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越秀交通有限公司

GZI TRANSPORT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1052)

**Announcement of 2010 Annual Results
and Proposed Change of Company Name**

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries ("Group") for the year ended 31 December 2010 ("Reporting Year").

OPERATING RESULTS AND DIVIDEND

Toll revenue for the Reporting Year increased by 25.2 percent to RMB 1,250 million as compared to 2009, and profit attributable to shareholders of the Company amounted to RMB530 million, 39.8 percent higher than 2009. The rise was mainly attributable to strong growth in toll revenue from projects including GNSR Expressway, Cangyu Expressway, GWSR Expressway and Northern Ring Road.

During the Reporting Year, the Group acquired 90 percent interest of Hubei Han-Xiao Expressway and 90 percent interest of Hunan Changzhu Expressway (the latter project pending approval). These two projects enjoyed excellent locations, being situated in the central region of the PRC with enormous economic development potential. The acquisition of these two projects was in line with the Group's regional expansion strategy, with project Internal Rate of Return (IRR) as reported in the valuation reports obtained from an independent valuer of 12.2 percent and 12.92 percent respectively (both surpassing the target rate of about 10 percent). After acquiring these two projects, the Group has accomplished its 2010 total asset investment target by a comfortable margin and further strengthened its portfolio of expressways.

In line with its corporate strategy, the Group managed to exit from Class 1 Highways in Guangzhou during the Reporting Year. Following the closure of the Class 1 Highways toll stations operated by the Group with effect from 31 October 2010, the Group no longer holds any controlling interest in any class 1 or 2 highways and this contributes to the optimization of our overall assets structure. The attributable mileage of our toll road portfolio amounted to 285.6 km of which 225.8 km or 79.1 percent is composed of expressways.

The Board has recommended the payment of a final dividend for 2010 of HK\$0.12 which is equivalent to approximately RMB0.101237 (2009: HK\$0.12 which was equivalent to approximately RMB0.10566) per share. Together with the paid interim dividend of HK\$0.10 which was equivalent to approximately RMB0.085278 (2009: HK\$0.04 which was equivalent to approximately RMB0.03522) per share, total dividend for the Reporting Year will amount to HK\$0.22 which is equivalent to approximately RMB0.186515 (2009: HK\$0.16 which was equivalent to approximately RMB0.14088) per share, representing a dividend payout ratio of 58.4 percent (2009: 61.5 percent).

ANNUAL REVIEW AND PROSPECTS

Review: Business Operations and Development

Macroeconomic factors

During the Reporting Year, China's economy continued to perform, thanks to the consolidation and broadening of a series of economic stimulus policies aiming at countering the impact of the global financial and economic crisis. Economic growth in China outperformed other major economies, achieving 10.3 percent growth rate in the Reporting Year (Information from the National Bureau of Statistics).

Riding on the positive momentum of macroeconomic development, most of the Group's toll road and bridge projects achieved satisfactory growth as compared to 2009. Traffic volume and toll revenue of GNSR Expressway and GWSR Expressway increased significantly as a result of the improvement of traffic arrangement of road network and the implementation of the 'odd-even license plate' rules during the Asian Games and Asian Para Games. As compared to 2009, Northern Ring Road also recorded encouraging growth. This project was partly closed for overhaul from July to November 2009, which had resulted in a lower base of traffic volume and toll revenue in 2009.

Benefiting from the opening of the entire route of Guangwu Expressway at the end of June 2010, both traffic volume and toll revenue of Cangyu Expressway increased rapidly. The traffic volume and toll revenue of Xian Expressway was temporarily affected by the “Four Lanes to Eight Lanes” reconstruction work carried out at the Lintong to Tongguan section of Xitong Expressway, which is connected to Xian Expressway, in the first half of the Reporting Year. With the completion of the reconstruction work on 30 November 2010, the traffic volume and toll revenue of Xian Expressway had rapidly rebounded in the second half and exceeded historical levels.

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

The Group’s projects are mainly located in Guangdong Province and PRD.

During the Reporting Year, both the traffic volume and toll revenue of GNSR Expressway recorded double-digit growth as compared to 2009, as a result of more stringent implementation of traffic rules, the prohibition of large cargo trucks from using urban roads during certain hours, gradual relocation of freight stations in northern Guangzhou to the surrounding areas of the entire second ring expressway, and the implementation of ‘odd-even license plate’ rules during the Asian Games and Asian Para Games. With the continuous improvement and connection of the adjacent road networks, in particular the opening of the Heshun Flyover at the end of 2009, the traffic volume and toll revenue of GWSR Expressway have shown strong growth momentum.

Investment in quality expressways and withdrawal from Class 1 Highways in Guangzhou

In the beginning of the Reporting Year, the Company formulated a total asset investment target of RMB4 billion in order to accelerate the pace of development and asset growth. During the Reporting Year, the company acquired 90 percent interest of Hubei Han-Xiao Expressway and 90 percent interest of Hunan Changzhu Expressway (the latter project pending approval). The total amount of total asset investment in Hunan Changzhu Expressway alone was RMB3.12 billion, which was the largest acquired project by the Company since listing. After the acquisition of the above two projects, the Company has accomplished its total asset investment target for the Reporting year, marking a significant milestone in growing its asset base.

In accordance with the relevant requirements of the Guangzhou Municipal Government, the Group has ceased toll collection at its four Class 1 Highways in Guangzhou and is to receive a compensation of approximately RMB1.313 billion in cash from the government. The full compensation amount is expected to be received by 31 December 2011.

Prospect: Operations Management and Investment

Operations management

There is a high correlation between toll revenue growth and growth of the respective economic regions in which the toll roads are located. Looking ahead, we expect to face new opportunities and challenges brought about by the steady economic growth under government initiatives on structural adjustments and anti-inflation drives.

It is expected that the Group's more mature projects, such as GNSR Expressway, Xian Expressway, Jinbao Expressway, Humen Bridge, Northern Ring Road, and Shantou Bay Bridge, will continue to generate solid profit for the Group as they stand to capitalize on the stable economic development of their respective localities. Benefiting from the gradual improvement of the peripheral road networks, the traffic volume and toll revenue at GWSR Expressway improved and profitability was achieved for the first time during the Reporting Year. Such encouraging trends are likely to continue and GWSR Expressway is expected to become one of the Group's new profit drivers.

Cangyu Expressway, acquired by the Group in 2009, benefited from the commencement of full operation of Guangwu Expressway at the end of June 2010 and both vehicle traffic and toll revenue surged. As a result, Cangyu Expressway achieved profitability in two years' time after acquisition. It is expected that it will continue to enjoy significant growth in toll revenue and become a prime example of successful acquisition and operation.

The expressway upgrade work of the Liannan section of Qinglian Expressway was completed in the beginning of 2011 and toll collection over the entire length of about 215 km was standardized according to expressway rates. It is expected that this project will become another important profit driver at our Group. Hubei Han-Xiao Expressway and Hunan Changzhu Expressway (pending approval), two projects acquired during the Reporting Year, will benefit from the national policy of supporting economic development in the central region of China. Against this backdrop, these two projects will increasingly become the Group's stable and important profit drivers in the future and enhance the Group's capability in achieving sustainable development.

Investment policy and preference

The Group will continue to capitalize on its strong capital resources. Apart from boosting its investment in quality expressways, the Group will also actively consider investing in other infrastructure projects with longer concessionary period, seek to optimize its asset portfolio, and strengthen management and governance for long-term and sustainable development.

The Group will continue to closely monitor a number of regions in the PRC: (1) the highly developed PRD and eastern coastal areas; (2) the relatively developed central region, which is benefiting from opportunities brought about by the Wuhan-Guangzhou High-speed Railway and substantial government support; and (3) the Western provinces, which is benefiting from the development of ASEAN Free Trade Area and opportunities brought about by the industrial transformation of PRD. The Group will look to explore and develop new investment projects which offer satisfactory returns and prospects in these target areas. At the same time, we will leverage our existing asset portfolio, enhance asset return, and improve and standardize processes and procedures so as to increase the overall profitability.

APPRECIATION

During the Reporting Year, our directors, senior management officers and staff continued to adhere to their pragmatic, assiduous and resolute working attitude, in pursuit of performance excellence. I would like to express my sincere gratitude for their invaluable contribution.

