SHENZHEN EXPRESSWAY COMPANY LIMITED
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00548)

深高速

Annual Report 2009

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The Chinese character “**行**” (pronounced as “xing”) denotes the idea of going forward（**前行**）. The annual report this year is centred on the theme of “**行**”, which on the first level of significance, refers to the relentless efforts made by the Company to go forward despite numerous challenges and pressure on the operating results in the near future.

“**行**” also has the meaning of action. On another level, the theme this year reflects the actions of the Company to continuously enhance its executive power based on meticulous analysis of external opportunities and challenges as well as recognition of its own advantages and shortcomings, with the aim of achieving the unity of knowledge and action (**知行合一**)*. In the future, the Company will insist on the market-oriented principle, continuously develop the expressway industry business and strengthen the exploring of relative business of entrusted construction management and entrusted operation management, realising a synergistic growth in both of scale and return.

The character “**行**” can also mean “capability”. With the recovery of economy, support of the national policies and ceaseless self-improvement of the Company, we firmly believe that the Company is embracing a bright future. The Chronicle of Yan Zi（晏子春秋）says: “the one who works completes his mission, the one who is capable achieves his goal”（為者常成，行者常至）. Through persistent implementation of the Company’s philosophies, our goals and objectives will eventually become reality and bring greater values and returns to the Company, our shareholders and society!

*** The Ming philosopher, Wang Shouren (Yangming)（王守仁（陽明））, advocated the philosophy of uniting knowledge (“知”) with action (“行”) for achievement of virtue (“善”), which exemplifies the inseparability of the theoretic knowledge and actual actions.**

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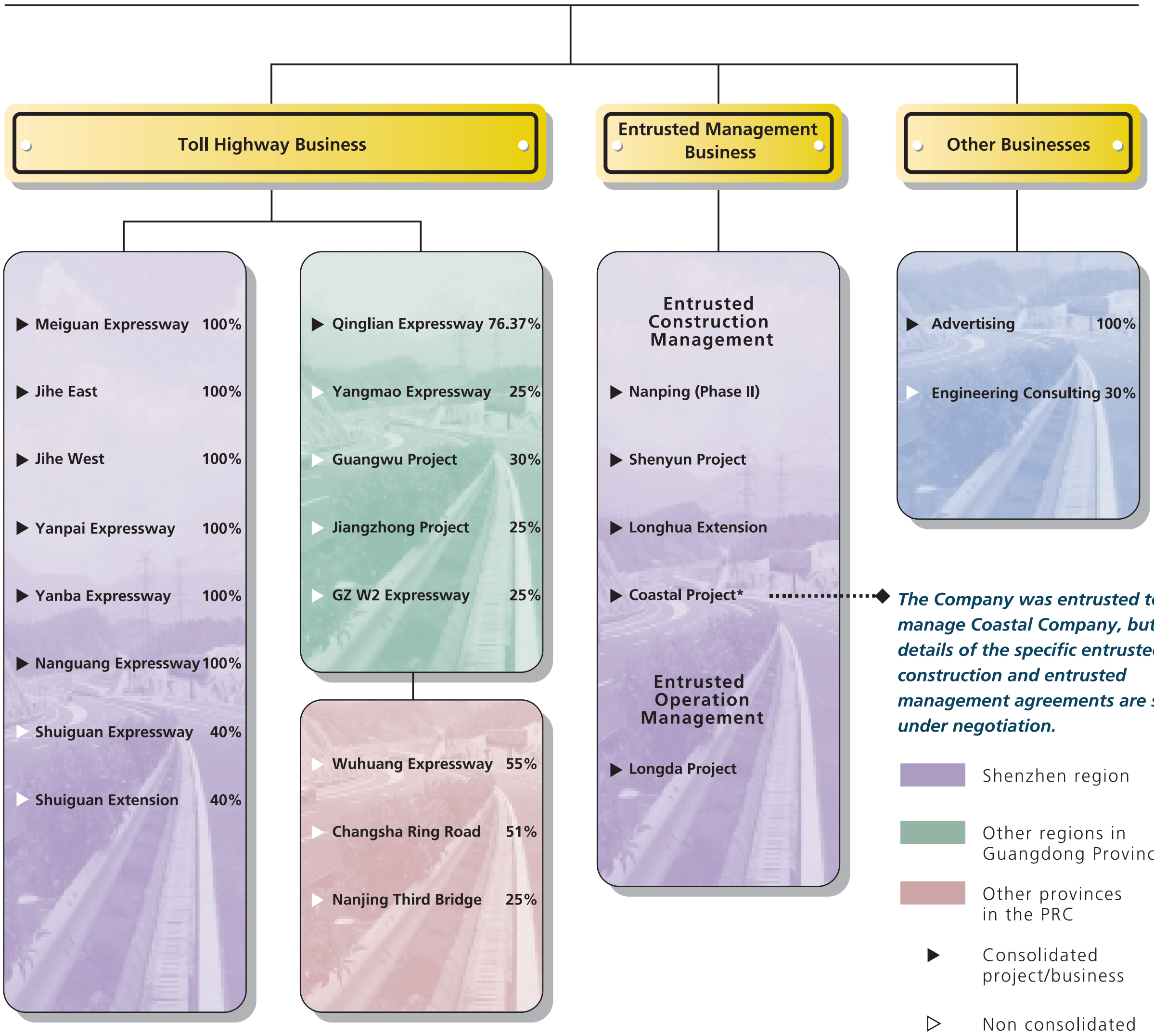
Introduction to the Company

The Company was established on 30 December 1996. It is principally engaged in the investment, construction, operation and management of toll highways and roads. The Company aims at enhancing the ability of wealth creation by improving the quality of operation, obtaining reasonable returns through providing high-quality service to the society, and achieving satisfaction of customers, employees, shareholders and related parties by balancing their interests, so as to foster the Company's sustainable development. Currently, the Company will maintain its market orientation, focus on the expressway industry, actively explore and engage in new investments in the industry for a synergistic growth in both its scale and efficiency.

In the early stage of establishment, the operating revenue and profit of the Company were derived mainly from the three toll highway assets injected by the promoter. On an equity basis, the mileage of expressways was approximately 11 km, while the mileage of Class 1 highways was approximately 70 km. After over a decade's development with listing on the financing platforms in both Hong Kong and the PRC, the Company has leveraged on the efforts of its own management team in building a number of high-quality expressways and provision of outstanding construction management and operation management services for government and private-invested highway projects. The Company has also further expanded its coverage to Guangdong Province and other economically developed regions in the PRC by ways of acquisition and participation. As at the end of the Reporting Period, the mileage of the highways invested by the Company (on an equity basis) exceeded 400km. The construction management of 7 projects was entrusted to the Company, with an investment amount of over RMB6.2 billion being completed. The principal business structure of the Company is set out as follows:

Shenzhen Expressway Company Limited



Toll Highway Business

- 🟪 ▶ Meiguan Expressway 100%
- 🟪 ▶ Jihe East 100%
- 🟪 ▶ Jihe West 100%
- 🟪 ▶ Yanpai Expressway 100%
- 🟪 ▶ Yanba Expressway 100%
- 🟪 ▶ Nanguang Expressway 100%
- 🟪 ▷ Shuiguan Expressway 40%
- 🟪 ▷ Shuiguan Extension 40%

- 🟩 ▶ Qinglian Expressway 76.37%
- 🟩 ▷ Yangmao Expressway 25%
- 🟩 ▷ Guangwu Project 30%
- 🟩 ▷ Jiangzhong Project 25%
- 🟩 ▷ GZ W2 Expressway 25%

- 🟥 ▷ Wuhuang Expressway 55%
- 🟥 ▷ Changsha Ring Road 51%
- 🟥 ▷ Nanjing Third Bridge 25%

Entrusted Management Business

Entrusted Construction Management

- 🟪 ▶ Nanping (Phase II)
- 🟪 ▶ Shenyun Project
- 🟪 ▶ Longhua Extension
- 🟪 ▶ Coastal Project*

Entrusted Operation Management

- 🟪 ▶ Longda Project

Other Businesses

- ▶ Advertising 100%
- ▷ Engineering Consulting 30%

** The Company was entrusted to manage Coastal Company, but details of the specific entrusted construction and entrusted management agreements are still under negotiation.*

- 🟪 Shenzhen region
- 🟩 Other regions in Guangdong Province
- 🟥 Other provinces in the PRC
- ▶ Consolidated project/business
- ▷ Non consolidated project/business

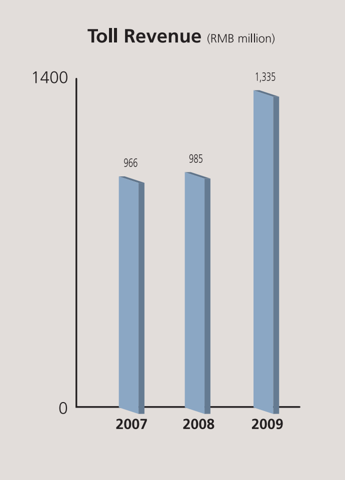
Financial Highlights (Prepared in accordance with HKFRS)

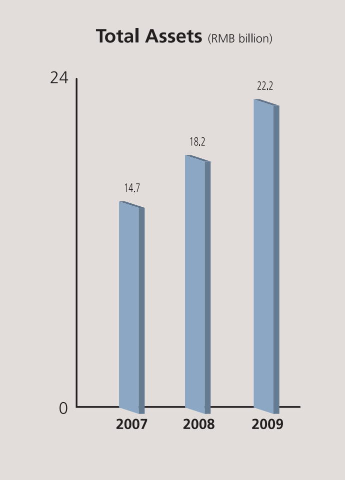
Results Highlights (For the year ended 31 December)

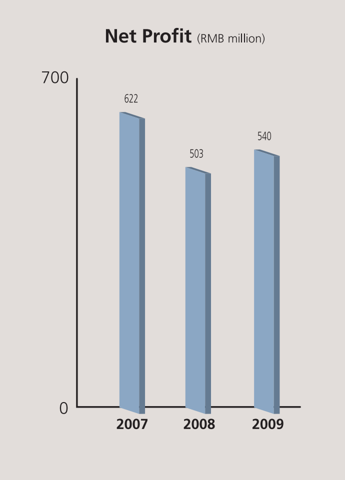
(RMB'000)	**2009**	2008	2007 Restated(1)	2006 Restated(1)	2005 Restated(1)
Revenue	**2,475,410**	4,242,041	3,845,511	1,805,983	1,057,368
Including: Toll revenue	**1,335,482**	984,818	965,850	719,067	602,363
Revenue from construction services under concession arrangements(2)	**1,033,736**	3,178,980	2,742,056	1,036,692	367,881
Other income	**106,192**	78,243	137,605	50,224	87,124
Profit before interests, tax, depreciation and amortization	**1,360,308**	1,026,942	1,056,077	792,748	714,384
Profit before interests and tax	**963,961**	822,872	873,445	672,694	616,345
Profit before tax	**570,159**	560,785	715,031	576,007	555,179
Profit for the year	**525,333**	494,528	616,937	544,334	506,139
Profit attributable to equity holders of the Company	**540,219**	503,195	622,393	532,651	496,552
Basic earnings per share for profit attributable to equity holders of the Company (RMB)	**0.248**	0.231	0.285	0.244	0.228
Dividends per share to equity holders of the Company (RMB)	**0.12**	0.12	0.16	0.13	0.12

