

Corporate Governance Report

Sound corporate governance is fundamental to the sustainable and healthy development of the Company. This section sets out in details the Company's operation of governance, internal control system and supervisory system , as well as an introduction to the core members of the Company's governance.

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行成於思 業精於勤



Quote from Explanation Upon Entering The Academy 《進學解》 by Han Yu (韓愈): "Perfection is reached by hard work rather than recreation; achievement comes from thorough consideration rather than casual decisions." (業精於勤，荒於嬉；行成於思，毀於隨) Achievement is founded on meticulous contemplation, whereas profound perfection is the result of diligent learning and hard work.



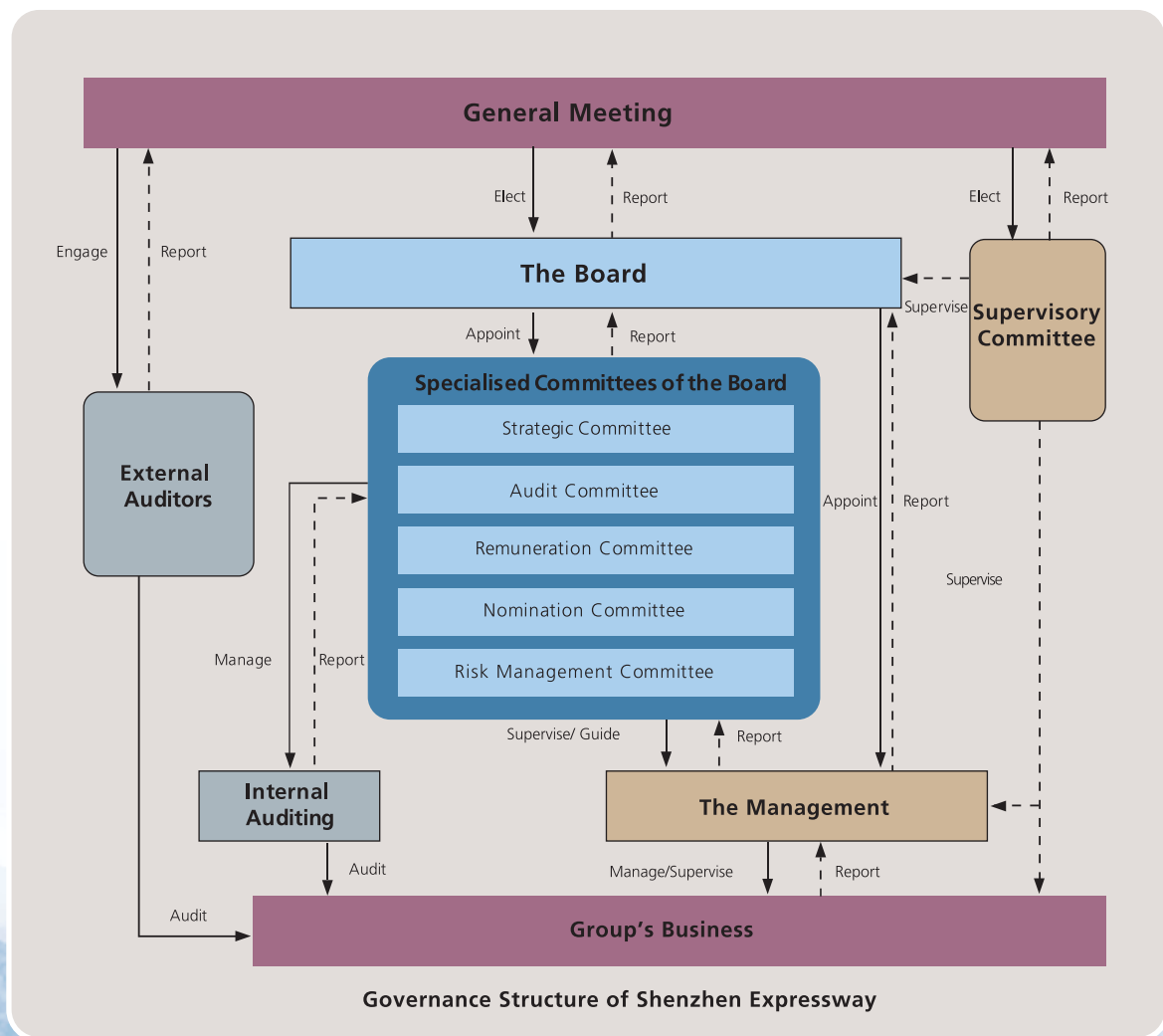
Corporate Governance Practice Report

The Company clearly understands that its commitment to the corporate values of integrity and diligence, persistent adherence to sound corporate governance principles, efforts to enhance transparency and independence of its operations and the establishment of an effective accountability system all contribute to ensure its stable development and enhance shareholders' value.

6 Corporate Governance Practice Report

Since its establishment, the Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management, and has continued to review and enhance such structure by means of practice. To date, the Company has realised a separation in positions between the Chairman and the President. It has set up five specialised committees under the Board and these committees practically perform their tasks, including implementing an independent internal audit regime, establishing a comprehensive internal control regime as well as formulating multi-tier governance rules based on the Articles of Association. These rules aim to clearly define the duties, limit of authority and conduct standards. Based on the laws and regulations and the governance rules, the shareholders of the Company, the Board, the Supervisory Committee and the management discharge their own duties, coordinate with each other, effectively counter-regulate each other, and continuously enhance corporate governance standards, thereby laying a good foundation for driving the Company's development and maximising value for the shareholders.

The current governance structure of the Company is shown as follows:



The Company is listed on both HKEx and SSE. Besides complying with the applicable laws and regulations, we have to comply with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the HKEx and the Code of Corporate Governance for Listed Companies of CSRC regarding the practice of corporate governance. During the Reporting Period, the Company has fully adopted the code provisions of the Code on Corporate Governance Practices. There is no substantial difference between the actual condition of corporate governance of the Company and the requirements stipulated in the Code of Corporate Governance for Listed Companies.

Details regarding the adoption of the code provisions of the Code on Corporate Governance Practices are contained in various parts of the section “Corporate Governance Reports” of this annual report. For index to the disclosure of information, please refer to “The Company’s adoptions of the provisions of the Code on Corporate Governance Practices” on page 85 of this annual report.

In addition, the Company has adopted most recommended best practices of the Code on Corporate Governance Practices of HKEx, which have gone beyond the requirements of the code provisions in certain aspects, mainly including:

- √ The adoption of the cumulative voting system for election of Directors;
- √ The appointment of 4 Independent Directors, accounting for 1/3 of the Board membership; the stipulation on the terms of office for Independent Directors of no more than 6 years;
- √ The establishment of the Nomination Committee, the Risk Management Committee and the Strategic Committee under the Board, in addition to the Audit Committee and the Remuneration Committee;
- √ Purchase of insurance on Directors’ and senior officers’ liabilities;
- √ The provision of independent channel for the Audit Committee to obtain information about fraudulent risks;
- √ Establishment of the Anti-fraudulent Work Regulation;
- √ The Securities Transaction Code of the Company has incorporated and exceeded to a certain extent the standards under Appendix 10 to the Listing Rules of HKEx;
- √ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- √ Preparing and publishing quarterly results announcements in accordance with CAS;
- √ Publication of the “Report of Audit Committee” since 2006; “Report of Remuneration Committee” since 2008; “Annual Self-assessment Report on Internal Control” and “Social Responsibility Report” since 2009.

I. Board

1. Responsibilities and Division of Work

The Board is responsible for leading the Group's development, establishing the Group's strategic goals, and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The principal duties of the Board are to exercise management and decision-making powers according to the authorities granted at the general meeting in respect of the Company's development strategies, management structure, investment and financing, planning, financial control, human resources, and so forth. The Articles and the attachments to the Articles (Rules of Procedures for the Board of Directors Meeting) have already spelt out the Board's duties and authorities in respect of the Company's development strategies and management as well as its duties and authorities to supervise and inspect the Company's development and operation.

The Chairman of the Board of the Company (the "Chairman") is Mr. Yang Hai, while the President (the "President") is Mr. Wu Ya De. The Articles of the Company and the attachments to the Articles (Rules of Procedures for the Board of Directors Meeting) as well as the Work Details for the President set out the authorities and duties of the Chairman and the President of the Company respectively.

Main duties of the Chairman include:

- ◆ *Taking charge and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; continuously monitoring the execution of the Board resolutions;*
- ◆ *Ensuring the Directors availability of accurate, timely and clear information to facilitate effective contribution from the Directors;*
- ◆ *Providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals;*
- ◆ *Ensuring good corporate governance practice and procedures for the Company;*
- ◆ *Maintaining good contact and effective communication with shareholders so as to ensure shareholders' opinions are conveyed to the entire Board.*

The President, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions. His main duties include:

- ◆ *Being responsible for, and taking charge of, the Group's daily operation, and appropriately utilising the Group's resources to enhance overall profits;*
- ◆ *Implementing the Company's development strategies, organising the execution of the Board's resolutions and timely reporting to the Board as well as providing to the Board messages and information that are useful for monitoring the performance of the management;*
- ◆ *Setting out detailed regulations and regimes of the Company, maintaining suitable internal control measures and regimes and disclosing appropriately to the Board and shareholders;*
- ◆ *Formulating the Company's human resources development plan and carrying out the detailed implementation plan, fostering good corporate culture and enhancing the Company's development strength;*
- ◆ *Managing external relationships and fostering a favourable operating environment.*

2. Composition

The current Board is the fifth session since the establishment of the Company, comprises 12 Directors, with a term from 1 January 2009 to 31 December 2011. The current Board members came from various industry backgrounds and have professional expertise in highway industry, project construction, accounting and auditing, finance and securities, law and administration, among whom quite a few (including the Independent Directors) possess professional accounting qualifications or expertise in financial management. A majority of the members have experience in working with listed companies. The basic information of the members of the Board is as follows:

| Name | Date first became Director | Term of the current session | Experience/skill | Work in shareholding institutions |
|---------------------------------|----------------------------|-----------------------------|--|-----------------------------------|
| Executive Directors: | | | | |
| Yang Hai (Chairman) | April 2005 | | Industry experience, road and bridge construction | Yes |
| Wu Ya De | January 1997 | | Industry experience, corporate management | No |
| Non-executive Directors: | | | | |
| Li Jing Qi | April 2005 | | International banking experience, risk management | Yes |
| Zhao Jun Rong | January 2009 | From 1 January | Law, investment project management | Yes |
| Tse Yat Hong | January 2009 | 2009 to 31 | Financial and accounting, corporate governance | Yes |
| Lin Xiang Ke | June 1998 | December 2011 | Industry experience, financial management | Yes |
| Zhang Yang | March 2001 | | Industry experience, investment project management | Yes |
| Chiu Chi Cheong, Clifton | December 1996 | | Corporate governance, finance and securities and finance | No |
| Independent Directors: | | | | |
| Lam Wai Hon, Ambrose | January 2009 | | Corporate finance, financial advisory | No |
| Ting Fook Cheung, Fred | January 2009 | | Human resources, administration | No |
| Wang Hai Tao | January 2009 | | Industry experience, personnel administration | No |
| Zhang Li Min | January 2009 | | Finance and accounting, auditing | No |

For details of the profiles of the Directors (including their professional experience and their positions held at shareholding institutions), please refer to the content of "Directors, Supervisors and Senior Management" in this annual report.

Among the current Board members, the Directors who have served the Company for over 5 years and the newly-appointed Directors represent 1/2 of the total number of Board members respectively. Such composition ensures the continuity of the Board, and maintains the positive discussion culture and high decision-making quality by the addition of new Directors. In addition, the Board only retains 2 Executive Directors. There are 4 Independent Directors, and 2 Non-executive Directors nominated by non-shareholders or minority shareholders, representing half of the total Board members. Such arrangement helps the Board to analyse and discuss issues from various perspectives. It also helps the Board to maintain its independence, thereby providing sound supervision and balance to safeguard the overall interests of the Company and the shareholders.



3. Procedures

The Board holds one regular meeting each quarter and holds ad hoc meetings when necessary. Notices of all regular meetings shall be despatched to all Directors at least 14 days before the meeting is held, while notices of ad hoc meetings shall be despatched at least 5 days before the meeting is held. The Company's Chairman, President, Supervisory Committee, over 1/3 of the Directors, over 1/2 of the Independent Directors and shareholders representing 10% of the voting rights have the right to propose to hold an ad hoc Board meeting, so as to ensure that all significant matters of the Company can be considered and discussed appropriately. In 2009, the Board held 10 full Board meetings to discuss and made decisions on issues covering the Group's operating and financial performance, investment and financing plans, management structure and human resource management.

Major issues discussed in the Board meetings in 2009 include:

- ◆ *Consideration of the annual final accounts and budgets, the work reports of the Board, the internal control assessment report, the social responsibility report and the annual, interim and quarterly reports;*
- ◆ *Consideration of the proposed annual profit distribution;*
- ◆ *Consideration of the investment/acquisition proposals of projects, including the acquisition of 45% interest in Jihe East Company, the investment in Guangdong UETC, the reconstruction of the Liannan Section of Qianlian Project and the extension of Shuiguan Expressway;*
- ◆ *Consideration of matters on the entrusted management of Coastal Company and the continual entrusted management of the equity interest in Longda Company;*
- ◆ *Studying the plan and arrangement for the issue of debenture financing instruments denominated in Renminbi;*
- ◆ *Studying matters on changes in accounting policies and accounting estimates, significant accounting matters and re-appointment of auditors;*
- ◆ *Evaluating the Group's execution of its operating performance targets for the year and determining the operating performance targets for the following year;*
- ◆ *Reviewing and enhancing the authorisation system of the Board, enhancing corporate governance rules and the relevant management regimes;*
- ◆ *Election of Chairman, establishment of a new session of specialised committees, and appointment and re-appointment of senior management, etc.*

In order to help the Board to discharge their duties and promote effective operation, five specialised committees have been set up under the Board. Before the consideration of issues such as the Company's strategies, financial reports, accounting policies, project investment and the nomination, appraisal and remuneration of Directors and senior management, the Company submits the relevant resolutions to the committees for study and discussion. These committees review and monitor matters in specific areas of the Company within their designated terms of reference, and make corresponding recommendations to the Board, delivering substantial contribution to the enhancement of the Board's decision-making efficiency and standard. In 2009, the specialised committees held 14 meetings. For details on the operation of the committees, please refer to "Specialised Committees of the Board" below.

The Company's management is responsible for supplying the Board and the specialised committees with the relevant information and data necessary within a reasonable time for the consideration of various resolutions, so that the Board can make rational and scientific decisions on the basis of adequate understanding of the required information. When necessary, the Directors may individually and independently contact the Secretary to the Board directly to obtain more detailed information and opinions. The Board, the Independent Directors and the specialised committees of the Board may engage professional institutions or staffs to provide professional advice for the exercise of their authorities or fulfillment of business needs, and reasonable fees incurred shall be borne by the Company.

