越秀交通有限公司
GZI TRANSPORT LIMITED

(Stock Code: 01052)

2010
Annual Report

Contents

Five Years Financial Highlights

INCOME STATEMENT

Year ended 31 December

(RMB'000)	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)	2006 (Restated)
Revenue	**1,252,665**	1,000,746	922,371	815,397	448,531
Earnings before interests, tax, depreciation and amortization ("EBITDA")[1]	**1,141,945**	937,753	954,825	854,907	639,074
Profit before income tax	**848,055**	582,207	760,302	604,535	523,604
Profit for the year	**701,736**	498,727	680,265	525,981	487,912
Profit attributable to:					
Shareholders of the Company	**534,544**	382,350	552,369	460,629	461,157
Non-controlling interests	**167,192**	116,377	127,896	65,352	26,755
Basic earnings per share for profit attributable to the shareholders of the Company	**RMB0.3195**	RMB0.2285	RMB0.3300	RMB0.3521	RMB0.4130
Dividend per share	**RMB0.187**	RMB0.141	RMB0.145	RMB0.126	RMB0.135

BALANCE SHEET

As at 31 December

(RMB'000)	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)	2006 (Restated)
Total Assets	**13,842,966**	12,152,740	10,714,955	10,600,340	4,947,235
Total Liabilities	**4,156,148**	2,692,150	1,849,763	2,003,329	526,100
Total Equity	**9,686,818**	9,460,590	8,865,192	8,597,011	4,421,135
Equity attributable to:					
Shareholders of the Company	**7,813,584**	7,619,861	7,407,705	7,202,966	4,185,989
Non-controlling interests	**1,873,234**	1,840,729	1,457,487	1,394,045	235,146
Net assets per share to shareholders of the Company	**RMB4.67**	RMB4.55	RMB4.43	RMB4.31	RMB3.75

FINANCIAL RATIOS

Year ended 31 December

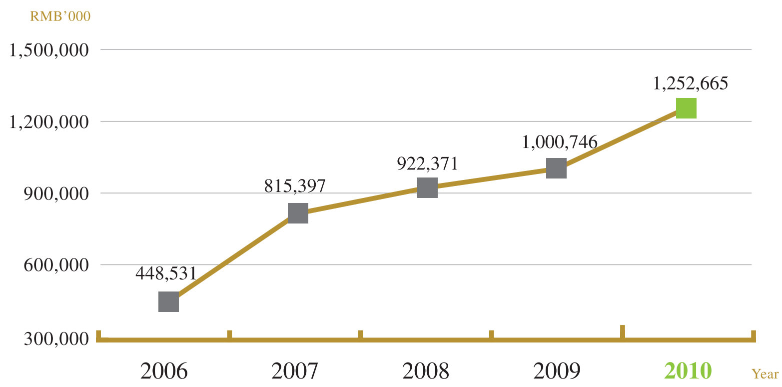
	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)	2006 (Restated)
Return on equity attributable to shareholders of the Company	**6.84%**	5.02%	7.20%	6.40%	11.00%
Interest Coverage	**20 times**	15 times	15 times	16 times	275 times
Gearing ratio[2]	**8.40%**	Net Cash	Net Cash	Net Cash	2.60%

1: EBITDA also excluded non-cash gains and losses

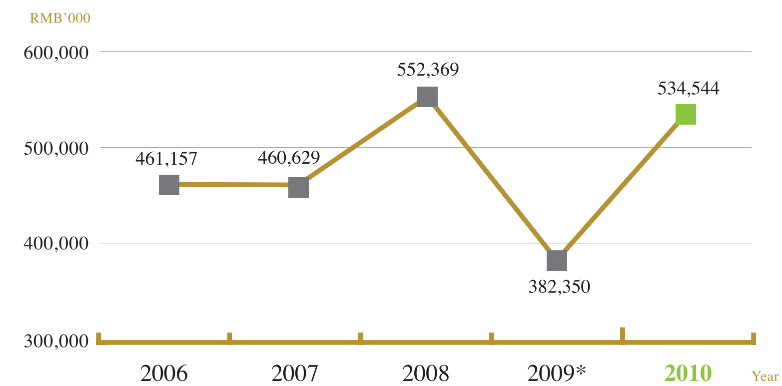
2: (Total debts - cash and cash equivalent) / (Total debts - cash and cash equivalent + equity attributable to shareholders of the Company)

Five Years Financial Highlights

Revenue

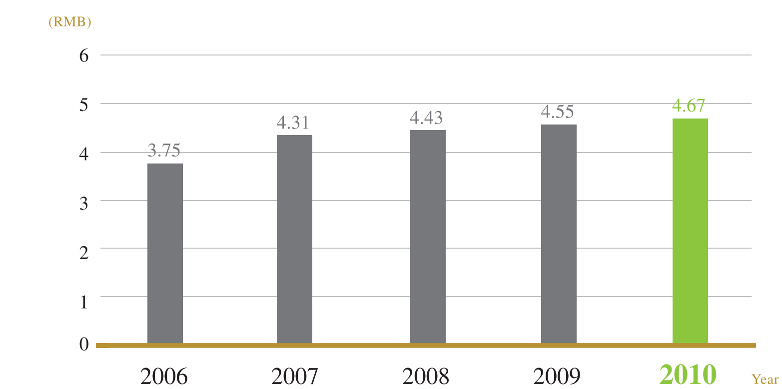


Profit attributable to shareholders of the Company



* Included impairment losses of RMB105.4 million.

Nets assets per share to shareholders of the Company



Corporate Profile

廣州越秀集團有限公司
(Guangzhou Yue Xiu Holdings Limited)

100%

Yue Xiu Enterprises (Holdings) Limited — 60.65%

Public — 39.35%

GZI Transport Limited

Expressway / Bridge

- ▲ GNSR Expressway / 60%
- ▲ Northern Ring Road / 24.3%
- ▲ Humen Bridge / 27.78%(1)
- ▲ Shantou Bay Bridge / 30%
- ▲ GWSR Expressway / 35%
- ▲ Qinglian Expressway / 23.63%
- # Xian Expressway / 100%
- # Cangyu Expressway / 90%(2)
- # Jinbao Expressway / 60%
- # Han-Xiao Expressway / 90%
- # Changzhu Expressway / 90%(3)

▲ inside Guangdong Province

outside Guangdong Province

(1) *The Group's profit sharing ratio in Humen Bridge is 18.446% from 2010 onwards.*

(2) *The Group entered into an agreement to acquire the remaining 10 percent of the equity interest in Cangyu Expressway on 11 March 2011 (completion pending regulatory approval).*

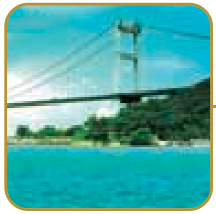
(3) *The Group has entered into an equity transfer agreement to acquire 90 percent of equity interest in Changzhu Expressway on 21 December 2010 (completion pending regulatory approval).*

Corporate Profile

GZI Transport Limited ("Company") and its subsidiaries (collectively, "Group") are principally engaged in investment, operation and management of toll highways, expressways and bridges in Guangdong Province and other high-growth provinces in the People's Republic of China ("PRC").

As at 31 December 2010, the Group had a total of 11 investments in its operating toll road and bridge projects which include expressways and bridges such as Guangzhou City Northern Ring Road ("Northern Ring Road"), Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangdong Humen Bridge ("Humen Bridge") and Shantou Bay Bridge, all of which are located within Guangdong Province; Qinglian Expressway which connects Qingyuan City and Lianzhou City ("Qinglian Expressway") and NH107 section, as well as Xian to Lintong Expressway in Shaanxi Province ("Xian Expressway"); Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway"); Jinbao Expressway in Tianjin Municipality ("Jinbao Expressway"); Han-Xiao Expressway in Hubei Province ("Han-Xiao Expressway"), and Changzhu Expressway in Hunan Province ("Changzhu Expressway")(completion pending regulatory approval). Total attributable length of the Group's toll roads and bridges as at 31 December 2010 is approximately 285.6 km after taking into account of the acquisition of Changzhu Expressway.

Hunan Province
Fengtouling
Lianzhou City
Qingyuan City
Guangdong Province
Guangzhou City
Guangzhou Baiyun Airport
To Beijing
To Qingyuan, Lianzhou
Longshan
Xiaotang
Huocun
To Shantou
To Guangxi
Guangshen Expressway
To Shenzhen, Hong Kong
To Kaiping
G4 Expressway
To Zhuhai, Macau
Shantou City
NH324
Shenshan Expressway
1 . Humen Bridge
2 . GNSR Expressway
3 . Northern Ring Road
4 . Qinglian Expressway
5 . GWSR Expressway
6 . Shantou Bay Bridge



1

Humen Bridge

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

2

GNSR Expressway

is a six-lane 42.5 km expressway with nine intersections which connects eleven provincial, national highways and expressways in the north of Guangzhou Municipality.

3

Northern Ring Road

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

4

Qinglian Expressway

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

5

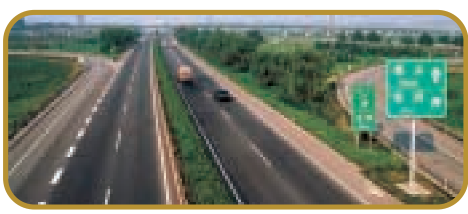
GWSR Expressway

is a 42.1 km expressway with six lanes in dual direction which connected to GNSR Expressway, Jingzhu Expressway, Guanghua Expressway, New Airport Expressway, Guangsan Expressway and National Highways 324, 321,105,106,107.

6

Shantou Bay Bridge

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

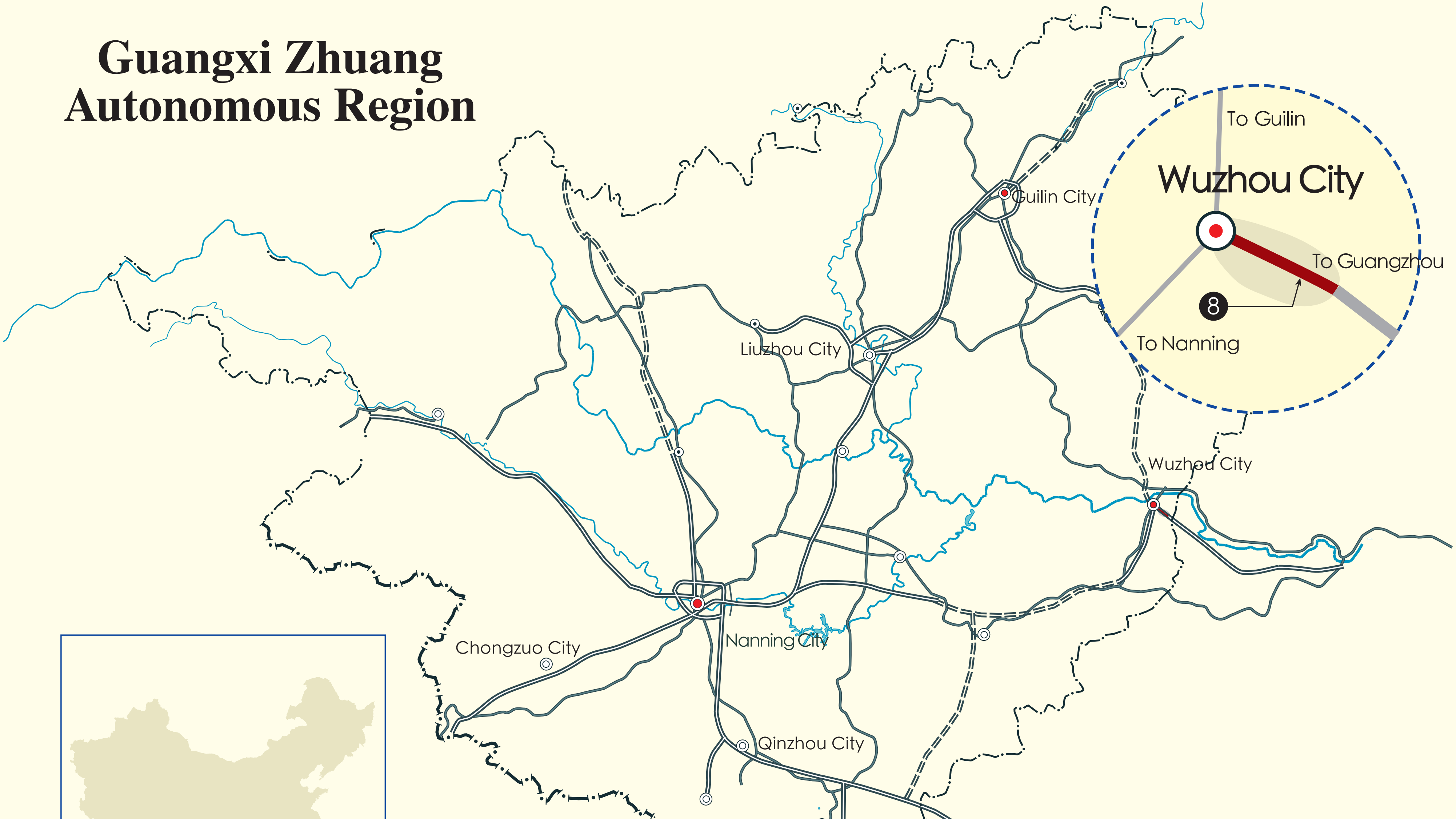


7

Xian Expressway

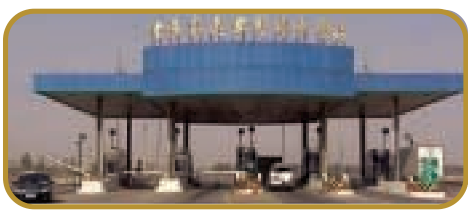
is a section of Xian Tongguan Expressway, a part of National Highway G045 between Lianyungang and Huoerguosi with a total length of approximately 20.1km with four lanes and intersects with Rao Cheng Expressway. It is also a major access connecting Xian City to the world famous historical relics and scenic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

Guangxi Zhuang Autonomous Region



Cangyu Expressway

8 is located in Cangwu County of Wuzhou City in Guangxi Zhuang Autonomous Region, linking the Cangwu County of Guangxi Zhuang Autonomous Region with the Yunan County of Guangdong Province. It also forms a part of the GuangWu Expressway (from Guangzhou to Wuzhou) of approximately 23.3 km long with four-lane dual direction.