Assets Highlights (As at 31 December)

(RMB'000)	**2009**	2008	2007 Restated(1)	2006 Restated(1)	2005 Restated(1)
Total assets	**22,253,514**	18,263,578	14,711,393	9,400,124	9,134,375
Total liabilities	**13,343,662**	10,511,437	7,104,868	3,100,670	3,020,362
Total equity	**8,909,852**	7,752,141	7,606,525	6,299,454	6,114,013
Equity attributable to equity holders of the Company	**8,219,955**	7,047,358	6,893,075	6,299,454	6,070,875
Net assets per share to equity holders of the Company (RMB)	**3.77**	3.23	3.16	2.89	2.78







Principal Financial Ratios(3)

(For the year ended 31 December)	**2009**	2008	2007 Restated(1)	2006 Restated(1)	2005 Restated(1)
Operating profit ratio(2)	**25.02%**	12.59%	17.93%	27.31%	43.46%
Toll highway operating profit ratio	**49.10%**	55.25%	61.49%	68.57%	68.60%
Return on equity attributable to equity holders of the Company	**6.57%**	7.14%	9.03%	8.46%	8.18%
Interest covered multiple	**1.86**	1.82	3.16	6.34	5.88

(As at 31 December)	**2009**	2008	2007 Restated(1)	2006 Restated(1)	2005 Restated(1)
Gross liabilities-to-equity ratio	**149.76%**	135.59%	93.40%	49.22%	49.40%
Net borrowings-to-equity ratio	**108.87%**	96.75%	69.29%	33.17%	21.97%

Notes:

(1) The Group has adopted IFRIC 12 since 2008. The comparative information in previous years has been restated in accordance with the relevant requirements.

(2) According to IFRIC 12, the Group was required to recognize its revenue from construction services under concession arrangements. It reflected that there was no real cash inflow from the construction or reconstruction works carried out on the roads for which the operating rights were owned by the Group. As a corresponding construction cost was also recognized, the amount of revenue-related profit was insignificant or not recognized, significant difference existed between the Group's overall operating profit ratio and toll highway operating profit ratio.

(3) Description of principal financial ratios:
Operating profit ratio = Operating profit / Revenue
Toll highway operating profit ratio = Operating profit from toll highways / Revenue from toll highways
Return on equity attributable to equity holders = Profit attributable to equity holders of the Company / Equity attributable to equity holders of the Company
Interest covered multiple = Profit before interests and tax / Interest expenses
Gross liabilities-to-equity ratio = Total liabilities / Total equity
Net borrowings-to-equity ratio = (Total amount of borrowings – Cash and cash equivalents) / Total equity

Events of the Year

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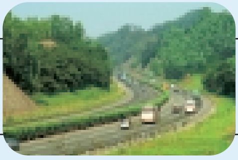
2009

Jan

The appointment of the new Board and Supervisory Committee became effective for a term ending on 31 December 2011.

The concession (25 years) of Nanguang Expressway was approved by the government.

Feb



Mar

Apr

The first Social Responsibility Report was published.

The Board approved the reconstruction of Liannan Section of Qinglian Project into an expressway with a total investment of approximately RMB980 million.

May

The Company entered into an agreement for the entrusted construction of Longhua Extension.

Jun

The Company entered into an agreement for the acquisition of 45% interests in Jihe East Company.

Jul

The completed section (approximately 188km) of Qinglian Expressway started to toll as expressway.

Aug

Sep

The Company was awarded the "Best Governed Board in PRC Listed Companies 2009" (2009中國上市公司最佳治理董事會) in the "Best Board in PRC Listed Companies Election 2009" (2009中國上市公司最佳董事會評選) organized by Moneyweek.

The Board approved the contribution of additional capital of RMB132 million to Qinglong Company for the extension work of Shuiguan Expressway.

Oct

The exercise period of "Shenzhen Expressway CWB1" warrants expired. A total of 70,326 warrants were exercised successfully, increasing the total number of shares of the Company to 1,433,270,326.

Nov

The Company was awarded Honorable Mention of "2009 Best Annual Reports Awards" organized by the Hong Kong Management Association.

The Company entered into an agreement for the entrusted management of Coastal Company.

The Company entered into an agreement for the subscription of 14.25% shares in Guangdong UETC.

Dec

The Company ranked first in the infrastructure category in The Asset "China's Most Promising Companies 2009" election.

The Company entered into an agreement for the continuous entrusted management of 89.93% equity interests in Longda Company.

2010

Jan

The Board approved the Development Strategies 2010-2014.

The Board approved the extension of the north section of Meiguan Expressway with a total investment of approximately RMB774 million.

The Company was awarded the "Shenzhen Mayor's Quality Award 2009".

The Board approved the establishment of Outer Ring Expressway Project Company with a registered capital of RMB100 million to conduct the preliminary research work of the project.

The "Shenzhen Mayor's Quality Award" was launched in 2004. It is the blue ribbon of quality management awarded by the Shenzhen Municipal Government that aims at honouring Shenzhen enterprises or organizations with outstanding performance in quality management. Its evaluation mode and procedure are in compliance with international practice. The evaluation criteria of the latest Malcolm Baldrige National Quality Award (established by the US Congress by legislation in 1987) were adopted. It is authoritative, advanced and regulative.

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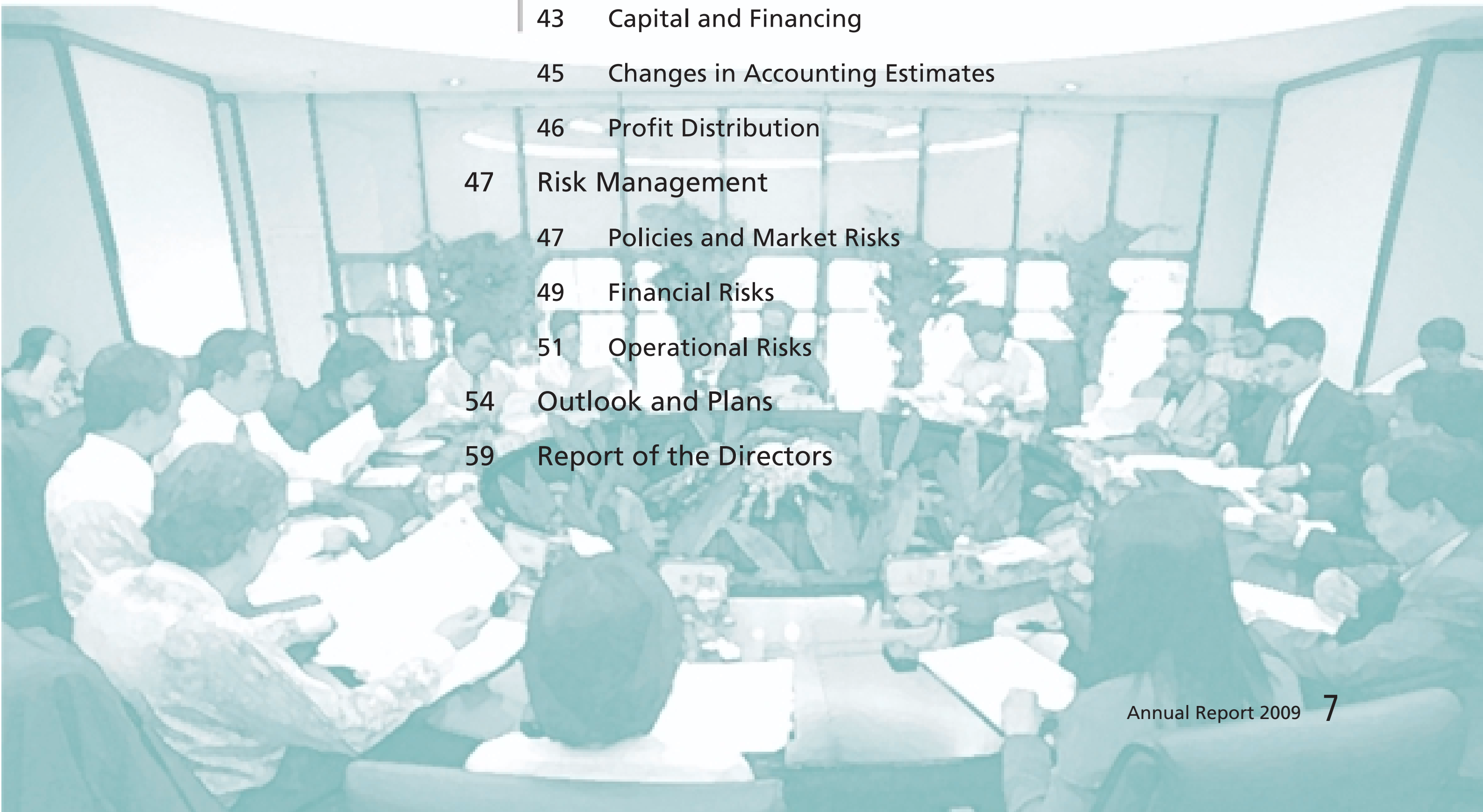
Management Discussion and Analysis

This section focuses on the Company's business performance, operating results, financial performance, internal control and material transactions in 2009 to provide a systematic way for the readers to understand the operation management of the year and the future plans and goals of the managements.



千里之行始於足下

Quote from chapter 64 of Lao Tzu (《老子》): “A big tree grows from a tiny twig; a tall tower is built from the ground; and the longest journey begins with the first step.” (合抱之木，生於毫末；九層之台，起於累土；千里之行，始於足下)

Even the longest journey starts from taking the first step. The saying points out that all achievements are the results of persistent smaller efforts.

Chairman's Statement

To all shareholders,

On behalf of the Board, I hereby report to the shareholders that in 2009, the Group realised a net profit of RMB540 million with earnings per share being RMB0.248, representing an increase of 7.36% over 2008. The Board recommended the payment of a final dividend of RMB0.12 per share in cash for 2009, representing 48.4% of the earnings per share. For details of the dividend for the year, please refer to the content of "Profit distribution" in the section "Financial Analysis" of this annual report.

Chairman's Statement

The operating results, financial position and governance practices of the Group's various businesses will be analysed and reported in details in respective chapters that follow in this annual report. In this "Chairman's Statement", I would like to review with you the overall performance of the Company in 2009 as well as over the last 5-year strategic period, and share our thoughts on the strategies and the development prospects.

Advancing Ahead

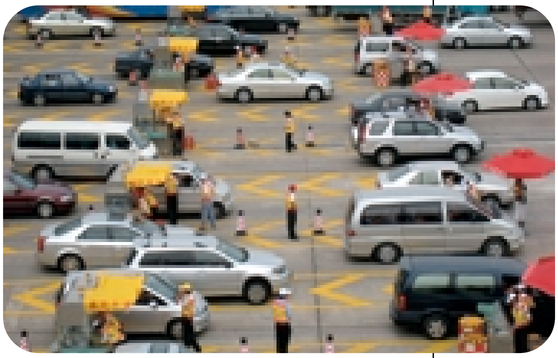
The operating environment in 2009 was challenging. At the beginning of the year, the Company clearly acknowledged that the impact of the global economic crisis on the real economy would subsist and the external environment would not be optimistic; the increase in finance expenses and road maintenance expenses would also put a tremendous internal pressure to the Company. In response to these, the Company devised a series of pragmatic and concrete management measures that complement its strategic objectives, with the objective to address the challenges practically and advance ahead with great determination and dedication.