On a connected transaction which is subject to external disclosure requirements, or on a matter on which any of the Executive Directors will have to abstain from voting and which involves conflicts of interests of major shareholders or Directors, the matter shall be considered and approved at a full Board meeting held by the Company, and no resolutions shall be made by means of written resolutions or resolutions by proxy. A Director shall abstain from a meeting and be given no voting rights in case an item considered by the Board is relevant to his/her personal economic interests. A Director who also holds office in a connected company shall not vote in case the Board is considering a transaction between the connected company and the Group, and shall abstain when appropriate. In addition, the Independent Directors will express their opinions on the compliance and fairness of such transactions and provide written opinions. During the Year, the relevant Directors followed the principle of abstaining from meeting and abstained from voting when the Board of the Company considered the connected transactions in respect of the acquisition of equity interest and the acceptance of entrusted management. The Independent Directors also expressed their opinions. For details, please refer to the announcements of the Company published in relation to the transactions.

The minutes of the Board meeting contains detailed information of matters discussed at the meeting, including the factors considered by each Director, any doubts raised or opposing opinions expressed, and the final decisions. The draft of the meeting minutes shall be despatched to each Director for further opinion within a reasonable period of time after each meeting. The finalised version shall be kept properly according to the Company's file management rules and despatched to each Director for inspection. Directors may also inspect the minutes any time through the Secretary to the Board.

II. Directors

1. Appointment

Directors are elected or replaced at general meetings. Shareholders of the Company, the Board and the Supervisory Committee are eligible to nominate candidates for directorship in writing. Directors serve for a term of 3 years, and upon expiry of the term, their appointment is subject to further consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. The Company's election of Directors adopts the cumulative voting system. The voting on the election of Independent Directors shall be conducted separately from that of Non-Independent Directors.

The Company's Rules of Procedures for the Board of Directors Meeting have listed the Company's requirements on the qualifications and basic qualities of Directors, the ways of nomination and the proposing procedures. The Nomination Committee is responsible for qualification inspection and quality assessment on the candidates for directorship, as well as making proposals to the Board and providing explanations to the general meetings. The Company has completed the election of the fifth session of the Board in 2008 in accordance with the aforesaid arrangements. During the Year, no new Director has been appointed.

2. Support for Performance of Duties

The Company strives to enhance its internal support systems and communication regimes to ensure the availability of adequate resources for the Board and its specialised committees to perform their duties. During their respective terms of office, all Directors are able to duly obtain from the Secretary to the Board the relevant information and updates on the required statutory, regulatory and other continuing obligations that a director of a listed company should comply with. Each Director is provided with channels to independently contact and communicate with the Company's senior management and secretaries to specialised committees when necessary.

For new Directors, the Company will provide them with Director's Manual, which sets out the guidelines and summaries of applicable laws and regulations in the PRC and overseas, as well as the common requirements under laws and regulations, the information on the Company's strategies and businesses, current governance rules and governance practice, and the contact information of the Company's current senior management, auditors and legal advisors. After the new Directors report duties, the Company will also arrange orientation activities, during which the Company's management and legal advisors will brief the Directors on the status of the Company and their liabilities, for them to understand the relevant information as soon as possible to duly perform their duties.

The Company arranges its management to report on the progress of the Group's substantial matters at each Board meeting. In particular, the Company arranges annual and semi-annual reporting sessions for the management to report regularly in details on the Group's operation, financial condition and the progress of its key works and projects. The Company prepares Reference Document Summaries and Market News Briefings regularly, to provide the Directors with the most updated regulatory policy documents and relevant reports and analyses on the securities market and the news media. In addition, the Company organises site visits to its projects for the Directors every year, and arranges training for the Directors. Since January 2009, the Company has also established offices for its external Directors, and provided necessary venues and facilities to facilitate their on-site work.

Apart from ongoing report on the Group's substantial matters, other supports provided for the Directors to perform their duties in 2009 included:

- ◆ Orientation activities for Directors ⇒ January 2009
- ◆ Establishment of offices for external Directors ⇒ January 2009
- ◆ Annual reporting session ⇒ April 2009
- ◆ Semi-annual reporting session ⇒ August 2009
- ◆ Site visit to project under entrusted construction ⇒ August 2009
- ◆ Site visit to Qinglian Project ⇒ September 2009
- ◆ Publication of Reference Document Summaries ⇒ 6 editions
- ◆ Publication of Market News Briefings ⇒ 6 editions
- ◆ Arrangement of training for Directors ⇒ 3 person-times

Through the various information and resource supports mentioned above, all Directors, particularly the Non-executive Directors, may obtain timely and diverse updates on the Directors' responsibilities, the Group's business development environment, competition and regulatory environment and other information which may affect the Group and the industry. This facilitates the Directors to make correct decision, and to exercise effective monitoring, thereby ensuring that the Board's operation is in compliance with regulations.

3. Performance of Duties in the Year

During the Reporting Period, the Company's Directors took the initiative to understand the Company's operation and operating development, attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner, adequately capitalising on their respective professional experience and expertise. They provided independent judgment, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work to the best interests of the Company as its objective.

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2009 was 100% while attendance in person was 95%. Attendance of members in person at the meetings of the specialised committees of the Board was 98%. The attendance of each Director at the Board meetings and specialised committee meetings during the Year is showed in the following table:

| Directors | Attendance in person / Total number of meetings | | | | | | |
|---------------------------------|---|--|---------------------|-----------------|------------------------|----------------------|---------------------------|
| | Board | Attendance in person at Board meetings | Strategic Committee | Audit Committee | Remuneration Committee | Nomination Committee | Risk Management Committee |
| Executive Directors: | | | | | | | |
| Yang Hai | 10 / 10 | 100% | 1 / 1 | 4* | 1* | 2 / 2 | — |
| Wu Ya De | 10 / 10 | 100% | 1 / 1 | 5* | 1* | 2* | 2* |
| Non-executive Directors: | | | | | | | |
| Li Jing Qi | 9 / 10 [#] | 90% | 1 / 1 | — | — | — | — |
| Zhao Jun Rong | 9 / 10 [#] | 90% | 1* | — | — | — | — |
| Tse Yat Hong | 10 / 10 | 100% | 1* | — | — | — | — |
| Lin Xiang Ke | 10 / 10 | 100% | 1* | — | — | — | 4 / 4 |
| Zhang Yang | 8 / 10 [#] | 80% | 1* | — | — | — | 4 / 4 |
| Chiu Chi Cheong, Clifton | 10 / 10 | 100% | 1 / 1 | 5 / 5 | 2 / 2 | — | — |
| Independent Directors: | | | | | | | |
| Lam Wai Hon, Ambrose | 10 / 10 | 100% | 1 / 1 | 5 / 5 | — | — | — |
| Ting Fook Cheung, Fred | 10 / 10 | 100% | 1* | 3* | 2 / 2 | 2 / 2 | — |
| Wang Hai Tao | 10 / 10 | 100% | 1* | 2* | 2 / 2 | 2 / 2 | — |
| Zhang Li Min | 8 / 10 [#] | 80% | — | 4 / 5 | — | — | 4 / 4 |

#: Directors who were unable to attend meetings in person had appointed other Directors as their proxies to attend and vote at the meetings on their behalf.

*: Observed at the meeting

4. Independent Directors and Their Independence

The Company has appointed a sufficient number of Independent Directors. The Company's Independent Directors were able to perform their duties independently and were not subject to the influence of the Company's substantial shareholders, de facto controllers or other units or individuals having interests in the Company. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that the current Independent Directors have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent.

For years, the Company's Independent Directors has provided sound check-and-balance for safeguarding the overall interests of the Company and shareholders, and proactively facilitated the Company's ongoing enhancement of its corporate governance and risk management standards. To fully capitalise on the functions of the Independent Directors, the Company strengthened its understanding and investigation on areas such as expertise, personal quality and initiative in the search of candidate for independent directorship. In addition, apart from provisions on the election, responsibilities and authorities of Independent Directors in the Articles of Association and Rules of Procedures for the Board of Directors, the Company has also formulated Work Guidelines for Independent Directors and the Regime for Independent Directors' Work on Annual Report, which detail and clarify the criteria, independence requirements, election procedures, authorities and duties and work requirements of the Independent Directors, providing a system to safeguard the performance of duties by the Independent Directors.

In 2009, apart from attending Board meetings and specialised committee meetings, the 4 Independent Directors of the Company have provided written independent opinions on matters such as the Company's external guarantees, changes in accounting estimates, connected transactions and the appointment of senior management, and held two meetings with the external auditors to discuss the annual audit arrangement and problems identified in the audit. During the Year, the Independent Directors gave no dissent to matters discussed by the Board and did not propose to hold any Board meeting and general meeting or publicly collect voting rights from shareholders. Since 2005, the Independent Directors have been submitting their annual work reports at the annual general meeting each year for shareholders' review.

5. Remunerations of Directors

The Company has been disclosing the remunerations of Directors and Supervisors on a named basis since 2004 and the same policy has been adopted for senior management since 2005. According to the Company's regulations, Directors or senior management are not allowed to set their own remunerations. For details of the Company's remuneration policies, Directors' and senior management's remunerations, and the appraisals and incentive regimes for senior management, please refer to the content of "Report of the Remuneration Committee" in this annual report.

6. Securities Transactions by Directors

The Securities Transaction Code of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEx entitled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities as a written guide to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff, and timely updates have been made based on the amendments of such requirements from time to time. The Securities Transaction Code of the Company has incorporated the standards under Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to a certain extent. For example, the Securities Transaction Code applies to the senior management of the Company, which is more stringent as compared to the requirement that prohibits the dealings in the Company's securities. After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated by the aforementioned code during the Reporting Period.

7. Insurance on Directors' Liabilities

In accordance with the approval and authorisation of the general meeting, the Company has purchased the Directors and senior management's liability insurance for the Directors, Supervisors and senior management since 2008. Purchase of liability insurance for the Directors can, on the one hand, enhance the Company's ability to resist risks and help safeguard the legal interests of small and medium shareholders and, on the other hand, effectively establish an occupational risk resistance mechanism for management staff, encourage their innovative spirit and create the condition for the Company to attract more excellent management staff.

III. Specialised Committees of the Board

Five specialised committees have been set up under the Board. These committees have their designated duties and terms of reference. They are required to review and monitor matters in specific areas of the Company and make corresponding recommendations to the Board while the right to make decision for all matters hinges on the Board. Each committee has formulated its terms of reference, and such terms of reference have been reviewed regularly. In 2009, the Board approved the amendments to the Terms of Reference of the Strategic Committee and the Terms of Reference of the Audit Committee to timely reflect changes in the Company's development and the external regulatory requirements.

Members of the specialised committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. In the re-election of committees, there should normally be at least one new member. In January 2009, the fifth session of the Board established a new session of specialised committees. Other than the Strategic Committee, the chairmen of specialised committees are held by the Independent Directors. The composition of each committee is as follows:

| | Strategic Committee | Audit Committee | Remuneration Committee | Nomination Committee | Risk Management Committee |
|-----------|---|---|---|-------------------------------------|----------------------------|
| Chairman: | Yang Hai | Lam Wai Hon, Ambrose* | Ting Fook Cheung, Fred* | Wang Hai Tao* | Zhang Li Min* |
| Members: | Wu Ya De Li Jing Qi Chiu Chi Cheong, Clifton Lam Wai Hon, Ambrose* | Zhang Li Min* Chiu Chi Cheong, Clifton | Wang Hai Tao* Chiu Chi Cheong, Clifton | Ting Fook Cheung, Fred* Yang Hai | Lin Xiang Ke Zhang Yang |

* Independent Director

The Company has appointed appropriate management personnel to serve as the secretaries to the committees. All items passed at the meetings of the committees are recorded and kept for filing. The chairmen of the committees are responsible for the report on the work of the committees at the Board meeting, and submission of relevant minutes for filing. The work of each committee in 2009 is set out below:

1. Strategic Committee

The Strategic Committee was established in November 2001. It is responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

In 2009, the Strategic Committee held one meeting, at which the committee reviewed the Development Strategies 2005-2009 of the Company, considered and discussed the Development Strategies 2010-2014 of the Company, and provided advice and recommendations to the Board for the clarification of the Company's medium-long term development strategies.

2. Audit Committee

The Audit Committee was established in August 1999. It comprises Non-executive Directors, with the majority being Independent Directors. The committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting; evaluating whether the Company's internal control regimes are sound and effective; appointing the independent auditors, coordinating their work and reviewing the efficiency and quality of their work; and reviewing all written reports furnished by internal audit officers as well as the management's feedback to such reports. In 2009, the Board approved the amendments to the Terms of Reference of the Audit Committee, which mainly increased the areas of concern in the review of the internal control system by the Audit Committee, including the consideration of the sufficiency of the Company's resource, staff qualification and experience in accounting and financial reporting, and the adequacy of training provided to the staff and the relevant budget.

The Audit Committee held five meetings in 2009, and held two meetings in early 2010 (up to the date of signing of this report), to perform its work duties. For details on the performance of duties by the Audit Committee and its opinion on the review and evaluation of the Company's financial statements and auditors, please refer to the content of "Report of the Audit Committee" in this annual report.

The Audit Committee has the regime of holding independent meetings at the request of external auditors, the Company's management or the Audit Department, so as to ensure independence and objectivity of reporting. At the aforesaid meetings, external auditors were invited by the committee to participate in the discussion of the relevant topics.

3. Remuneration Committee

The Remuneration Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for studying and examining the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Company's Directors and senior management, and conducting appraisals thereof.

The Remuneration Committee held two meetings in 2009, and held one meeting in early 2010 (up to the date of signing of this report), to perform its work duties. For details on the performance of duties by the Remuneration Committee and its report on the Company's remuneration and benefit policy, performance assessment system and the management's annual remuneration, please refer to the content of "Report of the Remuneration Committee" in this annual report.

4. Nomination Committee

The Nomination Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for examining or devising the Company's human resources development strategies and planning; and conducting studies and making proposals in respect of nominees, nomination criteria and nomination procedures for the Company's Directors and senior management.

In 2009, the Nomination Committee held two meetings, at which the committee examined the resolution on the re-appointment of the Company's advisors and the proposal on the appraisal of the term and re-appointment (new appointment) of senior management, and made recommendations on adjustments to the term of office. In the course of appraisal of the senior management, the committee introduced the appraisal quality model, and carried out staff interview and evaluation for a comprehensive assessment on the performance of duties by the management.

5. Risk Management Committee

The Risk Management Committee was established in August 2004. Currently, it is mainly responsible for improving and enhancing the Company's procedures and systems for managing its investment activities, and providing support to the Company's business decision-making and operations by performing risk analysis and controls in relation to individual investment projects.

In 2009, the Risk Management Committee held four meetings, at which the committee reviewed the investment proposals on the acquisition of 45% interest in Jihe East Company, the investment in Guangdong UETC and the extension of Shuiguan Expressway, exchanged ideas and investigated major risks related to the projects with the management and provided advice to the Board; reviewed the post-assessment reports on the investment projects of the Company and made recommendations; discussed and determined the committee's work focuses for 2010.

IV. Accountability and Audit Supervision

1. Statement of Responsibilities towards the Financial Statements by the Board

This statement intends to clarify for our shareholders the respective responsibilities of the Directors and the auditors of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditors set out in the Independent Auditor's Report on page 142 of this annual report.