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

Zhang Zhaoxing

Chairman

Hong Kong, 16 March 2011

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Note</i>	2010 <i>RMB'000</i>	As restated 2009 <i>RMB'000</i>
Revenue	2	1,252,665	1,000,746
Cost of services	4	(480,893)	(394,074)
Construction income of toll highways and bridges upgrade services		94,747	18,908
Other income	3	22,687	802
Other gains - net	3	27,333	75,445
Construction cost of toll highways and bridges upgrade services		(94,747)	(18,908)
General and administrative expenses	4	(138,889)	(101,168)
Loss for the year of disposal group	11	(3,179)	(9,853)
Operating profit before impairment losses on intangible operating rights		679,724	571,898
Impairment losses on intangible operating rights		—	(151,863)
Operating profit		679,724	420,035
Finance income	5	25,419	22,126
Finance costs	5	(60,183)	(58,717)
Share of profit/(loss) of a jointly controlled entity		17,047	(10,272)
Share of profits less losses of associates		186,048	209,035
Profit before income tax		848,055	582,207
Income tax expense	6	(146,319)	(83,480)
Profit for the year		<u>701,736</u>	<u>498,727</u>
Attributable to:			
Shareholders of the Company		534,544	382,350
Non-controlling interests		167,192	116,377
		<u>701,736</u>	<u>498,727</u>
Earnings per share for profit attributable to the shareholders of the Company		<i>RMB</i> <i>per share</i>	<i>RMB</i> <i>per share</i>
Basic and diluted	7	<u>0.3195</u>	<u>0.2285</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Dividends	8	<u>312,070</u>	<u>235,715</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	As restated 2009
	RMB'000	RMB'000
Profit for the year	701,736	498,727
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax	875	12,276
Currency translation differences	<u>(22,226)</u>	<u>(10,801)</u>
Total comprehensive income for the year	<u>680,385</u>	<u>500,202</u>
Total comprehensive income attributable to:		
Shareholders of the Company	513,193	389,130
Non-controlling interests	<u>167,192</u>	<u>111,072</u>
	<u>680,385</u>	<u>500,202</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

		31 December	As restated 31 December	As restated 1 January
	<i>Note</i>	2010	2009	2009
		RMB'000	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Intangible operating rights		7,740,035	7,193,211	6,215,852
Goodwill		302,352	187,334	111,114
Property, plant and equipment		89,484	81,794	33,771
Investment properties		9,918	8,849	7,761
Investment in a jointly controlled entity		307,138	290,091	237,363
Investment in associates		1,775,178	1,765,575	1,843,375
Available-for-sale financial assets		147,823	146,656	130,288
Derivative financial instrument		9,140	—	—
Other non-current receivables		<u>151,137</u>	<u>158,696</u>	<u>—</u>
		<u>10,532,205</u>	<u>9,832,206</u>	<u>8,579,524</u>
Current assets				
Trade receivables	9	19,789	17,084	10,852
Other receivables, deposits and prepayments	9	1,154,101	94,568	26,629
Amount due from a non-controlling interest of a subsidiary		24,942	—	—
Cash and cash equivalents		<u>2,111,929</u>	<u>1,954,238</u>	<u>2,097,950</u>
		<u>3,310,761</u>	<u>2,065,890</u>	<u>2,135,431</u>
Assets classified as held for sale	11	<u>—</u>	<u>254,644</u>	<u>—</u>
Total assets		<u>13,842,966</u>	<u>12,152,740</u>	<u>10,714,955</u>

		31 December 2010	As restated 31 December 2009	As restated 1 January 2009
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY				
Equity attributable to the shareholders of the Company				
Share capital		147,322	147,322	147,556
Reserves				
Others		7,496,876	7,295,753	7,142,104
Proposed final dividend		169,386	176,786	118,045
		<u>7,813,584</u>	7,619,861	7,407,705
Non-controlling interests		<u>1,873,234</u>	<u>1,840,729</u>	<u>1,457,487</u>
Total equity		<u><u>9,686,818</u></u>	<u>9,460,590</u>	<u>8,865,192</u>
LIABILITIES				
Non-current liabilities				
Borrowings		1,472,362	1,225,860	863,268
Deferred income tax liabilities		1,100,669	943,312	720,082
		<u>2,573,031</u>	<u>2,169,172</u>	<u>1,583,350</u>
Current liabilities				
Borrowings due within one year		582,560	312,980	120,000
Amounts due to non-controlling interests of subsidiaries		773,364	49,110	10,000
Amounts due to holding companies		224	2,128	2,703
Trade and other payables and accrued charges	10	187,477	136,381	124,445
Current income tax liabilities		39,492	17,435	9,265
		<u>1,583,117</u>	<u>518,034</u>	<u>266,413</u>
Liabilities classified as held for sale	11	<u>—</u>	4,944	<u>—</u>
Total liabilities		<u>4,156,148</u>	<u>2,692,150</u>	<u>1,849,763</u>
Total equity and liabilities		<u>13,842,966</u>	<u>12,152,740</u>	<u>10,714,955</u>
Net current assets		<u>1,727,644</u>	<u>1,547,856</u>	<u>1,869,018</u>
Total assets less current liabilities		<u>12,259,849</u>	<u>11,634,706</u>	<u>10,448,542</u>

Notes:

1 **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets (including derivative financial instruments) at fair value through profit or loss 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.

Change in presentation currency

The Group continually reviews the appropriateness of accounting policies adopted. Effective from 1 January 2010, the Group has changed its presentation currency for the preparation of its financial statements from Hong Kong dollars to RMB. The Board considers the change would result in a more appropriate presentation of the Group’s operation in the PRC in the consolidated financial statements and the presentation would be consistent with the current industry practice. The comparative figures in this consolidated financial statements are translated from Hong Kong dollars to RMB using the rates that approximate the closing rates for balance sheet items and average rates for the period under review for income statement items.

The change in presentation currency has no significant impact on the financial position of the Group as at 1 January 2009, 31 December 2009 and 31 December 2010 or the results and cash flows of the Group for the years ended 31 December 2010 and 2009.

Change in presentation format

The Group has elected to present its consolidated income statement by function of expense with effect from 1 January 2010. The Board considers that it is more appropriate for the Group to present the consolidated income statement by function of expense.

As a result of the changes in presentation format of the consolidated income statement, the comparative information has been reclassified to conform to the current year’s presentation.

New/revised standards, amendments and interpretations

The following revised standards, amendments and interpretation relevant to the Group's operations are mandatory for adoption for the financial year beginning 1 January 2010 for the Group.

HKAS 27 (revised)	Consolidated and Separate Financial Statements
HKFRS 3 (revised)	Business Combinations
HK-Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

HKICPA's annual improvements to certain HKFRS published in May 2009

HKAS 1 (amendment)	Presentation of Financial Statements
HKAS 7 (amendment)	Statement of Cash Flows
HKAS 17 (amendment)	Leases
HKAS 18 (amendment)	Revenue
HKAS 36 (amendment)	Impairment of Assets
HKAS 38 (amendment)	Intangible Assets
HKAS 39 (amendment)	Financial Instruments: Recognition and Measurement
HKFRS 2 (amendment)	Share-based Payment
HKFRS 5 (amendment)	Non-current Assets Held for Sale and Discontinued Operations

The adoption of these revised standards, amendments and interpretation do not have significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and the presentation of the consolidated financial statements except for HKAS 17 (amendment) which requires reclassification in the consolidated financial statements.

HKAS 17 (amendment) requires the Group to reassess the classification of leasehold land as finance or operating leases. Certain leasehold land were therefore reclassified from operating leases to finance leases with the adoption of the amendment and the related assets were reclassified from leasehold land to property, plant and equipment in the consolidated financial statements.

The effect of the adoption of this amendment is as below:

	31 December 2010	31 December 2009	1 January 2009
	RMB'000	RMB'000	RMB'000
Decrease in leasehold land	(536)	(570)	(586)
Increase in property, plant and equipment	536	570	586

The following new/revised standards, amendments and interpretation relevant to the Group's operations have been issued and are effective for the financial year beginning 1 January 2011 or after and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 12 (amendment)	Income taxes	1 January 2012
HKAS 24 (revised)	Related Parties Disclosures	1 January 2011
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC) - Int 19	Extinguishing Financial Liability with Equity Instruments	1 July 2010

HKICPA's annual improvements to certain HKFRS published in May 2010

HKAS 1 (amendment)	Presentation of Financial Statements	1 January 2011
HKAS 27 (amendment)	Consolidated and Separate Financial Statements	1 July 2010
HKAS 34 (amendment)	Interim Financial Reporting	1 January 2011
HKFRS 3 (amendment)	Business Combinations	1 July 2010
HKFRS 7 (amendment)	Financial Instruments: Disclosures	1 January 2011

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

2 Revenue

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

	2010	As restated 2009
	RMB'000	RMB'000
Toll revenue	<u>1,252,665</u>	<u>1,000,746</u>

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

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

3 **Other income and other gains — net**

	2010	As restated
	RMB'000	2009
		<i>RMB'000</i>
Other income		
Dividend income from available-for-sale financial assets	21,600	—
Others	<u>1,087</u>	<u>802</u>
	<u>22,687</u>	<u>802</u>
Other gains — net		
Fair value gain on investment properties	1,362	1,101
Exchange (loss)/gain - net	(27,373)	140
Waiver of bank loan interest expenses	—	13,640
Gain on disposal of an intangible operating right	—	58,077
Loss on Compensation Arrangement (note 9(b))	(400)	—
Gain on disposal of a subsidiary	38,184	—
Loss on disposal of property, plant and equipment	(143)	—
Others	<u>15,703</u>	<u>2,487</u>
	<u>27,333</u>	<u>75,445</u>

4 Expenses by nature

Expenses included in cost of services and general and administrative expenses are analysed as follows:

	2010	As restated
	RMB'000	2009
		RMB'000
Business tax	41,911	34,089
Amortisation of intangible operating rights	228,521	192,580
Impairment losses on goodwill	4,557	3,163
Depreciation of property, plant and equipment	12,386	8,538
Toll highways and bridges maintenance expenses	109,618	69,720
Toll highways and bridges operating expenses	34,969	43,324
Staff costs (including Directors' emoluments) (note)		
— Wages and salaries	93,512	74,357
— Pension costs (defined contribution plan)	7,588	5,382
— Social security costs	10,282	6,880
— Staff welfare	44,505	24,662
Auditor's remuneration	2,005	2,025
Others	29,928	30,522
Total cost of services and general and administrative expenses	619,782	495,242

Note:

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees as defined in the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated at 5% to 12% and 5% respectively of basic salaries of the employees.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There were no forfeited contributions for the year ended 31 December 2010.