Looking back at 2009, under the support from our shareholders, the government and different sectors of society, our staff faithfully have fulfilled their duties and functions and implemented the work plans set out at the beginning of the year effectively. Satisfactory results have been achieved by the Group in a number of aspects including management enhancement, project investment and business development. Also, benefiting from the gradual recovery of the economy, the overall operation situation of all of our toll highways also achieved an improvement that exceeded our expectation at the beginning of the year. Below sets out a brief review of the Group's overall performance in 2009:

- **Expected targets for principal business achieved.** In 2009, China's economy succeeded to maintain a growth rate at 8% and displayed a positive development trend, providing a new momentum for the growth of the transportation sector that has been dropping since the end of 2008. Entering the second half year, the traffic volume and revenue of most of the Group's toll highways turned around from the YOY decline trend and gradually returned to the level before the financial crisis. Based on the daily average toll revenue for the entire year, apart from Yanpai Expressway that functions as a passage to divert the port's traffic recording a YOY decline of 6%, all of the remaining 15 highway projects of the Group recorded a YOY growth, while Nanguang Expressway and GZ W2 Expressway, which were opened to traffic in recent years, achieved a growth rate of over 50%. This was mainly attributable to the robust economic activities in PRC and the increasing private car ownership rate. However, the recovery of import/export-related transportation demand remained uncertain. In addition, the Company has in recent years strengthened the road maintenance management and the promotion on roads newly opened to traffic, proactively pushed ahead the consolidation progress on the toll collection inter-network between the Shenzhen region and the Pearl River Delta region, continuously regulated the internal procedures, in order to provide a safer, comfortable and convenient service of expressways to the road users, thus promoting sustained growth in toll revenue.

- **Quality projects development opportunities well captured.** While the financial crisis has caused tight market liquidity, it has also brought about acquisition opportunities of quality projects. During 2009, the Company successfully completed the acquisition of the 45% equity interests in Jihe East and timely seized the rare business opportunity on the market after detailed analysis, careful planning, persistent negotiation and in compliance with the reporting and approval requirements. Jihe East is one of the toll highways that have the most intense traffic volume in Shenzhen. Increasing its shareholdings can increase the Group's stable cash revenue and expand its scale of quality assets; it is also beneficial to the Company's integrated project management and operations planning in the future.

- **The Entrusted management businesses expanded with an effort.** Exporting core business compatibilities in highway construction and operation management represents the direction of development for the Company during recent years. In 2009, apart from undertaking the existing management of the entrusted projects, the Company was entrusted to manage the Longhua Extension, Longda Expressway (renewed) and Coastal Company. Coastal Project is one of the biggest highway projects in Shenzhen, in terms of both scale and level of technique. The Company manages Coastal Company in order to push ahead and finalise the specific arrangements to commence the entrusted construction management and entrusted operation management of the Coastal Project. The smooth progress of the Company's entrusted management of the Coastal Project shows its strong capacities and status in the highway management industry, providing a new platform for the Company's development of management "export" business.



- **Internal management entering a new phase.** After considering advice from an external professional consulting firm, the Company continued to reinforce the establishment of the internal control system in the year to effectively protect the assets' security of the Group and the interests of the shareholders. In 2009, the implementation of the excellent management model by the Company entered a new phase. After document inspection, on-site assessments and other procedures by an external professional team and public assessments, the Company received the "Shenzhen Mayor's Quality Award", which is the highest award for management quality in Shenzhen, with the highest score given by the assessment board since the launch of the award. This is not just pride and honour but is more importantly, in the process of introducing this management model, more staff became equipped with the tools for quality control, increased their awareness of risk management and the understanding of the relations between company strategies and values and individual duties and achievements. It bears a significant meaning to the sustained healthy growth of the Company.

In 2009, the performance of the Group was generally in line with anticipation, while exceeding the pre-set targets in some important aspects. This was partly the result of objectives factors, and also the hard work and perseverance of the entire staff of the Company, which shall continue to stand by us as we advance forward.

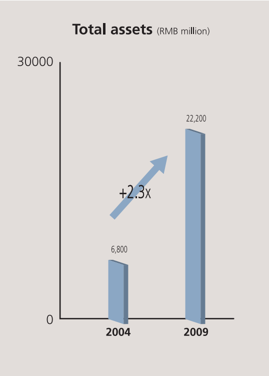
Introspection

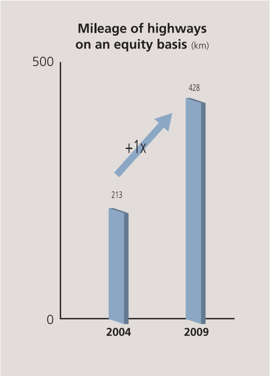
2009 has another level of meaning to Shenzhen Expressway. The "2005-2009 Strategic Period" set by the Company comes to an end here and opens a new chapter of the following strategy. Compared with the end of 2004, the assets scale of the Group increased from RMB6.8 billion to RMB22.2 billion, and toll revenue increased from RMB510 million to RMB1.34 billion. The road mileage, shareholder's equity, profit level and staff headcount also made a material leap. In addition, the Company's effort in the aspects of corporate governance and internal management has also achieved important success in this strategic period, harvesting a number of prestigious awards as well as good reputation and credit for the Company.

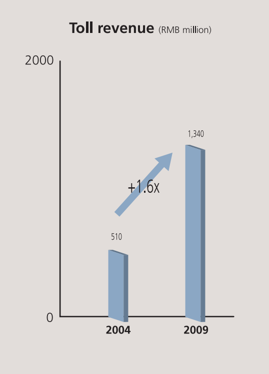
Chairman’s Statement

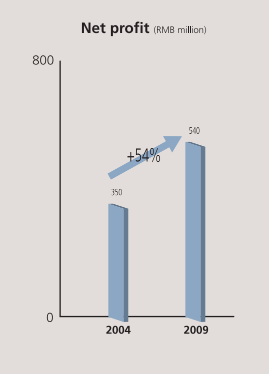
During this strategic period, Shenzhen Expressway achieved an unprecedented growth in terms of scale and realised its pre-set strategic targets. Nevertheless, the growth of return lagged behind that of the scale of size. For these years, a majority of the Company’s investment projects have been road constructions or reconstructions, which usually require a long cultivation period that spans from their opening to maturity. The toll revenue during the preliminary investment period may not grow in line with the assets scale. On the other hand, the expansion of the Company’s scale mainly relied on debt financing, with the rapid increase in finance cost coming with the growth of assets, which further slowed down the improvement of the Group’s performance. Although we have already foreseen these scenarios at the time we formulated the strategies, how to balance the long-term development and the short-term benefit remained a subject for further discussion and study for the new strategic period.

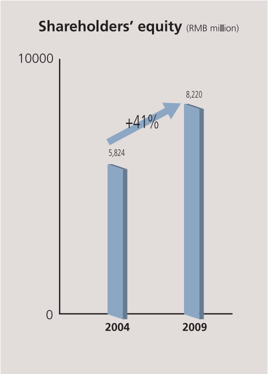
For an expressway company that has started off with an equity mileage of 11 km, these may be the pain and panic we cannot avoid in the process of development and growth. With strength comparably weaker than the others, it is unavoidable that the Company would stagger or flurry a bit in the process of catching up. However, what we have is courage and vitality, and also the dedication for the mutual growth of the Company, its shareholders and its staff. We believe we shall be walking with much steadier and faster steps in the future.

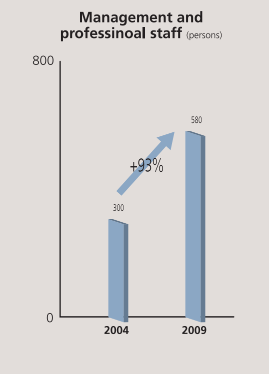












Unity of Knowledge and Action

Looking ahead, we believe this is a time when opportunities and challenges co-exist. While being supportive of the development of the industry, the government may need to adjust some industrial policies, road network plan or traffic organization based on the benefits of and concerns for the public. The upgrade and relocation of industries in the peripheral regions may bring uncertainties to the traffic demand in a certain stage. The persistent warming of economy often leads to a rise of cost in land acquisition and demolition, construction material and labour cost. All these factors may also affect the operation and construction of the Group for a certain period. However, under the sustained growth of China's economy, we will benefit from the implementation of various industry stimulus plans targeted for the automobiles, logistics and other industries, and the progressive execution of the Outline of the Plan for the Reform & Development Plan of Pearl River Delta. Our valuable experience in the areas of road construction and operation management and the results of continuous enhancement of management quality will provide vital guarantee to our strength to address the above challenges.

Forewarned is forearmed. On the basis of constant review and reflection on the environment and the actual situation, the Company formulated the "2010-2014 Development Strategies" and proposed the development strategies of "Insisting on the market-oriented principle, relying on the expressway industry, actively exploring and attempting for new industry investment, realizing a synergy growth in both of scale and return". In the new strategic period, the development model of the Company will be changed from an outer expansion one to an inner scale-returns balanced one, with the focus on improving the returns of the Company's assets as a whole. We will also actively study and attempt for industries and businesses related to toll highways industry and the Company's core business capacities, in order to seek new opportunities for the Group's long-term development.

"Read broadly and learn the fine essence, be well grounded and speck up moderately (博觀而約取，厚積而薄發)." Due to the limitation from the completion progress of connecting road network, the Company will not be able to break through the bottleneck of development in 2010. However, with the confidence in the country, the industry and the Company itself, our past and present hard work and persistence in the future, we believe, the harvest time of the Company is not far away. The year 2010 has already arrived, at this crossroad of the past and the future, the entire staff of the Shenzhen Expressway has come to a new starting point; with confidence, ambition and concerted efforts, together we will make wide strides ahead.

Acknowledgements

In the past, we have been walking altogether; in the future, we will advance hand in hand. I would like to take this opportunity to express my gratitude to all Directors, Supervisors, management and the entire staff for their hard work and selfless contribution in the past year. On behalf of the Group, I would also like to express sincere thanks to all shareholders, customers, the financial sector, the business and commercial sector, the government and the public for their continuous support and trust.

Yang Hai
Chairman

Shenzhen, PRC, 19 March 2010

I. Toll Highway Business

The Group's earnings come mainly from toll highway operations and investments. As at the end of the Reporting Period, the Group operated and invested in 16 toll highway projects in the Shenzhen region, other regions in Guangdong Province and other provinces in China. General information about each highway is set out in the section "Information of Highways and Figures" of this annual report.