It is the Board's opinion that the financial statements were prepared on an basis of ongoing operations given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements on pages 143 to 212. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and in accordance with all accounting standards as the Board deems appropriate.

It is the responsibility of the Directors to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial position and that the financial statements are in compliance with the requirements of relevant accounting standards of the Hong Kong.

2. Statement of Responsibilities towards the Annual Report by the Company

The Company's Directors and senior management have made and signed a responsibility statement in relation to the truthfulness, accuracy and completeness of the content of this annual report. Please refer to the section "Confirmation to the Annual Report" in this annual report.

3. Auditors

The financial statements contained in the Company's 2009 annual report were prepared in accordance with CAS and HKFRS respectively, and have been audited by PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) ("PwC") and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian"), respectively.

PwC Zhong Tian was appointed as statutory auditors since 2004. It has been providing audit services to the Company for 6 consecutive years and has changed one of its endorsing certified public accountants since 2008. PwC as the Company's international auditors has been providing audit services to the Company for 14 consecutive years since 1996. Its partners in charge of the Company's audit were changed in 2003 and 2009 respectively.

The remunerations of the auditors in the year 2009 are set out as follows:

| (RMB'000) | Audit fees (Note (1)) | | Other fees (Note (2)) | |
|----------------|-----------------------|-------|-----------------------|------|
| | 2009 | 2008 | 2009 | 2008 |
| PwC | 2,170 | 2,170 | 1,000 | — |
| PwC Zhong Tian | 1,180 | 1,180 | 150 | — |

Note:

- (1) Pursuant to the requirements of CSRC's "Q&A No.6 on Information Disclosure Regulations for Companies with Publicly Issued Securities", audit fees are fees paid by a listed company for appointing auditors to conduct audit, verification or review services for financial reports of the company or other matters in accordance with the requirements of laws, administrative rules and regulatory documents; other fees represent fees, other than those mentioned above, paid by a listed company for asset evaluation or appointing auditors for consultation services, and so forth.
- (2) The other fees occurred in 2009 included fees for specific audit on invested projects, evaluation and tax consultation services provided by auditors. The Board believes it won't affect the independence of the auditors.
- (3) The auditors have submitted a written confirmation in respect of the aforementioned remuneration issues to the Company.
- (4) The Company's subsidiaries Qinglian Company and Advertising Company engaged Carea Schinda Certified Public Accountants to perform audit services. The audit fees paid during the Reporting Period amounted to RMB50,000 and RMB20,000 respectively (2008:RMB50,000 and RMB18,000).

To regulate the management of selection of accountants' firm for auditing financial statements of the Company, ensure the appointment of a competent auditor by the Company and continuously enhance the quality of disclosure of financial information of the Company, the Company has formulated the Management Rules for Selection of Accountants' Firm for Auditing Financial Statements, which defines the duties, authorities and specific procedures and requirements for the selection of auditor. The rules were approved and became effective at the Second Extraordinary General Meeting 2010 held on 15 March 2010.

The Audit Committee is responsible for conducting a comprehensive and objective assessment on the completion of the audit work for the Year and the practice quality of the auditors, and submitting a summary report on the audit work carried out by the auditors for the Year. It also assessed the quality of the auditors' services and the reasonableness of their audit fees, and made recommendations to the Board in respect of the appointment or replacement of auditors. The appointment or replacement of auditors as well as the audit fees are proposed by the Board to the general meeting for approval or authorisation. The Audit Committee has conducted a summary evaluation on the 2009 auditing work by PwC Zhong Tian and PwC, and has made proposals to the Board on the appointment of the Company's auditors for 2010. Please refer to the content of "Report of the Audit Committee" in this annual report for details.

V. Internal Control System

1. Supervisory Committee

The Supervisory Committee shall be accountable to the shareholders' general meeting. It independently exercises its supervising authority upon the Company in a lawful manner, to prevent the legal rights and interests of the shareholders, the Company and its staff from being infringed.

The Supervisory Committee of the Company is composed of three Supervisors, including two shareholders' representative Supervisors and one staff representative Supervisor. The size and composition of the Supervisory Committee are in compliance with the requirements of the relevant laws and regulations. As at 31 December 2009, the members of the Supervisory Committee included Mr. Zhong Shan Qun (Chairman of the Supervisory Committee), Mr. Yang Qin Hua and Mr. Fang Jie. Mr. Yang Qin Hua resigned as a Supervisor of the Company due to personal job reassignment with effect from 8 January 2010. Upon the approval at the general meeting, Mr. He Sen was appointed as the shareholders' representative Supervisor for a term from 8 January 2010 to 31 December 2011. For the biographies (including professional experiences and principal positions held in shareholding institutions) of the Supervisors and the changes in Supervisors, please refer to the content of "Directors, Supervisors and Senior Management" in this annual report.

In 2009, the Supervisory Committee held 13 meetings, and represented the shareholders to supervise the Company's finance and the performance of duties by the Directors and senior management to ensure its lawfulness and compliance. It also observed at all Board meetings and general meetings, and faithfully discharged its duties. For details on the performance of duties by the Supervisory Committee, please refer to the content of the "Report of the Supervisory Committee" in this annual report.

2. Internal Control

A comprehensive and practicable internal control system is the foundation of good corporate governance. The Board is responsible for developing and maintaining an internal control system of the Company to review the effectiveness of major control procedures for finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets.

In 2009, on the basis of ongoing reviews of the Company's internal control system, the Board issued a Self-assessment Report on Internal Control of the Company which illustrated and explained the objectives of internal control of the Company, the basic elements of the internal control regime and its implementation, basic assessment and direction for improvement. Please refer to the content of the Self-assessment Report on Internal Control in this annual report for details.

3. Internal Audit

The Company's Audit Department which is responsible to the Audit Committee of the Board has been established since August 2000 for the purpose of independently reviewing the effectiveness of the Group's operating management activities and the internal control system, and for the purpose of assuring the Company's transparency as well as its compliance with the regulations when disclosing information to the public. Internal audit staff are authorised to gain access to any information relating to the Company and to make enquiries to staff concerned, and the General Manager of the Audit Department will directly report to the Audit Committee on the work findings. Upon consideration of such findings, the Audit Committee will make recommendations to the management of the Company, and examine the implementation of rectification plans through follow-up. The Audit Department reports the audit results, recommendations for improvement, feedback of the auditees, proposals for improvement and rectification results to the Board.

In addition, the Company has set up the Standards Management Department since September 2007. As the Company's internal quality control department, the department is responsible for establishing and maintaining the Company's quality management regime, and it exercises regular supervision on operation processes. In 2009, the Company also established the "internal auditor" system. Experienced employees in various departments and business units were appointed as internal auditors for the daily examination and self-assessment of the execution of internal control procedures.

For the operation of the internal audit department in 2009, please refer to the content of the Self-assessment Report on Internal Control of this annual report.

VI. Conclusion

Since its inception, the Company has established multi-tier governance rules based on the Articles of Association, which are reviewed and amended on a continuous basis through practice. During the Reporting Period, the Company further enhanced the corporate governance rules and relevant management regimes. Upon consideration at the general meeting, the Company amended the Articles of Association, Rules of Procedures for the Shareholders' General Meetings, Rules of Procedures for the Board of Directors and Rules of Procedures for the Supervisory Committee, and formulated the Management Measures for the Special Fees of Three Meetings. Please refer to the circular to the shareholders of the Company dated 9 April 2009 which was published on the websites of HKEx and the Company. Meanwhile, the Company also continuously reviewed and amended the terms of reference of the specialised committees; and management rules in relation to dealings in securities, information disclosure, internal audit and financial management and reporting, to further define the duties, authorities and conduct standards of various parties. In March 2010, the Board considered and approved the Responsibility System for Major Errors in Information Disclosure in Annual Reports, which further increased the accountability of person responsible for information disclosure. The system will help enhance the information disclosure quality in annual reports and the Company's transparency.

Sound corporate governance goes beyond meeting the regulatory authorities' basic requirements for listed companies' operations. More importantly, it calls for meeting the Company's internal development needs. The Company is committed to enhancing the effectiveness of the Board's operation based on a regulated operation so as to promote the stable and sustainable development of the Company. Meanwhile, the Company strives to enhance shareholder value, maintain exchanges of ideas and communication with investors as well as emphasising and respecting the needs of stakeholders. For details, please refer to the content of other parts in the section "Corporate Governance Report" and the content in the section "Social Responsibility Report" of this annual report.

Appendix: The Company's adoptions of the provisions of the Code on Corporate Governance Practices

| Code provision | Compliance | Content index of this annual report | | |
|---|------------|---|---|---|
| A. Directors | | | | |
| A.1.1 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| A.1.2 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| A.1.3 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| A.1.4 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| A.1.5 | √ | Corporate Governance Practice Report | I. Board III. Specialised Committees of the Board | 3. Procedures |
| A.1.6 | √ | Corporate Governance Practice Report | I. Board III. Specialised Committees of the Board | 3. Procedures |
| A.1.7 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| A.1.8 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| A.2.1 | √ | Corporate Governance Practice Report | I. Board | 1. Responsibilities and Division of Work |
| A.2.2 | √ | Corporate Governance Practice Report | I. Board | 1. Responsibilities and Division of Work |
| A.2.3 | √ | Corporate Governance Practice Report | I. Board | 1. Responsibilities and Division of Work |
| A.3.1 | √ | Shareholders and Investor Relations | II. Investor Relations | 1. Information Disclosure |
| A.4.1 | √ | Corporate Governance Practice Report | II. Directors | 1. Appointment |
| A.4.2 | √ | Corporate Governance Practice Report | II. Directors | 1. Appointment |
| A.5.1 | √ | Corporate Governance Practice Report | II. Directors | 2. Support for Performance of Duties |
| A.5.2 | √ | Corporate Governance Practice Report | I. Board II. Directors III. Specialised Committees of the Board | 2. Composition 4. Independent Directors and their Independence |
| A.5.3 | √ | Corporate Governance Practice Report | II. Directors | 3. Performance of Duties in the Year |
| A.5.4 | √ | Corporate Governance Practice Report | II. Directors | 6. Securities Transactions by Directors |
| A.6.1 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| A.6.2 | √ | Corporate Governance Practice Report | I. Board II. Directors | 3. Procedures 2. Support for Performance of Duties |
| A.6.3 | √ | Corporate Governance Practice Report | I. Board | 3. Procedures |
| B. Remuneration of directors and senior management | | | | |
| B.1.1 | √ | Corporate Governance Practice Report Report of the Remuneration Committee | III. Specialised Committees of the Board | 3. Remuneration Committee |
| B.1.2 | √ | Corporate Governance Practice Report | II. Directors I. Board | 3. Performance of Duties in the Year 3. Procedures |
| B.1.3 | √ | <i>The full text of the terms of reference for the Remuneration Committee can be found on the website of the Company.</i> | | |
| B.1.4 | √ | <i>The full text of the terms of reference for the Remuneration Committee can be found on the website of the Company.</i> | | |
| B.1.5 | √ | Corporate Governance Practice Report | I. Board II. Directors III. Specialised Committees of the Board | 3. Procedures 2. Support for Performance of Duties |

6 Corporate Governance Practice Report

| Code provision | Compliance | Content index of this annual report | | |
|---|------------|--|---|---|
| C. Accountability and audit | | | | |
| C.1.1 | √ | Corporate Governance Practice Report | I. Board II. Directors | 3. Procedures 2. Support for Performance of Duties |
| C.1.2 | √ | Corporate Governance Practice Report | IV. Accountability and Audit Supervision | |
| C.1.3 | √ | Shareholders and Investor Relations | II. Investor Relations | 1. Information Disclosure |
| C.2.1 | √ | Corporate Governance Practice Report Self-assessment Report on Internal Control | V. Internal Control System | |
| C.2.2 | √ | Self-assessment Report on Internal Control | II. Description of Internal Control System | |
| C.3.1 | √ | Corporate Governance Practice Report | III. Specialised Committees of the Board | |
| C.3.2 | √ | Directors, Supervisors and Senior Management | | |
| C.3.3 | √ | <i>The full text of the terms of reference for the Audit Committee can be found on the website of the Company.</i> | | |
| C.3.4 | √ | <i>The full text of the terms of reference for the Audit Committee can be found on the website of the Company.</i> | | |
| C.3.5 | √ | N/A | | |
| C.3.6 | √ | Corporate Governance Practice Report | I. Board II. Directors III. Specialised Committees of the Board | 3. Procedures 2. Support for Performance of Duties |
| D. Delegation by the Board | | | | |
| D.1.1 | √ | Corporate Governance Practice Report | I. Board | 1. Responsibilities and Division of Work |
| D.1.2 | √ | Corporate Governance Practice Report | I. Board VI. Conclusion | 1. Responsibilities and Division of Work |
| D.2.1 | √ | Corporate Governance Practice Report | III. Specialised Committees of the Board | |
| D.2.2 | √ | Corporate Governance Practice Report | III. Specialised Committees of the Board | |
| E. Communication with shareholders | | | | |
| E.1.1 | √ | Shareholders and Investor Relations | I. General Meetings | |
| E.1.2 | √ | Shareholders and Investor Relations | I. General Meetings | |
| E.1.3 | √ | Shareholders and Investor Relations | I. General Meetings | |
| E.2.1 | √ | Shareholders and Investor Relations | I. General Meetings | |

Shareholders and Investor Relations

The Company strives to ensure that all shareholders, especially minority shareholders, are able to fully exercise their rights and on an equal basis. Meanwhile, the Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Group is devoted to facilitating continuous growth of its value and continuously enhancing its ability of wealth creation for its shareholders as its operating objectives, while asserting to reward its shareholders.

I. General Meetings

The general meeting is the institution vested with the supreme authority of the Company, where duties and powers are exercised in accordance with the laws to make decisions on significant matters of the Company. According to the regulations of the Articles and the attachments to the Articles, subject to the stipulated procedures and requirements, shareholders individually or collectively holding 10% or more of the voting shares are entitled to request the Board to convene an extraordinary general meeting or a class shareholder meeting, while shareholders individually or collectively holding 5% or more of the voting shares are entitled to propose new motions at the annual general meeting.

Each annual or extraordinary general meeting provides a channel of direct communication between the Board and the shareholders of the Company. Therefore, the Company puts high regard to the general meeting and all the Directors and the senior management are requested to make their best effort to attend. At the general meetings, all shareholders are entitled to raise questions to Directors regarding issues about the Group's business operation and results. During the Reporting Period, the Chairman of the Company attended the annual general meeting and all extraordinary general meetings. All chairmen of the specialised committees under the Board attended the annual general meeting to answer shareholders' questions when necessary.

The Company encourages all shareholders to attend the general meeting and the notice on convening a general meeting is issued 45 days prior to the date of the meeting. Information to facilitate their decision making is provided to shareholders in appropriately disclosed and presented formats in accordance with different regulatory requirements and reading habits of investors in different securities markets. In the notice, the Company discloses in details the procedures for shareholders to attend the general meeting in person or by proxy as well as contact methods to address shareholders' enquiries. A shareholder who is unable to attend the general meeting in person may make decision based on such information and appoint his or her proxy (whether a shareholder of the Company or not) to attend and vote at the general meeting.