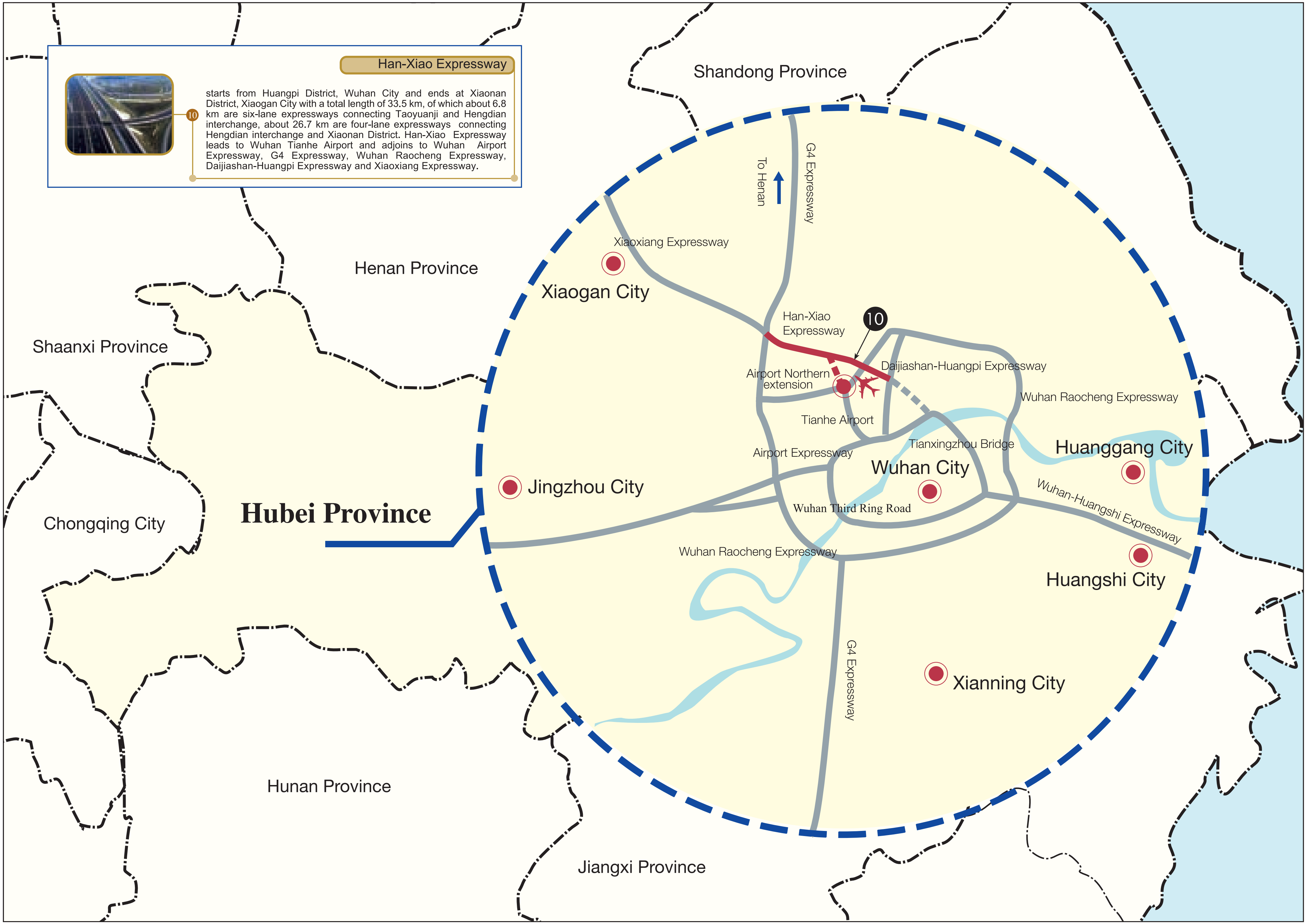


Jinbao Expressway

9 is located in the west of Tianjin Municipality, intersecting with Hebei Province, and linking the Jinbao Expressway (Hebei section), Jinjin Expressway, Jinghu Expressway and Tianjin Waihuan Lane etc, with length of approximately 23.9km with four-lane dual direction.

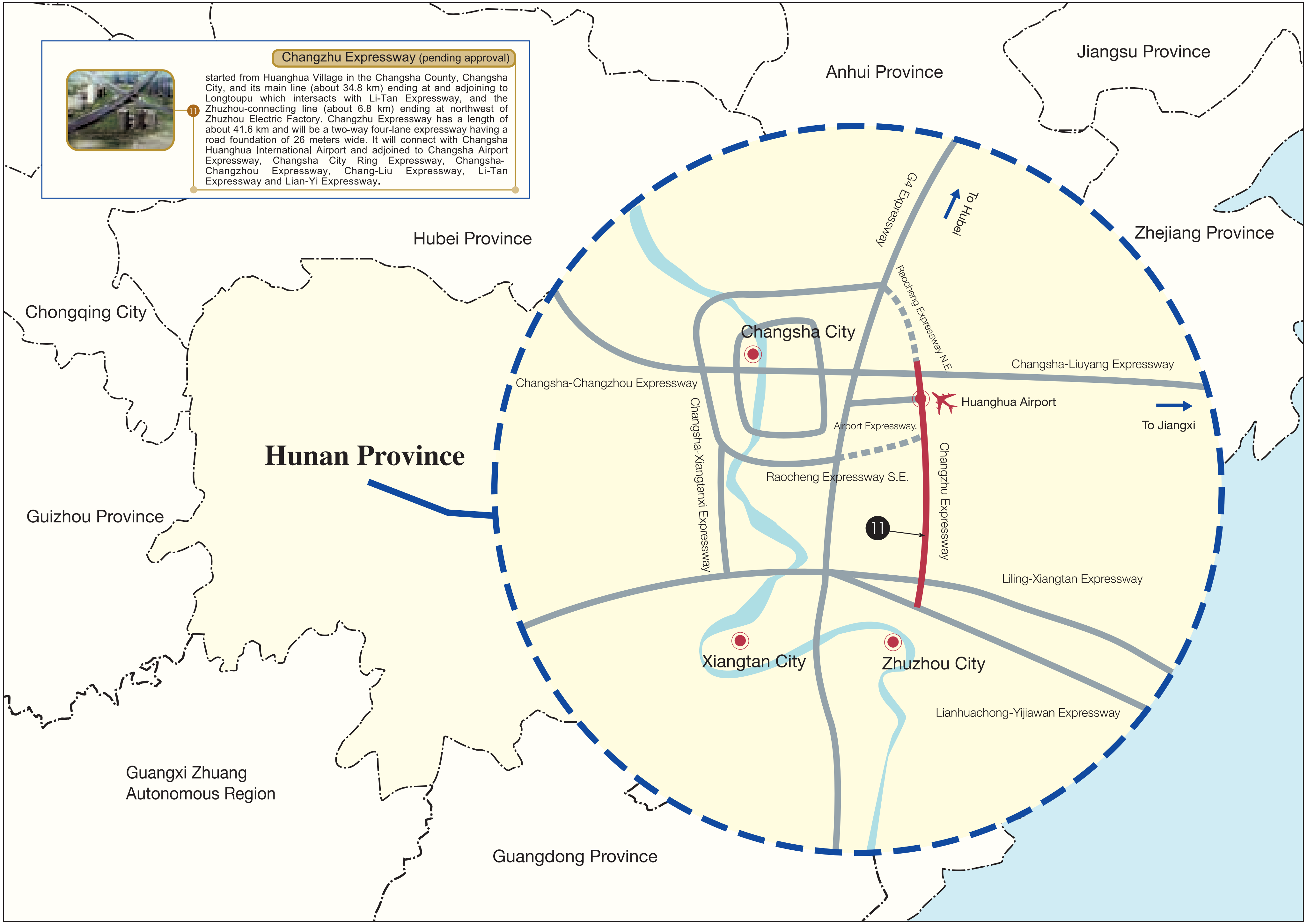
Han-Xiao Expressway

10 starts from Huangpi District, Wuhan City and ends at Xiaonan District, Xiaogan City with a total length of 33.5 km, of which about 6.8 km are six-lane expressways connecting Taoyuanji and Hengdian interchange, about 26.7 km are four-lane expressways connecting Hengdian interchange and Xiaonan District. Han-Xiao Expressway leads to Wuhan Tianhe Airport and adjoins to Wuhan Airport Expressway, G4 Expressway, Wuhan Raocheng Expressway, Daijiashan-Huangpi Expressway and Xiaoxiang Expressway.



Changzhu Expressway (pending approval)

11 started from Huanghua Village in the Changsha County, Changsha City, and its main line (about 34.8 km) ending at and adjoining to Longtoupu which intersacts with Li-Tan Expressway, and the Zhuzhou-connecting line (about 6.8 km) ending at northwest of Zhuzhou Electric Factory. Changzhu Expressway has a length of about 41.6 km and will be a two-way four-lane expressway having a road foundation of 26 meters wide. It will connect with Changsha Huanghua International Airport and adjoined to Changsha Airport Expressway, Changsha City Ring Expressway, Changsha-Changzhou Expressway, Chang-Liu Expressway, Li-Tan Expressway and Lian-Yi Expressway.



Mr. Zhang Zhaoxing
Chairman

"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's completion pending regulatory 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's completion pending regulatory 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, Canyu 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 (the latter project's completion pending regulatory 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

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Total Length (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining 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 2 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.