Mr. Wu Ya De,
Executive Director and President

1. The Operating Environment of 2009

The economic environment outlook was not optimistic at the beginning of 2009. However, under the boosting effect of the serial implementation of proactive economic and industrial policies by the State and governments at various levels, the national economy has shown a steady rising trend and the domestic consumer market was revitalised gradually, while the real economy was progressively recovering from the aftermath of the financial tsunami. In 2009, China's economy successfully met the goal of "eight percent protection" and recorded an 8.7% increase in GDP over the previous year, whereas the growth rate recorded a decrease of 0.3 percentage point. The GDP in Guangdong Province and Shenzhen Municipal increased by 9.5% and 10.5% respectively over the previous year, which represented decreases of 0.6 and 1.6 percentage points respectively. Despite a slight slow down, the economic growth rate basically remained steady with an acceleration on a quarterly basis for the first to the fourth quarter.

In 2009, total imports and exports of Guangdong Province and Shenzhen Municipal amounted to US$611.1 billion and US$270.2 billion respectively, representing decreases of 10.8% and 10.4% over 2008 respectively. However, such negative year-on-year changes turned around since November, and the respective increases thereof reached 32.3% and 25.8% in December. The cargo throughput at the Shenzhen Port totalled 193 million tonnes, representing a decrease of 8.3% over the previous year. The container throughput totalled 18.25 million TEUs, representing a decrease of 14.8% over the previous year, of which the container throughput at the Yantian Port amounted to 8.58 million TEUs, representing a decrease of 11.4%. After year-on-year decreases for 15 consecutive months, the container throughput at the Shenzhen Port recorded a positive growth in December 2009 for the first time since the financial tsunami and increased by 3.5%, while that at the Yantian Port still recorded a decrease of 13.1%. Overall, the accumulated decrease in port capacity has sustained a continuous narrowing and the declining trend has become stable with progression over the quarters.

The prosperous domestic economic activities and consumption demand during the year made a distinctive contrast with the weakness in the import and export business. In 2009, the cargo turnover and passenger turnover for highways in Shenzhen Municipal amounted to 224 million tonnes and 1463 million passenger trips respectively, representing increases of approximately 3.9% and 12.1% respectively. Urban car ownership was still on the rise and as at the end of 2009, the number of vehicles registered in Shenzhen was 1.45 million, representing an increase of 200,000 vehicles or approximately 16% over the previous year.

Source of data:

GDP: preliminary findings published by the National Bureau of Statistics of China and regional government work reports

Import and export statistics: released by the Statistics Bureaus of Guangdong Province and Shenzhen Municipality

Transportation statistics of the Shenzhen Port and highways: released by the Transport Committee of Shenzhen Municipality

2. Operational Performance of Toll Highways

Basic operating statistics of each toll highway during the Reporting Period are as follows:

			Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
Toll highway	Percentage of interests held by the Group	Percentage of revenue consolidated	2009	2008	Change	2009	2008	Change
Shenzhen region:								
Meiguan Expressway	100%	100%	**98**	93	6.0%	**814**	792	2.8%
Jihe West	100%	100%	**73**	68	7.6%	**951**	937	1.5%
Jihe East(1)	100%	100%	**93**	91	2.2%	**1,242**	1,227	1.2%
Yanpai Expressway	100%	100%	**34**	32	5.8%	**383**	407	-6.0%
Yanba Expressway	100%	100%	**17**	14	19.0%	**213**	196	9.1%
Nanguang Expressway(2)	100%	100%	**32**	16	97.2%	**302**	176	72.1%
Shuiguan Expressway	40%	—	**118**	106	11.1%	**1,072**	1,006	6.6%
Shuiguan Extension	40%	—	**32**	28	14.6%	**203**	179	13.2%
Other regions in Guangdong province:								
Yangmao Expressway	25%	—	**20**	18	8.3%	**968**	902	7.2%
Guangwu Project	30%	—	**11**	10	14.1%	**306**	265	15.4%
Jiangzhong Project	25%	—	**51**	45	12.3%	**707**	652	8.5%
GZ W2 Expressway	25%	—	**15**	10	55.4%	**471**	301	56.2%
Qinglian Expressway(3)	76.37%	100%	**16**	N/A	N/A	**830**	N/A	N/A
Other provinces in the PRC:								
Wuhuang Expressway	55%	—	**32**	29	11.2%	**1,090**	1,017	7.2%
Changsha Ring Road	51%	—	**7**	6	22.0%	**64**	61	5.0%
Nanjing Third Bridge	25%	—	**20**	18	9.2%	**672**	640	5.0%

Note:

(1) Since 30 September 2009, the percentage of interests in Jihe East held by the Group has increased from 55% to 100%.

(2) The main route of Nanguang Expressway was opened to traffic in January 2008.

(3) The main route of Qinglian Project started to toll as expressway since 1 July 2009. As the original toll model of Qinglian Project differs from the toll model of expressways in terms of the toll rate, vehicle category and statistical method, the statistics of the year-on-year changes of Qinglian Expressway are not provided. The statistics in the table only represent the operational statistics of Qinglian Expressway after opening to traffic excluding the operational statistics of Liannan Section tolled as class 1 highway as well as Class 2 Road of Qinglian Company. In 2009, the overall average daily toll revenue of Qinglian Company was approximately RMB663,000, of which RMB458,000 was in the first half of the year and RMB867,000 was in the second half of the year.

During the Reporting Period, apart from a slight year-on-year decrease in the average daily toll revenue of Yanpai Expressway which functions as a passage to divert the port's traffic, all the other highway projects operated and invested by the Group recorded year-on-year increases in both traffic volume and toll revenue, in which Nanguang Expressway and GZ W2 Expressway, which were newly opened to traffic in recent years, recorded a growth of over 50%. The average daily toll revenue of Qinglian Project which started to toll as expressway since 1 July 2009 was approximately RMB830,000, in line with the Company's expectation.

In 2009, the factors affecting the operational performance of the toll highways of the Company mainly include:

- **Impact of the macro-economy.** In 2009, the impact of the financial tsunami on the real economy subsisted. Taking the Shenzhen region as an example, there was a significant decrease in the demand for processing trade and logistics in the Pearl River Delta Region. Indicators such as port capacity and container throughput showed decreases to different extents until the end of the year, which brought about a direct impact on the cargo traffic of highways. Coupled with the effect of the decrease in the port capacity of Yantian Port, the lorry traffic volume of the Group's Yanpai Expressway decreased by 14% over the previous year, and the proportion of lorry traffic volume to the total traffic volume also decreased by 6 percentage points. Fortunately, China's economy recovered steadily under implementation of a series of measures to expand domestic demand and boost economic growth by the Central Government and local governments. In particular, the significant growth in industrial production and the growing domestic investment and consumer market have driven the increase in the social demand of traffic in the second half of the year. Against this background, operational performance of toll highways operated and invested by the Group maintained an overall growth of a certain extent, among which the traffic volume and revenue contribution of small vehicles increased rapidly, while the lorry traffic volume for most of the projects recorded significant decreases that were narrowing down.

- **Growth in the demand for vehicle consumption.** In 2009, the State promulgated the Auto Industry Revitalization Plan, and implemented "trade-in" policy as well as lowered the vehicle purchase tax for the purchase of low discharge passenger vehicles. Such policies are aimed to promote vehicle sales growth and in turn led to the continuous growth of the demand for traffic. According to the information of the Traffic Management Bureau of the Ministry of Public Security, car ownership of the PRC reached 76,190,000 vehicles as at the end of 2009, representing an increase of 11,520,000 vehicles or 17.8% over 2008, among which passenger vehicles accounted 63.5% of the total number of vehicles, representing an increase of 9,910,000 vehicles or 25.7% in 2009. The yearly growth rate of the number of motor vehicles in Shenzhen has maintained at double-digits for several years. The continuous growth in the demand for vehicle consumption and vehicle ownership created continuous significant impact on the operational performance of toll highways.

Vehicle Category of Major Toll Highways (1)

◆ **Changes in road networks layout and redistribution of demand.** The operational performances of toll highways are also subject to positive or negative influences caused by competitive or synergistic changes in neighbouring road networks, maintenance and repair works on connecting or parallel roads as well as implementation of urban traffic organisation plans. The openings and operations of expressways and inter-city railways in recent years have diverted traffic from highways and affected some toll highways with similar routes. The specific situation in each specific case differs. The following is a brief analysis for the Reporting Period:

- Meiguan Expressway: during the year, a municipal road (Banxuegang Road) was opened to traffic in the surrounding region of Meiguan Expressway which has brought about a slight diversion of 1-2%. On the other hand, the Dongjiang Bridge of Guanshen Expressway (Dongguan-Shenzhen) which is connected with Meiguan Expressway was completed and fully opened to traffic in September 2009, which induced an increase in the traffic volume of Meiguan Expressway, but the influence was not significant so far.

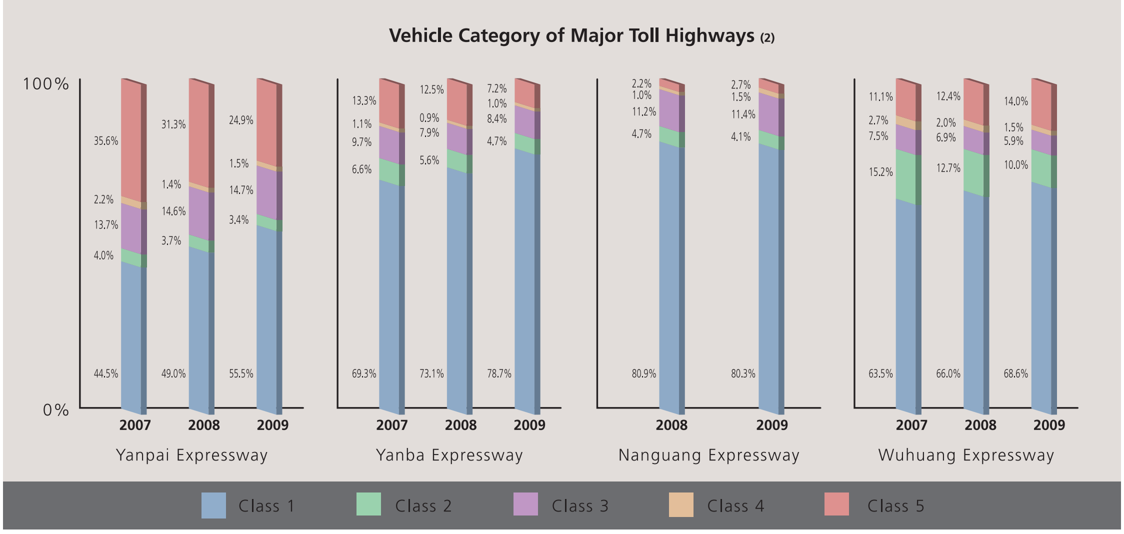
- Nanguang Expressway: several sections of a municipal road (Songbai Road) parallel to it were closed for expansion and reconstruction, which created a positive effect on the operational performance of Nanguang Expressway.

- Shuiguan Expressway: the reconstruction of the neighbouring Shenhui Road and the construction works of Metro affected the local traffic capacity and created positive effects of a certain extent on Shuiguan Expressway.

