)
As restated	2,698,176	1,705,497	447,335	28,839	32,586	1,961,108	651,332	7,524,873
Currency transaction differences	—	—	352,397	—	—	—	—	352,397
- Subsidiaries	—	—	226,397	—	—	—	—	226,397
- Associates	—	—	112,530	—	—	—	—	112,530
- Jointly controlled entities	—	—	13,470	—	—	—	—	13,470
Increase in fair value of available-for-sale financial assets	—	—	—	—	24,724	—	—	24,724
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	—	—	(13,610)	—	—	(13,610)
Transfer	—	—	—	8,265	—	(6,351)	(1,914)	—
Net gain/(loss) recognised directly in equity	—	—	352,397	8,265	11,114	(6,351)	(1,914)	363,511
Profit for the year	—	—	—	—	—	607,533	—	607,533
Total recognised income/(loss) for the year	—	—	352,397	8,265	11,114	601,182	(1,914)	971,044
Dividends	—	—	—	—	—	(263,523)	—	(263,523)
- 2007 Final dividend (note 13)	—	—	—	—	—	(129,670)	—	(129,670)
- 2008 Interim dividend (note 13)	—	—	—	—	—	(133,853)	—	(133,853)
Balance at 31 December 2008	2,698,176	1,705,497	799,732	37,104	43,700	2,298,767	649,418	8,232,394
Representing:								
Retained profits						2,164,914		
2008 Final dividend proposed						133,853		
						2,298,767		

29 RESERVES (continued)

Group (continued)

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

(b) Statutory reserves represent enterprise expansion and general reserve funds set up by the operating subsidiaries, associates and jointly controlled entity in mainland China. As stipulated by regulations in mainland China, the Company's subsidiaries, associates and jointly controlled entity established and operated in mainland China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors. According to the Foreign Investment Enterprises Accounting Standards in mainland China, upon approval by the board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. Included in the Group's statutory reserves is HK$2,423,000 (2007: HK$1,916,000) attributable to associates.

(c) Included in the Group's retained profits are retained profits of HK$925,666,000 (2007: HK$671,302,000) and accumulated losses of HK$53,583,000 (2007: HK$33,767,000) attributable to associates and jointly controlled entity respectively.

(d) The asset revaluation reserve represents the fair value gain attributable to the 40% equity interest in GNSR Expressway Co., Ltd. previously held by the Group arising from the acquisition of 20% additional equity interest in GNSR Expressway Co., Ltd.

29 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus *(note)* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	577,463	1,773,497	340,938	2,691,898
Profit for the year	—	—	119,597	119,597
Premium on issue of shares	2,120,713	—	—	2,120,713
2006 Final dividend	—	—	(78,081)	(78,081)
2007 Interim dividend (note 13)	—	—	(96,207)	(96,207)
At 31 December 2007	2,698,176	1,773,497	286,247	4,757,920
Representing:				
Retained profits			156,577	
2007 Final dividend proposed			129,670	
			286,247	
At 1 January 2008	**2,698,176**	**1,773,497**	**286,247**	**4,757,920**
Profit for the year	—	—	**751,585**	**751,585**
2007 Final dividend (note 13)	—	—	**(129,670)**	**(129,670)**
2008 Interim dividend (note 13)	—	—	**(133,853)**	**(133,853)**
At 31 December 2008	**2,698,176**	**1,773,497**	**774,309**	**5,245,982**
Representing:				
Retained profits			**640,456**	
2008 Final dividend proposed			**133,853**	
			774,309	

Note:

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

30 BORROWINGS

	Group	
	2008	2007
	HK$'000	HK$'000
Long-term bank loan	**759,723**	934,430
Loans from minority shareholders of subsidiaries	**355,220**	333,420
Total borrowings	**1,114,943**	1,267,850
Less: Amounts due within one year shown under current liabilities	**(136,070)**	(265,195)
	978,873	1,002,655

The carrying amounts of borrowings approximate their fair values.

(a) As at 31 December 2008, the Group's borrowings were repayable as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**136,070**	265,195
Between one to two years	**491,290**	703,507
Between two and five years	**487,583**	299,148
	1,114,943	1,267,850

(b) The effective interest rate of bank loan at 31 December 2008 was 6.72% (2007: 7.47%) per annum.

Except for an aggregate amount of HK$146,275,000 (2007: HK$137,762,000) which bears interest at the People's Bank of China Renminbi long-term lending rate of 5.94% (2007: 7.83%) per annum, the loans from minority shareholders of subsidiaries are interest-free.

(c) The carrying amounts of the interest-free loans from minority shareholders of subsidiaries approximate their fair values which are calculated based on cash flows discounted using a rate of 5.31% (2007: 7.47%) per annum.

(d) The borrowings are denominated in Renminbi (2007: Renminbi).

(e) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are within one year (2007: within one year).