Details of the general meetings convened by the Company in the year 2009 are as follows:

| Session number | Date convened |
|---|----------------|
| The First Extraordinary General Meeting 2009 | 15 April 2009 |
| The 2008 Annual General Meeting | 26 May 2009 |
| The Second Extraordinary General Meeting 2009 | 10 August 2009 |

The following matters were considered and approved as ordinary resolutions for the year 2009:

- ◆ The report of the Directors, the report of the Supervisory Committee and the audited financial report for the year 2008;
- ◆ The profit distribution scheme for the year 2008;
- ◆ The budget plan for the year 2009;
- ◆ Re-appointment of international auditors and statutory auditors;
- ◆ Formulation of "Management Measures for the Special Fees of the Three Meetings";
- ◆ Appointment of shareholders' representative Supervisors

The following matters were considered and approved as extraordinary resolutions:

- ◆ *The granting of a general mandate to the Board to issue debenture-typed financial tools denominated in Renminbi*
- ◆ *Amendment of the Articles and the appendices thereof*

The above-mentioned meetings were held at the conference room of the Company. For details of the relevant resolutions and the consideration and approval thereof, please refer to the related disclosure of information.

II. Investor Relations

The Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Company establishes a smooth communication channel with investors and enhances mutual trust and interaction based on good information disclosure and initiating various investor relations activities.

1. Information Disclosure

Information disclosure is not merely an ongoing responsibility and obligation that a listed company must fulfill. Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the basic principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and listing rules, and fulfilling the information disclosure obligations in a timely and accurate manner. When different requirements occur in Hong Kong and Shanghai capital markets, the Company compiles its documents and discloses information according to a principle of "disclosing more instead of less content; complying with stringent instead of lenient requirements." On this basis, the Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns, so as to enhance the quality of the Company's information disclosure and to increase its transparency.

In 2009, the Company timely announced its annual and interim results, released 57 announcements and simultaneously disclosed 57 information documents released in the A share market disclosing, in an objective and detailed manner, the following information of the Company: operating results, daily operation, investment and financing activities, operations of the Board, the Supervisory Committee and general meetings, appointment and engagement of senior managements, warrants and shareholders' interest, and so forth. The Company has on its own accord started to disclose its monthly operational statistics in the form of announcements since 2008. The Company also maintained to provide in-depth and comprehensive analyses on its operating and financial status as well as the major factors affecting its business performance in its annual reports, in addition to information on various risks faced by the Company in its operating activities and the coping measures, with a view to strengthening investors' understanding about the operations, management, and development trends of the Company.

During the Reporting Period, the Company amended the "Rules Governing Information Disclosure Matters" to supplement the registration system regarding persons having access to the insider information, which further will strengthen the management of the insider information. Such system was effectively implemented during the Reporting Period.

2. Investor Relations Activities

The Company believes that effective two-way communication can, on the one hand, convey information which investors are concerned with so as to boost their confidence in the Company's future development, and on the other hand help the Company to extensively collect feedback from the market to elevate the standards of the Company's governance and operations management. In organizing investor relations activities, the Company mainly adopts the following approaches:

- ◆ Announcing the investor hotline and investor relations email box, and promptly responding to investors' enquiries. In 2009, the Company replied over 800 investors' enquiries through telephone or email.

*Investor hotline: (86) 755-8285 3330;
IR email box: ir@sz-expressway.com*

- ◆ Regular meetings with investors and analysts. In 2009, the Company received 21 investor visits involving about 50 visitors.
- ◆ Conducting various presentation activities, including organising results presentations, press conferences, online exchange meetings, roadshows and reverse roadshows. The Company also participated in different investor forums for face-to-face interactions with investors. Details of various presentation activities of the Company during 2009 are as follows:

| | |
|--------------|--|
| January | Participated in "Access China Conference 2009" organised by the Deutsche Bank in Beijing. |
| February | Participated in "Transport Corporate Day" organised by the BNP Paribas Securities (Asia) Ltd in Hong Kong. |
| April | Held annual results presentations and press conferences in Hong Kong and Shenzhen, and organised roadshows in Hong Kong. Held online exchange meetings for investors. |
| August | Held interim results presentations and press conferences in Hong Kong and Shenzhen, and organised roadshows in Hong Kong. |
| October | Organised roadshows in Hong Kong. Held online exchange meetings for investors. |
| November | Participated in "China Investment Frontier Conference" organised by Goldman Sachs Securities in Beijing. |
| December | Participated in "Asia-Pacific Infrastructure & Transportation Conference" Organised by Macquarie in Hong Kong. |
| January 2010 | Organised 2009 reverse roadshow. |

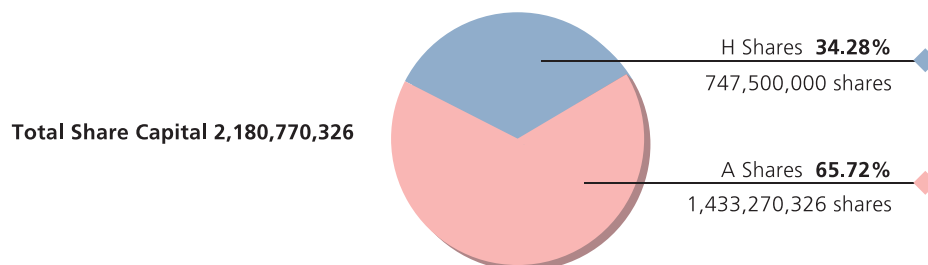
- ◆ Regularly despatching investor newsletters on the operations and developments of the Group. Since the second half of 2008, the Company has adopted "E-newsletter" as a means to communicate with investors, regularly presenting investors the operating performance of the Company and movements in the industry. It also responds to issues which concern investors through columns such as interviews with management and hot topics. The Company published a total of 4 "E-newsletters" in 2009. Apart from despatched by means of email, "E-newsletter" is also uploaded to the Company's website for investors' access at any time.
- ◆ Investors and the public may check out information such as the Group's basic information, rules for corporate governance, information disclosure documents, profiles of Directors, Supervisors and the senior management and monthly operating performance at any time on the Company's website. The Company's website provides a fair, environmental-friendly and low-cost communication channel, and as such the Company will further strengthen the management and development of its content, with a view to providing richer and more timely information to investors.

Company's website: <http://www.sz-expressway.com>

III. Profile of Share Capital

1. Basic Information of Share Capital

- ◆ The Company was established on 30 December 1996 with a total share capital of RMB1,268,200,000.
- ◆ In March 1997, the Company issued 747,500,000 H Shares, which were listed on HKEx on 12 March 1997 (stock code: 00548). The total share capital of the Company increased to RMB2,015,700,000.
- ◆ In December 2001, the Company issued 165,000,000 A Shares, which were listed on SSE on 25 December 2001 (stock code: 600548). The total share capital of the Company increased to RMB2,180,700,000.
- ◆ The Share Segregation Reform of the Company was completed in February 2006. The total number of shares held by the holders of former non-circulating shares of the Company decreased from 1,268,200,000 shares to 1,215,400,000 shares, with the nature of such shares changed from non-circulating shares to restricted circulating A Shares, and the total number of non restricted circulating A Shares increased from 165,000,000 shares to 217,800,000 shares. The total number of shares of the Company remained unchanged.
- ◆ On 2 March 2009, 1,215,400,000 restricted circulating A Shares was released restriction to circulate. The total number of shares of the Company remained unchanged.



- ◆ In October 2009, The Company issued 70,326 A Shares upon the exercise of warrants. The total number of shares of the Company increased to RMB2,180,770,326.

2. Movements of Shares

During the Reporting Period, due to the listing of circulating shares which are subject to sale restrictions and the exercise of warrants, there were changes in the Company's share structure and the total number of shares, details of which are as follows:

Table of movements of shares:

| | Prior to the movement | | Increase or decrease of the movement (+,-) | | | | | After the movement | |
|---|-----------------------|-------------|--|-------------|-----------------------|-------------------------------|----------------|----------------------|-------------|
| | Number | Ratio | ⁽¹⁾ Issue of new shares | Bonus issue | Conversion of reserve | ⁽²⁾ Others | Sub-total | Number | Ratio |
| 1. Restricted circulating shares | | | | | | | | | |
| a. Shares held by the State | 654,780,000 | 30.03% | — | — | — | ⁽²⁾ -654,780,000 | -654,780,000 | — | — |
| b. Shares held by state-owned legal persons | 560,620,000 | 25.70% | — | — | — | ⁽²⁾ -560,620,000 | -560,620,000 | — | — |
| 2. Non-restricted circulating shares | | | | | | | | | |
| a. Renminbi-denominated ordinary shares | 217,800,000 | 9.99% | ⁽¹⁾ +70,326 | — | — | ⁽²⁾ +1,215,400,000 | +1,215,470,326 | 1,433,270,326 | 65.72% |
| b. Overseas-listed foreign shares | 747,500,000 | 34.28% | — | — | — | — | — | 747,500,000 | 34.28% |
| 3. Total number of shares | 2,180,700,000 | 100% | ⁽¹⁾ +70,326 | — | — | — | +70,326 | 2,180,770,326 | 100% |

Note:

- (1) On 9 October 2007, the Company issued Bonds with Warrants of RMB1,500 million. The subscriber of each Bond with Warrants has received 7.2 warrants from the Company and a total of 108 million warrants were issued. Such warrants should be exercised from 23 October 2009 to 29 October 2009. The conversion price of the warrants was RMB13.23 per share and the conversion ratio is 1:1. During the Exercise period, an aggregate of 70,326 warrants were successfully exercised. The Company in turn issued 70,326 shares to the warrant holders, raising a capital of RMB930,000. Such shares were listed on the trading day following the exercise of warrants.
- (2) The circulating shares of the Company originally subject to sale restrictions were all released from the sale restrictions on 2 March 2009.

3. Public Float

Based on the publicly available information known to the Directors, the Board believes that the Company has maintained a sufficient public float as at the latest practicable date prior to the printing of this annual report.

4. Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Period, the circulating market capitalisation of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$3.82)) was HK\$2.855 billion and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB5.94)) was RMB8.514 billion.

IV. Profile of Shareholders

1. General Information of Shareholders

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, the Company had 45,444 shareholders in total, including 45,141 holders of domestic shares and 303 holders of H Shares. The information of the top ten holders of non-restricted circulating shares of the Company was as follows:

Information of the top ten holders of non-restricted circulating shares:

| Name of Shareholder | Number of non-restricted circulating shares held (share) | Type of shares |
|--|--|----------------|
| ⁽¹⁾ HKSCC Nominees Limited | 677,115,098 | H Share |
| XTC Company | 654,780,000 | A Share |
| ⁽²⁾ SGH Company | 411,459,887 | A Share |
| Huajian Centre | 87,211,323 | A Share |
| GDRB Company | 61,948,790 | A Share |
| Kingboard Investments limited | 30,982,000 | H Share |
| Au Siu Kwok | 11,000,000 | H Share |
| Ip Kow | 11,000,000 | H Share |
| Kingboard Chemical Holdings limited | 6,936,000 | H Share |
| BOC - China AMC Sector Selected Securities Investment Fund (LOF) | 5,133,698 | A Share |

Note:

- (1) The H Shares held by HKSCC Nominees Limited were held on behalf of various clients.
- (2) SGH Company pledged 200,000,000 shares among its domestic shares of the Company to China Merchants Bank, Shenzhen Xingheshiji Branch as security of a bank loan, and relevant registration procedures related to the pledge was completed on 27 June 2008. On 18 February 2009, the procedures relating to the registration of the release of pledge of above-mentioned shares were completed. For details thereof, please refer to the announcements dated 30 June 2008 and 20 February 2009 respectively.



2. Disclosure of Interests

As at 31 December 2009, so far as is known to the Directors, Supervisors and senior management of the Company, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company:

| | (1) Number of domestic shares | Approximate percentage of total issued domestic share capital | Approximate percentage of total issued share capital |
|---------------------------------|-------------------------------|---|--|
| SIHCL | (4) 1,066,239,887 | 74.39% | 48.89% |
| SIHC | (4) 1,066,239,887 | 74.39% | 48.89% |
| Ultrarich International Limited | (4) 1,066,239,887 | 74.39% | 48.89% |
| (2)Shenzhen International | (5) 1,066,239,887 | 74.39% | 48.89% |
| New Vision Limited | (5) 1,066,239,887 | 74.39% | 48.89% |
| Shenzhen International Limited | (5) 1,066,239,887 | 74.39% | 48.89% |
| (3)XTC Company | (6) 654,780,000 | 45.68% | 30.03% |
| (3)SGJ Shenzhen | (5) 411,459,887 | 28.71% | 18.87% |
| (3)SGH Company | (6) 411,459,887 | 28.71% | 18.87% |
| (3)Huajian Centre | (6) 87,211,323 | 6.08% | 4.00% |

Long positions or short positions in the H Shares of the Company:

| | (7) Number of H shares | Approximate percentage of total issued H share capital | Approximate percentage of total issued share capital |
|---------------------------------------|------------------------|--|--|
| The Real Return Group Limited | (8) 60,456,000 | 8.09% | 2.77% |
| Veritas Asset Management (UK) Limited | (8) 59,298,000 | 7.93% | 2.72% |
| SIHCL | (9) 43,536,000 | 5.82% | 2.00% |
| SIHC | (9) 43,536,000 | 5.82% | 2.00% |
| Ultrarich International Limited | (9) 43,536,000 | 5.82% | 2.00% |
| Shenzhen International | (9) 43,536,000 | 5.82% | 2.00% |
| New Vision Limited | (9) 43,536,000 | 5.82% | 2.00% |
| Shenzhen International Limited | (9) 43,536,000 | 5.82% | 2.00% |
| Successful Plan Assets Limited | (9) 43,536,000 | 5.82% | 2.00% |
| Advance Great Limited | (9) 43,536,000 | 5.82% | 2.00% |

Note:

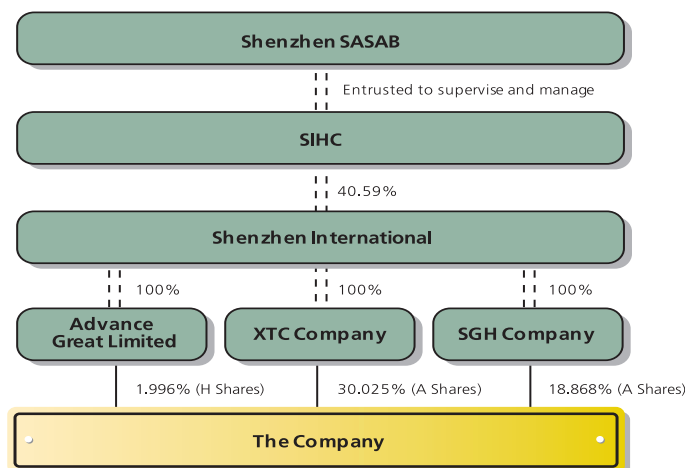
- (1) Circulating shares listed on SSE.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- (3) Limited company incorporated under the laws of the PRC.