- GZ W2 Expressway: Guangzhou North Ring Expressway was closed for maintenance from July to November 2009, which diverted some of the vehicles to GZ W2 Expressway and created a positive effect on the latter operational performance. Following the successive implementation of governmental traffic plans, GZ W2 Expressway's function as a cross border passage has become prominent which in turn contributed to the continuous growth in traffic volume and revenue.

- Wuhuang Expressway: several expressways or express passages were opened to traffic in Wuhan region during the year and the neighbouring road network was further expanded and enhanced, which was beneficial to the realisation of the synergy effects among road networks and maintained an overall growth in the traffic volume in the networks. In April 2009, the Wuhan-Hefei high-speed railway was opened for operation, leading to a slight change in the traffic volume of medium-size passenger vehicles, which was insignificant to the overall operation.

For details of changes that may arise in the future road network and the analysis of the effects, please refer to "Outlook and Plans" in this annual report.



Vehicle Category of Major Toll Highways (2)

◆ **The effects of toll policies and industrial policies.** In accordance with Guangdong Provincial Government's overall planning for the trial implementation of toll-by-weight in north Guangdong region, Qinglian Expressway has conducted trial implementation of toll-by-weight on cargo vehicles since 1 November 2009. The implementation of toll-by-weight is advantageous to the safe operation of toll highways, reduces the damages caused to highways and bridges effectively, and objectively increases toll revenue. From November to December, the average daily toll revenue of Qinglian Expressway was approximately RMB1,051,000, representing an increase of 46% compared with that prior to the trial implementation. On the other hand, as Hubei Province waived the toll of debt-repaying Class II highway since May 2009, and as a result, Wuhuang Expressway and other toll highways in the Hubei Province suffered from traffic diversion to a certain extent. The continuous implementation of the "Green Passage Toll Free Policy" during the year also led to a decrease of RMB15,690,000 in the revenue of the Group during the Reporting Period.

Current toll rates of "toll-by-weight" implemented in Guangdong province:

Vacant cargo vehicles or vehicles meeting the weight standard are tolled at the rate of a lower vehicle category; cargo vehicles with normal load or an overload of within 30% is tolled at the original rate; for cargo vehicles with an overload of over 30%, the part with normal load and an overload of within 30% is tolled at the original rate and the part with an overload of over 30% is tolled at an additional 4% of the original rate for every 1% of overload.

The trial implementation is currently conducted in north part of Guangdong Province only. It is uncertain whether it will be conducted in other regions of the province.

For the toll rates currently adopted on each toll highway of the Group, please refer to "Toll Roads and Bridges" on the Company's website at http://www.sz-expressway.com.

Q: **What is the "Green Passage Toll Free Policy"?**

What are the effects on the Group of the implementation of such?

A: The State had established the "Green Passage" for major transportation routes in the PRC since 2005 with a view to ensure traffic smoothness for fresh agricultural product carrier vehicles and granting them considerable toll concessions. Since 2008, the relevant concession policy was upgraded to toll free passage and was referred to as the "Green Passage Toll Free Policy". During the Reporting Period, certain roads of the Group such as Jihe Expressway, Wuhuang Expressway, Qinglian Expressway, Yangmao Expressway, Changsha Ring Road and Nanjing Third Bridge continuously adopted the policy in accordance with the requirements of the relevant government authorities. The toll fees waived amounted to approximately RMB16,025,000, RMB18,952,000, RMB5,492,000, RMB53,840,000, RMB171,000 and RMB10,330,000 respectively. The implementation of the policy decreased the revenue and profit of the Group by approximately RMB15,690,000 and RMB28,015,000 respectively during the Reporting Period (2008: RMB7,750,000 and RMB25,318,000).

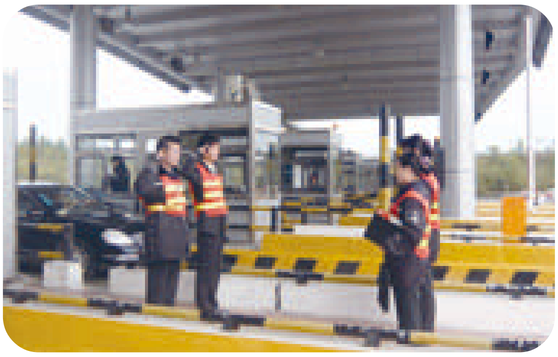
3. Enhancement of Business

During the Reporting Period, the Group adopted the following major measures to enhance the overall operational performance of the Group:

◆ **Adoption of proactive marketing strategies:** for the opening of Qinglian Expressway and to raise the operational performance of Nanguang Expressway, the Company has conducted in-depth visits to the surrounding enterprises and communities, carried out a number of specific surveys on the traffic volume and devised targeted marketing plans. Through improving of road signs and guideposts, launching promotion activities through media such as the press, radio stations and TV stations, distributing promotional leaflets and travel guides at connecting road networks and scenic spots in addition to other measures, the Company sought to enhance the drivers' and the passengers' understanding of the projects and familiarity with the traffic routes, and to attract more corporate customers and potential customers to use the roads of the Company. Moreover, in line with the implementation of traffic organisation and soothing plans of regional governments, the Company has adopted a rational toll strategy on several mature highways, with a view to relieve the traffic pressure on certain highways with jammed traffic, and thereby improving the overall smoothness and efficiency of the road networks.

◆ **Implementation of the inter-network toll collection:** During the year, the Company completed the upgrade and conversion work on the original non-stop toll collection system, and proactively pushed ahead the progress on the toll collection inter-network between regions within Guangdong province. The inter-network toll collection can enhance the travel efficiency of the overall road networks and raise the operational performance of each of the Group's highways. On 8 January 2010, the inter-network toll collection has been officially adopted in the "Shenzhen" and the "Pearl River Delta" regions. For the operation of the inter-network, the Group has closed one toll station of the main route of Meiguan Expressway and timely relocated 45 staff members from there to other newly opened projects, effectively cutting down the operating costs and staff costs.

- **Enhancement of the operational management mode:** through reformation of the mode of revenue calculation and tunnel management, and further regulation of the management regimes of toll stations, the Company's operation and management became more scientific and regulated, with effectively increased efficiency and lowered operating costs. In addition, in light of the increasing complexity of the road networks, the Company has established a database of the diversion distribution of vehicles and the vehicle mix of the road networks to conduct an in-depth tracking and analysis on the diversion of vehicles, which formed a basis for the formulation of work plans for rationalised distribution of vehicles and targeted marketing measures to enhance the growth of the traffic volume and revenue.



- **Enhanced management of road assets maintenance:** the Company conducts regular quality checks and continuous inspections on roads to timely monitor the road conditions, adopt measures to eradicate or remedy any road hazards or adopt the relative maintenance measures, so as to maintain the qualities, safety and smoothness of the roads. In 2009, the Company conducted a study on large-scale maintenance of highways, which involved vast investigations and analyses on basic data and visits to the highways with large-scale maintenance and similar conditions nationwide. These provided significant references for the Company in optimizing the next stage of its large-scale maintenance plans for several expressways and the reduction of the cost thereof. Meanwhile, the Company adopts "The optimal cost of the whole operating period" as its guiding principle and conducts an in-depth study on the planning of preventive maintenance measures, in order to achieve the goals of maintaining the good conditions of highway technically in the long run, reducing the frequency and scope of large-scale maintenance, extending the lifespan of the highways, which in turn will effectively lower the maintenance cost of the highways.

4. Business Development

In 2009, the Company pushed ahead projects under construction as scheduled, seized the opportunity of completing the acquisition of certain high-quality projects, meticulously looked into and formulated reconstruction and expansion plans, and conducted the preliminary works of the new projects step by step. These will further expand the business scale of the Company and establish a solid foundation for the Group's operational performance in the next stage.

◆ Project Construction

Affected by adjustment of design of Nanping (Phase II), a few finishing works such as the interchange of Nanguang Expressway and Nanping (Phase II) will be postponed. The works related to finishing works such as land acquisition and demolitions, approval for construction drawings and bidding for construction have been completed and the construction has been started in the Reporting Period. It is expected to open for traffic in phase with Nanping (Phase II) in the second half of 2011. The main part of Yanba C was completed at the end of November 2008. The preparatory work for Yanba C opening to traffic has been completed, its operation is scheduled to commence simultaneously with Huishen (Huizhou Renshan – Shenzhen Baisha) Coastal Expressway.

In the first half of 2009, the Management Office of the Qinglian Project surmounted a number of obstacles and completed the sealing works, construction of ancillary road, installation of mechanical engineering and road safety facilities and other engineering and finishing works of the main part (Fengtouling-Lianzhou section and Fengbu-Jingkou Section) of the project as scheduled, enabling the transformation of the project on 1 July 2009 and the highway started to toll as expressway since then. To date, the Qinglian Project's Liannan Section (the Lianzhou-Fengbu section) that has commenced reconstruction into an expressway since April 2009, has completed the original road surface reconstruction works and the Section has resumed opening to traffic. The remaining route change and closure works were scheduled for completion at the beginning of 2011. Despite an additional RMB980,000,000 was required for the investment in the reconstruction of Liannan Section of Qinglian Project and the smoothness of Qinglian Expressway was affected for some time ,the Management Office of the Project has scientifically arranged for construction schedules and fully pushed ahead the progress of the construction works, contributing to the completion of the road surface reconstruction works of the old highway within one year and minimising the aforesaid impacts. On the other hand, after the completion of the reconstruction works of Liannan Section, the toll mileage of Qinglian Expressway will be increased by approximately 27km, which will directly promoted the operational performance of the Project.

Q : **When will Yilian Expressway, which is connected with Qinglian Expressway, be opened to traffic?**

What would be the impacts on Qinglian Expressway of its opening?

“

A: According to our understanding, the construction works of the road surface, buildings, installation of mechanical engineering and road safety facilities have commenced. To increase the pace of the construction works, Yilian Expressway is launching “Intense Construction for Four Months” to strive for completion and opening at the end of 2010. As Yilian Expressway has not been opened at present, it is expected that the operational performance of Qinglian Expressway in 2010 will remain at the current level. The current traffic flow of Qinglian Expressway comprises mostly vehicles with Qinglian Expressway as a set route and partly vehicles from the west of Hunan to Guangdong via regional roads. Upon the opening of Yilian Expressway, vehicles crossing the border from the east of Hunan to Guangdong will be attracted to Qinglian Expressway and its operational performance will be promoted as a result.

”

◆ Project Acquisition

During 2009, the Company timely completed the acquisition of 45% equity interests in Jihe East Company after conducting a series of intensive but organised works including in-depth analyses, precise planning, persistent negotiations, and compliance with reporting and approval procedures. Jihe East is one of the toll highways with the most concentrated traffic flow in the Shenzhen region with a good operating record. Holding the interests thereof will create additional stable cash revenue for the Group, expand the scale of high-quality assets and unify the planning of project management and operation of the Company in the future. For details of the acquisition of Jihe East, please refer to the third section “Material Contracts and Transactions” below.

Project Reconstruction and Expansion

To increase the traffic capacity and service standards of the projects, the Company successively approved the additional capital contribution to Qinglong Company, a joint venture, for the expansion of Shuiguan Expressway and approved the reconstruction of the North Section of Meiguan Expressway (Qinghu-Liguang, approximately 11km) in the second half of 2009 and the first half of 2010.