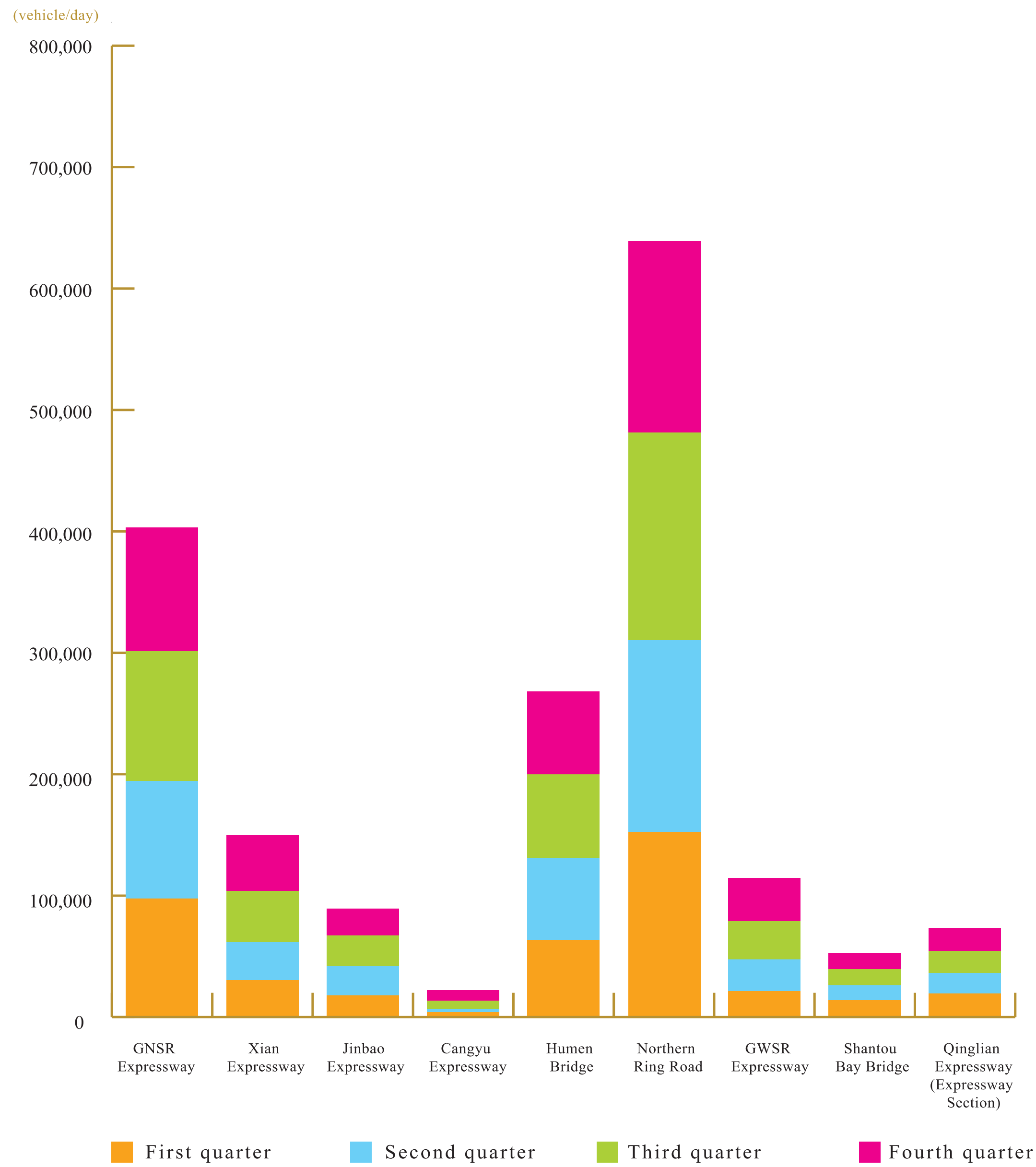
Toll Summary of Toll Roads and Bridges for the year ended 31 December 2010

	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	22,342	12.2%	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	24,643	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

Analysis of 2010 quarterly average daily toll traffic volume



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 Guangdong Province 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 (completion pending regulatory 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 Year, 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.

Humen Bridge

During the Reporting Year, 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.

Northern Ring Road

During the Reporting Year, 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.

GWSR Expressway

During the Reporting Year, 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.

Shantou Bay Bridge

During the Reporting Year, 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 Year, 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 Year, 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.

Jinbao Expressway

During the Reporting Year, the average daily toll traffic volume was 22,342 vehicles and the average daily toll revenue was RMB457,000, representing an increase of 12.2 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.

Cangyu Expressway

During the Reporting Year, 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.

Han-Xiao Expressway in Hubei and Changzhu Expressway in Hunan[i]

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 Huachuwan 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 (completion pending regulatory 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, Zhuazhou and Xiangtan, relieving the traffic pressure on the main route of G4 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 before closing of toll stations

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).

Management Discussion and Analysis

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

FINANCIAL REVIEW

Key operating results figures

	2010 RMB'000	2009 RMB'000	Change %
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.

Analysis of revenue by each controlled toll project

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2009 RMB'000	Percentage of total %	Change %
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	1,252,665	100.0	1,000,746	100.0	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.

Analysis of cost of services by each controlled toll project

Controlled Toll Projects	Reporting Year *RMB'000*	Percentage of total *%*	2009 *RMB'000*	Percentage of total *%*	Change *%*
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	121,904	25.4	106,011	27.0	15.0
Total	480,893	100.0	394,074	100.0	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.

Analysis of gross profit of toll collection by each controlled toll project

	Reporting Year		2009	
Controlled Toll Projects	Gross Profit RMB'000	Gross Margin %	Gross Profit RMB'000	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	(433)	-0.4%	40,790	27.8%
Total	771,772	61.6%	606,672	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.

Analysis of share of profit and losses of associates and jointly controlled entity and their respective revenue

		Revenue[1]		Share of profit	
	Percentage of interests held %	Reporting Year RMB'000	YoY change %	Reporting Year RMB'000	YoY change %
Associates					
Humen 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	392,225	61.7	(29,763)	86.3
Sub-total		2,175,684	29.5	186,048	-11.0
Jointly controlled entity					
GWSR Expressway	35.0	245,299	42.7	17,047	266.0
Total		2,420,983	30.7	203,095	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.

Analysis of the profit attributable to shareholders of the Company

	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]	203,095	35.1	198,763	37.8	2.2
Total profit from all toll projects	579,333	100.0	526,500	100.0	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	(2,544)		(17,522)		-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	38,184		46,656		N/A
Profit attributable to shareholders of the Company	534,544		382,350		39.8

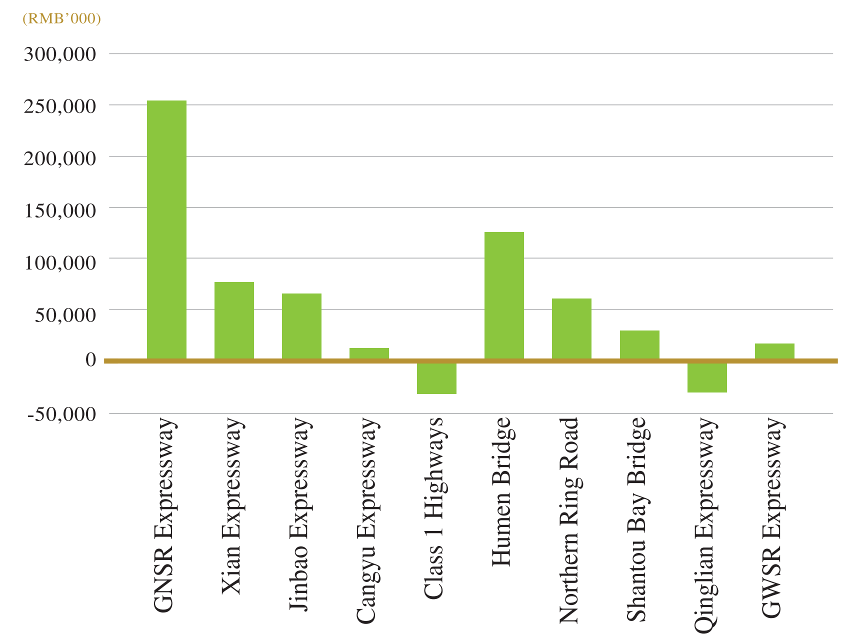
(1) Representing associates and jointly controlled entity

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.

Profit /(Loss) attributable to the Group by each toll project



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 RMB'000	2009 RMB'000	Change %
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 tax liabilities, and RMB760.4 million in amounts due to non-controlling interests of subsidiaries (being purchase consideration payable) were included. Upon completion of the disposal of Guangzhou Taihe Highways Development Company Limited on 28 October 2010, loans from non-controlling interests were reduced by RMB188.5 million being part of the compensation agreements of the disposal (refer to note 33 of the consolidated financial information). Movement in deferred income tax liabilities during the Reporting Year included payments made in respect of PRC distributable dividend tax of RMB 32.2 million.

As at 31 December 2010, the Group's total equity amounted to RMB9.7 billion (31 December 2009: RMB9.5 billion), of which amount attributable to the shareholders of the Company amounted to RMB7.8 billion (31 December 2009: RMB7.6 billion), representing an increase of 2.5 percent over 2009. This was mainly attributable to the increase in net profit for the Reporting Year after appropriation of the 2009 final dividend and 2010 interim dividend.

Analysis of major assets, liabilities and equity items

	2010 RMB'000	2009 RMB'000	Change %
Total assets	**13,842,966**	12,152,740	13.9
Approximately 90.0% of which:			
Intangible operating rights	7,740,035	7,193,211	7.6
Investments in jointly controlled entity and associates	2,082,316	2,055,666	1.3
Cash and cash equivalents	2,111,929	1,954,238	8.1
Total liabilities	**4,156,148**	2,692,150	54.4
Approximately 90.0% of which:			
Bank borrowings - current portion	582,560	312,980	86.1
- long term portion	1,261,740	832,520	51.6
Loans from non-controlling interests	210,622	393,340	-46.5
Deferred income tax liabilities	1,100,669	943,312	16.7
Total equity	**9,686,818**	9,460,590	2.4
Of which:			
Attributable to the shareholders of the Company	7,813,584	7,619,861	2.5

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 RMB'000	2009 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	224	2,128
Total debts	2,828,510	1,590,078
Less: cash and cash equivalents	(2,111,929)	(1,954,238)
Net debts/(cash)	716,581	(364,160)
Equity attributable to the shareholders of the Company	7,813,584	7,619,861
Total capitalization	8,530,165	7,255,701
Gearing ratio (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.

* *For identification purpose only*

In November 2009, our Group established the Investor Relations Department. We are dedicated to enhancing investor relations through full disclosure according to relevant requirements, increasing transparency on corporate governance, disseminating the development strategies of our Group, and providing operational update.

With reference to the experience of our peers, we have commenced to publish the information of monthly operation in April 2010 by way of public announcement. We have also continuously improved the Group's website, adjusted its layout and enriched its content. In order to share our encouraging achievements, we have also circulated press releases, announcements regarding significant transactions or asset disposals, and most updated business performance information through public media in a timely manner.

We have also taken a proactive stance to participate in a wide variety of investor conference and reach out to investors around the world. During the Reporting Year, we hosted dozens of institutional investors, arranged nearly 100 guests to join on-site visits to highway projects in Guangzhou and joined investor presentations which were organized by investment banks such as UBS Securities and Citibank. After announcing our annual results, interim results, the acquisition of the Hubei Han-Xiao Expressway and Hunan Changzhu Expressway and that we received a government compensation of approximately RMB1.3 billion in cash for ceasing to collect toll fees at Class 1 Highways, we have organized several road shows in order to maintain good communication with investors and help them to better understand the most recent developments of the market, our business development strategy and financial status. Besides maintaining excellent relations with our existing Hong Kong institutional investors and investors in the PRC such as QDII, the Group has also strengthened its promoting efforts on investor relations. For this, the Group has gradually established good relations with domestic and overseas institutional investors in Europe, North America, Japan, Singapore and China which place great importance on steady business growth and long term investments. Such investors include large-scaled insurance companies and pension funds.

We also paid attention to good communication between the Company and the public, and our progress in this regard has also been affirmed. At the end of 2010, the Company was awarded "Outstanding Listed Enterprises" by *Capital* and *Economic Digest*.

During our meetings with investors, we have received their precious suggestions and opinions which are beneficial to the development of the Company and we would like to hereby express our sincere gratitude to shareholders and investors for their active feedback and constructive opinions, which form a solid foundation for the Company to formulate development strategies that is in line with shareholders' interests and capable of delivering more fruitful rewards to our shareholders.

PARTICIPATING IN MAJOR INVESTOR RELATIONS ACTIVITIES IN 2010

February	China's Transport Infrastructure Meeting organized by UBS Securities
March	Analysts and press conference on 2009 annual results
April	An industry seminar organized by Citibank
August	Analysts and press conference on 2010 interim results
September	An industry seminar organized by Daiwa Securities
October	An industry seminar organized by JP Morgan
October	An industry seminar organized by Citibank
December	An industry seminar organized by Macquarie

Award from *Capital*.


Award from *Economic Digest*

Executive Directors

Mr Zhang Zhaoxing, aged 47, was appointed executive director and Chairman of the Company on 31 July 2008. He is also a vice chairman and general manager of Guangzhou Yue Xiu Holdings Limited ("GZ Yue Xiu"), the ultimate holding company of the Company, and a vice chairman and general manager of Yuexiu Property Company Limited (formerly known as ("Guangzhou Investment Company Limited"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Chairman of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange.

Mr Li Xinmin, aged 59, was appointed executive director of the Company on 19 June 2001. He is also the Deputy Chairman and General Manager of the Company. Mr Li has over 30 years of experience in highway construction and management. He had held positions including department head of the maintenance engineering division of transport authority in China and was the general manager of the GNSR Expressway Co. From March 2004 to April 2005, Mr Li was general manager of the Company.