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 (equivalent to RMB851) 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 (equivalent to RMB4,257). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in the PRC are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Government, and make monthly contributions to the retirement plans equivalent to 20% of the monthly salaries of the employees in the preceding year or three times the preceding year's local annual average wage, whichever is lower.

5 Finance income/costs

	2010	As restated
	RMB'000	2009
		RMB'000
Bank interest income	15,124	12,247
Interest income on other non-current receivables	9,566	9,864
Interest income on a loan to an associate	<u>729</u>	<u>15</u>
Finance income	<u>25,419</u>	<u>22,126</u>
Interest expenses:		
- Bank borrowings	(58,384)	(62,403)
- Loans from non-controlling interests of certain subsidiaries	(14,036)	(10,350)
Fair value adjustment on loans from non-controlling interests of certain subsidiaries	<u>12,237</u>	<u>14,036</u>
Finance costs	<u>(60,183)</u>	<u>(58,717)</u>

6 Income tax expenses

- (a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no income assessable to Hong Kong profits tax during the year (2009: Nil).
- (b) During the year ended 31 December 2010, China's enterprises income tax was provided on the profits of the Group's subsidiaries, associates and a jointly controlled entity in the PRC in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises are subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate 25% over a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the year ended 31 December 2010 is 22% (2009: 20%).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profit of the Group's subsidiaries and associates in the PRC at tax rates of 5% or 10% (2009: 5% or 10%).

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

	2010	As restated 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax		
— current year	103,542	60,022
— under-provision in prior year	289	125
Deferred income tax	<u>42,488</u>	<u>23,333</u>
	<u>146,319</u>	<u>83,480</u>

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

	2010	As restated 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	848,055	582,207
Less: share of profits less losses of associates	(186,048)	(209,035)
Less: share of (profit)/loss of a jointly contracted entity	<u>(17,047)</u>	<u>10,272</u>
	<u>644,960</u>	<u>383,444</u>
Calculated at a tax rate of 22% (2009: 20%)	141,891	76,689
Income not subject to tax	(25,682)	(17,421)
Expenses not deductible for tax purposes	26,765	18,962
Profit of a subsidiary with preferential tax treatment (note a)	(52,560)	(37,456)
Withholding tax on undistributed profits of subsidiaries and associates	41,546	40,354
Unrecognised temporary differences	247	101
Tax loss not recognised (note b)	13,823	2,126
Under-provision in prior year	<u>289</u>	<u>125</u>
Income tax expense	<u>146,319</u>	<u>83,480</u>

Note:

- (a) A subsidiary (Guangzhou Northern Second Ring Expressway Company Limited) of the Group enjoyed two years' exemption of income tax for 2007 and 2008 and the income for 2010 is subject to a preferential rate of 11% (2009: 10%).
- (b) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB13,823,000 (2009: RMB2,126,000) in respect of losses amounting to RMB62,832,000 (2009: RMB10,630,000) that can be carried forward for offsetting against future taxable income. Unused tax losses will expire in 2015.

7 Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	As restated 2009
Profit attributable to shareholders of the Company (RMB'000)	534,544	382,350
Weighted average number of ordinary shares in issue ('000)	1,673,162	1,673,162
Basic and diluted earnings per share (RMB)	<u>0.3195</u>	<u>0.2285</u>

The diluted earnings per share for the year ended 31 December 2010 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year.

8 Dividends

Company

	2010	As restated 2009
	RMB'000	RMB'000
Interim, paid, of HK\$0.10 equivalent to RMB0.085278 (2009: HK\$0.04 equivalent to RMB0.03522) per share	142,684	58,929
Final, proposed, of HK\$0.12 equivalent to RMB0.101237 (2009: HK\$0.12 equivalent to RMB0.10566) per share	<u>169,386</u>	<u>176,786</u>
	<u>312,070</u>	<u>235,715</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

9 Trade and other receivable, deposits and prepayments

Group

	31 December	As restated 31 December	As restated 1 January
	2010	2009	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (note a)	19,789	17,084	10,852
Other receivables, deposits and prepayments (note b)	<u>1,154,101</u>	<u>94,568</u>	<u>26,629</u>
	<u>1,173,890</u>	<u>111,652</u>	<u>37,481</u>

Note:

- (a) As at 31 December 2010, trade receivables amounted to RMB19.8 million (2009: RMB17.1 million) which are aged below 30 days (2009: 30 days).

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

As at 31 December 2010 and 2009, no trade receivables were past due and impaired and no provision for impairment loss has been provided for trade receivables.

- (b) As at 31 December 2010, the Group's other receivable included RMB1,059.3 million due from the Guangzhou Municipal People's Government ("GZ Government"), which was the remaining compensation receivable balance to the Group for its closure of four Class 1 Highways in Guangzhou as requested by the GZ Government.

As agreed with GZ Government, the total cash compensation for the closure included surrender of the relevant intangible operating rights and operating assets, will be settled by cash on or before 31 December 2011. ("Compensation Arrangement"), loss of RMB0.4 million was incurred by the Group as a result of the arrangement. On 31 October 2010, the toll stations of Guangshen Highway, Guangshan Highway, Guanghua Highway, Guangcong Highway Section II and Provincial Highway 355, which were Class 1 highways held by the Group, were surrendered to GZ Government.

As at 31 December 2010 and 2009, all other receivables, deposits and prepayments were performing.

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

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

10 Trade and other payables and accrued charges

Group

	31 December	As restated 31 December	As restated 1 January
	2010	2009	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	49,732	55,635	74,817
Other payables and accrued charges	<u>137,745</u>	<u>80,746</u>	<u>49,628</u>
	<u><u>187,477</u></u>	<u><u>136,381</u></u>	<u><u>124,445</u></u>

Trade payables mainly represent construction costs payable to contractors.

The ageing analysis of trade payables is as follows:

	31 December	As restated 31 December	As restated 1 January
	2010	2009	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	4,675	13,539	36,189
31 - 90 days	1,027	779	13,024
Over 90 days	<u>44,030</u>	<u>41,317</u>	<u>25,604</u>
	<u><u>49,732</u></u>	<u><u>55,635</u></u>	<u><u>74,817</u></u>

Trade and other payable and accrued charges are mainly denominated in RMB and the carrying amounts approximate their fair values.

11 Disposal group

The Taihe toll station of Guangcong Highway Section I, a class 1 highway held by Guangzhou Taihe Highways Development Company Limited (“Taihe Highways Limited”), was closed down in January 2009 for relocation at the request of the GZ Government. On 1 December 2009, the PRC joint venture partner of Taihe Highways Limited, namely Guangzhou Highways Development Company (“GHDC”) and the Group entered into compensation agreements whereby GHDC would acquire the Group’s entire 80% equity interest in and net receivable from Taihe Highways Limited with consideration of additional equity interests of 35% and 39% in Guangzhou Xinguang Highways Development Company Limited (“Xinguang”) and Guangzhou Tailong Highways Development Company Limited (“Tailong”) respectively and assignment of debts of RMB107.4 million (approximately HK\$121.8 million) and RMB65.1 million (approximately HK\$73.8 million) due from Xinguang and Tailong respectively to the Group. The disposal was completed on 28 October 2010. Gain of RMB38.2 million was incurred by the Group as a result of the disposal.

The results of Taihe Highways Limited for the year since it was classified as a disposal group and up to the completion date are as follows:

	2010	As restated
	RMB’000	2009
		RMB’000
Revenue	116	433
Expenses	<u>(3,295)</u>	<u>(10,286)</u>
Loss for the year of disposal group	<u>(3,179)</u>	<u>(9,853)</u>

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

	2010	As restated
	RMB’000	2009
		RMB’000
Assets		
Intangible operating rights	—	244,611
Property, plant and equipment	—	88
Other receivables, deposits and prepayments	—	50
Cash and cash equivalents	<u>—</u>	<u>9,895</u>
Assets classified as held for sale	<u>—</u>	<u>254,644</u>
Liabilities		
Deferred income tax liabilities	—	4,890
Trade and other payables and accrued charges	<u>—</u>	<u>54</u>
Liabilities classified as held for sale	<u>—</u>	<u>4,944</u>

12 Subsequent events

On 16 February 2011, the Group entered into an agreement with 梧州市交通投資開發有限公司 (Wuzhou City Transport Investment Development Company Limited¹) and 新粵(廣州)投資有限公司 (Xin Yue (Guangzhou) Investment Company Limited¹), each an independent third party, in relation to the establishment of a new company named 梧州市越新赤水碼頭有限公司 (Wuzhou Yue Xin Chishui Terminal Company Limited¹) to construct, manage and operate the 梧州港赤水圩作業區碼頭一期項目 (the “Wuzhou Port”) located in Guangxi. RMB87.2 million would be contributed by the Group for 51% equity interest in the company upon establishment. The transaction has not been completed as of the date of this report.

According to announcement dated 16 February 2011, the Board proposed to change the name of the Company from “GZI Transport Limited” to “Yuxiu Transport Infrastructure Limited” and adopt “越秀交通基建有限公司” as the secondary name of the Company, subject to the fulfillment of certain conditions.

On 11 March 2011, the Group entered into an agreement with a non-controlling interest of a subsidiary of the Group, whereby the Group has agreed to acquire the remaining 10% of the equity interest in Cangwu Guihai Cangyu Expressway Company Limited at a cash consideration of approximately RMB54 million. Upon completion of the transaction, the Cangwu Guihai Cangyu Expressway Company Limited will become a wholly owned subsidiary of the Group.