Qinglong Company is in charge of the expansion construction of Shuiguan Expressway. The total investment is expected to be approximately RMB1,100,000,000 and the construction is planed to be completed in the second half of 2011. For details of the additional capital contribution to Qinglong Company, please refer to the third section "Material Contracts and Transactions" below.

The North Section of Meiguan Expressway will be reconstructed into a two-way expressway with eight lanes of asphalt roads. The total budget of the construction works amounted to approximately RMB774,000,000 and the construction duration is planned to be 30 months. Currently, 85% of demolition and relocation works has been completed. The Company is further reviewing and enhancing the design plans and the construction drawing, while all preliminary work are progressing in order. As to the reconstruction arrangement of the South Section of Meiguan Expressway (Qinghu-Meilin, approximately 8km), the Company will proactively negotiate with the relevant government authorities. After considering the unified planning and arrangements of the surrounding regional road networks and traffic organisation by the Shenzhen municipal government, the Company will propose the finalised plan for the Board's consideration. According to the initial estimation at the current stage, the total budget of the reconstruction and expansion works of the South Section of Meiguan Expressway is expected to be less than RMB300,000,000.

Project Development

As at the end of the Reporting Period, the evaluation report on aspects such as the environmental impacts and geology of Outer Ring Expressway was completed and received replies to it, whereas the toll proposal of the project was also approved. The Company is currently coordinating works including pre-approval of its land use and approval of the project. To further push ahead the preliminary study and relevant negotiations, the Board has at the beginning of 2010, approved the establishment of a legal entity, Outer Ring Expressway Project Company by the Company, to conduct an in-depth study on the returns and risks of the project, with the aim to verify its investment value. In addition, the approval work for the feasibility report thereof was temporarily halted as there are considerable uncertainties in the planning of neighbouring road networks of Costal Expressway Airport Feeder. The Company will pay close attention to the planning of the road networks and maintain good communication with the government authorities and will timely push ahead the progress of the preliminary work of this project.

Q: **There are different opinions in the market about the Company's investment in Outer Ring Expressway. What is the opinion of the management?**

> **A:** Outer Ring Expressway is the last one of the planned expressways in the Shenzhen Municipal. Following the commencement and progression of the unification of Shen, Guang, Hui (Shenzhen-Dongguang-Huizhou), the advantages in terms of its route will become more prominent. However, the project involves a large investment scale and a vast amount of costs. As such, the Company will make its investment decisions based on aspects such as enhancing the design plans and the investment mode, as well as seeking support from the government, and consideration of the returns of the project and the burden bearing capability of the Company's financial resources.

II. Entrusted Management and Other Businesses

Relying on the toll highway industry and building on the business capability cultivated and the management experience accumulated over the years in the industry, the Company has also progressively developed the exporting business of construction and operation management services, as well as the advertising business along the routes of its expressways. The Company is also involved in businesses related to construction consulting and inter-network toll collection, as attempts to benefit and complement its core businesses.

1. Entrusted Management Business

Entrusted construction management business involves the government or investors, as the owner of highway projects, entrusting companies or enterprises with the relevant construction management capability to coordinate the management of its invested project during the construction process. The entrusted companies, through exporting management experience and providing the relevant human resources, assist the owner to effectively control the quality, construction schedule and costs of the construction works, and receive reasonable income and returns on the other hand. With reference to the entrusted projects the Company in the past few years, entrusted construction management business generally calculates the income with reference to "management fees based on a certain proportion of the budget of the project + sharing of the savings of the budget of the project". The entrusted parties are liable to unsatisfactory qualities, delay of construction schedules and over-budgets arising from the breaching of contracts. The sharing scheme is generally determined by the extent of liability borne by the entrusted parties. The Company has been engaged in entrusted construction management business since 2001 and has successively completed 3 management projects, which received positive comments from the owner and the market.

In 2009, apart from pushing ahead the entrusted construction management of Nanping (Phase II), Shenyun Project and Hengping Link Section, the Company entered into a contract in relation to the entrusted management of Longhua Link Section in April 2009. During the Reporting Period, the construction progress and construction costs of the aforesaid projects were basically in line with expectation. The progress of certain contracted sections of Nanping (Phase II) was behind schedule as a result of land requisition, demolition and relocation and planning adjustments. However, such delay would not incur performance obligations of the Company under the entrusted construction agreement. In November 2009, the Company also entered into a contract in relation to the entrusted management of Costal Company for further negotiations and confirmation of the details and specific terms relevant to the entrusted construction management and entrusted operation management of Costal Expressway (Shenzhen Section). For the revenues and profits of the entrusted management of Longhua Section, the entrusted management of Costal Company and the entrusted management of projects during the Reporting Period, please refer to the third section "Material Contracts and Transactions" and "Financial Analysis" of this annual report below.

In addition, the Company has also undertaken the entrustment of operation management of Longda Project by way of equity management. In this entrusted operation management business, the Company manages the operation of Longda Expressway through assigning Directors and key management staff as well as advising and supervising its business, in order to maintain the normal operation of the toll collection, maintenance and repairs of Longda Company, while controlling and striving to minimise the costs of Longda Company. The annual basic revenue of the Company for the provision of such service amounts to RMB15,000,000. For details thereof, please refer to the third section "Material Contracts and Transactions" below.

Through the aforesaid entrusted management business, the Company will timely seize the opportunities in development of construction and operation management of toll highway business and fully leverage on the over ten years' professional experience and strengths of the Company in the industry, export the management experience and generate reasonable income and returns.

2. Other Businesses

Advertising Company, which is wholly-owned by the Company, is engaged in the businesses of billboard leasing, advertising agency, design production and related services, primarily utilising land-use rights alongside the Group's toll highways and toll stations. During 2009, Advertising Company recorded revenue of RMB39,851,000 and a net profit of RMB12,527,000, representing increases of 5.54% and 4.58% respectively over 2008.

The Company has established Consulting Company, with certain engineering and technical personnel as shareholders, to develop businesses such as project management consultancy, survey, design, engineering supervision, construction costs consultancy, tendering agency and test and inspection. The Company currently holds 30% equity interests in Consulting Company. In 2009, Consulting Company recorded revenue of RMB104,565,000 and a net profit of RMB1,944,000, representing increases of 55.53% and 27.60% respectively over 2008.

During the Reporting Period, the Company also entered into a contract for the subscription of the shares of Guangdong UETC. For details thereof, please refer to the third section below, "Material Contracts and Transactions". Guangdong UETC is mainly engaged in the electronic clearing business of the toll highways in Guangdong province, including investment, management and services of electronic toll and clearing systems, and the sale of related products. Through the investment in Guangdong UETC, the Company can involve in the inter-network toll business in Guangdong province, which enables the Company to timely understand the relevant policies and information, and consolidates the Company's position in the toll highway industry. As at the end of the Reporting Period, the relevant registration procedures of the shares have not been completed.

III. Material Contracts and Major Transactions

1. Acquisition of Interests in Jihe East Company – Investment and Connected Transaction

On 1 June 2009, the Company, Intersafe Company and Road King Company have entered into a transfer of interest agreement, pursuant to which, the Company has conditionally agreed to acquire and Intersafe Company has conditionally agreed to transfer the entire interests in Jihe East Company owned by Intersafe Company (adopting 31 March 2009 as the reference date for the transfer of interests), including the 45% equity interests in Jihe East Company and the corresponding shareholder's loan, with Road King Company as the guarantor to perform the necessary obligations in assuming the related duty of guarantee in favour of Intersafe Company in accordance with the transfer of interest agreement. The consideration of this transaction amounted to RMB1.0688 billion, whereas the Company agreed to reimburse Intersafe Company the income tax amount actually payable by Intersafe Company in connection with the transaction.

As Intersafe Company holds over 10% interests in Jihe East Company, in which the Company holds 55%, and as Intersafe Company is a wholly-owned subsidiary of Road King Company, Intersafe Company and Road King Company are connected persons of the Company, and the transaction constitutes a major and connected transaction of the Company under the Listing Rules of HKEx. According to the Listing Rules of SSE, the transaction constitutes a discloseable transaction but not a connected transaction. For details thereof, please refer to announcements of the Company dated 2 June 2009, 9 July 2009 and 9 October 2009 and the circular to shareholders dated 23 June 2009. During the Reporting Period, the Company has completed all the procedures for acquisition of 45% interests in Jihe East Company. Jihe East Company has changed from a jointly controlled entity to a subsidiary of the Company with its financial statements consolidated into the financial statements of the Company since 30 September 2009. For impacts of the acquisition on the accounting treatment, financial position and operating results of the Company, please refer to the related content set out in "Financial Analysis" of this annual report.

2. Subscription of Equity Interests in Guangdong UETC – Investment and Connected Transaction

On 25 November 2009, the Company entered into a share subscription agreement with Guangdong UETC, pursuant to which the Company agreed to subscribe for 28,500,000 new shares in Guangdong UETC at a total consideration of RMB28,500,000, accounting for approximately 14.25% of the total share capital of Guangdong UETC upon this share issue being fully subscribed.

As Guangdong UETC is owned by SIHCL as to 15% of its shares, representing a total of 1,500,000 shares, it is a major shareholder of Guangdong UETC before this share issue; whereas the Company is over-30% indirectly held by SIHC, which will be merged with SIHCL pursuant to the arrangement of the Shenzhen Municipal Government. According to the Listing Rules of HKEx, SIHCL is a connected person of the Company and the subscription of shares in Guangdong UETC by the Company constitutes a connected transaction of the Company. According to the Listing Rules of SSE, this transaction constitutes a connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 25 November 2009.

During the Reporting Period, the Company has paid the consideration for subscription of the shares as agreed in the share subscription agreement. As at the date of this report, the relevant registration procedures of related shares are in process. In addition, the Company is planning to further acquire 1,500,000 shares in Guangdong UETC held by SIHCL, but the terms of the acquisition are still under negotiation. Upon the completion of the aforesaid subscription and acquisition, the Company will hold 30,000,000 shares in Guangdong UETC, representing 15% of its then issued shares.

3. Entrusted equity interests in Longda Company – Continuing Connected Transaction

On 7 January 2008, the Company entered into an entrusted management agreement with Yibin Company. Pursuant to the entrusted management agreement, Yibin Company entrusted the Company to manage the operation of its 100% equity interest in Baotong Company and the 89.93% equity interest in Longda Company owned by Baotong Company. Longda Company is principally engaged in toll collection, maintenance, management and development of Longda Expressway. The term of the entrusted management commenced on 8 January 2008 and expired on 31 December 2009. The entrusted management fees are calculated on an annual basis at RMB15 million or 8% of the audited net profit of Longda Company (but in any event shall not exceed RMB25 million), whichever is the higher. The fees will be paid in cash by Yibin Company by installments to the Company.