Mr Liang Ningguang, aged 57, was appointed executive director of the Company on 25 September 1996. He is also a director and a vice chairman of GZ Yue Xiu. Mr Liang graduated from the Central Television University in China majoring in finance and obtained a Master Degree in business administration from the Murdoch University in Australia. He is also a member of the Chinese Institute of Certified Public Accountants and a senior accountant in China. He is the Chairman, an executive director and also a responsible officer of GZI REIT Asset Management Limited, a company licensed by The Securities and Futures Commission to conduct the regulated activity of asset management and the manager of GZI Real Estate Investment Trust, a collective investment scheme listed on the Stock Exchange. Mr Liang is a responsible officer licensed under the Securities and Futures Ordinance of Hong Kong to carry on regulated activities types 1, 4 and 9. He was previously a deputy director of the Guangzhou Municipal Taxation Bureau and had over 20 years of experience in finance and management prior to joining Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the holding company of the Company, in 1989.

Mr Liu Yongjie, aged 53, was appointed executive director of the Company on 14 August 2009.He is also a deputy general manager of GZ Yue Xiu. He graduated from the University of Hubei (formerly known as Wuhan Teachers' College) in China and obtained an Executive Master degree of Business Administration from Honolulu University. Before joining Yue Xiu in 2005, Mr Liu was a director and deputy general manager of Guangzhou City Construction & Development Co. Ltd., and was responsible for strategic planning in property development, property management, promotional campaigns, asset acquisition and asset enhancement. Mr Liu has more than 16 years of experience in property investment, project planning and management. He had been an assistant to the director of, and a research fellow in economic studies in, the Economic Research Centre in Guangzhou. Mr Liu is an executive director and chief executive officer of GZI REIT Asset Management Limited. He is a responsible officer licensed under the Securities and Futures Ordinance of Hong Kong to carry on regulated activities type 9.

Mr Qian Shangning, aged 48, was appointed executive director on 12 April 2007. He is also the Senior Deputy General Manager of the Company. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Guangzhou in Legal Studies. Mr Qian also holds an Executive Master of Business Administration degree awarded by South China University of Technology. Between 1998 to 2001, Mr Qian had been a senior management member of GNSR Expressway Co. Mr Qian has 28 years of experience in highway construction and is a senior engineer in China.

Mr Wang Shuhui, aged 39, was appointed executive director of the Company on 3 November 2009. He is the assistant to general manager and the general manager of development, planning and co-operation department of GZ Yue Xiu and is mainly responsible for the formulation and dynamic management of the group's development strategy and the feasibility study of major investment projects. Mr Wang graduated from the School of Finance of the Southwestern University of Finance and Economics and holds a master degree in monetary economics and banking and an economist qualification from Jinan University. Before he joined Yue Xiu in May 2006, Mr Wang had over 13 years of experience in Guangzhou Securities Co., Ltd. and had held senior management positions (including the project manager of the securities issuance consultancy department, manager of the research and development department, director of the office of the CEO, general manager of the human resource department and the assistant to the CEO, board secretary, vice president) in such company. Mr Wang has solid knowledge and extensive professional experiences in financial industry and is familiar with the practice in the financial markets of Mainland China and the practice of listed company business operation.

Independent Non-executive Directors

Mr Fung Ka Pun, aged 65, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the vice chairman and an executive director of Hao Tian Resources Group Limited, a company listed on the Stock Exchange. He is also the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, a non-executive director of China SCE Property Holdings Limited and deputy chairman and an independent non-executive director of Samling Global Limited. The shares of the companies mentioned above are listed on the Stock Exchange. He was also an independent non-executive director of Denway Motors Limited which shares were delisted from the Stock Exchange on 26 August 2010.

Mr Lau Hon Chuen, GBS, JP, **alias Ambrose Lau**, aged 63, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited, Glorious Sun Enterprises Limited, Yuexiu Property Company Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr Cheung Doi Shu, aged 49, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors. He was an independent non-executive director of Denway Motors Limited, which shares were delisted from the Stock Exchange on 26 August 2010.

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

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

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

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

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

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

THE BOARD

Responsibilities

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

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

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For a list of directors during the year ended 31 December 2010 and their respective profiles, please refer to the Directors' Profiles and page 52 of the Report of the Directors.

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

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Appointment and Succession Planning of Directors

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

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

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

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

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

Training for Directors

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

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

Board Meetings

Number of Meetings and Directors' Attendance

In year 2010, the Board held 8 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2010**
Executive directors	
Zhang Zhaoxing	8/8
Li Xinmin	8/8
Liang Ningguang	6/8
Liu Yongjie	8/8
Qian Shangning	8/8
Wang Shuhui	8/8
Independent Non-executive directors	
Fung Ka Pun	8/8
Lau Hon Chuen Ambrose	5/8
Cheung Doi Shu	8/8

Practices and Conduct of Meetings

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2010 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	Attendance of Audit Committee meetings in 2010
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

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

The Company's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

Remuneration Committee

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

The Remuneration Committee met once on 15 March 2011 (with all three members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

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

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2010.

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

During the year ended 31 December 2010, the remuneration paid to the external auditors of the Company in respect of audit related services amounted to RMB2,004,555 and non-audit services fees amounted to RMB396,534 have been incurred.

INTERNAL CONTROLS

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

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

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

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

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

The Directors submit their report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 57.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2010:

	RMB'000
Interim dividend of HK$0.10 equivalent to approximately RMB0.085278 per share paid on 20 October 2010	142,684
Proposed final dividend of HK$0.12 equivalent to approximately RMB0.101237 per share	169,386
	312,070

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.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the consolidated financial statements.

DONATIONS

During the year, the Group made a charitable donation of RMB431,250 to a charitable organisation for charitable purpose.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2010	2009	2008	2007	2006
		(Restated)	(Restated)	(Restated)	(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Profit attributable to Shareholders of the Company	**534,544**	382,350	552,369	460,629	461,157
Assets and liabilities					
Total assets	**13,842,966**	12,152,740	10,714,955	10,600,340	4,947,235
Total liabilities	**(4,156,148)**	(2,692,150)	(1,849,763)	(2,003,329)	(526,100)
	9,686,818	9,460,590	8,865,192	8,597,011	4,421,135

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2010 are set out in note 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the distributable reserves of the Company available for distribution amounted to RMB2,109,887,000 (2009: RMB2,236,553,000).

DIRECTORS

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

Executive directors
Mr Zhang Zhaoxing
Mr Li Xinmin
Mr Liang Ningguang
Mr Liu Yongjie
Mr Qian Shangning
Mr. Wang Shuhui

Independent Non-executive directors
Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

The Directors' Profiles are set out on pages 42 to 43.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Liang Ningguang, Fung Ka Pun and Cheung Doi Shu retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

The independent non-executive directors of the Company received RMB540,000 as Directors' fees for the year ended 31 December 2010.

DIRECTORS' INTEREST IN CONTRACTS

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

CONNECTED TRANSACTIONS

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

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2010 is set out in note 28 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2010, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company:

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

Save as disclosed herein, as at 31 December 2010, none of the Directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2010, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Long position in shares	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (note)	1,014,796,050	60.65
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (note)	1,014,796,050	60.65
Grace Lord Group Limited (note)	578,428,937	34.57
First Dynamic Limited (note)	367,500,000	21.96
Housemaster Holdings Limited (note)	367,500,000	21.96

Note:

The entire issued share capital of Yue Xiu was beneficially wholly-owned by Guangzhou Yue Xiu Holdings Limited. Yue Xiu held 8,653 shares in the Company as beneficial owner and deemed interest in the balance of 1,014,787,397 shares through its wholly-owned subsidiaries, namely, Grace Lord Group Limited, Housemaster Holdings Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd. and Greenwood Pacific Limited.

SHARE OPTIONS

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

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("Board") may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries ("Participants") options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10% of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1% of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders' approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK$10, with full payment of the exercise price to be made upon exercise of an option. As at 31 December 2010, no such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Zhang Zhaoxing
Chairman

Hong Kong, 16 March 2011

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

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

We have audited the consolidated financial statements of GZI Transport Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 127, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	As restated 2009 RMB'000
Revenue	5	**1,252,665**	1,000,746
Cost of services	7	**(480,893)**	(394,074)
Construction income of toll highways and bridges upgrade services	35	**94,747**	18,908
Other income	6	**22,687**	802
Other gains – net	6	**27,333**	75,445
Construction cost of toll highways and bridges upgrade services	35	**(94,747)**	(18,908)
General and administrative expenses	7	**(138,889)**	(101,168)
Loss for the year of disposal group	33	**(3,179)**	(9,853)
Operating profit before impairment losses on intangible operating rights		**679,724**	571,898
Impairment losses on intangible operating rights	14	**—**	(151,863)
Operating profit		**679,724**	420,035
Finance income	9	**25,419**	22,126
Finance costs	9	**(60,183)**	(58,717)
Share of profit/(loss) of a jointly controlled entity	20	**17,047**	(10,272)
Share of profits less losses of associates	21	**186,048**	209,035
Profit before income tax		**848,055**	582,207
Income tax expense	10	**(146,319)**	(83,480)
Profit for the year		**701,736**	498,727
Attributable to:			
Shareholders of the Company		**534,544**	382,350
Non-controlling interests		**167,192**	116,377
		701,736	498,727
Earnings per share for profit attributable to the shareholders of the Company			
		RMB per share	RMB per share
Basic and diluted	12	**0.3195**	0.2285
		RMB'000	RMB'000
Dividends	13	**312,070**	235,715

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 RMB'000	As restated 2009 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	**(22,226)**	(10,801)
Total comprehensive income for the year	**680,385**	500,202
Total comprehensive income attributable to:		
Shareholders of the Company	**513,193**	389,130
Non-controlling interests	**167,192**	111,072
	680,385	500,202

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
ASSETS				
Non-current assets				
Intangible operating rights	15	**7,740,035**	7,193,211	6,215,852
Goodwill	16	**302,352**	187,334	111,114
Property, plant and equipment	17	**89,484**	81,794	33,771
Investment properties	18	**9,918**	8,849	7,761
Investment in a jointly controlled entity	20	**307,138**	290,091	237,363
Investment in associates	21	**1,775,178**	1,765,575	1,843,375
Available-for-sale financial assets	22	**147,823**	146,656	130,288
Derivative financial instrument	32	**9,140**	—	—
Other non-current receivables	23	**151,137**	158,696	—
		10,532,205	9,832,206	8,579,524
Current assets				
Trade receivables	24	**19,789**	17,084	10,852
Other receivables, deposits and prepayments	24	**1,154,101**	94,568	26,629
Amount due from a non-controlling interest of a subsidiary	30	**24,942**	—	—
Cash and cash equivalents	25	**2,111,929**	1,954,238	2,097,950
		3,310,761	2,065,890	2,135,431
Assets classified as held for sale	33	**—**	254,644	—
Total assets		**13,842,966**	12,152,740	10,714,955

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
EQUITY				
Equity attributable to the shareholders of the Company				
Share capital	26	**147,322**	147,322	147,556
Reserves	27			
Others		**7,496,876**	7,295,753	7,142,104
Proposed final dividend		**169,386**	176,786	118,045
		7,813,584	7,619,861	7,407,705
Non-controlling interests		**1,873,234**	1,840,729	1,457,487
Total equity		**9,686,818**	9,460,590	8,865,192
LIABILITIES				
Non-current liabilities				
Borrowings	28	**1,472,362**	1,225,860	863,268
Deferred income tax liabilities	29	**1,100,669**	943,312	720,082
		2,573,031	2,169,172	1,583,350
Current liabilities				
Borrowings due within one year	28	**582,560**	312,980	120,000
Amounts due to non-controlling interests of subsidiaries	30	**773,364**	49,110	10,000
Amounts due to holding companies	30	**224**	2,128	2,703
Trade and other payables and accrued charges	31	**187,477**	136,381	124,445
Current income tax liabilities		**39,492**	17,435	9,265
		1,583,117	518,034	266,413
Liabilities classified as held for sale	33	**—**	4,944	—
Total liabilities		**4,156,148**	2,692,150	1,849,763
Total equity and liabilities		**13,842,966**	12,152,740	10,714,955
Net current assets		**1,727,644**	1,547,856	1,869,018
Total assets less current liabilities		**12,259,849**	11,634,706	10,448,542