(f) The bank loan is secured by the toll operating right of a subsidiary of the Group (note 16).

31 DEFERRED INCOME TAX

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

	Group	
	2008	2007 (Restated)
	HK$'000	HK$'000
Deferred income tax assets		
Hong Kong profits tax	**—**	(127)
Deferred income tax liabilities		
PRC enterprise income tax	**816,513**	716,905
	816,513	716,778

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

	Group	
	2008	2007 (Restated)
	HK$'000	HK$'000
At 1 January		
As previously reported	**680,619**	5,172
Effect of adoption of HK(IFRIC)-Int 12	**36,159**	—
As restated	**716,778**	5,172
Charged to income statement (note 10(c))	**44,065**	47,043
Charged to reserves	**13,610**	—
Acquisition of a subsidiary	**—**	622,462
Exchange differences	**42,060**	42,101
At 31 December	**816,513**	716,778

31 DEFERRED INCOME TAX (continued)

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

Deferred income tax assets:

	Fair value loss on investment properties
	HK$'000
At 1 January 2007	(312)
Charged to consolidated income statement	185
At 31 December 2007 and at 1 January 2008	(127)
Charged to consolidated income statement	127
At 31 December 2008	—

31 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities:

	Undistributed profits of associates	Fair value gain on interest in a toll highway arising from acquisition of a subsidiary	Accelerated amortisation of intangible operating rights	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	—	—	5,484	—	5,484
Acquisition of a subsidiary	—	565,958	56,504	—	622,462
(Credited)/charged to consolidated income statement	—	(17,587)	64,445	—	46,858
Exchange differences	—	38,153	3,948	—	42,101
At 31 December 2007 (restated)	—	586,524	130,381	—	716,905
At 1 January 2008					
As previously reported	—	**586,524**	**94,222**	—	**680,746**
Effect of adoption of HK(IFRIC)-Int 12	—	—	**36,159**	—	**36,159**
As restated	—	**586,524**	**130,381**	—	**716,905**
Charged/(credited) to consolidated income statement	**29,900**	**(12,295)**	**26,333**	—	**43,938**
Charged to reserve	—	—	—	**13,610**	**13,610**
Exchange differences	—	**36,031**	**6,029**	—	**42,060**
At 31 December 2008	**29,900**	**610,260**	**162,743**	**13,610**	**816,513**

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

The amounts are unsecured, interest free and repayable on demand. They are denominated in Renminbi and HK dollars respectively.

33 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

The carrying amounts of trade and other payables and accrued charges approximate their fair values.

34 BUSINESS COMBINATIONS

On 20 November 2006, the Group entered into an agreement with Guangzhou Development Infrastructure Investment Co., Ltd. to acquire a 20% additional equity interest in GNSR Expressway Co., Ltd., which was a jointly controlled entity held by the Group as at 31 December 2006 with 40% equity interest, for a consideration of RMB666,200,000. The acquisition was completed on 28 March 2007, after which GNSR Expressway Co., Ltd. became a subsidiary of the Group.

GNSR Expressway Co., Ltd. contributed revenue of approximately HK$382,143,000 and profit attributable to equity holders of the Company of approximately HK$99,525,000 of which HK$33,175,000 related to the 20% additional equity interest acquired, for the period from the date of acquisition to 31 December 2007. If the acquisition had occurred on 1 January 2007, the revenue contributed by GNSR Expressway Co., Ltd. to the Group would have been approximately HK$488,700,000 and profit attributable to equity holders of the Company would have been HK$131,903,000 of which HK$43,968,000 related to the 20% additional equity interest acquired.

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

	HK$'000
Purchase consideration:	
Cash paid	666,200
Direct cost relating to the acquisition	8,911
Total purchase consideration	675,111
Fair value of net identifiable assets acquired (see below)	(560,068)
Goodwill	115,043

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

34 BUSINESS COMBINATIONS (continued)

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

	Fair value	Acquiree's carrying amount
	HK$'000	HK$'000
Bank balances and cash	9,696	9,696
Interests in toll highways and bridges	4,592,168	2,345,255
Property, plant and equipment	1,419	1,419
Trade receivables	4,896	4,896
Other receivables, deposits and prepayments	4,409	4,409
Trade payables and accrued charges	(70,784)	(70,784)
Borrowings	(1,119,000)	(1,119,000)
Deferred income tax liabilities	(622,462)	(56,504)
Net identifiable assets acquired	2,800,342	1,119,387
Net identifiable assets attributable to the 20% additional equity interest acquired by the Group	560,068	223,877
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		675,111
Deposit paid in 2006		(132,580)
Cash and cash equivalents of the subsidiary acquired		(9,696)
Cash outflow on acquisition in 2007		532,835

35 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated from operations:

	2008 HK$'000	2007 HK$'000
Operating profit	**580,574**	424,100
Amortisation of intangible operating rights	**163,771**	235,299
Amortisation of prepaid operating lease payment	**18**	17
Depreciation of property, plant and equipment	**5,561**	3,873
Fair value losses/(gains) on investment properties	**750**	(900)
Impairment loss on goodwill	**540**	3,671
Loss on disposal of property, plant and equipment	**196**	—
Exchange differences	**(33,857)**	(36,731)
Operating profit before working capital changes	**717,553**	629,329
(Increase)/decrease in trade and other receivables, deposits and prepayments	**(23,312)**	1,560
(Decrease)/increase in trade and other payables and accrued charges	**(6,233)**	8,716
Increase in amounts due to a minority shareholder of subsidiaries	**7,834**	1,677
Decrease in amounts due to holding companies	**(203)**	(756)
Cash generated from operations	**695,639**	640,526

36 COMMITMENTS

At 31 December 2008, the Group had financial commitments in respect of equity capital to be injected to a subsidiary and a jointly controlled entity of approximately HK$238,632,000 (2007: a jointly controlled entity and an associate of HK$305,600,000).

At 31 December 2008, the Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2008 HK$'000	2007 HK$'000
Lease payments		
Not later than one year	**294**	294
Later than one year and not later than five years	**294**	—
	588	294
Lease receipts		
Not later than one year	**259**	332
Later than one year and not later than five years	**299**	29
	558	361

The Company had no commitments at 31 December 2008 and 2007.

37 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard Guangzhou Investment Company Limited (incorporated in Hong Kong) as its ultimate holding company.

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of related parties, with whom the Group has significant transaction during the period, and their relationship with the Company as at 31 December 2008:

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

(b) Transactions with related parties

In addition to the transaction disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

	2008 **HK$'000**	2007 HK$'000
Administrative service fees paid to GZI	**1,300**	1,300
Rental expenses paid to Yue Xiu	**386**	202

(c) Key management compensation

	2008 **HK$'000**	2007 HK$'000
Salaries and other short-term benefits	**28,627**	30,578

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

38 POST BALANCE SHEET EVENT

(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 Zhuang Autonomous Regional government and the transaction was completed.

(b) In view of the continual integration of Chang(sha)-Zhu(zhou)-(Xiang) tan 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 Xiang 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.

39 APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors of the Company on 18 March 2009.

40 GROUP STRUCTURE

As at 31 December 2008, the Company held shares/interest in the following principal subsidiaries, jointly controlled entity and associates.

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

40 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries (continued)					
Guangzhou Taihe Highways Development Company Limited	People's Republic of China, limited liability company	Rmb155,980,000	—	80	Development and management of Guangcong Highway Section I linking Guangzhou and Conghua
Guangzhou Tailong Highways Development Company Limited	People's Republic of China, limited liability company	Rmb116,667,000	—	51	Development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 355 linking Conghua and Longtan
Guangzhou Weian Highways Development Company Limited	People's Republic of China, limited liability company	Rmb175,750,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou
Guangzhou Xinguang Highways Development Company Limited	People's Republic of China, limited liability company	Rmb143,333,000	—	55	Development and management of Guanghua Highway linking Guangzhou and Huadu
Guangzhou Yue Peng Information Ltd.	People's Republic of China, limited liability company	Rmb260,000,000	—	100	Investment holding
Hunan Yue Tung Highway and Bridge Development Company Limited	People's Republic of China, limited liability company	Rmb21,000,000	—	75	Development and management of Xiang Jiang Bridge II in Hunan Province

40 GROUP STRUCTURE (continued)

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

40 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Principal subsidiaries (continued)					
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	Property holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Shaanxi Jinxiu Transport Co., Limited
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1 each	—	83.3	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited

40 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Registered capital	Percentage of Interest in ownership / voting power / profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Jointly controlled entity						
Guangzhou Western Second Ring Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb820,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

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

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhaoxing *(Chairman)*
Mr Li Xinmin
Mr Qian Shangning
Mr Liang Ningguang
Mr Liang Yi
Mr Cai Tielong
Mr Chen Guanzhan
Ms Yuan Hongping
Mr He Zili
Mr Zhang Siyuan
Mr Luo Jinbiao
Mr Zhang Huping

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Ms Chan Kam Ting Sharon

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISOR

Baker & McKenzie

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HONG KONG BRANCH SHARE REGISTRAR

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

SHARE LISTING

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

The stock codes are:
The Stock Exchange of Hong Kong Limited-01052
Reuters-1052.HK
Bloomberg-1052 HK

INVESTOR RELATIONS

For further information about
GZI Transport Limited, please contact:
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Telephone : (852) 2865 2205
Facsimile : (852) 2865 2126
Email : contact@gzitransport.com.hk

WEBSITES TO ACCESS COMPANY INFORMATION

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