- (4) Interests of controlled corporations owned through Shenzhen International. As at 31 December 2009, SIHC was interested in 40.59% of Shenzhen International, including holding directly 6.39% of shares of Shenzhen International and holding indirectly 34.20% of shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Pursuant to the SFO, SIHC and Ultrarich International Limited were deemed to be interested in shares of the Company owned by Shenzhen International. Pursuant to the arrangement of the Shenzhen Municipal Government, SIHC will be merged with SIHCL and on 15 October 2009, SIHC (as transferor) and SIHCL (as transferee) entered into share transfer agreement, to transfer all issued share of Ultrarich International Limited, which was not completed as at 31 December 2009. Pursuant to the SFO, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.
- (5) Interests of controlled corporations. SGH is a wholly-owned subsidiary of SGJ Shenzhen. XTC Company and SGJ Shenzhen are wholly-owned subsidiaries of Shenzhen International Limited. Shenzhen International Limited is a wholly-owned subsidiary of New Vision Limited. New Vision Limited is a wholly-owned subsidiary of Shenzhen International. Among the 1,066,239,887 domestic shares, 654,780,000 domestic shares were long positions held directly by XTC Company as beneficial owner and 411,459,887 domestic shares were long positions held directly by SGH Company as beneficial owner.
- (6) Long positions held directly as beneficial owner.
- (7) Shares listed on the main board of HKEx.
- (8) These 60,456,000 H Shares were interests of controlled corporations of The Real Return Group Limited, including 59,298,000 shares of long position held directly by Veritas Asset Management (UK) Limited.
- (9) Interests of controlled corporations owned through Advance Great Limited and long positions directly held by Advance Great Limited as beneficial owner. Advance Great Limited is a wholly-owned subsidiary of Successful Plan Assets Limited. Successful Plan Assets Limited is a wholly-owned subsidiary of Shenzhen International Limited. For the relations between SIHCL, SIHC, Ultrarich International Limited, Shenzhen International, New Vision Limited and Shenzhen International Limited, please refer to notes (4) and (5).

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2009.

3. Information of Substantial Shareholders

At the end of the Reporting Period, Shenzhen International held indirectly a total of 50.889% of the Company's shares, of which 654,780,000 A Shares held were through XTC Company, representing approximately 30.025% of the total share capital of the Company; 411,459,887 A Shares were held through SGH Company, representing approximately 18.868% of the total share capital of the Company; 43,536,000 H Shares were held through Advance Great Limited, representing approximately 1.996% of the total share capital of the Company.



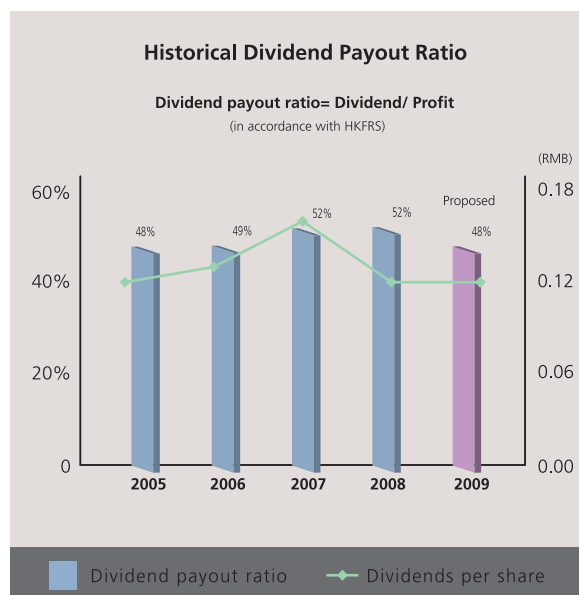
Shenzhen International is a company incorporated on 22 November 1989 in Bermuda with limited liability and is listed on the main board of HKEx. Shenzhen International had issued a total share capital of HK\$1,414,192,947.50 as at 31 December 2009. It is principally engaged in investment holding. The Group, comprising the company, its subsidiaries, jointly controlled entities and associates, is principally engaged in the provision of logistics infrastructure and ancillary services as well as investment, operation and management of related assets and projects. The de-facto controller of Shenzhen International is Shenzhen SASAB, holds approximately 40.59% issued share capital of Shenzhen International through its authorized institution, SIHC. Shenzhen Investment Holding Corporation is a public-owned enterprise under Shenzhen Municipal Government. Shenzhen SASAB is the capital contribution and is responsible for its supervision and management. Pursuant to the arrangement of the Shenzhen Municipal Government, SIHC will be merged with SIHCL.

XTC Company and SGH Company are substantial shareholders of the Company. Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the reporting period, apart from XTC Company and SGH Company, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.

The Group has maintained separation and independence from the substantial shareholders and the controlling shareholders in terms of business, staff, assets, institution and finance, possessing independent and integral businesses and the capability of independent operation. As substantial shareholders or controlling shareholders of the Company, the above-mentioned companies have never been involved in any acts of by-passing the general meetings in ultra vires interference, whether direct or indirect, with the Company's decision-making or operations.

V. Shareholder Return

The Company insists in rewarding its shareholders with high return ever since its flotation, underpinned by the payment of cash dividends for 12 consecutive years with an aggregate dividend payment of approximately RMB2.81 billion.



The Board recommended the payment of a cash dividend of RMB0.12 per share for the year 2009, representing 48.4% of the earning per share. Please refer to the "Profit Distribution" under "Financial Analysis" of this annual report for details. The Board will maintain a consistent dividend payout policy in the years ahead in consideration of both the long-term interest of the Company's investors and for their benefit of current gains.

Self-assessment Report on Internal Control

I. Introduction

It is the responsibility of the Board and the management of the Company to establish sound internal control and implement the same effectively. The objectives of the Company's internal control are: to reasonably ensure that the operation and management of the Company are compliant with laws and regulations, assets are safe, and financial reports and the relevant information thereof are truthful and complete, thereby enhancing operating efficiency and effectiveness and enabling the Company's realisation of its development strategies.

Given that internal control has its inherent limitations, it can only provide a reasonable assurance for achieving the aforesaid objectives. Also, the effectiveness of internal control may also vary with changes in the Company's internal and external environment as well as in its operating conditions. A check and supervision mechanism has been established for the Company's internal control, under which rectification measures will be taken immediately upon identification of any deficiency in internal control.

II. Description and Appraisal of Internal Control System

In establishing and improving the internal control system as well as maintaining its effectiveness, the Company has considered five basic elements, namely the control environment, risk assessments, control activities, information and communication, and supervision. For 2009, the Board's self-assessments on each element of the Company's internal control system are as follows:

1. Control Environment

- ◆ After three years of continuous efforts, the Company has introduced the Excellent Performance Management Model fully, and has been awarded the "Shenzhen Mayor's Quality Award 2009".
- ◆ The Company has a clear governance structure with regulated operation. The Board is composed of Directors with appropriate knowledge, skills and qualities, with a generally sound overall structure and division of duties.
- ◆ The management has set forth the value on integrity and stable development, and promoted integrity and ethical standards to staff by setting examples of their own deeds. Corresponding appraisal and reward and punishment systems have been established. In 2009, the Board introduced the Anti-fraudulent Work Regulation to regulate the professional conduct of the Directors and all staff based on the anti-fraudulent experience of the Company accumulated through the years.
- ◆ The Company has set medium/long-term strategies, and established a strategic objective-based performance incentive regime.
- ◆ The Company's organisational structure and its allocation of authorities and responsibilities are basically rational with corresponding authorisation documents. It can timely adjust post establishments and division of duties according to business development needs.
- ◆ In September 2009, the Company passed the re-certification of ISO9000.
- ◆ In 2009, the Company introduced a series of human resources management systems, including post regime management, to enhance its human resources management regime. However, a long-term incentive regime has not been established by the Company.
- ◆ The Company has established work processes to identify the laws and regulations that must be complied with, and has recorded such compliance requirements in the know-how inventory of its communication platform with continuous updates.



2. Risk Assessments

- ◆ In 2009, various departments and business units of the Company prepared their annual risk management plans in accordance with the requirements of the Procedures for Risk Control Management; identified and evaluated various risk items affecting the realisation of their respective annual targets; set up relevant risk response measures; and reviewed and evaluated the status of the implementation of their respective risk management plans at the end of the year. In the course of operation, the Company continued the systematic collection of relevant internal and external information and conducted analyses of its internal operations on a regular basis, with the aims to timely discover new changes, implement dynamic risk identification and risk analysis, and make timely adjustments to risk response strategies.
- ◆ In November 2009, the Company engaged consultants to provide specialised training on internal control and risk management for its middle and senior management and internal auditors, which laid the foundation for the self-assessment tests on internal control.
- ◆ In 2009, the Investment Department and the Audit Department conducted the post-assessment of certain investment projects and timely concluded the experience and lesson learnt by the Company from the investment in highway projects. The post-assessment helps to continuously enhance the risk management level of project investment.

3. Control Activities

In rolling out the Excellent Performance Management Model, with reference to the 11 core values under the Excellent Performance Management Model as well as the requirements stipulated in the ISO9000 Quality Management System, the Company established and enhanced the corporate management documentation system including the Rules on Corporate Governance (《公司治理規則》), the Employee Manual (《員工手冊》), the Quality Manual (《質量手冊》), the Procedures Document (《程序文件》) and the Work Document (《工作文件》), covering essential management aspects of various operations, including investment management, project construction, maintenance and repair, toll collection management, know-how and information management, financial management, human resources management, information disclosure management, subsidiaries management and internal audit.

From late 2008 to mid 2009, the Company appointed an intermediate advisor, Deloitte Touche Tohmatsu, to re-organise and re-examine in detail the operations procedures relating to controls on the corporate level, the operational level and the information technology level based on the existing management documentation system in accordance with Internal Control of Enterprises - Basic Principles (《企業內部控制基本規範》) jointly issued by the five ministries of the PRC and the requirements set out in various implementation guidelines for internal control. The Company also completed the formulation of the Management Manual on Internal Control (《內部控制管理手冊》) in 2009. In organising the internal control procedures, the Company has timely arranged for rectification against the defects in respect of internal system design. During the Reporting Period, such rectification arrangements were basically completed.

Major control activities of the Company are described as follows:

- ◆ **Internal control over significant investment:** The Company has conducted the study and preparation of external investment proposals in accordance with its development strategies. The Investment Department was designated to assess areas such as feasibility, investment risk and investment return of the Company's significant investment projects, supervise the progress of such projects, and report to the management of the Company and the Board on the progress, effectiveness and exceptional circumstances of the investment projects on an irregular basis. The internal control over significant investment of the Company is compliant with the Management Rules for Highway Project Investments formulated by the Company, and in accordance with the corresponding approval procedures under the investment approval authorities as stipulated in the Listing Rules and the Articles of Association. In addition, the Risk Management Committee of the Company has formulated the Risk Management Manual for Highway Project Investments to regulate the project investment proposals, list of investment risks, financial analysis models and post-assessment reports on investment, and strengthen the analysis and research on investment risks and investment efficiency.
- ◆ **Internal control over connected transactions:** The Company has prepared and updated regularly a list of connected parties in accordance with the requirements of regulatory authorities in respect of connected transactions management. The Company has identified timely any possible connected transaction by making comparison to the list of connected parties, and implemented the necessary decision-making procedures strictly. The Rules on Corporate Governance, such as the Articles of Association, have stipulated the approval authorities for connected transactions that all connected shareholders and Directors shall abstain from voting when a connected transaction is considered at a general meeting and Board meeting. In 2009, the relevant Directors followed the principle of abstaining from meeting and abstained from voting when the Board of the Company considered the connected transactions in respect of the acquisition of equity interest and the acceptance of entrusted management. The Independent Directors expressed their opinions on the compliance and fairness of such transactions and provided written opinions. The Company also complied timely with its information disclosure obligations.
- ◆ **Internal control over external guarantees:** The Articles of Association has defined the approval authorities for external guarantees of general meeting and Board meeting. The Company has also formulated the Management Rules for Corporate Guarantees (《公司擔保管理制度》). Review and amendments were made in 2009 to define the Company's principle of external guarantees, approval authorities, risk assessment and review procedures. In 2009, the Company did not have any external guarantee.
- ◆ **Internal control over derivatives trading:** The Company formulated the terms on internal control for derivatives business in 2009, including trading principle, approval procedures, risk assessment, regular record and warning and supervision, etc.
- ◆ **Management control over invested enterprises:** The Company has managed its subsidiaries and other invested enterprises in accordance with the requirements of Guidelines for Internal Control of Listed Companies, guided and urged its subsidiaries to establish corresponding internal control systems. The Company has formulated the Management Rules for Delegated Representatives, pursuant to which a management mechanism with regular reporting and significant events reporting has been adopted for the delegated representatives of invested enterprises. The delegated representatives shall submit monthly work reports and financial information, and report timely upon occurrence of significant events such as significant change in personnel, change in political environment, external investment and guarantees, change in significant accounting policies and accounting estimates and significant off-budget expenditure.

- ◆ **Management control over use of proceeds:** In 2009, the Company amended the Management Rules for Use of Proceeds and developed detailed provisions on the deposit, use, change in use and management and supervision of proceeds in accordance with external regulatory requirements. The Company has prepared the 2009 Annual Specific Report on the Deposit and Use of Proceeds (《年度募集資金存放與使用情況的專項報告》), in which the Board, the Supervisory Committee, the sponsors and the auditors have expressed their respective opinions or issued review reports in this regard.

4. Information and Communication

(1) Internal information and communication

- ◆ The management managed to report timely to the Board on important or sensitive information and extraordinary matters regarding the Company.
- ◆ The Company convened regular weekly and monthly meetings for management members and convened President Working Meetings when necessary. In 2009, the Company further improved the way of reporting at meetings and defined the focuses of reporting to increase the efficiency of meetings.
- ◆ The management and the relevant functional departments were timely provided with various regular reports and specific analysis reports of the Company on the operation, project construction and financial management.

(2) External information and communication

- ◆ The Company has devised the Rules Governing Information Disclosure Matters and amended the rules timely to regulate the work duties and procedures of the Company's departments and business units on information collection, disclosure, flow and confidentiality. During the Reporting Period, the rules were effectively executed to ensure the truthfulness, accuracy, completeness, timeliness and fairness of information disclosure. Meanwhile, the Company has enriched the content for voluntary information disclosure while promoting a full understanding of the operations and development prospects of the Company by investors and the public through timely update of the Company's website and the conduct of a wide variety of investor relations activities.
- ◆ The Company has assigned specific staff to collect, process and analyse external information in order to compile reports for internal circulation. Meanwhile, the Company has established an investor hotline and customer enquiry and complaint hotlines to conscientiously handle opinions and suggestions made by investors and customers, and to identify possible management shortcomings therefrom.

5. Supervision

(1) Day-to-day management supervision

- ◆ The Company has established a documentation system for management supervision. Specific chapters in the Quality Manual have detailed the major work on the Company's organisation plan as well as the monitoring, testing, analysis and improvement on the implementation of the plan. The detailed implementation of the supervision was regulated through certain procedural documents. The establishment of these documents has greatly facilitated the management's continuous supervision and assessment of the Company's production and operation processes.