Zhang Zhaoxing
Director

Li Xinmin
Director

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2010

	Note	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	17	**2,559**	2,667	2,642
Investments in subsidiaries	19(a)	**2,328,602**	1,628,602	1,630,190
		2,331,161	1,631,269	1,632,832
Current assets				
Amounts due from subsidiaries	19(b)	**2,241,723**	1,993,835	1,674,927
Amount due from holding company	30	**14**	—	—
Deposits and prepayments	24	**717**	916	2,287
Cash and cash equivalents	25	**479,954**	1,381,784	1,710,370
		2,722,408	3,376,535	3,387,584
Total assets		**5,053,569**	5,007,804	5,020,416
EQUITY				
Equity attributable to the shareholders of the Company				
Share capital	26	**147,322**	147,322	147,556
Reserves	27			
Others		**4,316,244**	4,435,510	4,508,386
Proposed final dividend		**169,386**	176,786	118,045
Total equity		**4,632,952**	4,759,618	4,773,987
LIABILITIES				
Current liabilities				
Amounts due to subsidiaries	19(b)	**400,471**	224,501	221,501
Amounts due to holding companies	30	**—**	1,882	2,458
Other payables and accrued charges	31	**20,146**	21,803	22,470
Total liabilities		**420,617**	248,186	246,429
Total equity and liabilities		**5,053,569**	5,007,804	5,020,416
Net current assets		**2,301,791**	3,128,349	3,141,155
Total assets less current liabilities		**4,632,952**	4,759,618	4,773,987

Zhang Zhaoxing
Director

Li Xinmin
Director

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2010

	Note	2010 RMB'000	As restated 2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**811,577**	697,400
Interest paid		**(58,396)**	(77,939)
China enterprise income tax paid		**(113,936)**	(62,460)
Net cash generated from operating activities		**639,245**	557,001
Cash flows from investing activities			
Payments of construction costs of toll highways and bridges upgrade services		**(94,747)**	(18,909)
Payments of cash considerations on acquisition of subsidiaries in 2009		**(16,768)**	(502,880)
Acquisition of a subsidiary	32	**25,377**	—
Payments for acquiring additional interest in subsidiaries		**—**	(45,515)
Capital injection to a jointly-controlled entity		**—**	(63,000)
Capital injection to an associate		**(33,082)**	—
Proceeds from disposal of intangible operating rights		**—**	16,530
Proceeds from disposal of property, plant and equipment		**164**	2,284
Purchase of property, plant and equipment		**(12,262)**	(13,496)
Disposal of a subsidiary	34(b)	**(6,494)**	—
Repayment of loans advanced to associates		**—**	1,755
Dividends received from associates		**260,271**	281,576
Dividend received from available-for-sale financial assets		**21,600**	—
Interest received		**25,130**	24,272
Net cash generated from/(used in) investing activities		**169,189**	(317,383)
Cash flows from financing activities			
Proceeds from bank borrowings		**—**	13,900
Repayment of bank loans		**(158,200)**	(126,000)
Repayment of loans from a non-controlling interest of subsidiary		**(1,377)**	(1,377)
Dividends paid to the shareholders of Company		**(319,470)**	(176,786)
Dividends paid to non-controlling interest		**(131,601)**	(79,819)
Loan to associate		**(50,015)**	—
Net cash used in financing activities		**(660,663)**	(370,082)
Net increase/(decrease) in cash and cash equivalents		**147,771**	(130,464)
Cash and cash equivalents at 1 January		**1,964,133**	2,097,950
Effect of foreign exchange rate changes		**25**	(3,353)
Cash and cash equivalents at 31 December	25	**2,111,929**	1,964,133
Analysis of cash and cash equivalents			
Bank balances and cash		**2,111,929**	1,964,133
Less: included in assets of disposal group classified as held for sale	33	**—**	(9,895)
		2,111,929	1,954,238

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to shareholders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2009 (As restated)	147,556	7,260,149	1,457,487	8,865,192
Comprehensive income				
Profit for the year	—	382,350	116,377	498,727
Other comprehensive income				
Currency translation differences	(234)	(5,262)	(5,305)	(10,801)
Increase in fair value of available-for-sale financial assets	—	16,368	—	16,368
Deferred tax on fair value gain of available-for-sale financial assets	—	(4,092)	—	(4,092)
Total other comprehensive income	(234)	7,014	(5,305)	1,475
Total comprehensive income	(234)	389,364	111,072	500,202
Transactions with owners				
Acquisition of subsidiaries	—	—	351,989	351,989
Dividends to the shareholders of the Company	—	(176,974)	—	(176,974)
Dividends to non-controlling interests	—	—	(79,819)	(79,819)
Total transactions with owners	—	(176,974)	272,170	95,196
Balance at 31 December 2009 (As restated)	147,322	7,472,539	1,840,729	9,460,590

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to shareholders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2010	**147,322**	**7,472,539**	**1,840,729**	**9,460,590**
Comprehensive income				
Profit for the year	—	534,544	167,192	701,736
Other comprehensive income				
Currency translation differences	—	(22,226)	—	(22,226)
Increase in fair value of available-for-sale financial assets	—	1,167	—	1,167
Deferred tax on fair value gain of available-for-sale financial assets	—	(292)	—	(292)
Total other comprehensive income	—	(21,351)	—	(21,351)
Total comprehensive income	—	513,193	167,192	680,385
Transactions with owners				
Acquisition of a subsidiary	—	—	71,291	71,291
Disposal of a subsidiary	—	—	(74,377)	(74,377)
Dividends to the shareholders of the Company	—	(319,470)	—	(319,470)
Dividends to non-controlling interests	—	—	(131,601)	(131,601)
Total transactions with owners	—	(319,470)	(134,687)	(454,157)
Balance at 31 December 2010	**147,322**	**7,666,262**	**1,873,234**	**9,686,818**

The notes on pages 65 to 127 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

GZI Transport Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in investment in and development, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the People's Republic of China (the "PRC").

The Company is an exempted company incorporated under the laws of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is 23rd Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

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

These financial statements are presented in Renminbi ("RMB") thousand dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 16 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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 change 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

(i) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportional share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements (note 2(f)).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with shareholders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(iii) Joint ventures

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

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

(iv) Associates

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

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

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

Dilution gains and losses arising associates are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in RMB, which is the Group's and Company's functional and presentation currency.

(ii) Transactions and balances

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

All foreign exchange gains and losses are presented in the income statements within 'Other gains - net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sales are analysed between transaction differences resulting from changes in amortised cost of the security and other changes in carrying amount of the security. Translation differences related to changes in amount are recognised in other comprehensive income.

Translation difference on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) Group companies

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

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

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

— all resulting exchange differences are recognised in other comprehensive income.

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

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

(e) Intangible operating rights

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill

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

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

(g) Property, plant and equipment

Land and building comprise offices and staff quarters. Leasehold land classified as finance lease and all other property, plant and equipment are stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	4%
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment properties

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

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

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

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

(j) Financial assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

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

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

(k) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

The Group first assesses whether objective evidence of impairment exists.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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

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

(ii) Assets classified as available for sale

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

(l) Derivative financial instrument

Derivative financial instrument is initially recognised at fair value on the date contract is entered into and is subsequently re-measured at their fair value.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and short-term bank deposits with original maturities of three months or less.

(o) Disposal groups held for sale

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

(p) Share capital

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

(q) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other receivable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(r) Borrowings

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Lease of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(v) Retirement benefit costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Share-based compensation

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

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

The social security contribution payable in connection with grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash settled transaction.

(x) Revenue recognition

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

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

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

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

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

(y) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Company and major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. It did not have significant exposure to foreign exchange risk in the PRC, except for certain cash and bank balances of RMB589,912,000 (2009: RMB1,185,027,000) and a consideration payable for acquisition of a subsidiary and related derivative financial instrument (note 30) of RMB760,367,000 (2009: Nil) which were denominated in Hong Kong dollars ("HK$") as at 31 December 2010. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2010, if RMB had weakened/strengthened by 5% against the HK$ with all other variables held constant, post-tax profit for the year would have been RMB8,523,000 lower/higher (2009: RMB59,251,000 higher/lower) , mainly as a result of net foreign exchange on translation of HK$-denominated cash and bank balances and the consideration payable.

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

(ii) Cash flow interest rate risk

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

The Group's loans from non-controlling interests of subsidiaries were issued at fixed rates or interest free, which expose the Group to fair value interest-rate risk.

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

At 31 December 2010, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been decreased/increased by RMB10,275,000 (2009: RMB7,694,000).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

(c) Liquidity risk

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

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

Group

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2010					
Borrowings	**—**	**701,951**	**197,934**	**790,015**	**900,773**
Amounts due to non-controlling interests of subsidiaries	**12,997**	**760,367**	**—**	**—**	**—**
Amounts due to holding companies	**224**	**—**	**—**	**—**	**—**
Trade and other payables and accrued charges	**—**	**187,477**	**—**	**—**	**—**
	13,221	**1,649,795**	**197,934**	**790,015**	**900,773**
As at 31 December 2009 (As restated)					
Borrowings	—	386,377	759,405	554,117	—
Amounts due to non-controlling interests of subsidiaries	49,110	—	—	—	—
Amounts due to holding companies	2,128	—	—	—	—
Trade and other payables and accrued charges	—	136,381	—	—	—
	51,238	522,758	759,405	554,117	—

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Company

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
As at 31 December 2010				
Amounts due to subsidiaries	**400,471**	**—**	**—**	**—**
Other payables and accrued charges	**—**	**20,146**	**—**	**—**
	400,471	**20,146**	**—**	**—**
As at 31 December 2009 (As restated)				
Amounts due to subsidiaries	224,501	—	—	—
Amounts due to holding companies	1,882	—	—	—
Other payables and accrued charges	—	21,803	—	—
	226,383	21,803	—	—

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

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

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

The gearing ratio is calculated as follows:

	2010	As restated 2009
	RMB'000	RMB'000
Borrowings	**2,054,922**	1,538,840
Amounts due to non-controlling interests of subsidiaries	**773,364**	49,110
Amounts due to holding companies	**224**	2,128
Total debts	**2,828,510**	1,590,078
Less: cash and cash equivalents	**(2,111,929)**	(1,954,238)
Net debts/(cash)	**716,581**	(364,160)
Equity attributable to the shareholders of the Company	**7,813,584**	7,619,861
Total capital	**8,530,165**	7,255,701
Gearing ratio	**8.4%**	Nil

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's assets that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2010				
Available-for-sale financial assets				
- Equity securities	**—**	**—**	**147,823**	**147,823**
- Derivative financial instrument	**—**	**—**	**9,140**	**9,140**
Total	**—**	**—**	**156,963**	**156,963**
As at 31 December 2009 (As restated)				
Available-for-sale financial assets				
- Equity securities	—	—	146,656	146,656

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Specific valuation techniques used to value financial instruments include:

- For unlisted securities without an active market, the Group establishes the fair value by using estimated discounted cash flows or market comparison approach.
- The fair value of the derivative financial instrument is determined using Trinomial Option Pricing model.
- The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

There were no liabilities of financial instruments and no significant transfers of financial assets among level 1, level 2 and level 3 fair value hierarchy classifications in both years.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2010:

	2010 RMB'000	As restated 2009 RMB'000
At 1 January	**146,656**	130,588
Fair value gains and losses recognised in other comprehensive income	**1,167**	16,368
Derivative financial instrument acquired (note 32)	**9,140**	—
At 31 December	**156,963**	146,656

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Amortisation of intangible operating rights

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

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

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 1% to 66%. Traffic volumes of certain toll highways and bridges of the Group have become saturated; while traffic growth rate of a toll highway in Guangxi is forecasted to be significant due to the rapid economic development in Guangxi.

(b) Current income tax and deferred income tax

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

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

(c) Impairment of intangible operating rights

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

5 REVENUE

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

	2010 RMB'000	As restated 2009 RMB'000
Toll revenue	**1,252,665**	1,000,746

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.

6 OTHER INCOME AND OTHER GAINS - NET

	2010 RMB'000	As restated 2009 RMB'000
Other income		
Dividend income from available-for-sale financial assets	**21,600**	—
Others	**1,087**	802
	22,687	802
Other gains – net		
Fair value gain on investment properties (note 18)	**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 (note 23)	**—**	58,077
Loss on Compensation Arrangement (note 24(b))	**(400)**	—
Gain on disposal of a subsidiary (note 34b)	**38,184**	—
Loss on disposal of property, plant and equipment	**(143)**	—
Others	**15,703**	2,487
	27,333	75,445

7 EXPENSE BY NATURE

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

	2010 RMB'000	As restated 2009 RMB'000
Business tax	**41,911**	34,089
Amortisation of intangible operating rights (note 15)	**228,521**	192,580
Impairment losses on goodwill (note 16)	**4,557**	3,163
Depreciation of property, plant and equipment (note 17)	**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.