¹ *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Remaining Length (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	9	Expressway	60.00	22
Xian Expressway	20.1	4	3	Expressway	100.00	6
Jinbao Expressway	23.9	4	3	Expressway	60.00	19
Cangyu Expressway ⁱⁱⁱ	23.3	4	1	Expressway	90.00	20
Han-Xiao Expressway	33.5	4	1	Expressway	90.00	27
Changzhu Expressway ⁱ	41.6	4	5	Expressway	90.00	30
Associates and Jointly Controlled Entity						
Humen Bridge ⁱⁱ	15.8	6	4	Suspension Bridge	27.78	19
Northern Ring Road	22.0	6	11	Expressway	24.30	13
GWSR Expressway	42.1	6	5	Expressway	35.00	pending approval
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	18
Qinglian Expressway						
Expressway Section	215.2	4	5	Expressway	23.63	24
National Highway 107	253.0	2	4	Class II Highway	23.63	18

i *The related approval formalities of Changzhu Expressway are under processing. Consequently, the project is not included in the operating projects being analyzed.*

ii *The profit sharing ratio is 27.78% up to 2009 and 18.446% from 2010 onwards.*

iii *The remaining 10.0% was acquired on 11 March 2011 and completion is pending approval.*

Toll Summary of Toll Roads and Bridges for the year ended 31 December 2010

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll fare per vehicle	
	(vehicle/day)	Change %	(RMB/day)	Change %	(RMB)	Change %
Subsidiaries						
GNSR Expressway	100,779	15.0%	1,994,770	18.3%	19.8	2.8%
Xian Expressway	37,479	-2.5%	477,705	-5.2%	12.7	-2.8%
Jinbao Expressway	22,170	11.3%	457,417	7.0%	20.6	-3.9%
Cangyu Expressway	5,551	61.7%	168,248	38.3%	30.3	-14.5%
Associates and Jointly Controlled						
Entity						
Humen Bridge	67,080	16.3%	2,769,209	16.7%	41.3	0.4%
Northern Ring Road	159,704	20.3%	1,599,773	46.0%	10.0	21.4%
GWSR Expressway	28,678	94.3%	672,337	42.7%	23.4	-26.5%
Shantou Bay Bridge	13,106	8.4%	513,220	9.8%	39.2	1.4%
Qinglian Expressway (Expressway Section)	18,292	N/A	1,036,801	N/A	56.7	N/A

Analysis of quarterly average daily toll traffic volume

	Average daily toll traffic volume of the first quarter (vehicle/day)	Average daily toll traffic volume of the second quarter (vehicle/day)	Average daily toll traffic volume of the third quarter (vehicle/day)	Average daily toll traffic volume of the fourth quarter (vehicle/day)
Expressways and Bridges				
GNSR Expressway	97,361	97,047	106,828	101,766
Xian Expressway	30,233	31,580	41,989	45,890
Jinbao Expressway	17,294	23,956	25,401	21,944
Cangyu Expressway	4,018	2,256	7,358	8,502
Humen Bridge	63,602	67,146	69,091	68,402
Northern Ring Road	152,523	157,866	170,954	157,655
GWSR Expressway	21,397	26,052	31,592	35,484
Shantou Bay Bridge	13,825	12,113	13,440	13,050
Qinglian Expressway (Expressway Section)	19,482	16,613	18,155	18,927

Summary of operating performance

During 2010, China's overall economy continued its steady growth. With the implementation of a series of macro-economic policies, the economy began to resume its growth momentum. Compared with the outset of the financial crisis, the dynamic structure of economic growth in 2010 changed positively, with market-driven investments, consumption and export being the main driving forces of growth. Meanwhile, domestic demand has shifted from policy-oriented to market-driven and export growth has resumed, demonstrating that China's economy has weathered the impact of the financial crisis and is now back on the track of normalized growth.

Benefiting from the steadily growing trend in the economy, the PRD entered into a critical period of time in which structural changes in economic development in 2010 was encouraged as a result of the Guangdong Provincial Government actively implementing the Plan for the Reform and Development of the Pearl River Delta (2008 to 2020) as approved by the State Council. Both industrial production and export continued to show strong rebound and the consumption market remained on its path of steady development. Driven by the favorable factors, operating revenue of the projects in Guangzhou in which the Company has either controlling interests or equity investment all recorded increases in 2010.

The car industry in China developed rapidly in 2010. Vehicular sales in China reached more than 18 million, which not only occupied the top spot in the global market, but also broke the historical record of 17 million sales ever achieved in the US market. Guided by the relevant policies in 2010, the domestic vehicle production and sales reached 18,264,700 and 18,061,900, representing an increase of 32.44 percent and 32.37 percent year on year respectively. The production and sales rates were nearly 100%. Vehicle ownership in Guangzhou also increased with a significant and corresponding increase in the production and sales of vehicles. Vehicle ownership in Guangzhou reached 2,145,000 (of which 1,610,000 were small sized vehicles) by the end of 2010 with a daily registration of nearly 1,200 vehicles in Guangzhou. All these factors contributed to the double-digit growth in the Group's revenue at expressways in Guangzhou and its peripherals. In addition, the opening of the whole length of Guangwu Expressway and the Guangzhou Asian Games also contributed to the significant growth of toll revenue at GNSR Expressway, GWSR Expressway and Cangyu Expressway.

In 2010, Jinbao Expressway in Tianjin and Xian Expressway in Shaanxi carried out major overhauls to meet the requirements of state inspection. Jinbao Expressway recorded an increase in operating revenue during the construction period as a result of a positive and beneficial traffic diversion and management scheme. Xian Expressway commenced a major overhaul in the first half of the year to coincide with

the prohibition of trucks from entering the Xian to Tongguan section of the entire length of Xitong Expressway. In the second half of the year, the southern section of Xitong Expressway resumed two-way traffic on 28 June 2010 and the major overhaul of Xian Expressway was completed. As a result, traffic volume and toll revenue at Xian Expressway have since resumed to a level close to normal in prior years.

In terms of new investment projects, the Company successfully acquired 90 percent equity interest of the Han-Xiao Expressway which was completed on 29 December 2010 and has entered into an equity transfer agreement to acquire 90 percent equity interest of the Changzhu Expressway on 21 December 2010 (pending approval). The two projects are expected to become the new sources of profitability of the Company in the future.

Performance of individual expressways and bridges

Expressways and bridges inside Guangdong Province

GNSR Expressway

During the Reporting Period, the average daily toll traffic volume was 100,779 vehicles and the average daily toll revenue was RMB1,995,000, representing an increase of 15.0 percent and 18.3 percent respectively over 2009.

Benefiting from its role as an important expressway route in the north of Guangzhou City, GNSR Expressway recorded a double-digit growth in 2010 in terms of both toll traffic volume and toll revenue. With the continuous improvement of the surrounding expressway networks, its function as a cross border passage has been increasingly prominent and more and more in-transit vehicles were attracted to GNSR Expressway. Meanwhile, the number of vehicles in Guangzhou City increased significantly, which also supported the steady growth in traffic volume at the GNSR Expressway.

GWSR Expressway

During the Reporting Period, the average daily toll traffic volume was 28,678 vehicles and the average daily toll revenue was RMB672,000, representing an increase of 94.3 percent and 42.7 percent respectively over 2009.

GWSR Expressway is an important part of the expressway network in the west of Guangzhou City connecting several expressways. The Heshun Flyover opened at the end of 2009, making GWSR Expressway an important expressway route connecting Guangzhou and Foshan. The opening of the entire Guangwu Expressway also highlighted the function of GWSR Expressway as a cross border passage. Attributable to the continuous improvement of expressway networks in 2010, GWSR

Expressway gradually benefits from the synergy of the networks. Besides, GWSR Expressway has been focusing on marketing promotion with a view to increasing its popularity among drivers and passengers. These all contributed to the significant increase in toll traffic volume and toll revenue of GWSR Expressway in 2010.

Northern Ring Road

During the Reporting Period, the average daily toll traffic volume was 159,704 vehicles and the average daily toll revenue was RMB1,600,000, representing an increase of 20.3 percent and 46.0 percent respectively over 2009.

Due to the enhanced road efficiency after the overhaul in 2010, Northern Ring Road recorded an increase in the number of full journey vehicles and Type V vehicles. Coupled with the substantially increased number of vehicles in Guangzhou, the toll revenue of Northern Ring Road experienced steady growth as compared with 2009. The section between Guangqing and Cencun of Northern Ring Road was closed down for an overhaul from 18 July to 8 November 2009, resulting in a lower base numbers for comparison of traffic volume and toll revenue. Consequently, the second half of 2010 saw a significant year-on-year growth in traffic volume and toll revenue.

Humen Bridge

During the Reporting Period, the average daily toll traffic volume was 67,080 vehicles and the average daily toll revenue was RMB2,769,000, representing an increase of 16.3 percent and 16.7 percent respectively over 2009.

Humen Bridge benefited from the economic recovery in Guangdong Province in the first half of 2010 and the substantially increased sales of cars and passenger vehicles driven by the energy-saving subsidy policy of the government in the second half year. The number of Type I cars, which is a major source of the toll revenue of Humen Bridge, recorded a double-digit growth on a year-on-year basis in 2010. The number of Type III to Type V vehicles using Humen Bridge also recorded a significant growth due to the recovery of import and export trades. The Guangzhou Asian Games, Zhuhai Air Show and Humen Clothing Festival were also important factors contributing to the increase in toll revenue and traffic volume on Humen Bridge.