As Yibin Company is a wholly-owned subsidiary of Shenzhen International, which is the indirectly controlling shareholder, in accordance to the Listing Rules of HKEx, the transaction constitutes a continuing connected transaction of the Company. According to the Listing Rules of SSE, this transaction constitutes a connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 8 January 2008. During the Reporting Period, this connected transaction had no effect on the independence of the Company and the entrusted management agreement was normally performed. Income recognised for the Reporting Period accounted for 1.04% and 100% of the Group's income and income from entrusted operation management service income respectively. The Independent Directors of the Company had taken annual review on this continuing connected transaction and confirmed that the transaction was on normal commercial terms in the ordinary and usual course of business of the Company, and during the Reporting Period the transaction was in accordance with the entrusted management agreement and the terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

On 28 December 2009, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company will entrust the Company to manage its 89.93% equity interest in Longda Company. The term of the Entrusted Management Agreement commenced on 1 January 2010 and will expire on 31 December 2011. The entrusted management fees are calculated on an annual basis at RMB15 million or 8% of the audited net profit of Longda Company (but in any event shall not exceed RMB25 million), whichever is the higher. The fees will be paid in cash by Baotong Company by installments to the Company. For details thereof, please refer to the announcement of the Company dated 28 December 2009.

4. Entrusted Management of the Longhua Extension – Connected Transaction

On 20 May 2009, the Company entered into an entrusted construction agreement with Yibin Company and Baotong Company, pursuant to which, Baotong Company has entrusted the Company to construct Longhua Extension. The Company, as the entrusted constructor, will be responsible for managing the work drawings, land requisition and demolition, management of the preparative period, construction period and defects responsibility period and related settlement and payment etc.. Baotong Company, as the entrusting party, will be responsible for the funding and payment of construction costs of the project. The total entrusted construction management fee includes an entrusted construction management fee and an incentive payment on saving of construction costs (if any), and will be paid to the Company by Baotong Company in cash by installments as agreed, in which, the basic entrusted construction management fee amounts to RMB5,000,000. The amount and calculation methods of total entrusted construction management fee were agreed after arm's length negotiation among the parties and is determined by the parties after taking into account of the terms of the entrusted construction agreement, the scale of the entrusted construction and past experience of the Company.

As Yibin Company is a wholly-owned subsidiary of Shenzhen International, which is the indirectly controlling shareholder, according to the Listing Rules of HKEx, this transaction constitutes a connected transaction of the Company. According to the Listing Rules of SSE, this transaction constitutes a connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 21 May 2009. During the Reporting Period, this connected transaction had no effect on the independence of the Company and the entrusted management agreement was normally performed. Income recognised for the Reporting Period accounted for 0.10% and 3.44% of the Group's income and income from entrusted construction management service respectively.

5. Additional Capital Contribution to Qinglong Company – Investment and Connected Transaction under the Listing Rules of SSE

On 18 September 2009, the Board approved the additional capital contribution in the amount of RMB132 million to Qinglong Company by way of cash. The Company and other co-shareholders of Qinglong Company will made capital contributions to Qinglong Company in accordance with the existing shareholding ratio for the expansion work of Shuiguan Expressway. After the additional capital contribution, the shareholding ratio of the Company in Qinglong Company will remain unchanged. Qinglong Company is principally engaged in the development, construction, toll collection and management of Shuiguan Expressway.

As the vice-president of the Company, Mr. Ge Fei, is a director of Qinglong Company, Qinglong Company is a connected person of the Company under the Listing Rules of SSE, and this additional capital contribution constitutes a connected transaction of the Company. According to the Listing Rules of HKEx, this additional capital contribution does not constitute a connected transaction of the Company. For details thereof, please refer to announcement of the Company dated 21 September 2009.

Shuiguan Expressway had a sound operating record and its traffic volume is now approaching saturation at certain time slots. Expansion of Shuiguan Expressway will enhance its capacity and level of service to cater for the need of social development and to align with the overall interest of the Company by actively responding to possible changes in trunk road network planning. Depending on the actual progress and capital needs of the expansion works of Shuiguan Expressway, the additional capital contribution will be made on a one-off basis or in multiple installments by the shareholders in accordance with their respective shareholding ratio. As at the date of this report, relevant works of the additional capital contribution is underway. Taking into account the assets scale of the Company and that the Company's investment in Qinglong Company is accounted by equity method, it is expected that the additional capital contribution will have no material impact on the financial position and operating results of the Group.

6. Entrusted Management of Coastal Company – Signing of Framework Agreement with Connected Person

On 6 November 2009, the Company and SIHCL entered into an entrusted management agreement ("Framework Agreement"), pursuant to which, the Company was entrusted by SIHCL to manage Coastal Company, which is principally engaged in the investment, construction, operation, maintenance and management of Coastal Expressway (Shenzhen Section). The term of the entrusted management includes the construction period and the operation period. The construction period will be a period commencing from the date of the Master Agreement becoming effective up to the completion of the construction of Coastal Expressway (Shenzhen Section). The operation period will be a period of 25 years for toll collection of Coastal Expressway (Shenzhen Section). Pursuant to the Framework Agreement, the indicative calculating method of entrusted management fees for the two entrusted management works are as follows: (i) the entrusted management fees for entrusted construction will be calculated at 1.5% of the construction budget of Coastal Expressway (Shenzhen Section); and (ii) the entrusted management fees for entrusted operation will be calculated based on the management fee standards to be approved by Shenzhen Municipal Government.

The Framework Agreement is for the purpose of determining the principles of entrusted management of Coastal Company and Coastal Expressway (Shenzhen Section). The Company still needs to negotiate with respective parties and entered into an entrusted construction agreement which will set out the detailed terms of the entrusted construction during the construction period, and an entrusted operation agreement which will set out the detailed terms of the entrusted operation during the operation period (collectively as "Further Agreements"). As the Company is over-30% indirectly held by SIHC, which will be merged with SIHCL pursuant to the arrangement of the Shenzhen Municipal Government, according to the Listing Rules of HKEx, SIHCL and Coastal Company are connected persons of the Company, and the transactions contemplated in the Further Agreements will constitute a connected transaction and a continuing connected transaction of the Company respectively. According to the Listing Rules of SSE, those transactions will constitute connected transactions of the Company. The Company will further comply with the information disclosure obligations and the necessary approval processes as required by the Listing Rules. For details hereof, please refer to the announcement of the Company dated 6 November 2009.

The Framework Agreement provides a foundation for further negotiation and determination of the Further Agreements, and is beneficial to the Company in procuring the entrusted construction management and entrusted operation management of Coastal Expressway (Shenzhen Section) as a whole. The entrusted management of Coastal Company can further expand the Company's scale of entrusted management business, consolidate and enhance the competitiveness of its core business and the standing of the Company in the sector. As at the date of this report, the terms of the Further Agreements have not been finalised.

Financial Analysis

In 2009, the Group's operating results basically met the Company's expectation. The Group recorded revenue of RMB2,475,410,000. Profit attributable to equity holders of the Company ("Profit") amounted to RMB540,219,000 (2008: RMB503,195,000) with earnings per share of RMB0.248, representing an increase of 7.36% over 2008. Excluding the impacts of "making and adjusting provisions for maintenance/resurfacing obligations" and further payment of enterprise income tax in 2008, Profit of the Group for the Reporting Period amounted to RMB603,743,000 (comparable figure of 2008: RMB596,265,000), representing an increase of 1.25% over 2008.

Since 1 April 2009, the Group has made adjustments to the provisions for maintenance/resurfacing obligations to principal toll highways based on the review results of highway maintenance/resurfacing plan and discount rate, and made provisions for maintenance/resurfacing obligations to Nanguang Expressway and certain toll highways of invested enterprises during the Reporting Period, which had no material impact on the financial position and profitability of the Group as a whole. Please refer to the related content of the sections "Operating Results" and "Change of Accounting Estimates" below for details.

During the Reporting Period, the Group completed the acquisition of 45% equity interests in Jihe East Company, and held 100% accumulated interest in Jihe East Company as a result. Jihe East Company was changed from a jointly controlled entity to a subsidiary of the Company. The financial statements of Jihe East Company have been consolidated into those of the Group since 30 September 2009, which led to a certain increase in total assets, total liabilities and equity of the Group, but had no material impact on the profit of the Group for the Reporting Period. Please refer to the related content of the sections "Operating Results" and "Financial Condition" below for details.

I. Operating Results

How we analysed the operating results for 2009:

The following factors were considered in the analysis in this section for investors to gain an intuitive understanding of the Company's results:

Note 1: The Group made "provisions for maintenance/resurfacing obligations" in accordance with HKFRS 37. Such provisions were made based on the Group's reasonable estimates of the extent of large-scale maintenance required and the expected expenses, at discounted present values thereof. Due to long cycle involved in large-scale highway maintenance, changes may occur in large-scale maintenance plans (including implementation time and budgets) and discount rates used in the calculation of time value, resulting in changes in accounting estimates, which will have different levels of impacts on the results for each reporting period. Accordingly, the data related to "provisions for maintenance/resurfacing obligations" was deducted from the analysis, to maintain in so far as possible the comparability of data for different reporting periods. For specific impacts, please refer to the description in the following table and point 6 below.

Note 2: Due to the one-time impact of further payment of income tax in 2008, the related data was also deducted from the analysis. For specific impacts, please refer to the description in the following table.

Note 3: For better breakdown analysis of income and cost, profit before income tax, finance expenses and administrative expenses was classified into three categories, i.e. (1) from toll highways directly operated by the Group, (2) from toll highways invested by the Company, and (3) from other related businesses (including entrusted construction management services and entrusted operation management services) to carry out analysis. For specific details, please refer to the description of point 2 below.

You may understand the articulation between the content analysed and the data in the "Consolidated Income Statement" of the Financial Statements from the following table.

How we analysed the operating results for 2009:

(RMB000)	**Figures in the financial statements for 2009**	*Impact of "making and adjusting provisions for maintenance/ resurfacing obligations"* **(Note 1)**	**Adjusted figures for 2009** **(Note 3)** 2	**Corresponding content in Financial Review**
Revenue	2,475,410		2,475,410	1,2
Operating costs	(1,788,134)	118,972	(1,669,162)	
Gross profit	687,276		806,248	
Other income	-		-	
Other (loss)/gain - net	(99)		(99)	
Administrative expenses	(67,719)		(67,719)	3
Operating profit	619,458		738,430	
Finance income	8,673		8,673	
Finance costs	(390,944)	27,509	(363,435)	3
Finance costs - net	(382,271)		(354,762)	
Share of post-tax profit of jointly controlled entities	252,049	(46,336)	205,713	
Share of post-tax profit/(loss) of associates	80,923		80,923	
	332,972		286,636	
Profit before income tax	570,159		670,304	
Income tax	(44,826)	(36,620)	(81,446)	4
Profit for the period	525,333	63,525	588,858	
Profit comprises:				
-Profit attributable to equity holders of the Company	540,219	63,525	603,744	7
- Minority interests	(14,886)		(14,886)	
	525,333	63,525	588,858	

1,335,482	Toll revenue	2(1)
43,237	Income from entrusted construction management services	2(3)
15,000	Income from entrusted operation management services	2(3)
47,955	Other income	
1,033,736	Revenue from construction services under concession arrangements	2(3)

523,049	Operating costs for toll highways	2(1)
43,237	Costs of entrusted construction management services	2(3)
21,317	Other costs	
1,033,736	Costs of construction services under concession arrangements	2(3)
47,823	Business tax	