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) **The remuneration of every Director for the year ended 31 December 2010**

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
ZHANG Zhaoxing	—	666	2,147	2,813
LI Xinmin	—	666	2,147	2,813
QIAN Shangning	—	621	2,003	2,624
LIANG Ningguang	—	530	1,708	2,238
WANG, Shuhui	—	530	1,708	2,238
LIU Yongjie	—	166	274	440
	—	3,179	9,987	13,166
Non-executive directors				
FUNG Ka Pun[1]	180	—	—	180
LAU Hon Chuen Ambrose[1]	180	—	—	180
CHEUNG Doi Shu[1]	180	—	—	180
	540	—	—	540
	540	3,179	9,987	13,706

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

(a) The remuneration of every Director for the year ended 31 December 2009

Name of directors	As restated Fees RMB'000	As restated Salaries RMB'000	As restated Discretionary bonuses RMB'000	As restated Total RMB'000
Executive directors				
ZHANG Zhaoxing	—	680	1,575	2,255
LI Xinmin	—	680	1,575	2,255
QIAN Shangning	—	634	1,336	1,970
LIANG Ningguang	—	541	1,256	1,797
LIANG Yi (a)	—	451	1,046	1,497
CAI Tielong (a)	—	440	909	1,349
HE Zili (b)	—	338	784	1,122
YUAN Hongping (a)	—	440	909	1,349
CHEN Guanzhan (a)	—	451	1,046	1,497
ZHANG Siyuan (a)	—	440	909	1,349
LUO Jinbiao (a)	—	440	909	1,349
ZHANG Huping (a)	—	440	909	1,349
LIU Yongjie	—	63	147	210
WANG, Shuhui	—	90	210	300
	—	6,128	13,520	19,648
Non-executive directors				
FUNG Ka Pun[1]	158	—	—	158
LAU Hon Chuen Ambrose[1]	158	—	—	158
CHEUNG Doi Shu[1]	158	—	—	158
	474	—	—	474
	474	6,128	13,520	20,122

[1] independent non-executive director

Notes:

(a) Resigned on 3 November 2009.

(b) Resigned on 14 August 2009.

No Directors waived emoluments in respect of the years ended 31 December 2010 and 2009. No emoluments were paid or payable by the Group to any Directors as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2010 and 2009 are also Directors whose emoluments are reflected in the analysis presented above.

9 FINANCE INCOME/COSTS

	2010 RMB'000	As restated 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	**729**	15
Finance income	**25,419**	22,126
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	**12,237**	14,036
Finance costs	**(60,183)**	(58,717)

10 INCOME TAX EXPENSE

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

10 INCOME TAX EXPENSE (continued)

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

	2010 RMB'000	As restated 2009 RMB'000
Current income tax		
PRC enterprise income tax		
- current year	**103,542**	60,022
- under-provision in prior years	**289**	125
Deferred income tax (note 29)	**42,488**	23,333
	146,319	83,480

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 RMB'000	As restated 2009 RMB'000
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	**(17,047)**	10,272
	644,960	383,444
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	**289**	125
Income tax expense	**146,319**	83,480

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.

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB192,804,000 (2009: RMB169,996,000).

12 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.

		As restated
	2010	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)	**0.3195**	0.2285

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

13 DIVIDENDS

Company

		As restated
	2010	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	**169,386**	176,786
	312,070	235,715

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

14 IMPAIRMENT LOSSES ON INTANGIBLE OPERATING RIGHTS

There were no impairment indicators identified for the intangible operating rights of the Group during the year.

As at 31 December 2009, with the continuation of the adverse market conditions, the Directors assessed the recoverability of the carrying value of the toll operating rights of Class 1 highways held by the Group, and identified impairment indicators in respect of certain toll operating rights of Class 1 highways, including Guangcong Highway Section I, Guangcong Highway Section II and Provincial Highway 355, Guanghua Highway and Guangshen Highway. An impairment losses of RMB151.9 million, were recognised in the consolidated income statement for the year ended 31 December 2009.

15 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2009 (As restated)	
Opening net book amount	6,215,852
Acquisition of subsidiaries	1,679,892
Disposal of intangible operating right	(130,749)
Transfer to assets held for sale	(244,611)
Additions	18,909
Impairment losses	(151,863)
Amortisation	(192,580)
Exchange differences	(1,639)
Closing net book amount	7,193,211
At 31 December 2009 (As restated)	
Cost	8,327,368
Accumulated amortisation	(1,134,157)
Net book amount	7,193,211
Year ended 31 December 2010	
Opening net book amount	**7,193,211**
Acquisition of a subsidiary (note 32)	**1,669,215**
Disposal under compensation arrangement (note 24(b))	**(988,617)**
Additions	**94,747**
Amortisation	**(228,521)**
Closing net book amount	**7,740,035**
At 31 December 2010	
Cost	**8,449,555**
Accumulated amortisation	**(709,520)**
Net book amount	**7,740,035**

At 31 December 2010, toll highway operating rights with net book amount of RMB7,614,324,000 (2009: RMB6,018,372,000) were pledged to secure the Group's bank borrowings.

16 GOODWILL

	2010 RMB'000	As restated 2009 RMB'000
At 1 January	**187,334**	111,114
Acquisition of a subsidiary (note 32)	**119,575**	79,346
Exchange differences	**—**	37
Impairment losses	**(4,557)**	(3,163)
At 31 December	**302,352**	187,334

Goodwill is attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of interests in subsidiaries.

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

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

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

17 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2009					
Opening net book amount	—	9,179	19,604	4,402	33,185
Effect of adoption of HKAS 17 (amendment)	586	—	—	—	586
Opening net book amount, as restated	586	9,179	19,604	4,402	33,771
Exchange differences	(1)	(14)	12	(1)	(4)
Additions	—	—	8,835	4,661	13,496
Acquisition of subsidiaries	—	18,866	25,288	1,286	45,440
Disposals	—	—	(805)	(1,478)	(2,283)
Depreciation	(15)	(1,170)	(6,481)	(872)	(8,538)
Transfer to asset classified as held for sale (note 33)	—	—	(21)	(67)	(88)
Closing net book amount	570	26,861	46,432	7,931	81,794
At 31 December 2009					
Cost	586	35,022	72,443	11,242	119,293
Accumulated depreciation	(16)	(8,161)	(26,011)	(3,311)	(37,499)
Net book amount	570	26,861	46,432	7,931	81,794
Year ended 31 December 2010					
Opening net book amount	**—**	**26,861**	**46,432**	**7,931**	**81,224**
Effect of adoption of HKAS 17 (amendment)	**570**	**—**	**—**	**—**	**570**
Opening net book amount, as restated	**570**	**26,861**	**46,432**	**7,931**	**81,794**
Exchange differences	**(19)**	**(281)**	**(28)**	**—**	**(328)**
Additions	**—**	**59**	**7,653**	**4,550**	**12,262**
Acquisition of a subsidiary (Note 32)	**—**	**—**	**11,321**	**871**	**12,192**
Disposals	**—**	**—**	**(3,471)**	**(579)**	**(4,050)**
Depreciation	**(15)**	**(1,530)**	**(8,458)**	**(2,383)**	**(12,386)**
Closing net book amount	**536**	**25,109**	**53,449**	**10,390**	**89,484**
At 31 December 2010					
Cost	**570**	**34,022**	**77,919**	**15,290**	**127,801**
Accumulated depreciation	**(34)**	**(8,913)**	**(24,470)**	**(4,900)**	**(38,317)**
Net book amount	**536**	**25,109**	**53,449**	**10,390**	**89,484**

17 PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2009 (As restated)			
Opening net book amount	566	2,076	2,642
Exchange difference	(1)	1	—
Additions	469	—	469
Disposal	(4)	(11)	(15)
Depreciation	(235)	(194)	(429)
Closing net book amount	795	1,872	2,667
At 31 December 2009			
Cost	1,985	2,932	4,917
Accumulated depreciation	(1,190)	(1,060)	(2,250)
Net book amount	795	1,872	2,667
Year ended 31 December 2010			
Opening net book amount	**795**	**1,872**	**2,667**
Exchange difference	**(25)**	**—**	**(25)**
Additions	**240**	**—**	**240**
Depreciation	**(130)**	**(193)**	**(323)**
Closing net book amount	**880**	**1,679**	**2,559**
At 31 December 2010			
Cost	**2,159**	**2,932**	**5,091**
Accumulated depreciation	**(1,279)**	**(1,253)**	**(2,532)**
Net book amount	**880**	**1,679**	**2,559**

18 INVESTMENT PROPERTIES

	2010 RMB'000	As restated 2009 RMB'000
At 1 January	**8,849**	7,761
Fair value gain	**1,362**	1,101
Exchange rate difference	**(293)**	(13)
At 31 December	**9,918**	8,849

The investment properties of the Group were revalued at 31 December 2010 on the basis of their open market values as determined by an independent firm of professional surveyor, CS Surveyors Limited, appointed by the Group.

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

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
Unlisted shares, at cost	**2,328,602**	1,628,602	1,630,190

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

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

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

20 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Share of net assets	
		As restated
	2010	2009
	RMB'000	RMB'000
At 1 January	**290,091**	237,363
Share of results for the year		
- profit/(loss) before income tax	**22,099**	(13,697)
- income tax (expense)/credit	**(5,052)**	3,425
	17,047	(10,272)
Additional capital contribution to the jointly controlled entity	**—**	63,000
At 31 December	**307,138**	290,091

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

	Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR Expressway Co., Ltd.")	
		As restated
	2010	2009
	RMB'000	RMB'000
Revenue	**83,020**	58,183
Expenses	**(65,973)**	(68,455)
Profit/(loss)	**17,047**	(10,272)

20 INVESTMENT IN A JOINTLY CONTROLLED ENTITY (continued)

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
Assets			
Non-current assets	**899,996**	937,082	967,146
Current assets	**27,143**	17,848	49,662
	927,139	954,930	1,016,808
Liabilities			
Non-current liabilities	**(419,782)**	(593,755)	(672,700)
Current liabilities	**(200,219)**	(71,084)	(106,745)
	(620,001)	(664,839)	(779,445)
Net assets	**307,138**	290,091	237,363

Detail of the Group's jointly controlled entity is set out in note 40.

21 INVESTMENTS IN ASSOCIATES

	Share of net assets RMB'000	Loans receivable (note (a)) RMB'000	Total RMB'000
At 1 January 2009 (As restated)	1,841,635	1,740	1,843,375
Share of results for the year			
- profit before income tax	247,713	—	247,713
- income tax	(38,678)	—	(38,678)
	209,035	—	209,035
Dividends	(281,576)	—	(281,576)
Interest income	—	15	15
Repayments	—	(1,755)	(1,755)
Exchange differences	(3,519)	—	(3,519)
At 31 December 2009 (As restated)	1,765,575	—	1,765,575
At 1 January 2010	**1,765,575**	**—**	**1,765,575**
Share of results for the year			
- profit before income tax	**231,013**	**—**	**231,013**
- income tax	**(44,965)**	**—**	**(44,965)**
	186,048	**—**	**186,048**
Dividends	**(260,271)**	**—**	**(260,271)**
Loan advanced to an associate	**—**	**50,015**	**50,015**
Interest income	**—**	**729**	**729**
Capital injection (note (b))	**33,082**	**—**	**33,082**
At 31 December 2010	**1,724,434**	**50,744**	**1,775,178**

Note:

(a) As at 31 December 2010, the loans receivable are unsecured, not repayable within one year and interest bearing at 100 basis points lower than the lending rates of financial institutions in the PRC of 4.37% (2009: 5.31%) per annum.

(b) Additional capital of RMB33,082,000 was injected to Guangdong Qinglian Highway Development Co., Ltd. during the year. After the capital injection, the Group's interest in the associate remained unchanged.