Shantou Bay Bridge

During the Reporting Period, the average daily toll traffic volume was 13,106 vehicles and the average daily toll revenue was RMB513,000, representing an increase of 8.4 percent and 9.8 percent respectively over 2009.

Benefiting from the development of the Economic Zones on the western coast of the Taiwan Strait, Shantou Bay Bridge continued to record steady growth in toll revenue and toll traffic volume in 2010. With the continuous economic recovery of the PRD, the number of Type V vehicles shuttling between Shenzhen and Fujian has increased substantially, which helped provide a reliable source for the growth of the toll revenue of Shantou Bay Bridge.

Qinglian Expressway

During the Reporting Period, the average daily toll traffic volume was 18,292 vehicles and the average daily toll revenue was RMB1,036,000.

Qinglian Expressway has adopted the Toll-by-Weight System since 1 November 2009. As a result, the toll revenue of Qinglian Expressway substantially increased in 2010 over 2009. The daily toll revenue of Qinglian Expressway in the second half of 2010 increased 23.42 percent over the corresponding period in 2009, which is for reference only as Qinglian Expressway has adopted new toll rate as an expressway only since July 2009.

Expressways outside Guangdong Province

Xian Expressway

During the Reporting Period, the average daily toll traffic volume was 37,479 vehicles and the average daily toll revenue was RMB477,000, representing a decrease of 2.5 percent and 5.2 percent respectively over 2009.

Due to the “Four Lanes to Eight Lanes” reconstruction work of Xitong Expressway, Xian Expressway recorded a decrease in traffic volume and toll revenue in the first half of 2010. The southern half of Xitong Expressway was reopened to two-way traffic on 28 June 2010, resulting in an increase in traffic volume and toll revenue of Xian Expressway. Xian Expressway recorded a daily toll revenue of RMB585,000 in the second half of 2010, which has resumed to a level close to the normal level in prior years. Xian will hold the World Horticultural Exposition in 2011, which is expected to contribute to an increase in the traffic volume and toll revenue of Xian Expressway.

Cangyu Expressway

During the Reporting Period, the average daily toll traffic volume was 5,551 vehicles and the average daily toll revenue was RMB168,000, representing an increase of 61.7 percent and 38.3 percent respectively over 2009.

Guangxi succeeded in absorbing enterprises relocating from other provinces and achieved remarkable results in its key projects. The steady and rapid economic growth brought about a rise in freight and passenger transport, which promoted an increase in toll traffic volume and toll revenue of Cangyu Expressway. Meanwhile, with the opening on 30 June 2010 of Yunwu Expressway, which connects Yunfu Hekou and Pingtai section, the whole Guangwu Expressway is now open. Therefore, the traffic volume and toll revenue of Cangyu Expressway both witnessed significant growth over 2009.

Jinbao Expressway

During the Reporting Period, the average daily toll traffic volume was 22,170 vehicles and the average daily toll revenue was RMB457,000, representing an increase of 11.3 percent and 7.0 percent respectively over 2009.

Tianjin has implemented a temporary additional markup of the Toll-by-Weight system from 1 November 2009, targeting overloaded transportation vehicles of 55 tons and above. Against this backdrop, the number of overloaded vehicles going through Jinbao Expressway was significantly reduced, thereby promoting toll revenue growth while markedly reducing the damage to the road surface.

Han-Xiao Expressway in Hubei and Changzhu Expressway in Hunanⁱ

The Company successfully acquired 90 percent of the equity interest in Hubei Han-Xiao Expressway which was completed on 29 December 2010. Han-Xiao Expressway connects Taoyuanji interchange located at Huangpi district of Wuhan City and Huachuan located at Xiaonan district of Xiaogan City. It is part of the Southeast-Northwest Fuyin Expressway (Fuzhou-Xian-Yinchuan) and a major channel connecting the North-South Jingzhu Expressway and Wuhan City.

The Company has entered into an equity transfer agreement to acquire 90 percent of the equity interest in Changzhu Expressway on 21 December 2010 (pending approval). The North-South Changzhu Expressway, is an important part of the backbone highway network in Hunan Province. It is located within the eastern circular channels of the “Changsha-Zhuzhou-Xiangtan Economic Zone”, which is a hot economic region in Hunan Province. It is also an expressway connecting Zhuzhou and Changsha Huanghua International Airport and the downtown area of Changsha. It plays an important role in channeling the transport between Changsha, Zhuzhou and Xiangtan, relieving the traffic pressure on the main route of Jianggangao Expressway, and solving the transportation problems from Changsha Huanghua International Airport to Zhuzhou and its southern parts.

The two aforementioned projects are expected to be the new sources of revenue for the Company in future.

ⁱ *The related approval formalities of Changzhu Expressway are under processing. Consequently, the project is not included in the operating projects being analyzed.*

Class 1 Highways inside Guangdong Province

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

The cumulative operating revenue of Guangshen Highway from January to October 2010 was RMB22,717,000.

The cumulative operating revenue of Guangshan Highway from January to October 2010 was RMB40,626,000.

The cumulative operating revenue of Guangcong Highway Section II and Provincial Highway 355 from January to October 2010 was RMB37,946,000.

The cumulative operating revenue of Guanghua Highway from January to October 2010 was RMB20,182,000.

The Company announced on 28 October 2010 that all of the six toll stations on the four aforementioned Class 1 Highways would cease operation from 31 October 2010. The Guangzhou Municipal Government will pay a sum of approximately RMB1.313 billion in cash as compensation (for details, please refer to the announcement).

FINANCIAL REVIEW

Key operating results figures

	2010	2009	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	1,252,665	1,000,746	25.2
Gross profit	771,772	606,672	27.2
Operating profit before impairment losses on intangible operating rights	679,724	571,898	18.9
Finance costs	(60,183)	(58,717)	2.5
Share of profits less losses of associates	186,048	209,035	- 11.0
Share of profit/(loss) of a jointly controlled entity	17,047	(10,272)	266.0
Profit attributable to shareholders of the Company	534,544	382,350	39.8
Basic and diluted earnings per share	RMB0.3195	RMB0.2285	39.8
Dividends	312,070	235,715	

Analysis of operating results

The operating results for the Reporting Year have satisfactorily met the Group's anticipation. The Group recorded revenue of RMB1,252.7 million which represented a 25.2 percent growth over 2009. Profit attributable to shareholders of the Company amounted to RMB534.5 million with basic and diluted earnings per share of RMB0.3195, representing an increase of 39.8 percent over 2009.

The Group witnessed steady toll revenue growth in the Reporting Year. Benefitting from steady economic growth in PRC, all toll projects recorded positive growth in the Reporting Year as compared to 2009 except for Xian Expressway which recorded a temporary drop in toll revenue and the four Class 1 Highways, whose toll operating rights were discontinued at end of October 2010 and thus only ten months' toll revenue contribution to the Group. Among the Group's majority controlled toll projects, GNSR Expressway, being the highest revenue contributor, achieved RMB728.1 million, representing a RMB112.4 million or 18.3 percent growth. The full year revenue of RMB167.3 million for Jinbao Expressway (acquired in December 2009) was consolidated to Group in the Reporting Year. Cangyu Expressway benefited from the opening of Guangwu Expressway on 30 June 2010 and it posted a 43.9 percent revenue growth to RMB61.4 million in the Reporting Year.

Revenue and profit after tax at the Group's associates and jointly controlled entity at their respective project companies' level performed well except for Qinglian Expressway which was still in its initial operational stage when operating loss was normally anticipated. After three years of operating losses since opening, GWSR Expressway turned profitable in the Reporting Year. Despite toll revenue and net profit growth at the project company level, the adoption of an adjusted profit sharing ratio (with effect from 1 January 2010) from 27.78 percent to 18.446 percent pursuant to the terms stipulated in the joint venture contract, share of profit derived from Humen Bridge for the Reporting Year amounted to RMB125.3 million, which was 24.7 percent lower than that in 2009.

During the Reporting Year, other gains - net in respect of the disposal and closure of toll stations of the Group's Class 1 Highways, i.e. Guangzhou Taihe Highways Development Company Limited (which had been classified and recorded as disposal group in 2009 Annual Report) and the other four Class 1 Highways (the toll stations of which were closed down at end of October 2010 with a remaining balance of compensation receivable at 31 December 2010 of RMB1.059 billion), amounted to RMB37.8 million of which RMB21.6 million was other comprehensive income released from exchange fluctuation reserve to profit in the Reporting Year. While the management was of the view that, in substance, the closure of the four Class 1 Highways pursuant to the Compensation Agreement was at the request of the Guangzhou Government and therefore should not be regarded as commercial transaction per se, to err on the side of caution, the Group has provided for an estimated business tax payable in respect of the compensation receivable in the Reporting Year which would be subject to assessment by the relevant PRC tax authority. The liquidation work in respect of the subsidiaries holding the Class 1 Highways pursuant to the requests stated in the Compensation Arrangement are on-going and once completed, it is probable that further gains might be released from exchange fluctuation reserve to the profit in the year.