- ◆ The Company has established the Standards Management Department as internal quality control department. To fully examine the compliance of the internal control system of the Group, the Company conducted comprehensive tests on internal control manual at its headquarter and two subsidiaries, namely Qinglian Company and Advertising Company from November 2009 to March 2010. The Standards Management Department will issue written reports on the deficiencies in internal control or incompliance identified in the tests, urge the relevant departments and management to rectify the situation, and follow up the results of the rectification measures.

(2) Independent supervision of the Audit Department

- ◆ The Company's Audit Department has been established since August 2000. Based on the Group's operational characteristics, management status and risks analysis results, the Audit Department timely carries out in-depth specific audits on key operation aspects and high-risk areas of the Company to supervise and evaluate the scientific rationality, operational effectiveness and management efficiency of the Company's internal control system design.
- ◆ Audited items performed by the Audit Department in 2009 included: specific audit on Nanguang construction project settlement, audit on internal control management of Qinglong Company, specific audit on road assets maintenance management and specific audit on performance management. The audit reports and relevant management recommendations were submitted to the Audit Committee for consideration. The Audit Department has made a total of 49 recommendations for improvement, of which 96% was adopted.
- ◆ The Audit Department has reviewed all the periodic reports compiled by the Company in 2009. It has reviewed the preliminary drafts of the periodic reports with reference to compliance with statutory disclosure rules and completeness and accuracy of the disclosed matters; and submitted internal review reports to the Audit Committee. As part of the review of periodic reports, the Audit Department has also conducted independent test and examination on the Company's compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the HKEx, the Rules Governing Information Disclosure Matters (《信息披露事務管理制度》) and the Rules Governing Information Disclosure Matters and the Management Rules for Preparation of Financial Statements (《財務報表編制管理辦法》) of the Company and the relevant internal control system on specific accounting in 2009.

III. Major Issues Requiring Attention and Improvement

As at 31 December 2009, the Company did not identify any significant deficiencies in internal control after its comprehensive examination and test on the internal control system, and the specific audit and independent examination of the Audit Department. Based on the examination, evaluation and rectification results in relation to deficiencies in internal control, the following major issues require the continuous attention and improvement of the Company:

1. A long-term incentive regime has not been established. The Company will timely supplement and improve its human resources management and incentive systems and procedures according to changes in the regulatory environment and the Company's own development needs.
2. Management rules for entrusted construction business have not been formulated. The Company plans to regular the procedures for the management and appraisal of proposal work, preliminary negotiation, contract preparation, review and execution. Currently, the draft of Control Procedures for Entrusted Construction Business Management (《代建業務管理控制程序》) has been completed, subject to further refinement before its formal introduction.



IV. Overall Assessment

The Board has conducted self-assessment of all the aforesaid aspects of internal control in 2009. No significant deficiencies were discovered in the design or implementation of the internal control of the Company. Through a basic assessment on the various key elements in the internal control system and through various internal audit and assessment work conducted in 2009, as well as the ongoing reviews carried out over the years, the Board of the Company is of the view that from 1 January 2009 to the end of the Reporting Period, the Company's internal control system and its implementation were basically sound and effective; were able to cater for the needs of the Company's corporate governance, operation, construction, investment, finance and administrative personnel management; and were able to provide reasonable assurance on compiling true and fair financial statements as well as thorough compliance with the relevant laws and regulations.

V. Consideration and Verification

This report was considered and approved at the Company's twelfth meeting of the fifth session of the Board on 19 March 2010. The Board of the Company and all its members severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of the report. The Company did not engage any accountants to conduct verification and evaluation of the internal control situation of the Company for the Year.

By Order of the Board

Yang Hai

Chairman

Shenzhen, PRC, 19 March 2010

The Audit Committee held five meetings in 2009, and held two meetings in early 2010 (up to the signing date of this report), to perform its work duties. The Audit Committee hereby reports the major tasks in the said period as follows:

1. Amendment of Related Work Rules

In 2009, the Audit Committee reviewed and amended the Rules for Reviewing the Annual Financial Report by the Audit Committee and the Terms of Reference of the Audit Committee respectively in accordance with the requirements of securities regulatory authorities and based on the actual situation, and the amendments were considered and approved by the Board. The Terms of Reference of the Audit Committee as amended mainly increased the areas of concern in the review of the internal control system by the Audit Committee, including the consideration of the sufficiency of the Company's resource, staff qualification and experience in accounting and financial reporting, and the adequacy of training provided to the staff and the relevant budget.

2. Review of Periodic Financial Statements

The Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. Pursuant to the relevant procedures, the management is responsible for the preparation of the Group's financial statements, including the selection of the appropriate accounting policies therefor; the external auditors are responsible for auditing and verifying the Group's financial statements and evaluating the Group's internal control regimes for the preparation of financial statements of the Group; while the Audit Committee supervises the work of the management and the external auditors and approves the procedures and protective measures adopted by the management and the external auditors. The specific work of the Audit Committee includes the following:

- ◆ It reviewed the annual financial statements of 2008 and the unaudited interim financial statements of 2009 (prepared under HKAS and CAS), the unaudited financial statements for the first and third quarters of 2009 (prepared under CAS), and made recommendation to the Board for approval.
- ◆ It reviewed the Company's internal control regimes for the preparation of financial statements, post establishment proposals and personnel arrangements for the preparation of financial statements, and listened to the introduction of qualification and experience of the staff responsible for financial reporting and statement preparation. It is of the view that the Company's resource, staff qualification and experience in accounting and financial reporting basically can satisfy its needs.
- ◆ Before the annual audit for 2009 began, members of the Audit Committee and the Independent Directors of the Company have obtained the work plan on the preparation of annual financial report and annual audit from the Company's Financial Controller and the annual audit plan from the certified public accountants for the annual audit. It also held meeting with the certified public accountants for the annual audit and discussed the composition of the audit team, risk analysis, scope of audit, method of audit and focus of audit for the Year, and detailed schedule.
- ◆ Before the annual audit for 2009 began, the Audit Committee preliminarily reviewed the Group's 2009 financial statements and provided written opinions. The committee paid special attention to the handling of the significant financial and accounting matters for the year 2009, gave preliminary approval to the management's opinions on handling, and believed that significant accounting estimates adopted by the Group were basically reasonable. It also suggested the Company to pay special attention to the post balance sheet events, so as to ensure the fairness, truthfulness and completeness of the financial statements.
- ◆ After the certified public accountants for the annual audit issued the preliminary audit opinion, the Audit Committee, the Independent Directors and the certified public accountants for the annual audit held a meeting on 15 March 2010. The Audit Committee again reviewed the 2009 financial statements of the Group and had in-depth discussion and communication with the management and the certified public accountants for the annual audit over the

appropriateness of the accounting policies adopted by the Group and the reasonableness of the accounting estimates. The Audit Committee believes that the accounting policies and accounting estimates adopted by the Group for 2009 satisfied the requirements of the domestic and overseas accounting standards, while the significant accounting estimates adopted and the handling of significant financial and accounting matters were basically reasonable.

- ◆ It reviewed the internal review report on annual report and the relevant review checklist submitted by the Audit Department of the Company, and examined the annual report with reference to compliance with statutory disclosure rules and completeness and accuracy of the disclosed matters. Attention was also paid to compliance with the rules on corporate governance and implementation of the internal control system in the preparation and presentation of financial report.

Through adequate communication in advance and timely supervision during the process, the certified public accountants for the annual audit completed the annual audit as scheduled and submitted the audit report on 19 March 2010. Based on the aforementioned work and the audit report of the certified public accountants for the annual audit, the Audit Committee believes that the Group's 2009 financial statements truthfully and reasonably reflect the Group's operating results for 2009 and the financial position as at 31 December 2009, and hereby suggests the Board to approve the same.

3. Internal Control and Risk Management

During the Year, the Audit Committee continued to furnish the management with professional advice on the Group's significant matters and the enhancement of management standards, and reminded the management of any risks associated with such matters on an ongoing basis, to continuously enhance the Group's internal control and risk management regimes.

Since 2007, the Audit Committee has set up an independent report-fraud mailbox to obtain fraud-related information in a timely manner, and a cooperation memorandum was reached with the Company's disciplinary supervision committee on this basis. In 2009, the Audit Committee assisted the Company in the establishment of the Anti-fraudulent Work Regulation, providing comprehensive and systematic guidelines for the anti-fraudulent work of the Company. Meanwhile, the Audit Committee regularly exchanged opinion with the certified public accountants for the annual audit on risks of fraud and their management and control measures. The committee believes that the management and control adopted by the Company on the prevention of risks of fraud are effective.

The Audit Committee is also responsible for monitoring and appraising the Company's internal audit. In 2009, the committee and amended the Internal Audit Work Regulation (《內部審計工作條例》), reviewed the amendment of the Internal Audit Manual (《內部審計工作手冊》), reviewed all specific audit reports and interim and annual internal control inspection reports submitted by the Audit Department of the Company, reviewed and issued independent evaluations on the effectiveness of the Group's internal control system, so as to ensure that the Group sets up and executes the appropriate internal control regime and procedures.

4. Work Evaluation and Re-appointment of Auditors

The Audit Committee examined the Management Rules for Selection of Certified Public Accountants for the Annual Audit of the Company. After discussion and evaluation with the management, the Audit Committee summarised the audit work of the certified public accountants for the annual audit in 2009 in accordance with the requirements of the rules. The Audit Committee believes that PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. performed well in terms of independence and objectivity, professional skills, quality and efficiency of financial information disclosure auditing, and communicating with the management, the Audit Committee and the Board. The committee proposes the Board to re-appoint the aforementioned institutions as the Company's international auditor and statutory auditor for 2010, respectively.

Audit Committee

Lam Wai Hon, Ambrose; Chiu Chi Cheong, Clifton and Zhang Li Min

Shenzhen, PRC, 19 March 2010

According to the Terms of Reference of the Remuneration Committee approved by the Board, the Remuneration Committee is mainly responsible for studying and devising the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Company's Directors and members of the senior management, and conducting appraisals thereof. The committee aims at procuring the establishment and adoption of a reasonable performance evaluation system and incentive remuneration policy by the Company. This report will give an account of the performance of duties of the committee in the year, detail the remuneration and benefits policy and the performance evaluation system of the Company, and disclose the remuneration received by the Directors, Supervisors and senior management in 2009.

1. Work of the Remuneration Committee in the Year

The Remuneration Committee held two meetings in 2009. The work completed mainly includes:

- ◆ Appraising and evaluating the Company's management operating performance for 2008, and submitting the appraisal results to the Board for consideration;
- ◆ Reviewing the execution of the remuneration plan for the Directors and senior management and proposing recommendations on rewards for senior management to the Board; reviewing the remuneration disclosure proposal for the Company's Directors, Supervisors and senior management for 2008;
- ◆ Reviewing the Company's operating performance targets for 2009, conducting a comprehensive evaluation on the specific indicators and submitting such evaluation results to the Board;
- ◆ Guiding the review and restructuring scheme of the Company's remuneration system.

As at the date of this annual report, the Remuneration Committee of the fifth session of the Board held its first meeting for 2010. The following matters were discussed and studied by the committee:

- ◆ In accordance with the management operating performance targets for 2009 as approved by the Board, the committee inspected all indicators and key tasks one-by-one. It appraised and evaluated the operating performance of the Company's management in and reported to the Board on the appraisal results and appraisal opinions;
- ◆ The committee discussed the key performance indicators and key tasks for 2010 proposed by the Company's management according to the Company's strategies, the annual work arrangements and budget, set out the Company's operating performance targets for 2010 and submitted to the Board for consideration;
- ◆ The committee inspected the 2009 remuneration disclosure proposal for the Directors, Supervisors and senior management and believed that the content and format of the remuneration disclosure proposal satisfied the requirements of relevant regulations.

2. Remuneration Policy of the Directors

The remunerations of the Directors and Supervisors of the Company are determined in accordance with relevant PRC policies or regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting after separate deliberations by the Board and the Supervisory Committee. The Remuneration Committee of the Board is responsible for advising the Board on formulating the proposal for the Directors' remunerations. Based on the situation in the PRC, no further determination or payments of the Directors' or Supervisors' emoluments are made by the Company to the Directors or Supervisors who receive management remunerations from the Company or shareholders.

According to the proposal approved at the general meeting, in the year 2009, four Independent Directors and Mr. Chiu Chi Cheong, Clifton, a Director not nominated by shareholders, received Directors' emoluments. Mr. Jiang Lu Ming, former Supervisor, received Supervisors' emoluments while other Directors and Supervisors did not receive any Director's or Supervisor's emoluments. All Directors and Supervisors may receive meeting subsidies in accordance with the relevant rules. The Company's Executive Directors, senior management and the staff representative Supervisor received management remuneration in accordance with their specific management positions in the Company.

3. Remuneration and Benefits Policy of the Company

The remuneration and benefits policy of the Group is implemented pursuant to the statutory requirements and the Management Procedures for Remunerations and Benefits (薪酬福利管理程序) of the Company. The remuneration and benefits comprises monthly salary, performance bonus and statutory and company benefits, which is based on the principle of "salary is based on the individual position and changes with the position" and is determined according to the market value of the position and the overall performance of staff.

Pursuant to statutory requirements, the Company has participated in an employee retirement scheme organised by the local government authorities (social pension insurance), and has applied various protection plans such as basic medical insurance package, industrial injury insurance, unemployment insurance and child-bearing insurance for its employees. According to the relevant regulations, the Group should pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to a maximum cap) to the labour and social security authorities as social insurance contributions for items such as pension and medical insurance. As at 31 December 2009, the Company has 4 retired staff. The registration procedures in relation to their retirement have been completed with Shenzhen social security authorities. Since 2006, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management staff and core technical staff.

Monthly salaries and performance bonuses of senior management account for approximately 60% and 40% of their total remunerations respectively, of which performance bonuses are calculated based on staff's completion of annual performance targets, and are proposed or reviewed by the Remuneration Committee of the Board.

4. Performance Evaluation System

The Board determines the Company's annual operating performance targets at the beginning of each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of Executive Directors and the management of the Company. In 2009, the key performance targets determined by the Company included return on shareholders' equity, annual operating revenue, expenses and profit indicators, completion rate of acquisitions of equity and investment, important tasks for operations, construction and financing, internal management, and so forth.

Based on the operating performance targets approved by the Board, the Company is required to determine the yearly tasks and targets for staff of various grades, and dissect and delegate the Company objectives to the relevant departments and staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management with reference to the state of completion of the Company's and individual performance targets, and calculate performance bonuses for Executive Directors and other senior management members accordingly. The remunerations of all senior management members are subject to review by the Remuneration Committee and are required to be reported to the Board.