21 INVESTMENTS IN ASSOCIATES (continued)

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

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
US dollars	—	—	433
Renminbi	50,744	—	1,307
	50,744	—	1,740

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2010 RMB'000	As restated 2009 RMB'000	2010 RMB'000	As restated 2009 RMB'000	2010 RMB'000	As restated 2009 RMB'000	2010 RMB'000	As restated 2009 RMB'000
Revenue	180,745	240,632	89,726	55,090	137,902	94,479	54,503	49,620
Expenses	(55,489)	(74,289)	(119,489)	(71,063)	(77,249)	(61,604)	(24,601)	(23,830)
Profit/(loss)	125,256	166,343	(29,763)	(15,973)	60,653	32,875	29,902	25,790

21 INVESTMENTS IN ASSOCIATES (continued)

	Guangdong Humen Bridge Co., Ltd.			Guangdong Qinglian Highway Development Co., Ltd.			Guangzhou Northring Freeway Co., Ltd.			Guangdong Shantou Bay Bridge Co., Ltd.		
		As restated	As restated		As restated	As restated		As restated	As restated		As restated	As restated
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000
Assets												
Non-current assets	**826,044**	919,315	942,076	**2,005,038**	1,941,418	1,728,979	**312,486**	340,567	312,381	**276,574**	257,268	263,972
Current assets	**70,456**	26,124	31,823	**25,642**	30,704	21,543	**35,664**	40,944	23,996	**21,880**	7,807	3,536
	896,500	945,439	973,899	**2,030,680**	1,972,122	1,750,522	**348,150**	381,511	336,377	**298,454**	265,075	267,508
Liabilities												
Non-current liabilities	**(124,702)**	(118,625)	(114,048)	**(1,207,123)**	(1,206,242)	(1,001,537)	**(150,736)**	(196,499)	(129,362)	**(14,947)**	(13,216)	(9,577)
Current liabilities	**(21,863)**	(18,133)	(25,317)	**(278,042)**	(223,684)	(190,325)	**(30,412)**	(17,394)	(13,093)	**(21,525)**	(4,779)	(3,412)
	(146,565)	(136,758)	(139,365)	**(1,485,165)**	(1,429,926)	(1,191,862)	**(181,148)**	(213,893)	(142,455)	**(36,472)**	(17,995)	(12,989)
Net assets	**749,935**	808,681	834,534	**545,515**	542,196	558,660	**167,002**	167,618	193,922	**261,982**	247,080	254,519

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

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 RMB'000	As restated 2009 RMB'000
At 1 January	**146,656**	130,288
Increase in fair value credited to equity (note 27)	**1,167**	16,368
At 31 December	**147,823**	146,656

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

23 OTHER NON-CURRENT RECEIVABLES

Non-current receivable represents the non-current portion of present value of consideration receivable, discounted at rate of 5.32% in relation to the disposal of the Group's toll operating rights of Xiang Jiang Bridge II completed in 2009. The total consideration was RMB183.2 million and carrying amount of the intangible operating right was RMB125.1 million. The gain on disposal recognised in 2009 was RMB58.1 million.

As at 31 December 2010, the total remaining balance of the consideration receivable is RMB158.7 million (2009: RMB165.2 million) which will be settled by 22 half yearly installments until end of the concessionary period, i.e. 30 November 2021. RMB151.1 million (2009: RMB158.7 million) will be received after 2011 according to the receipt schedule.

24 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group

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

Company

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
Deposit and prepayments	**717**	916	2,287

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, which included surrender of the relevant intangible operating rights (note 15) and operating assets will be settled by cash on or before 31 December 2011 ("Compensation Arrangement") and a 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.

25 CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000	**31 December 2010 RMB'000**	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
Cash at bank and in hand	**641,059**	798,295	499,580	**405,587**	225,841	111,999
Short-term bank deposits	**1,470,870**	1,155,943	1,598,370	**74,367**	1,155,943	1,598,371
	2,111,929	1,954,238	2,097,950	**479,954**	1,381,784	1,710,370
Maximum exposure to credit risk	**2,111,453**	1,953,795	2,097,641	**479,890**	1,381,718	1,710,275

Bank balances and cash are denominated in the following currencies:

	Group			Company		
	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000	**31 December 2010 RMB'000**	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
HK dollars	**589,912**	1,185,027	1,572,686	**84,136**	1,134,246	1,517,342
US dollars	**26**	255,364	159,314	**7**	232,441	149,079
Renminbi	**1,521,991**	513,847	365,950	**395,811**	15,097	43,949
	2,111,929	1,954,238	2,097,950	**479,954**	1,381,784	1,710,370

26 SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	Number of shares	**RMB'000**
Authorised:		
At 1 January 2009 (equivalent to RMB0.8819 each, as restated)	200,000,000	176,380
Currency translation differences (note)	—	(280)
At 31 December 2009 and 2010 (equivalent to RMB0.8805 each, as restated)	200,000,000	176,100
Issued and fully paid:		
At 1 January 2009 (equivalent to RMB0.8819 each, as restated)	167,316,230	147,556
Currency translation differences (note)	—	(234)
At 31 December 2009 and 2010 (equivalent to RMB0.8805 each, as restated)	167,316,230	147,322

Note:

The translation differences were resulted from change of presentation currency where the comparative figures in these financial statements are translated from Hong Kong dollars to RMB using the rates that approximate the closing rates for balance sheet items.

27 RESERVES

Group

	Share premium	Capital reserve (note (a))	Exchange fluctuation reserve	Statutory reserves (note (b))	Available-for-sale financial assets fair value reserve	Retained profits (note (c))	Asset revaluation reserve (note (d))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009 (As restated)	2,379,521	1,504,078	705,284	32,722	38,539	2,027,283	572,722	7,260,149
Profit for the year	—	—	—	—	—	382,350	—	382,350
Currency translation differences								
- Subsidiaries	(3,778)	(2,367)	(102,465)	1,571	(1,417)	104,103	(909)	(5,262)
Increase in fair value of available-for-sale financial assets	—	—	—	—	16,368	—	—	16,368
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	—	—	(4,092)	—	—	(4,092)
Transfers	—	—	—	10,727	—	2,836	(13,563)	—
Dividends	—	—	—	—	—	(176,974)	—	(176,974)
- 2008 Final dividend	—	—	—	—	—	(118,045)	—	(118,045)
- 2009 Interim dividend (note 13)	—	—	—	—	—	(58,929)	—	(58,929)
Balance at 31 December 2009 (As restated)	2,375,743	1,501,711	602,819	45,020	49,398	2,339,598	558,250	7,472,539

Representing:	
Retained profits	2,162,812
2009 Final dividend proposed (note 13)	176,786
	2,339,598

27 RESERVES (continued)

Group (continued)

	Share premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Retained profits (note (c)) RMB'000	Asset revaluation reserve (note (d)) RMB'000	Total RMB'000
Balance at 1 January 2010	**2,375,743**	**1,501,711**	**602,819**	**45,020**	**49,398**	**2,339,598**	**558,250**	**7,472,539**
Profit for the year	—	—	—	—	—	534,544	—	534,544
Currency translation differences	—	—	(22,226)	—	—	—	—	(22,226)
- Subsidiaries	—	—	(609)	—	—	—	—	(609)
- Disposal of a subsidiary (note 34(b))	—	—	(21,617)	—	—	—	—	(21,617)
Increase in fair value of available-for-sale financial assets	—	—	—	—	1,167	—	—	1,167
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	—	—	(292)	—	—	(292)
Transfers	—	—	—	13,016	—	(13,016)	—	—
Dividends	—	—	—	—	—	(319,470)	—	(319,470)
- 2009 Final dividend (note 13)	—	—	—	—	—	(176,786)	—	(176,786)
- 2010 Interim dividend (note 13)	—	—	—	—	—	(142,684)	—	(142,684)
Balance at 31 December 2010	**2,375,743**	**1,501,711**	**580,593**	**58,036**	**50,273**	**2,541,656**	**558,250**	**7,666,262**
Representing:								
Retained profits						2,372,270		
2010 Final dividend proposed (note 13)						169,386		
						2,541,656		

27 RESERVES (continued)

Group (continued)

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

(b) Statutory reserves represent enterprise expansion and general reserve funds set up by the operating subsidiaries, associates and a jointly controlled entity in the PRC. As stipulated by regulations in the PRC, the Company's subsidiaries, associates and a jointly controlled entity established and operated in the PRC are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors. According to the Foreign Investment Enterprises Accounting Standards in the PRC, upon approval by the Board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital.

(c) Included in the Group's retained profits are accumulated losses of RMB40,406,000 (2009: RMB57,453,000) and retained profits of RMB668,288,000 (2009: RMB742,511,000) attributable to a jointly controlled entity and associates respectively.

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

27 RESERVES (continued)

Company

	Share premium RMB'000	Contributed surplus (note) RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2009 (As restated)	2,379,521	1,564,047	682,863	4,626,431
Profit for the year	—	—	169,996	169,996
Exchange differences	(3,778)	(2,483)	(896)	(7,157)
Dividends:				
- 2008 Final dividend	—	—	(118,045)	(118,045)
- 2009 Interim dividend (note 13)	—	—	(58,929)	(58,929)
At 31 December 2009 (As restated)	2,375,743	1,561,564	674,989	4,612,296
Representing:				
Retained profits			498,203	
2009 Final dividend proposed(note 13)			176,786	
			674,989	
At 1 January 2010	**2,375,743**	**1,561,564**	**674,989**	**4,612,296**
Profit for the year	—	—	**192,804**	**192,804**
Dividends:				
2009 Final dividend (note 13)	—	—	**(176,786)**	**(176,786)**
2010 Interim dividend (note 13)	—	—	**(142,684)**	**(142,684)**
At 31 December 2010	**2,375,743**	**1,561,564**	**548,323**	**4,485,630**
Representing:				
Retained profits			**378,937**	
2010 Final dividend proposed (note 13)			**169,386**	
			548,323	

Note:

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

28 BORROWINGS

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
Long-term bank borrowings	**1,844,300**	1,145,500	670,000
Loans from non-controlling interests of certain subsidiaries	**210,622**	393,340	313,268
Total borrowings	**2,054,922**	1,538,840	983,268
Less: Amounts due within one year shown under current liabilities	**(582,560)**	(312,980)	(120,000)
	1,472,362	1,225,860	863,268

(a) As at 31 December 2010, the Group's borrowings were repayable as follows:

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
Within one year	**582,560**	312,980	120,000
Between one to two years	**112,390**	720,900	433,268
Between two and five years	**552,972**	504,960	430,000
Later than five years	**807,000**	—	—
	2,054,922	1,538,840	983,268

(b) The bank borrowings are secured by intangible operating rights of the Group (note 15) and the effective interest rates of bank borrowings at 31 December 2010 is 5.34% (2009: 6.49%).

(c) The loans from non-controlling interests of certain subsidiaries are unsecured, not repayable within one year and interest-free.

The carrying amounts of the interest-free loans from non-controlling interests of certain subsidiaries approximate their fair values which are calculated based on cash flows discounted using a rate of 5.81% (2009: 5.31%) per annum.

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

(d) The borrowings are denominated in RMB.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are within one year (2009: within one year).

29 DEFERRED INCOME TAX

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

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
PRC enterprise income tax			
Deferred income tax liabilities to be recovered after more than 12 months	**1,072,277**	930,141	699,040
Deferred income tax liabilities to be recovered within 12 months	**28,392**	13,171	21,042
	1,100,669	943,312	720,082

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

	2010 RMB'000	As restated 2009 RMB'000
At 1 January	**943,312**	720,082
Acquisition of subsidiaries	**153,090**	210,402
Exchange differences	—	3,451
Disposal of intangible operating rights	**(6,358)**	(1,580)
Repayment	**(32,155)**	(11,578)
Charged to consolidated income statement (note 10)	**42,488**	23,333
Charged to reserves	**292**	4,092
Classified as held for sales (note 33)	—	(4,890)
At 31 December	**1,100,669**	943,312

29 DEFERRED INCOME TAX (continued)

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

	Undistributed profits of subsidiaries and associates RMB'000	Fair value gain on interest in a toll highway arising from acquisition of subsidiaries RMB'000	Accelerated amortisation of intangible operating rights RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2009 (As restated)	26,368	538,188	143,524	12,002	720,082
Acquisition of subsidiaries	—	210,402	—	—	210,402
Charged/(credited) to consolidated income statement	40,354	(9,003)	(8,018)	—	23,333
Disposal of intangible operating right	—	—	(1,580)	—	(1,580)
Charged to reserve	—	—	—	4,092	4,092
Classified as held for sale (note 33)	—	—	(4,890)	—	(4,890)
Repayment	(11,578)	—	—	—	(11,578)
Exchange differences	817	—	2,262	372	3,451
At 31 December 2009 (As restated)	55,961	739,587	131,298	16,466	943,312
At 1 January 2010	**55,961**	**739,587**	**131,298**	**16,466**	**943,312**
Acquisition of subsidiary	—	**153,090**	—	—	**153,090**
Disposal of intangible operating rights	—	—	**(6,358)**	—	**(6,358)**
Charged/(credited) to consolidated income statement	**41,546**	**(19,118)**	**20,060**	—	**42,488**
Charged to reserve	—	—	—	**292**	**292**
Repayment	**(32,155)**	—	—	—	**(32,155)**
At 31 December 2010	**65,352**	**873,559**	**145,000**	**16,758**	**1,100,669**

30 BALANCES WITH NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND HOLDING COMPANIES

The amounts are unsecured, interest free, repayable on demand and are mainly denominated in RMB except for a consideration payable for acquisition of a subsidiary and a related derivative financial instrument amounting to HK$893,141,000 (equivalent to RMB760,367,000 as at 31 December 2010), which is denominated in Hong Kong dollar.