With the change in the accounting policy of the Group in respect of functional currency in December 2009, RMB is defined as the Group's functional currency and currencies other than RMB are defined as foreign currencies. Under the relevant Hong Kong accounting standard, foreign exchange gains and losses resulting from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement and thus, a net exchange loss of RMB27.4 million (which included an exchange gain of approximately RMB10.0 million recognized from locking up the RMB to HK\$ exchange rate for the consideration payable of Han-Xiao Expressway pursuant to the relevant Equity Transfer Agreement) was recognized in the Reporting Year. An internal assessment on the RMB currency risk has been undertaken. Please refer to the "Treasury Policies" section for details.

During the Reporting Year, profit attributable to the shareholders of the Company included the full twelve months' profit of RMB65.6 million generated by Jinbao Expressway, and an investment income of RMB21.6 million received from the Group's investment in "Available for Sale Financial Asset".

Included in the 2009 annual results of the Group were impairment losses of approximately RMB105.4 million (attributable to the shareholders of the Company) while management believed that no impairment indicators existed in the Reporting Year.

Revenue

The Group recorded revenue of RMB1,252.7 million in the Reporting Year, a 25.2 percent growth over 2009.

An analysis of revenue by each controlled toll project of the Group is as follows:

Controlled Toll Projects	Reporting	Percentage		Percentage	Change
	Year	of total	2009	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	728,091	58.1	615,650	61.5	18.3
Xian Expressway	174,362	13.9	183,926	18.4	-5.2
Jinbao Expressway	167,330	13.4	11,705	1.2	N/A ⁽¹⁾
Cangyu Expressway	61,411	4.9	42,664	4.3	43.9 ⁽²⁾
Class 1 Highways	121,471	9.7	146,801	14.6	-17.3 ⁽³⁾
Total	<u>1,252,665</u>	<u>100.0</u>	<u>1,000,746</u>	<u>100.0</u>	25.2

Note:

- (1) Figure for 2009 represented toll revenue for the month of December 2009 when Jinbao Expressway was consolidated to the Group. For comparison purpose, revenue for the whole year 2009 was RMB156.1 million over which toll revenue for the Reporting Year was higher by 7.2 percent .
- (2) Figure for 2009 represented toll revenue from date of acquisition (i.e. 19 January 2009) to 31 December 2009. For comparison purpose, toll revenue from 1 January 2009 to 31 December 2009 amounted to RMB44.4 million over which toll revenue for the Reporting Year was higher by 38.3 percent.
- (3) Figure for the Reporting Year represented toll revenue for the 10 months from January to October as Class 1 Highways' toll operating rights were discontinued at the end of October 2010.

GNSR Expressway remained as the Group's highest revenue contributor in the Reporting Year. GNSR Expressway contributed approximately 58.1 percent (2009: 61.5 percent) to the total revenue to the Group, amounting to RMB728.1 million and representing a 18.3 percent growth over 2009.

Xian Expressway ranked second in terms of toll revenue contribution although there was a temporary decline in its traffic flow. In the Reporting Year, Xian Expressway recorded a 5.2 percent decline in toll revenue to RMB174.4 million which represented approximately 13.9 percent (2009: 18.4 percent) of the total revenue.

Subsequent to its acquisition in December 2009, Jinbao Expressway contributed its full twelve months' toll revenue of RMB167.3 million to the Group in the Reporting Year, which accounted for approximately 13.4 percent of the total revenue.

Although Cangyu Expressway's contribution to the overall revenue was only 4.9 percent, it posted satisfactory revenue growth of 43.9 percent to RMB61.4 million in the Reporting Year.

Due to the closure of toll stations at end of October 2010, Class 1 Highways collectively recorded 10 months' toll revenue of RMB121.5 million, representing 9.7 percent of the total revenue. After the closure, all the controlled toll projects of the Group are expressways.

Cost of services

During the Reporting Year, cost of services of the Group's toll highways amounted to RMB480.9 million (2009: RMB394.1 million), representing an increase of RMB86.8 million or 22.0 percent over 2009. This rise was mainly due to an increase in amortization of intangible operating rights of RMB35.9 million or 18.7 percent and toll highways and bridges maintenance expenses of RMB39.9 million or 57.2 percent (these two types of cost of services in aggregate accounted for approximately 70.3 percent of the total cost of services in the Reporting Year). The Group's intangible operating rights were amortized using the unit of usage method by which the amortization rate was aligned with the traffic flow growth rate. Most of the Group's toll projects have undergone major repair and maintenance works as planned in the Reporting Year in anticipation of State Inspection, thereby leading to a significant increase in maintenance expenses in the Reporting Year compared to 2009.

An analysis of cost of services by each controlled toll project of the Group is as follows:

Controlled Toll Projects	Reporting	Percentage		Percentage	Change
	Year	of total	2009	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	213,174	44.3	188,033	47.7	13.4
Xian Expressway	66,024	13.7	85,277	21.6	- 22.6
Jinbao Expressway	59,776	12.4	1,342	0.3	N/A
Cangyu Expressway	20,015	4.2	13,411	3.4	49.2
Class 1 Highways	<u>121,904</u>	<u>25.4</u>	<u>106,011</u>	<u>27.0</u>	15.0
Total	<u>480,893</u>	<u>100.0</u>	<u>394,074</u>	<u>100.0</u>	22.0

During the Reporting Year, GNSR Expressway's increase in cost of services was attributed to: increase in its amortization of intangible operating rights of RMB12.1 million; increase in its maintenance expenses of RMB6.3 million and increased in its staff costs of RMB5.0 million.

The cost of services at Xian Expressway reflected a decline of 22.6 percent which was mainly due to an incremental adjustment of approximately RMB14.7 million having been recognized in 2009.

The full year's cost of services of Jinbao Expressway was consolidated in the Reporting Year, which increased the Group's cost of services by RMB58.4 million.

Cangyu Expressway's cost of services in the Reporting Year increased by 49.2 percent or RMB6.6 million, which was mainly due to an increase in amortization of intangible operating rights of RMB4.0 million.

The Class 1 Highways' cost of services in the Reporting Year, which accounted for 25.4 percent of the Group's total cost of services, increased by 15.0 percent or RMB15.9 million as compared to 2009. The rise was mainly due to incremental maintenance expenses incurred in association with the Guangzhou Asian Games before closure of the toll stations.

Gross profit

Given the substantial growth in revenue, gross profit of toll collection during the Reporting Year increased by 27.2 percent to RMB771.8 million. Moreover, despite most of the toll projects underwent major repairs and maintenance in the Reporting Year, operating ratio nevertheless declined by only 1.0%. Consequently, gross margin of toll collection increased from 60.6 percent in 2009 to 61.6 percent in the Reporting Year.

An analysis of gross profit of toll collection by each controlled toll project of the Group is as follows:

Controlled Toll Projects	Reporting Year		2009	
	Gross Profit <i>RMB'000</i>	Gross Margin %	Gross Profit <i>RMB'000</i>	Gross Margin %
GNSR Expressway	514,917	70.7%	427,617	69.5%
Xian Expressway	108,338	62.1%	98,649	53.6%
Jinbao Expressway	107,554	64.3%	10,363	88.5%
Cangyu Expressway	41,396	67.4%	29,253	68.6%
Class 1 Highways	<u>(433)</u>	-0.4%	<u>40,790</u>	27.8%
Total	<u>771,772</u>	61.6%	<u>606,672</u>	60.6%

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB138.9 million (2009: RMB101.2 million), representing an increase of RMB37.7 million or 37.3 percent over 2009. Such increase was mainly attributed to the net increase in staff costs (accounted for approximately 67.6 percent of the total administrative expenses) of RMB32.1 million after decline in directors' emoluments resulting from reduction in numbers of directors. The main reasons for the increase in staff costs were: (1) layoff and staff compensation costs related to the closure of toll stations of Class 1 Highways; and (2) increase in staff headcount and salary level.

Finance costs

The Group's finance costs in the Reporting Year amounted to RMB60.2 million (2009: RMB58.7 million), representing an increase of approximately 2.5 percent over 2009. Jinbao Expressway's full year finance cost of RMB10.7 million was consolidated to the Group in the Reporting Year while GNSR Expressway incurred finance cost of RMB26.8 million in the Reporting Year, a decline of RMB12.9 million. Finance costs recognized as a result of adoption of HK Accounting Standard 39 in respect of interest free loans from non-controlling interests of subsidiaries increased by RMB6.1 million (non-cash in nature).

Share of profits less losses of associates and jointly controlled entity

The Group's share of profit less losses of associates has declined by 11.0 percent during the Reporting Year to RMB186.0 million. The decline was mainly due to the downward adjustment in the profit sharing ratio at Humen Bridge from 27.78 percent in 2009 to 18.446 percent in the Reporting Year and the operating loss of Qinglian Expressway during the cultivation period of its operation.

Pursuant to the terms in the Joint Venture Contract of Humen Bridge (disclosed in page 109 of the Prospectus dated 21 January 1997) which stipulates that after the joint venture has repaid all the investment costs to the shareholders, the profit sharing ratio among the shareholders will be re-adjusted. In February 2009, all shareholders' loans were fully settled while injected capital from shareholders were also fully repaid by means of dividend distributions in June 2009; therefore, the Group's share of Humen Bridge's profit ratio from the Reporting Year and onward was adjusted accordingly from 27.78 percent to 18.446 percent. At the project company level, Humen Bridge recorded a 16.7 percent growth in toll revenue and 14.1 percent growth in profit after tax during the Reporting Year. With the adoption of the new profit sharing ratio, the Group's share of profit of Humen Bridge in the Reporting Year amounted to RMB125.3 million.