5. Report on the Annual Remuneration of the Directors, Supervisors and Senior Management

Details of the remuneration received by the Directors, Supervisors and senior management of the Company holding a post as at the end of the Reporting Period in the year 2009 are as follows:

Unit: RMB'000 (before tax)

| Name | Title | Remuneration received from the Company during the Reporting Period | | | | Whether receive remuneration from shareholder or other connected entities | |
|--|---|--|---------------------|-----------------------------|--------------------|---|--|
| | | Emolument | Meeting subsidies | ⁽²⁾ Remuneration | Total | | |
| Director: | | | | | | | |
| Yang Hai | Chairman of the Board | | ⁽¹⁾ — | 958 | 958 | No | |
| Wu Ya De | Executive Director and the President | | ⁽¹⁾ — | 958 | 958 | No | |
| Li Jing Qi | Non-executive Director | | ⁽¹⁾ — | — | — | Yes | |
| Zhao Jun Rong | Non-executive Director | | ⁽¹⁾ — | — | — | Yes | |
| Tse Yat Hong | Non-executive Director | | ⁽¹⁾ — | — | — | Yes | |
| Lin Xiang Ke | Non-executive Director | | ⁽¹⁾⁽⁷⁾ — | — | 7 | Yes | |
| Zhang Yang | Non-executive Director | | 12 | — | 12 | Yes | |
| Chiu Chi Cheong, Clifton | Non-executive Director | 350 | 18 | — | 368 | No | |
| Lam Wai Hon, Ambrose | Independent Director | 150 | 16 | — | 166 | No | |
| Ting Fook Cheung, Fred | Independent Director | 150 | 15 | — | 165 | No | |
| Wang Hai Tao | Independent Director | 150 | 15 | — | 165 | No | |
| Zhang Li Min | Independent Director | 150 | 15 | — | 165 | No | |
| Supervisor: | | | | | | | |
| Zhong Shan Qun | Chairman of the Supervisory Committee | | ⁽¹⁾ — | — | — | Yes | |
| Yang Qin Hua | Shareholders' Representative Supervisor | — | 14 | — | 14 | Yes | |
| Fang Jie ⁽³⁾ | Staff Representative Supervisor | | 19 | 471 | 490 | No | |
| Senior Management⁽³⁾ | | | | | | | |
| Li Jian | Vice President | | | 741 | 741 | No | |
| Zhou Qing Ming | Vice President | | | 758 | 758 | No | |
| Ge Fei | Vice President | | | 780 | 780 | No | |
| Liao Xiang Wen | Vice President | | | ⁽⁵⁾ 231 | ⁽⁵⁾ 231 | No | |
| Gong Tao Tao | Financial Controller | | | 764 | 764 | No | |
| Wu Xian | Chief Engineer | | | 847 | 847 | No | |
| Wu Qian | Secretary of the Board | | | 751 | 751 | No | |
| | | | | | Total: | 8,340 | |

Note:

- Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong and Lin Xiang Ke, and Supervisor Zhong Shan Qun declined the meeting subsidies receivable of RMB15,000, RMB16,000, RMB11,000, RMB10,000, RMB12,000, RMB8,000 and RMB6,000 respectively for the Year.
- The employee's remuneration of the Company comprises the monthly salary and annual performance bonus. In addition, pursuant to statutory requirements and the Company's regulations, the employee enjoyed the statutory and company fringe benefits, including the contributions to social retirement insurance, other kinds of social insurance and the supplemental retirement scheme. During the Reporting Period, Directors Yang Hai and Wu Ya De, Supervisors Fang Jie, former Supervisor Jiang Lu Ming and senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian enjoyed benefits of RMB67,000, RMB67,000, RMB58,000, RMB30,000, RMB65,000, RMB65,000, RMB68,000, RMB20,000(5), RMB67,000, RMB66,000 and RMB65,000 respectively.



- (3) According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For the management staff who participate in the plan, the Company will pay certain monthly vehicle subsidies in lieu of providing or arranging business vehicles for them. During the Reporting Period, Supervisor Fang Jie and senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian participated in the above plan. During the Reporting Period, the aforesaid person received vehicle subsidies of RMB43,000, RMB60,000, RMB60,000, RMB38,000, RMB20,000(5), RMB60,000, RMB38,000 and RMB60,000 respectively.
- (4) Former Supervisor Jiang Lu Ming ceased to be the Chairman of the Supervisory Committee and receive supervisor's emolument on 18 May 2010, and received a supervisor's emolument and meeting subsidies of RMB253,000 in aggregate during the Reporting Period.
- (5) Liao Xiang Wen has been a Vice President of the Company since 1 September 2009. Such amount represented the management remuneration received by him after assuming the office of Vice President.

6. Ongoing Reviews

The Company has not adopted any share option incentive scheme for the time being. On the premise of seriously studying and complying with the relevant regulatory regulations and guidelines which have been promulgated, the Company will proactively explore a long-term incentive regime of share options to be implemented in due course. The Remuneration Committee will review the remuneration policy and incentive regime of the Company on an ongoing basis, and ensure that none of the Directors, senior management staff or their associates are allowed to set their own remunerations.

Remuneration Committee

Ting Fook Cheung, Fred; Chiu Chi Cheong, Clifton and Wang Hai Tao

Shenzhen, PRC, 19 March 2010

R

eport of the Supervisory Committee

The Supervisory Committee is accountable to the shareholders' general meetings and independently exercises its supervising authority upon the Company in a lawful manner, to prevent the legal rights and interests of the shareholders, the Company and its staff from being infringed. Its main duties include examining the financial situation of the Company, supervising the Company's decisions and their implementation on material operational activities and connected transactions, supervising the acts of the Directors and senior management discharging their duties to ensure its lawfulness and compliance. The Articles and its appendix (the Rules of Procedure for the Supervisory Committee) have set out the powers and authorities of the Supervisory Committee in detail.

Complying with the Company Law of the PRC, the Listing Rules and other relevant laws and regulations, and the requirements of the Articles, the Supervisory Committee of the Company faithfully discharged their duties during the year of 2009 for the purpose of safeguarding the interests of the shareholders, the Company and its staff. During the Reporting Period, the Supervisory Committee convened 13 full meetings. These meetings, with proper service of notice and quorum, were held and resolved in accordance with the relevant laws and regulations and the requirements of the Articles.

The matters discussed by the Supervisory Committee during the year of 2009 include:

- ◆ *Consideration of the work report and work plan of the Supervisory Committee for the year;*
- ◆ *Consideration of the resolutions relating to the resignation of a Supervisor and the nomination of the candidate for Supervisors, and the election of the chairman of the Supervisory Committee;*
- ◆ *Review of the final accounts and budgets of the year, the profit distribution scheme for the year, and the annual report, interim report and quarterly reports;*
- ◆ *Review and amendment of the "Rules of Procedure for the Supervisory Committee", review of the "Management Measures for the Special Fees of the Three Meetings", the "Securities Transaction Code", the "Rules Governing Information Disclosure Matters" and Anti-fraudulent Work Regulation;*
- ◆ *Review of the transactions or contractual arrangements between the Company and its related parties, including the acquisition of 45% equity interest in Jihe East Company, the increase of funding for Qinglong Company for the expansion of Shuiguan Expressway, the investment in Guangdong UETC, the entrusted management of Costal Company and the continual entrusted management of matters regarding the equity interest in Longda Company.*

During the year 2009, the members of the Supervisory Committee attended and observed at all the shareholders' general meetings and Board meetings in accordance with the laws; reviewed the minutes of Board meetings and signing of the written resolutions of the Board; and monitored the Company's decision-making procedures and the legality thereof, the Board's implementation of resolutions of the shareholders' general meetings and senior management's discharge of their duties. The Supervisory Committee promptly informed the Board and the Company's management regarding any potential risks in relation thereto. During the Reporting Period, the Supervisors of the Company conducted on-site study and inspection for Nanping (Phase II) and Yanjiang Project to obtain an in-depth understanding of the operation management of the projects the Company was entrusted to manage. During the Reporting Period, there was no incident about which the Supervisors disputed with the Directors or sued the Directors on behalf of the Company.

Pursuant to the relevant requirements, the Supervisory Committee made the following independent opinions in relation to the relevant matters of the Company in the year 2009:

1. In 2009, the Company made its operation decisions strictly in accordance with the Company Law of the PRC, the Securities Law of the PRC, the Listing Rules, the Articles and other relevant rules and regulations; operated its business lawfully; continuously improved its internal control system; and raised its standards of corporate governance. All the directors and senior management of the Company, with a view to protecting the interests of the Company and its shareholders, diligently performed their duties.

2. Upon reviewing the unqualified auditors' reports issued by the Company's certified public accountants for the annual audit on the financial statements of the Company for the year 2009 prepared in accordance with the PRC GAAP and the HKFRS, the Supervisory Committee considered that the financial statements for the year 2009 have objectively, truthfully and fairly reflected the financial status, operating results and cash flows of the Company and the Group.
3. The warrants distributed at nil consideration upon the Company's issue of Bonds with Warrants were exercised in October 2009. RMB930,000 was raised in total and was used for the investment and construction of Nanguang Expressway. During the Reporting Period, all the proceeds raised were utilised and the actual projects in which the proceeds were applied were consistent with the projects represented in the prospectus.
4. During the Reporting Period, the Company conducted a total of three investment or acquisition projects, namely the acquisition of the equity interest in Jihe East Company, the equity investment in Guangdong UETC and the additional capital contribution to Qinglong Company. Upon review, the Supervisory Committee was not aware of any insider transaction or situation in which the interests of some of the shareholders were impaired or in which a loss of the Company's assets was incurred.
5. During the Reporting Period, the Company conducted a total of five connected transactions as defined by Listing Rules of SSE and/ or connected transactions as defined by the Listing Rules of the Stock Exchange, namely the acquisition of the equity interest in Jihe East Company, the entrusted construction of the Longhua Extension, the investment in Guangdong UETC, the additional capital contribution to Qinglong Company and the entrusted management of the equity interest in Longda Company. Upon review, the Supervisory Committee was not aware of any situation in which the Board was in breach of the principle of integrity when making decisions regarding the aforesaid transactions, signing the relevant agreements or disclosing information, or any situation in which the interests of the Company, shareholders or its staff were impaired by the aforesaid transactions. During the Reporting Period, the aforesaid transactions had no effect on the independence of the Company.
6. The Supervisory Committee warrants the truthfulness, accuracy and completeness of the Supervisory Committee announcements. In addition, the Supervisory Committee supervises the discharge of relevant information disclosure duty by the Directors and senior management of the Company and inspects the implementation of the Rules Governing Information Disclosure Matters. During the Period, relevant rules and regulations of the Company were appropriately complied with. The Supervisory Committee was not aware of any major defect in the Rules Governing Information Disclosure Matters and its implementation in the year 2009 or violation of rules in information disclosure of the Company.
7. The Supervisory Committee conducted an assessment on the performance of duties of the Directors for the year 2009. It was not aware of any situation in which the Directors violated the rules and regulations or the Articles of the Company, impaired the Company's interests or failed to perform their duties properly.

By Order of the Supervisory Committee

Zhong Shan Qun

Chairman of the Supervisory Committee

Shenzhen, PRC, 19 March 2010



Directors

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|---------------------|---|---|
| Mr. YANG Hai | born in 1961. Mr. Yang has been a Director of the Company since April 2005, and is currently the Chairman of the Company, Chairman of the Strategic Committee and a member of the Nominations Committee of the Company. | |
| | Other positions: | The Group- Shareholder- Mei Wah Company – chairman Shenzhen International ^a Hong Kong listed company - executive director Shenzhen International Group XTC Company, Shen Ke Industry and Development (Shenzhen) Co., Ltd - director Other- CSG Holding Co., Ltd ^a PRC listed company - chairman of the supervisory committee |
| | Main work experience: | The Company - Deputy General Manager (1997-2000), Chairman (2005-now) Shenzhen International ^a Hong Kong listed company - executive director (2007-now), vice president (2004-2006), general manager of a subsidiary company (2000-2005) |
| | Qualification: | Senior Engineer, graduated from the Department of Roads and Bridges of Chongqing University. |

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| Mr. WU Ya De | born in 1964. Mr. Wu has been a Director of the Company since January 1997, and is currently the Executive Director and President of the Company, a member of the Strategic Committee of the Company. | |
| | Other positions: | The Group- Qinglian Company - chairman Other- Shenzhen Tiehuan Ecological Environment Company Limited – independent director |
| | Main work experience: | The Company - General Manager / President (2002- now) |
| | Qualification: | Graduated from the Administration Institute of Guangdong Province and obtained a postgraduate degree from Guangdong Province Social Science Institute. |

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| Mr. LI Jing Qi | born in 1956. Mr. Li has been a Director of the Company since April 2005, and is currently a Non-Executive Director of the Company, and a member of the Strategic Committee of the Company. | |
| | Other positions: | Shareholder- Shenzhen International ^a Hong Kong listed company - executive director and the president Shenzhen International Group SGH Company - chairman Shenzhen International Group various subsidiaries of Shenzhen International including XTC Company - director substantial shareholder of Shenzhen International Ultrarich International Limited - director Other- CSG Holding Co., Ltd ^a PRC listed company - director |
| | Main work experience: | Shenzhen International ^a Hong Kong listed company - executive director (2000-now), vice president (2000-2006), president (2006-now) |
| | Qualification: | Graduated from Shanghai Foreign Language University. |



Directors, Supervisors and Senior Management

Mr. ZHAO Jun Rong

born in 1964. Mr. Zhao has been a Director of the Company since January 2009, and is currently a Non-Executive Director of the Company.

Other positions: Shareholder- Shenzhen International^a Hong Kong listed company - vice president
Shenzhen International Group XTC Company, SGH Company,
Shenzhen International Western Logistics Co., Ltd, Shenzhen EDI Co., Ltd. - director
Other - Shenzhen Airlines Company Limited - director

Main work experience: Shenzhen International^a Hong Kong listed company - successively been legal consultant, assistant to the president and concurrently manager of strategic development department and chief legal consultant, vice president (2001-now)

Previous positions: Shenzhen Huafa Electronic Company Limited^a PRC listed company - independent director (2002-2007)

Qualification: Economist, Lawyer. Graduated from Xiamen University with a Master degree majoring in International Economic Law.

Mr. TSE Yat Hong

born in 1969. Mr. Tse has been a Director of the Company since January 2009, and is currently a Non-Executive Director of the Company.

Other positions: Shareholder- Shenzhen International^a Hong Kong listed company - chief financial officer
Shenzhen International Holdings Limited Shenzhen International South-China Logistics Co., Ltd - director
Shenzhen International Holdings Limited Nanjing Xiba Wharf Co., Ltd. - director

Main work experience: Shenzhen International^a Hong Kong listed company - chief financial officer (2000-now), company secretary (2000-2008)

Previous positions: The Company - Joint Company Secretary (2004-2007)
Shenzhen International Group XTC Company - director (2001-2009)

Qualification: Fellow of the Hong Kong Institute of Certified Public Accountants and a certified public accountant of CPA Australia graduated from Monash University in Australia majoring in Accounting and Computer Science.

Mr. LIN Xiang Ke

born in 1956. Mr. Lin has been a Director of the Company since June 1998, and is currently a Non-Executive Director of the Company and a member of the Risk Management Committee of the Company.

Other positions: Shareholder- Shenzhen International Group SGH Company - general manager
Shenzhen International Group Shenzhen International Huatongyuan Logistics Co., Ltd. - chairman

Main work experience: Shenzhen International Huatongyuan Logistics Co., Ltd. – chairman (2009-now)
SGH Company - chairman (1999-2009), general manager (2004-now)

Qualification: Senior Political Officer, Senior Accountant, obtained a bachelor degree from Guangdong University of Technology majoring in Communication Management.