31 TRADE AND OTHER PAYABLE AND ACCRUED CHARGES

Group

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

Company

	31 December 2010 RMB'000	As restated 31 December 2009 RMB'000	As restated 1 January 2009 RMB'000
Other payables and accrued charges	**20,146**	21,803	22,470

Trade payables mainly represent construction costs payable to contractors.

The ageing analysis of trade payables is as follows:

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

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

32 BUSINESS COMBINATIONS

On 20 October 2010, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90% equity interest in 湖北漢孝高速公路建設經營有限公司 (Hubei Han-Xiao Highway Construction and Operations Company Limited[1]) ("Hubei Han-Xiao"), whose principal asset is the toll operating rights of Han-Xiao Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition amounted to HK$893.1 million (equivalent to RMB770.3 million as at completion date 29 December 2010) and the Group has been granted with an irrevocable call option to acquire the remaining 10% equity interest in the Hubei Han-Xiao within 3 years after completion. The call option has been classified as a derivative financial instrument. The acquisition was completed on 29 December 2010.

1 *For identification purpose only*

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

	RMB'000
Purchase consideration:	
Cash payable (note a)	770,334
Fair value of net identifiable assets acquired (see below)	(641,619)
Fair value of the irrevocable call option	(9,140)
Goodwill	119,575

The goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 90% equity interest in Hubei Han-Xiao.

32 BUSINESS COMBINATIONS (continued)

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

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Cash and cash equivalents	25,377	25,377
Interests in toll highways and bridges	1,669,215	1,056,853
Property, plant and equipment	12,192	12,192
Amount due from a non-controlling interest	24,942	24,942
Other receivables, deposits and prepayments	345	345
Trade payables and accrued charges	(2,474)	(2,474)
Interest payable	(6,597)	(6,597)
Borrowings	(857,000)	(857,000)
Deferred income tax liabilities	(153,090)	—
Net identifiable assets acquired	712,910	253,638
Net identifiable assets attributable to the 90% equity interest acquired by the Group	641,619	228,274

The purchase consideration would be settled by the Group in 2011, as a result, the net cash inflow on the acquisition in 2010 was RMB25,377,000, being cash and cash equivalents of the subsidiary acquired.

Note:

(a) The consideration payable amount is denominated in HK$, amounting to HK$893,141,000 (equivalent to RMB770,334,000 as of completion date 29 December 2010).

33 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 (note 34(b)).

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 RMB'000	As restated 2009 RMB'000
Revenue	**116**	433
Expenses	**(3,295)**	(10,286)
Loss for the year of disposal group	**(3,179)**	(9,853)

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

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

34 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations:

	2010 RMB'000	As restated 2009 RMB'000
Operating profit	**679,724**	420,035
Amortisation of intangible operating rights	**228,521**	192,580
Depreciation of property, plant and equipment	**12,386**	8,538
Fair value gains on investment properties	**(1,362)**	(1,101)
Impairment loss on goodwill	**4,557**	3,163
Impairment losses on intangible operating rights	**—**	151,863
Gain on disposal of intangible operating right	**—**	(58,077)
Gain on disposal of a subsidiary (note 34(b))	**(38,184)**	—
Loss on Compensation Arrangement (note 24(b))	**400**	—
Dividend income	**(21,600)**	—
Exchange loss/(gain) - net	**27,373**	(100)
Loss on disposal of property, plant and equipment	**143**	—
Operating profit before working capital changes	**891,958**	716,901
Changes in working capital:		
- trade and other receivables, deposits and prepayments	**3,823**	15,379
- trade and other payables and accrued charges	**(51,136)**	(56,931)
- amounts due to non-controlling interests of subsidiaries	**(31,164)**	22,623
- amounts due to holding companies	**(1,904)**	(572)
Cash generated from operations	**811,577**	697,400

34 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) The Group disposed of its 80% interest in Taihe Highways Limited

	RMB'000	RMB'000
Total consideration satisfied by:		
Equity interests of 35% and 39% in Xinguang and Tailong		47,382
Loan receivables due from Xinguang and Tailong		172,256
		219,638
Net assets of Taihe Highways Limited		
Cash and cash equivalents	6,494	
Interests in toll highways and bridges	244,611	
Property, plant and equipment	82	
Other receivables, deposits and prepayments	41	
Amounts due to the Group	(93,871)	
Borrowings	(15,967)	
Deferred income tax liabilities	(4,890)	
Net assets of Taihe Highways Limited	136,500	
80% of net assets of Taihe Highways Limited		109,200
Other item disposed with pursuant to the agreement		
Amounts due to the Group		93,871
Total net assets disposed		203,071
Gain on disposal before release of exchange reserve		16,567
Add: exchange reserve released to profit and loss upon disposal		21,617
Gain on disposal of 80% interest in Taihe Highway Limited		38,184
Net cash outflow arising from the disposal:		
Cash and cash equivalents disposed		(6,494)

35 CONSTRUCTION INCOME/COST OF TOLL HIGHWAYS AND BRIDGES UPGRADE SERVICES

The construction income/cost associated with the construction and upgrade services provided under the service concessions recognised for the year are as follows:

	2010 RMB'000	As restated 2009 RMB'000
Construction income of toll highways and bridges upgrade services	**94,747**	18,908
Construction cost of toll highways and bridges upgrade services	**(94,747)**	(18,908)

36 COMMITMENTS

(a) Lease commitment

At 31 December 2010, the Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2010 RMB'000	As restated 2009 RMB'000
Lease payments		
Not later than one year	**456**	456
Later than one year and not later than five years	**—**	456
	456	912
Lease receipts		
Not later than one year	**23**	329
Later than one year and not later than five years	**—**	23
	23	352

(b) Capital commitment

On 21 December 2010, the Group entered into an agreement with 湖南中和威特投資有限公司 (Hunan Zhonghe Weite Investment Company Limited[1]) and 武漢奧深科技集團有限公司 (Wuhan Aoshen Technology Group Company Limited[1]), each an independent third party, whereby the Group has conditionally agreed to acquire 90% of the equity interest in 湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Limited[1]) at a cash consideration of approximately RMB1,003.9 million and the consideration is subject to further finalisation. The transaction has not been completed in 2010.

The Company had no commitments at 31 December 2010 and 2009.

[1] *For identification purpose only*

37 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (incorporated in the PRC) as its ultimate holding company.

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of related parties, with whom the Group has significant transaction during the year, and their relationship with the Company as at 31 December 2010:

Significant related party	**Relationship with the Company**
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A wholly-owned subsidiary of ultimate holding company
Yuexiu Property Company Limited ("Yuexiu Property")	An associate of ultimate holding company
Blow Light Investments Limited	A fellow subsidiary
GWSR Expressway Co., Ltd.	A jointly controlled entity of a subsidiary
Guangdong Humen Bridge Co., Ltd.	An associate of a subsidiary
Guangdong Qinglian Highway Development Co., Ltd.	An associate of a subsidiary
Guangdong Shantou Bay Bridge Co., Ltd.	An associate of a subsidiary
Guangzhou Northring Freeway Co., Ltd.	An associate of a subsidiary

(b) Transactions with related parties

	2010 RMB'000	As restated 2009 RMB'000
(i) Administrative service fees paid to Yuexiu Property	**1,121**	1,144
(ii) Rental expenses paid to Yue Xiu	**—**	314
(iii) Interest expense paid to a non-controlling interest of a subsidiary	**—**	581
(iv) Rental expenses paid to a fellow subsidiary	**456**	—
	1,577	2,039

(c) Key management compensation

	2010 RMB'000	As restated 2009 RMB'000
Salaries and other short-term benefits	**13,706**	20,122

38 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

39 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 (Wuzhou City Transport Investment Development Company Limited[1]) and 新粵(廣州)投資有限公司 (Xin Yue (Guangzhou) Investment Company Limited[1]), 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[1]) 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 "Yuexiu 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*

40 GROUP STRUCTURE

As at 31 December 2010, the Company held shares/interest in the following principal subsidiaries, a jointly controlled entity and associates.

	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Cangwu Guihai Cangyu Expressway Co., Ltd.	People's Republic of China, limited liability company	Rmb190,925,000	—	90	Development and management of Cangyu Expressway in Guangxi
Choice Tone Limited	Hong Kong	1 Ordinary share of HK$1.00 each	—	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd, Tianjin Langdao Expressway Co., Ltd and Tianjin Yuanhong Expressway Co., Ltd.
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Tailong Highways Development Company Limited
Grand Speed Limited	Hong Kong	1 Ordinary share of HK$1.00 each	—	100	Investment holding in Cangwu Guihai Cangyu Expressway Co., Ltd.
Guangzhou Nanxin Highways Development Company Limited	People's Republic of China, limited liability company	RMB141,463,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen [1]

40 GROUP STRUCTURE (continued)

	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries (continued)					
Guangzhou Northern Second Ring Expressway Co., Ltd.	People's Republic of China, limited liability company	RMB900,000,000	—	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	People's Republic of China, limited liability company	RMB1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Tailong Highways Development Company Limited	People's Republic of China, limited liability company	RMB116,667,000	—	90	Development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 355 linking Conghua and Longtan [1]
Guangzhou Weian Highways Development Company Limited	People's Republic of China, limited liability company	RMB175,750,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou [1]
Guangzhou Xinguang Highways Development Company Limited	People's Republic of China, limited liability company	RMB143,333,000	—	90	Development and management of Guanghua Highway linking Guangzhou and Huadu [1]
Guangzhou Yue Peng Information Ltd.	People's Republic of China, limited liability company	RMB260,000,000	—	100	Investment holding
Guangzhou Yue Tung Highway Operations and Management Company Limited	People's Republic of China, limited liability company	RMB1,000,000	100	—	Investment holding

40 GROUP STRUCTURE (continued)

	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries (continued)					
Hubei Han-Xiao Highway Construction and Operations Company Limited	People's Republic of China, limited liability company	RMB369,411,000	—	90	Development and management of Hubei Han-Xiao Expressway
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HK$1 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guandong Humen Bridge Co., Ltd.
Shaanxi Jinxiu Transport Co., Limited	People's Republic of China, limited liability company	RMB100,000,000	—	100	Development and management of Xian-Lintong Expressway in Shaanxi Province
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	Property holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Shaanxi Jinxiu Transport Co., Limited
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited

40 GROUP STRUCTURE (continued)

	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries (continued)					
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Tianjin Jinfu Expressway Co., Ltd.	People's Republic of China, limited liability company	RMB74,660,000	—	60(note a)	Development and management of Jinbao Expressway in Tianjin
Tianjin Langdao Expressway Co., Ltd.	People's Republic of China, limited liability company	RMB91,708,000	—	60(note a)	Development and management of Jinbao Expressway in Tianjin
Tianjin Yuanhong Expressway Co., Ltd.	People's Republic of China, limited liability company	RMB98,832,000	—	60(note a)	Development and management of Jinbao Expressway in Tianjin
Yuexiu (China) Transport Infrastructure Investment Company Limited	People's Republic of China, limited liability company	RMB700,000,000	100	—	Investment holding

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

1 Operation ceased on 31 October 2010.

40 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Registered capital	Percentage of Interest in ownership/voting power/ profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Jointly controlled entity						
Guangzhou Western Second Ring Expressway Co., Ltd.	People's Republic of China, limited liability company	RMB1,000,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

	Place of incorporation/ establishment and operation and kind of legal entity	Registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Associates					
Guangdong Humen Bridge Co., Ltd.	People's Republic of China, limited liability company	RMB273,900,000	—	27.78(note b)	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Co., Ltd.	People's Republic of China, limited liability company	RMB2,040,000,000	—	23.6	Development and management of Qinglin Expressway and National Highway 107 linking Qingyuan and Lianzhou
Guangdong Shantou Bay Bridge Co., Ltd.	People's Republic of China, limited liability company	RMB75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Co., Ltd.	People's Republic of China, limited liability company	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road

Note b: The profit sharing ratio is 27.78% up to 2009 and 18.446% from 2010 onwards.

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhaoxing *(Chairman)*
Mr Li Xinmin
Mr Liang Ningguang
Mr Liu Yongjie
Mr Qian Shangning
Mr Wang Shuhui

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Ms Chan Kam Ting Sharon

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

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MinterEllison

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HONG KONG BRANCH SHARE REGISTRAR

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26/F Tesbury Centre
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SHARE LISTING

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

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

INVESTOR RELATIONS

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WEBSITES TO ACCESS COMPANY INFORMATION

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