Upon commencement of expressway operation on 1 July 2009, toll revenue of Qinglian Expressway surged by 61.7 percent during the Reporting Year as compared to 2009. In its first year of operation and the following two to three years which we normally call the cultivation period of a toll road, Qinglian Expressway has been expected to incur operating losses as traffic flow has not yet reached its normal operating level while borrowing costs are no longer qualified for capitalization and are required to be recognized in the income statement. During the Reporting Year, the share of loss of Qinglian Expressway amounted to RMB29.8 million which was

within the Group's estimation. Looking forward, with the opening of the whole section of Qinglian Expressway in January 2011 and improvement of its linking road network, profitability will likely improve and it is anticipated to become a more meaningful contributor to profitability.

Toll revenue at the Northern Ring Road increased by 46.0 percent compared to 2009 as traffic volume recovered speedily after the completion of a major overhaul which had taken place from July to November in 2009, with traffic flow level exceeding the pre-overhaul level. Share of profit from Northern Ring Road for the Reporting Year rose by 84.5 percent to RMB60.7 million.

Share of profit at Shantou Bay Bridge in the Reporting Year amounted to RMB29.9 million, represented a 15.9 percent rise as compared to 2009 while its toll revenue grew by 9.8 percent.

Stepping into its fourth year of operation, GWSR Expressway successfully turned profitable. Share of profit at GWSR Expressway for the Reporting Year amounted to RMB17.0 million (2009: loss of RMB10.3 million), or an improvement of 266.0 percent from 2009. Toll revenue at GWSR Expressway in the Reporting Year amounted to RMB245.3 million, representing a 42.7 percent growth over 2009. During the Reporting Year, income at GWSR Expressway included other gains of RMB15.6 million which were related to rental income and toll road compensation income. Excluding these non-operation related gains, GWSR Expressway would still be profitable.

A detailed analysis of share of profit and losses of associates and jointly controlled entity and their respective revenue is as follows:

		Revenue ⁽¹⁾		Share of profit	
	Percentage of interests held %	Reporting Year RMB'000	YoY change %	Reporting Year RMB'000	YoY change %
Associates					
Humens Bridge	18.446 ⁽²⁾	1,010,906	16.7	125,256	-24.7
Northern Ring Road	24.3	585,233	46.0	60,653	84.5
Shantou Bay Bridge	30.0	187,320	9.8	29,902	15.9
Qinglian Expressway	23.63	<u>392,225</u>	61.7	<u>(29,763)</u>	86.3
Sub-total		2,175,684	29.5	186,048	-11.0
Jointly controlled entity					
GWSR Expressway	35.0	<u>245,299</u>	42.7	<u>17,047</u>	266.0
Total		<u>2,420,983</u>	30.7	<u>203,095</u>	2.2

Note:

(1) Represented figures at the respective project companies' level.

(2) Starting 1 January 2010, the profit sharing ratio of the Group has been adjusted from 27.78 percent in 2009 to 18.446 percent according to Joint Venture Contract.

Income tax expense

Total income tax expense of the Group for the Reporting Year amounted to RMB146.3 million, representing an increase of RMB62.8 million. Full year income tax expense of Jinbao Expressway amounting to RMB21.8 million was consolidated into the Group during the Reporting Year. During the five year transition period provided by the New Corporate Income Tax Law ("CITL") of the PRC, income tax rate applicable to the Group's PRC subsidiaries and associates in the Reporting Year was increased to 22.0 percent from 20.0 percent in 2009.

Profit attributable to Shareholders of the Company

The Company reported profit attributable to its shareholders of RMB534.5 million for the Reporting Year, or an increase of 39.8 percent over 2009.

An analysis of the profit attributable to shareholders of the Company is set out below:

	Reporting Year RMB'000	Percentage of total %	2009 RMB'000	Percentage of total %	Change %
Profit from controlled toll projects	376,238	64.9	327,737	62.2	14.8
Profit from non-controlled toll projects ⁽¹⁾	<u>203,095</u>	<u>35.1</u>	<u>198,763</u>	<u>37.8</u>	2.2
Total profit from all toll projects	579,333	<u>100.0</u>	526,500	<u>100.0</u>	10.0
Withholding tax on PRC dividends	(41,546)		(40,679)		2.1
Corporate income and expenses	(60,412)		(27,215)		122.0
Investment income	21,600		—		N/A
Expenses subsequent to cessation of toll operation	<u>(2,544)</u>		<u>(17,522)</u>		-85.5
Profit before impairment losses and disposal gains	496,431		441,084		12.5
Impairment losses	—		(105,390)		N/A
Loss on Compensation Arrangement	(71)		—		N/A
Gain on disposal of subsidiary / toll operating rights	<u>38,184</u>		<u>46,656</u>		N/A
Profit attributable to shareholders of the Company	<u>534,544</u>		<u>382,350</u>		39.8

(1) Representing associates and jointly controlled entity

Net profit derived from toll projects amounted to RMB579.3 million for the Reporting Year which represented a 10.0 percent growth over 2009. Among the toll projects, profit from Controlled Toll Projects accounted for 64.9 percent (2009: 62.2 percent) while non-controlled toll projects accounted for 35.1 percent (2009: 37.8 percent) in the Reporting Year.

Among the Controlled Toll Projects, GNSR Expressway accounted for 43.7 percent with its profit attributable to the Group amounting to RMB253.0 million (growth of 24.6 percent over 2009); Xian Expressway's net profit (accounted for 13.3 percent) increased by 11.3 percent in the Reporting Year to RMB77.1 million due to cost of service decline; Jinbao Expressway's full year net profit consolidated to the Group in the Reporting Year amounted to RMB65.6 million (accounted for 11.3 percent); and Class 1 Highways collectively recorded 10 months' operating net loss and staff redundancy and compensation costs totalled RMB31.9 million in the Reporting Year.

Among the non-controlled toll projects, Humen Bridge, Northern Ring Road, Shantou Bay Bridge and GWSR Expressway accounted for 21.6 percent (2009: 31.6 percent), 10.5 percent (2009: 6.2 percent), 5.2 percent (2009: 4.9 percent) and 2.9 percent respectively.

Final dividend

The Directors have recommended the payment of final dividend for 2010 of HK\$0.12 which is equivalent to approximately RMB0.101237 (2009: HK\$0.12 which was equivalent to approximately RMB0.10566) per share payable to shareholders whose names appear on the register of members of the Company on 25 May 2011. Subject to the approval of shareholders at the Annual General Meeting to be held on 25 May 2011, the final dividend will be paid on 20 June 2011. Together with the interim dividend of HK\$0.10 which was equivalent to approximately RMB0.085278 (2009: HK\$0.04 which was equivalent to approximately RMB0.03522) per share, total dividends for the year ended 31 December 2010 will amount to HK\$0.22 which is equivalent to approximately RMB0.186515 (2009: HK\$0.16 which was equivalent to approximately RMB0.14088) per share, representing a dividend payout ratio of 58.4 percent (2009: 61.5 percent).

Dividend payable to shareholders will be paid in HK\$. The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK\$ to RMB, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividends.

Key financial position figures

	2010	2009	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Total assets	13,842,966	12,152,740	13.9
Total liabilities	4,156,148	2,692,150	54.4
Cash and cash equivalents	2,111,929	1,954,238	8.1
Total borrowings	2,054,922	1,538,840	33.5
Bank borrowings	1,844,300	1,145,500	61.0
Current ratio (excluding assets held for sale)	2.1 times	4.0 times	
Interest coverage	20.0 times	15.0 times	
Equity attributable to the shareholders of the Company	7,813,584	7,619,861	2.5

Analysis of financial position

Assets, Liabilities and Equity

As at 31 December 2010, the Group's total assets amounted to RMB13.8 billion which represented an increase of 13.9 percent over the balance as at 31 December 2009. The Group's total assets comprised mainly of intangible operating rights of RMB7.7 billion (31 December 2009: RMB7.2 billion); investments in jointly controlled entity and associates of RMB2.1 billion (31 December 2009: RMB2.1 billion) and cash and cash equivalents of RMB2.1 billion (31 December 2009: RMB2.0 billion). By end of October 2010, toll stations of Class 1 Highways were discontinued, and thus intangible operating rights were reduced by RMB988.6 million. At end of December 2010, Han-Xiao Expressway was consolidated into the Group and intangible operating rights was increased by RMB1.7 billion. On 4 January 2011, the first installment in respect of the purchase acquisition of Han-Xiao Expressway of HK\$592.5 million (equivalent to approximately RMB504.4 million) was paid out from the Group's cash and cash equivalents.

As at 31 December 2010, the Group's total liabilities amounted to RMB4.2 billion which represented an increase of 54.4 percent over the balance as at 31 December 2009. The Group's total liabilities comprised mainly of bank borrowings of RMB1.8 billion (31 December 2009: RMB1.1 billion); loans from non-controlling interests of RMB210.6 million (31 December 2009: RMB393.3 million); and deferred income tax liabilities of RMB1,100.7 million (31 December 2009: RMB943.3 million). As a result of consolidating Han-Xiao Expressway into the Group at end of December 2010, RMB857.0 million in bank borrowings, RMB153.1 million in deferred income

Cash flows

The Group's cash and cash equivalents as at 31 December 2010 amounted to approximately RMB2.1 billion which was 8.1 percent higher than the level at 31 December 2009.

Net cash generated from operating activities during the Reporting Year amounted to RMB639.2 million (2009: RMB557.0 million) which was arrived at after the deduction of interest expenses of RMB58.4 million (2009: RMB77.9 million) and PRC enterprise income tax of RMB113.9 million (2009: RMB62.5 million).