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| Ms. ZHANG Yang | born in 1964. Ms. Zhang has been a Director of the Company since March 2001, and is currently a Non-Executive Director of the Company and a member of the Risk Management Committee of the Company. | |
| | Other positions: | Shareholder- Huajian Centre - deputy general manager Other - Sichuan Expressway Co., Ltd. ^a company listed both in PRC and in Hong Kong - vice chairman Jilin Expressway Company Limited ^a PRC listed company - vice chairman Zhejiang Expressway Co., Ltd. ^a Hong Kong listed company - director Jiangsu Expressway Co., Ltd. ^a company listed both in PRC and in Hong Kong - director Henan Zhongyuan Expressway Company Limited ^a PRC listed company - director |
| | Main work experience: | Huajian Centre - Successively been project manager, department manager, assistant to general manager, deputy general manager (1994-now) |
| | Previous positions: | Xiamen Port Development Co., Ltd. ^a PRC list company - director(1999-2009) |
| | Qualification: | Political Officer, graduated from Lanzhou University majoring in Political Economy and obtained a postgraduate degree in economics from Central Party School majoring in Economic Management. |

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| Mr. CHIU Chi Cheong, Clifton | born in 1954. Mr. Chiu had been an Independent Non-Executive Director of the Company from December 1996 to December 2002, and has been a Director of the Company since 2003. He is currently a Non-Executive Director of the Company and a member of the Strategic Committee, the Audit Committee and the Remuneration Committee of the Company. | |
| | Other positions: | Other - Harvester (Holdings) Company Limited - managing director Process Review Panel for the SFC - member |
| | Main work experience: | Harvester (Holdings) Company Limited - managing director (1994-now) Takeovers and Mergers Panel of the SFC - vice chairman Listing Committee of the Main Board and the Growth Enterprises Market of HKEx - vice chairman |
| | Previous positions: | Mitsumaru East Kit (Holdings) Limited ^a Hong Kong listed company - independent director(Aug 2008-Dec 2008) |
| | Qualification: | A certified accountant in USA, graduated from University of Southern California with a MBA degree. |

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| Mr. LAM Wai Hon, Ambrose | born in 1953. Mr. Lam has been a Director of the Company since January 2009, and is currently an Independent Director of the Company, Chairman of the Audit Committee and a member of the Strategic Committee of the Company | |
| | Other positions: | Other - Access Capital Limited - director China Agri-Industries Holdings Limited ^a Hong Kong listed company - independent director |
| | Main work experience: | Access Capital Limited - co-founder, director (2000-now) |
| | Qualification: | Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants, holding a Bachelor of Arts (Honours) degree from University of Newcastle Upon Tyne in England. |



Directors, Supervisors and Senior Management

Mr. TING Fook Cheung, Fred

born in 1947. Mr. Ting has been a Director of the Company since January 2009, and is currently an Independent Director of the Company, Chairman of the Remuneration Committee and a member of the Nominations Committee of the Company.

Other positions: Retired

Main work experience: Hong Kong Government - Administrative Officer (1971-2007), worked in various government departments and in directorate posts for over twenty-five years. From 2000 to 2007, he had been the Deputy Commissioner of Labour Department of the Hong Kong Government.

Qualification: Bachelor of Arts (Honours) degree from The Chinese University of Hong Kong.

Mr. WANG Hai Tao

born in 1945. Mr. Wang has been a Director of the Company since January 2009, and is currently an Independent Director of the Company, Chairman of the Nominations Committee and a member of the Remuneration Committee of the Company.

Other positions: Retired

Main work experience: China Merchants Bank Co., Ltd. ^{a company listed both in PRC and in Hong Kong} - executing deputy officer of administrative office of headquarter, officer of training centre, general manager of administrative department and etc.(1994-2006)

Qualification: Senior Economist, graduated from the Department of Chinese of Hebei Normal University (formerly Hebei and Beijing Institute of Normal) with a Bachelor's degree. He had studied in Central Party School majoring in Economic Management and had been a postgraduate student of Southwestern University of Finance and Economics majoring in Finance.

Mr. ZHANG Li Min

born in 1955. Mr. Zhang has been a Director of the Company since January 2009, and is currently an Independent Director of the Company, Chairman of the Risk Management Committee and a member of the Audit Committee of the Company

Other positions: Other-
Beijing Jiaotong University - professor in accounting
Sun Yat-sen University - part-time professor and tutor of doctorship
Shenzhen Airport Co., Ltd. ^{a PRC listed Company} - independent director
Shenzhen Chiwan Petroleum Supply Base Co., Ltd. ^{a PRC listed Company} - independent director
Tianjin Benefo Tejing Electric Co., Ltd. ^{a PRC listed Company} - independent director
China Audit Society - deputy chairman

Main work experience: Beijing Jiaotong University - professor in accounting (2009-now)
Sun Yat-sen University - professor in accounting and tutor of doctorship in school of tourism and management (1999-2009)

Previous positions: China International Marine Containers (Group) Co., Ltd. ^{a PRC list company} - independent director (2002-2007)
Shenzhen Chiwan Petroleum Supply Base Co., Ltd. ^{a PRC list company} - independent director (2002-2008)
Shenzhen Changcheng Investment Holding Co., Ltd. - independent director (2004-2009)

Qualification: Professor, Tutor of Doctorship, Certified Public Accountant of PRC
Graduated from Tianjin Institute of Finance & Economics with a Doctor degree in Economics.

Supervisors

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|---------------------------|---|---|
| Mr. ZHONG Shan Qun | born in 1964. Mr. Zhong had been a Director of the Company from January 1997 to April 2005, the Chairman of the Supervisory Committee of the Company from January 2006 to September 2007, and has been a Supervisor of the Company again since 10 August 2009. He is currently a Shareholders' Representative Supervisor of the Company and the Chairman of the Supervisory Committee of the Company. | |
| | Other positions: | Shareholder- Shenzhen International ^a Hong Kong listed company - vice president Shenzhen International Group XTC Company, Shenzhen International South-China Logistics Co., Ltd., Nanjing Xiba Wharf Co., Ltd - chairman Shenzhen International Group Shenzhen International Huatongyuan Logistics Co., Ltd. - director Other - Shenzhen Capital Group Co., Ltd. - director |
| | Main work experience: | Shenzhen International ^a Hong Kong listed company - vice president (2004-2006, 2007-now) XTC Company - served in sequence as manager of the engineering department, assistant to general manager, deputy general manager, general manager and chairman (1994-now) |
| | Qualification: | Graduated from Changsha Institute of Communications, with Bachelor's degrees in Civil Engineering and in Communications and Transportations Management and obtained a Master's degree in Management Science and Engineering from Hunan University. |
| Mr. HE Sen | born in 1973. Mr. He has been a Supervisor of the Company since 8 January 2010, and is currently a Shareholders' Representative Supervisor of the Company | |
| | Other positions: | Shareholder- GDRB Company - manager of finance department GDRB Group Guangdong Luda Expressway Company Limited - director GDRB Group Zhanjiang Bay Bridge Company Limited, Yingde Yueying Highway Company Limited, Luoding Luochong Class 1 Highway Company Limited and Guangdong Litong Property Investment Company Limited - supervisor |
| | Main work experience: | GDRB Company - The management of the invested enterprise, deputy manager and manager of finance department (2001-now) |
| | Qualification: | Senior Accountant, graduated from the Finance and Economic Department of Changsha Institute of Communications majoring in Finance and Accounting. |
| Mr. FANG Jie | born in 1960. Mr. He has been a Supervisor of the Company since August 2008, and is currently the general manger of Project Development Department of the Company and Staff Representative Supervisor. | |
| | Other positions: | The Group- Advertising Company - director Other - Sichuan New Road and Bridge Mechanism Co., Ltd. - director |
| | Main work experience: | The Company - general manger of Project Development Department (2007-now) XTC Company - administrative officer, head of human resources department and secretary of the board of directors (2001-2007) |
| | Qualification: | Senior Engineer, graduated from Chongqing University (formerly Chongqing Institute of Architecture and Engineering) majoring in Bridge and Tunnel. |



Directors, Supervisors and Senior Management

Mr. JIANG Lu Ming

Former Supervisor of the Company. Mr. Jiang has been a Supervisor of the Company since September 2007 and ceased to be a Supervisor of the Company on 10 August 2009. He is born in 1954, Senior Economist, graduated from Liaoning University majoring in industrial economics. Mr Jiang had been a deputy general manager of XTC Company from 2005 to 2007 and had been the Chairman of the Supervisory Committee of the Company from 2007 to 2009. Please refer to the below contents in "Changes of the Directors, Supervisors and Senior Management" for the changes of the Supervisor.

Mr. YANG Qin Hua

Former Supervisor of the Company. Mr Yang has been a Supervisor of the Company since January 2009 and ceased to be a Supervisor of the Company on 8 January 2010. He is born in 1968, Senior accountant, graduated from the Department of Accounting of School of Tourism and Management of Sun Yat-sen University. Mr Yang had been the deputy chief accountant and manager of audit department GDRB Company from 2000 to 2009 and had been a Supervisor of the Company from January 2003 to December 2005. Please refer to the below contents in "Changes of the Directors, Supervisors and Senior Management" for the changes of the Supervisor.

Senior Management

Mr. WU Ya De

born in 1964, the President of the Company. Please refer to the contents in "Directors" for his resume.

Mr. LI Jian

born in 1958. He joined the Company in 1996 and is currently a Vice President of the Company. He is mainly responsible for the Company's strategy plans, equity financing and investment project management.

Other positions: The Group- Jiangzhong Company, GZ W2 Company and Nanjing Company - vice chairman

Main work experience: The Company - manager of the Operations Department and manager of the Investment and Development Department (2000-2002), Operation Controller (2005-2007), Vice President (2007-now)

Qualification: Lecturer, graduated from Changsha Institute of Communications.

Mr. ZHOU Qing Ming

born in 1956. He joined the Company in 1998 and is currently a Vice President and the Representative of the Management of the System Construction of the Company. He is mainly responsible for the operations management of toll highways, the company's quality system management and safety management.

Other positions: The Group- Meiguan Company and Jihe East Company - executive director
Consulting Company - director
Longda Company (entrusted to manage) - chairman

Main work experience: The Company - Administrative Officer, Assistant to General Manager, Administrative Controller (2004-2007), Vice President (2007-Now)

Qualification: Senior Engineer, Registered Safety Officer.

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| Mr. GE Fei | born in 1968. He joined the Company in 1998 and is currently a Vice President of the Company. He is mainly responsible for the management of construction of highways projects and entrusted construction business. | |
| | Other positions: | The Group- Qinglong Company, Huayu Company, Subsidiary of Consulting Company - director Costal Company (entrusted to manage) - executive director |
| | Main work experience: | The Company - deputy general manager of the Project Management Office of Jihe Expressway, deputy manager of the Engineering Department of the Company, general manager of the Project Management Office of Yanba Expressway, Engineering Controller (2005-2007), Vice President (2007-now) |
| | Qualification: | Engineer, graduated from Northern Transportation University. |

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| Mr. LIAO Xiang Wen | born in 1968. He joined the Company in 2004 and is currently a Vice President of the Company and serves concurrently as general manager of Human Resource Department. He is mainly responsible for the human resources, legal matters, public relations and crisis management, the development of corporate culture, and the administrative and management of the Company. | |
| | Main work experience: | The Company - deputy manager of Public Relations Department, Secretariat Officer of the Board, deputy manager and general manager of Human Resource Department (2005-now), Vice President (2009-now) |
| | Qualification: | Graduated from Southwest University of Political Science and Law and obtained a Doctor's degree in Law. |

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| Ms. GONG Tao Tao | born in 1973. She joined the Company in 1999 and is currently the Financial Controller of the Company. She is mainly responsible for the overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans. | |
| | Other positions: | The Group- Advertising Company - chairman Qinglian Company - director |
| | Main work experience: | The Company - deputy manager of the Finance Department, manager of the Internal Audit Department and Financial Controller (2002-now) |
| | Qualification: | Certified Public Accountant of PRC, Certified Public Valuer of PRC Graduated from Shanghai University of Finance & Economics majoring in Accounting and obtained a Master's degree in Business Administration from Fudan University. |



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| Mr. WU Xian | born in 1958. He joined the Company in 1996 and is currently the Chief Engineer of the Company. He is responsible for arrangement and management in technical works of the Company such as construction and maintenance. | |
| | Other positions: | The Group - Qinglian Company - director |
| | Main work experience: | The Company - Deputy General Manager, general manager of the Project Management Office of Jihe Expressway, and Technical Controller of the Company (2007-now) Qinglian Company - director and general manager (2005-2009) |
| | Qualification: | Senior Engineer, Registered Supervising Engineer, graduated from Xi'an Institute of Highways majoring in the Bridge and Tunnel. |

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| Ms. WU Qian | born in 1971. She joined the Company in 2003 and is currently the Company Secretary of the Company and Secretary of the Board. She is mainly responsible for the information disclosure, the management of investor relations, corporate governance of the Company and coordinating the work of the Board, etc. | |
| | Main work experience: | The Company - manager of the Internal Audit Department (2003-2004), Joint Company Secretary and Company Secretary (2004-now), Secretary of the Board (2004-now) |
| | Qualification: | Certified Public Accountant of PRC, Economist, graduated from Shenzhen University. |

Changes of the Directors, Supervisors and Senior Management

Save as explanation below, the term of office of the members of the fifth session of the Board and the Supervisory Committee commenced on 1 January 2009 and will end on 31 December 2011.

Mr. Jiang Lu Ming had been a Shareholders' Representative Supervisor of the fifth session of the Supervisory Committee, and elected as the Chairman of the Supervisory Committee. During the Period, due to personal job reassignment, Mr. Jiang resigned all his office in the Company. He ceased to be the Chairman of the Supervisory Committee on 18 May 2009 and ceased to be a Supervisor on 10 August 2009. Mr. Yang Qin Hua was elected as the tentative convener of the Supervisory Committee from 18 May 2009 to 10 August 2009 by the Supervisory Committee. As approved at the general meeting, Mr. Zhong Shan Qun was elected as a Shareholders' Representative Supervisor with term of office from 10 August 2009 to 31 December 2011. Mr. Zhong was also elected as the Chairman of the Supervisory Committee.

Mr. Yang Qin Hua had been a Shareholders' Representative Supervisor of the fifth session of the Supervisory Committee. Due to personal job reassignment, Mr. Yang has resigned the Supervisor of the Company with effect on 8 January 2010. As approved at the general meeting, Mr. He Sen was elected as a Shareholders' Representative Supervisor with term of office from 8 January 2010 to 31 December 2011.

At the directors' meeting of the Company held on 28 August 2009, Mr. Wu Ya De was reappointed as the President of the Company, Mr. Li Jian, Mr. Ge Fei, Mr. Zhou Qing Ming were reappointed as Vice Presidents of the Company, Ms. Gong Tao Tao was reappointed as the Financial Controller of the Company, Mr. Wu Xian was reappointed as the Chief Engineer of the Company, Ms. Wu Qian was reappointed as the Secretary of the Board and Company Secretary of the Company, and Mr. Liao Xiang Wen was appointed as a Vice President of the Company. The term of office of each of the senior management will commence on 1 September 2009 and end on 31 August 2012.