Net cash inflow from investing activities during the Reporting Year amounted to RMB169.2 million (2009: net cash used RMB317.4 million). On the outflow side, capital expenditures amounted to approximately RMB156.9 million (2009: RMB643.8 million). On the inflow side, investment returns from associates amounted to approximately RMB260.3 million (2009: RMB283.3 million); dividend received from available-for-sale financial assets amounted to approximately RMB21.6 million (2009: Nil) and bank interest income amounted to approximately RMB25.1 million (2009: RMB24.3 million).

Net cash used in financing activities during the Reporting year amounted to approximately RMB660.7 million (2009: RMB370.1 million). Cash used in financing activities was mainly repayment of bank loans amounting to RMB158.2 million (2009: RMB126.0 million), loan to associate amounting to approximately RMB50.0 million (2009: Nil), dividends paid to non-controlling interests of subsidiaries of RMB131.6 million (2009: RMB79.8 million), and dividends paid to the shareholders of the Company of RMB319.5 million (2009: RMB176.8 million).

Current ratio

Excluding the assets and liabilities classified as held for sale, the current ratio (current assets over current liabilities) as at 31 December 2010 was 2.1 times (31 December 2009: 4.0 times). Apart from cash and cash equivalents which were the major components of the Group's current assets as at 31 December 2010, a receivable of RMB1,059.3 million, being the consideration receivable balance in relation to the compensation arrangement of the closure of toll stations of the Class 1 Highways was recorded. Included in the Group's current liabilities as at 31 December 2010 was a short term bank borrowing (i.e. maturity within one year) of approximately RMB582.6 million (31 December 2009: RMB313.0 million). In view of the two expressway projects acquired during 2010 (i.e. Han-Xiao Expressway completed by end of December and Changzhu Expressway signed on 21 December 2010 and awaiting approvals) which will utilize the Group's existing cash and cash equivalents

and increase the Group's bank borrowings, management will take a prudent approach to effectively match the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

Interest coverage

The interest coverage is measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cash flow effect). With the decrease in finance costs, interest coverage for the year ended 31 December 2010 was 20 times (31 December 2009: 15 times).

Capital expenditures and investments

During the Reporting Year, additional capital injection to an associate of RMB33.1 million was made. Subsequent to the completion of acquisition of 60.0 percent equity interest in Jinbao Expressway in December 2009, a balance payment amounting to RMB16.8 million was paid. The acquisition of Han-Xiao Expressway by end of December 2010 has brought in RMB25.4 million cash and cash equivalents to the Group while consideration price will be paid after 2010. Apart from the aforementioned, no material investment funds were paid during the Reporting Year (31 December 2009: RMB611.4 million). Payments for additions to intangible operating rights and other fixed assets during the Reporting Year amounted to RMB107.0 million (31 December 2009: RMB32.4 million).

Capital structures

	2010	2009
	RMB'000	RMB'000
Bank borrowings	1,844,300	1,145,500
Loans from non-controlling interests	210,622	393,340
Amounts due to non-controlling interests of subsidiaries	773,364	49,110
Amounts due to holding companies	<u>224</u>	<u>2,128</u>
Total debts	2,828,510	1,590,078
Less: cash and cash equivalents	(2,111,929)	<u>(1,954,238)</u>
Net debts/(cash)	716,581	(364,160)
Equity attributable to the shareholders of the Company	<u>7,813,584</u>	<u>7,619,861</u>
Total capitalization	<u>8,530,165</u>	<u>7,255,701</u>
Gearing ratio (after cash and cash equivalents) (net debts/total capitalization)	8.4%	net cash position

Bank borrowings of the Group as at 31 December 2010 amounted to approximately RMB1.8 billion which were RMB floating rate loans obtained in mainland China and secured by way of pledge of the respective toll collection rights of subsidiaries holding the toll expressways. About 31.6 percent of total bank borrowings amounting to approximately RMB582.6 million are repayable within one year and about 68.4 percent or approximately RMB1,261.7 million are long term. The effective interest rate of these bank borrowings as at 31 December 2010 was 5.34 percent (31 December 2009: 6.49 percent) per annum.

Loans from non-controlling interests are part of capital contributions made by non-controlling interests of certain subsidiaries in respect of their respective equity shareholdings in accordance with the terms of the relevant joint venture agreements. These loans are unsecured, interest free and denominated in RMB. The carrying amounts of these loans were stated at fair values.

Amounts due to non-controlling interests of subsidiaries / holding companies are unsecured, interest free and repayable on demand and are mainly denominated in RMB except for a consideration payable for acquisition of a Han-Xiao Expressway and a related derivative financial instrument amounting to HK\$893.1 million (equivalent to RMB760.4 million as at 31 December 2010), which is denominated in Hong Kong dollar, the first installment of which RMB504.4 million was paid on 4 January 2011.

As at 31 December 2010, equity attributable to the shareholders of the Company amounted to RMB7.8 billion, which accounted for 91.6 percent of the Group's total capitalisation. As at 31 December 2009, the equity attributable to the shareholders of the Company amounted to RMB7.6 billion. Equity attributable to the shareholders of the Company as at 31 December 2010 was 2.5 percent higher than the balance at 31 December 2009, which was due to the increase in net profit retained for the year after appropriation of the 2009 final dividend and 2010 interim dividend.

TREASURY POLICIES

The Group's treasury policies have primarily been focused on preventing risk and managing liquidity especially during unfavorable economic conditions and financial downturns when cash is managed conservatively and investments and utilization of financial products are evaluated thoroughly. Since the financial crisis started to subside and markets were stabilizing in the second half of 2009, the Group has effectively committed a substantial amount of its internal cash and increased its leverage by capitalizing on a number of investment opportunities.

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

Amidst the market expectation of an appreciating RMB and given that the Group has switched its functional currency to RMB in December 2009, the Group's historically high HK\$ holding is introducing heightened volatility risk to the Group's income statement as movements of RMB against HK\$, which is pegged to USD, will have to be reflected accordingly. Against this backdrop, the Group took advantage of the further relaxation measures in the RMB business in Hong Kong and converted directly a substantial portion of its HK\$ and USD denominated cash into RMB and injected the same to the Group's recently established investment company in PRC in the form of share capital in the second half of 2010. As at 31 December 2010, the

amount of cash and cash equivalents denominated in HK\$ and USD was approximately HK\$692.9 million, all of which was earmarked for the payment of Han-Xiao Expressway's purchase consideration, pursuant to a clause which locks up the RMB to HK\$ exchange rate in the relevant equity transfer agreement.

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

On 21 December 2010, the Group entered into an agreement with Hunan Zhonghe Weite Investment Company Limited and Wuhan Aoshen Technology Group Company Limited, each an independent third party, whereby the Group conditionally agreed to acquire 90.0 percent equity interest in Hunan Changzhu Expressway Development Company Limited at a cash consideration of approximately RMB1,003.9 million, subject to finalization. The transaction has not been completed.

The Group had no material capital commitments and significant contingent liabilities as at 31 December 2010.

EMPLOYEES

As at 31 December 2010, the Group had approximately 1,090 employees of whom about 905 were directly engaged 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.

SUBSEQUENT EVENTS

On 16 February 2011, the Group entered into an agreement with 梧州市交通投資開發有限公司 (Wuzhou City Transport Investment Development Company Limited*) and 新粵(廣州)投資有限公司(Xin Yue (Guangzhou) Investment Company Limited*), each an independent third party, in relation to the establishment of a new company named 梧州市越新赤水碼頭有限公司 (Wuzhou Yue Xin Chishui Terminal Company Limited*) to construct, manage and operate the 梧州港赤水圩作業區碼頭一期項目 (the "Wuzhou Port") located in Guangxi. RMB87.2 million would be contributed by the Group for 51 percent equity interest in the company upon establishment. The transaction has not been completed as of the date of this report.

On 11 March 2011, the Group entered into an agreement with a minority equity holder of a subsidiary of the Group, whereby the Group has agreed to acquire the remaining 10 percent of the equity interest in Cangwu Guihai Cangyu Expressway Company Limited at a cash consideration of approximately RMB54 million. Upon completion of the transaction, the Cangwu Guihai Cangyu Expressway Company Limited will become a wholly owned subsidiary of the Group.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code Provisions”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2010, except for the following deviations:

Code Provision A.4.1

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

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

REVIEW OF ANNUAL RESULTS

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

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto as set out in the preliminary announcement for the year ended 31 December 2010 have been agreed by the Group’s auditor, PricewaterhouseCoopers, Hong Kong, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers, Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers, Hong Kong on the preliminary announcement.

PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S SHARES

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 May 2011 to Wednesday, 25 May 2011, 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 Wednesday, 18 May 2011.

CHANGE OF NAME

Reference is made to the announcement of the Company dated 16 February 2011 pursuant to which, amongst other things, it was announced that the Board proposed to change the name of the Company from "GZI Transport Limited" to "Yuexiu Transport Infrastructure Limited" and to adopt the Chinese name "越秀交通基建有限公司" as the secondary name of the Company (the "**Change of Name**"). The Board now proposes that the Change of Name be proposed to the shareholders of the Company at the forthcoming annual general meeting of the Company.

By Order of the Board
GZI Transport Limited
ZHANG Zhaoxing
Chairman

Hong Kong, 16 March 2011

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

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

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

** For identification purpose only*