284,691	Toll highway projects	2(2)
1,944	Consulting Company	

Corresponding content in Financial Review

2(1)	Toll revenue	984,818
2(3)	Income from entrusted construction management services	19,548
2(3)	Income from entrusted operation management services	15,000
	Other income	43,695
2(3)	Revenue from construction services under concession arrangements	3,178,980

2(1)	Operating costs for toll highways	368,492
2(3)	Costs of entrusted construction management services	13,748
	Other costs	20,496
2(3)	Costs of construction services under concession arrangements	3,178,980
	Business tax	36,699

2(2)	Toll highway projects	302,187
	Consulting Company	1,524

Corresponding content in Financial Review	Adjusted figures for 2008 (Note 3)	*Impact of "making and adjusting provisions for maintenance/resurfacing obligations"* **(Note 1)**	*Impact of further payment of income tax in 2008* **(Note 2)**	Figures in the financial statements for 2008
	2			
1,2	4,242,041			4,242,041
	(3,618,415)	42,641		(3,661,056)
	623,626			580,985
	1,619			1,619
	5,690			5,690
3	(54,012)			(54,012)
	576,923			534,282
	7,390			7,390
3	(231,488)	23,772		(255,260)
	(224,098)			(247,870)
	320,838	27,971	1,367	291,500
2(2)	(17,127)			(17,127)
	303,711			274,373
	656,536			560,785
4	(68,937)	(16,603)	13,923	(66,257)
	587,599	77,781	15,290	494,528
7	596,266	77,781	15,290	503,195
	(8,667)			(8,667)
	587,599	77,781	15,290	494,528

Financial Analysis

1. Revenue

During the Reporting Period, the Group recorded operating revenue of RMB2,475,410,000, representing a decrease of 41.65% over 2008. Out of this amount, toll revenue recorded RMB1,335,482,000, representing an increase of 35.61% over 2008. A detailed analysis of revenue is as follows:

Operating revenue item (RMB'000)	Reporting Period	Percentage of total	2008	Percentage of total	Change
Toll revenue	**1,335,482**	53.95%	984,818	23.22%	35.61%
Income from entrusted management services[1]	**58,237**	2.35%	34,548	0.81%	68.57%
Other income (including income from advertising)	**47,955**	1.94%	43,696	1.03%	9.75%
Revenue from construction services under concession arrangements[2]	**1,033,736**	41.76%	3,178,980	74.94%	-67.48%
Total	**2,475,410**	100.00%	4,242,041	100.00%	-41.65%

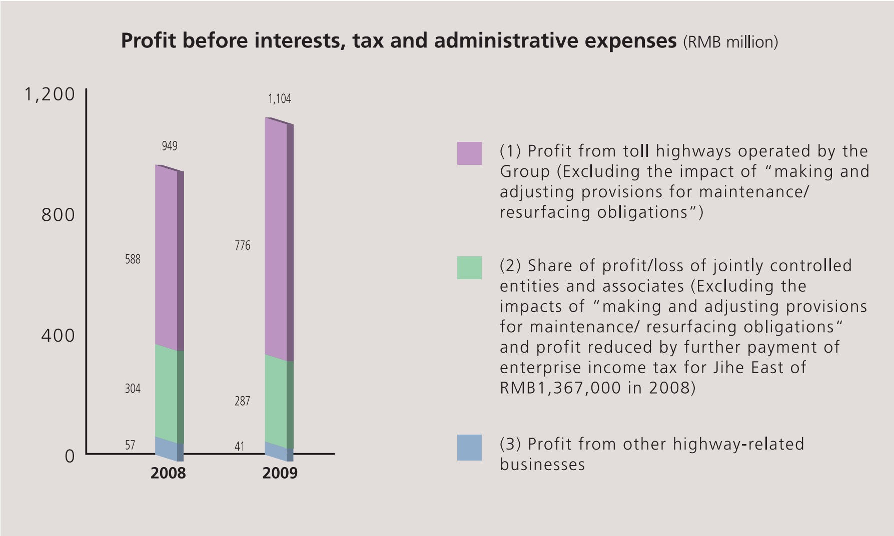
Note:

(1) Income from entrusted management services included income from entrusted construction management services of RMB43,237,000 and income from entrusted operation management services of RMB15,000,000.

(2) Pursuant to IFRIC 12 effective from 2008, the Group is required to recognise revenue from construction services under concession arrangements, which reflects the construction/upgrade of roads with toll operating rights owned by the Group. Accordingly, the differences in scale and progress of the Group's construction/upgrade works will result in significant differences in income for each year. The accounting income reflected in this business item will not realise any cash inflow, and will not make any profit contribution to the Group in the current period. For related details, please refer to the analysis in section "2(3) Profit from Other Highway-related Businesses" below.

2. Profit before Interests, Tax and Administrative Expenses

During the Reporting Period, the Group's profit before interests, tax and administrative expenses amounted to RMB1,031,680,000 (2008: RMB876,884,000), representing an increase of 17.65% over 2008. Excluding the impacts of "making and adjusting provisions for maintenance/resurfacing obligations" and further payment of enterprise income tax for Jihe East in 2008, the Group's profit before interests, tax and administrative expenses increased by 16.38% over 2008. Profit contributed by principal business is as follows:



(1) Profit from Toll Highways Operated by the Group

- Profit

Profit from toll highways operated by the Group for the Reporting Period amounted to RMB657,333,000 (2008: RMB545,808,000), representing an increase of 20.43% over 2008. Excluding the impact of "making and adjusting provisions for maintenance/resurfacing obligations", profit from toll highways operated by the Group increased by RMB187,858,000, representing an increase of approximately 31.92%. It was principally attributable to the new profit contribution from Nanguang Expressway and Qinglian Project, and the consolidation of Jihe East Company into the Group since 30 September 2009.

		Toll revenue		(1) Operating costs		(1) Gross margin of toll highways		(1) Profit before interests, tax and administrative expenses	
Toll highway	Percentage of interests held	2009 (RMB'000)	YoY Change Ratio	2009 (RMB'000)	YoY Change Ratio	2009	YoY Change in percentage	2009 (RMB'000)	YoY Change (RMB'000)
Meiguan Expressway	100%	297,121	2.53%	70,356	0.48%	76.32%	0.48	218,731	6,262
Jihe West	100%	347,278	1.23%	71,268	8.76%	79.48%	-1.42	266,461	-1,693
Yanba Expressway	100%	77,897	8.79%	56,810	10.74%	27.07%	-1.29	19,333	1,049
Yanpai Expressway	100%	139,663	-6.24%	59,586	5.76%	57.34%	-4.84	75,919	-12,303
Nanguang Expressway	100%	110,549	84.47%	61,621	24.78%	44.26%	26.67	45,515	36,848
Qinglian Project	76.37%	242,505	239.23%	151,147	99.09%	37.67%	43.87	85,566	92,916
Jihe East (2)	100%	120,469	N/A	52,261	N/A	56.62%	N/A	64,779	64,779
Total		1,335,482	35.61%	523,049	41.94%	60.83%	-1.75	776,304	187,858

Note:

(1) Operating costs and profit before interests, tax and administrative expenses for the Reporting Period excluded provisions for maintenance/resurfacing obligations to Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway. For details on making and adjusting provisions for maintenance/resurfacing obligations, please refer to the description of sections "Operating costs", "Making and Adjusting Provisions for Maintenance/resurfacing Obligations" and "Changes in Accounting Estimates" below.

(2) Jihe East has been consolidated into the Group since 30 September 2009.

- Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB1,335,482,000, representing an increase of 35.61% over 2008. Jihe East Company has been consolidated into the Group since 30 September 2009, which increased the Group's toll revenue by RMB120,469,000, accounting for 9.02% of the Group's toll revenue. Qinglian Class 1 Highway resumed traffic upon the completion of road surface works of reconstruction into an expressway for Fengtouling-Lianzhou section and Fengbu-Jingkou section at the end of 2008, and commenced expressway operation on 1 July 2009. Toll revenue from Qinglian Project for the Reporting Period increased 239.23% over 2008. The main route of Nanguang Expressway was opened to traffic in January 2008, following gradual enhancement of road networks and implementation and reinforcement of sales and marketing work by the Company, toll revenue increased 84.47% over 2008. As economy recovered in the second half of the year, toll revenue of remaining toll highways recorded a slight increase of 1% over 2008.

The increase or decrease of the Group's toll revenue is principally determined by changes in traffic volume and average toll revenue per vehicle. Traffic volume of the Group's principal toll highways for the Reporting Period is set out in the section "Business Review" above. During the Reporting Period, despite rapid increase in the ownership of small vehicles in Shenzhen and neighbouring regions, impacted by a fall in export trade demand and a decrease in port capacity, traffic volume of heavy lorries on various toll highways operated by the Group decreased to different extents over 2008. The decrease in average toll revenue per vehicle of Yanpai Expressway was more obvious due to higher proportion of heavy lorries. In addition, Nanguang Expressway recorded a rapid traffic volume growth as a result of improvement in the functions of road networks. However, as the growth of small vehicles was much larger than that of heavy lorries during the Reporting Period, the average toll revenue per vehicle was lower than that of 2008. Average toll revenue per vehicle of various principal toll highways is as follows:

	(1) Average toll revenue per vehicle (RMB)		
Principal toll highway	**2009**	**2008**	**Change**
Meiguan Expressway	**8.28**	8.54	-3.04%
Jihe West	**13.07**	13.85	-5.63%
Yanba (A&B)(2)	**11.43**	12.32	-7.22%
Yanpai Expressway	**11.33**	12.76	-11.22%
Nanguang Expressway(3)	**9.40**	10.78	-12.80%
Jihe East	**13.35**	13.49	-1.04%

Note:

(1) Average toll revenue per vehicle = Average daily toll revenue of toll highways / Average daily mixed traffic volume of toll highways

(2) The average toll revenue per vehicle of Yanba Expressway excluded the tolls collectively paid by the government under an agreement for all vehicles travelling between Yantian and Dameisha Interchange.

(3) Nanguang Expressway commenced toll collection on 26 January 2008.

- Operating costs

During the Reporting Period, operating costs for the Group's toll highways amounted to RMB642,020,000 (2008: RMB411,132,000), representing an increase of 56.16% over 2008. Excluding the impact of "making and adjusting provisions for maintenance/resurfacing obligations", operating costs for the Group's toll highways increased by 41.94% over 2008. Jihe East Company has been consolidated into the Group since 30 September 2009, which increased the Group's operating costs by RMB52,261,000, accounting for 9.99% of the Group's operating costs. Qinglian Project recorded an increase of 99.09% in operating costs for the Reporting Period over 2008 due to the traffic volume growth resulted from the re-opening of Qinglian Class 1 Highway and the operation of Qinglian Expressway. The operating costs for remaining toll highways rose by 9.25% over 2008. As Jihe East Company increased its amortisation of premium during the year, and Qinglian Project had a higher proportion of amortisation of highway intangible assets at the initial stage of its operation, the Group's depreciation and amortisation recorded a larger increase for the Reporting Period. A detailed analysis of operating costs is as follows:

Operating costs item	2009 (RMB'000)	Percentage of total	2008 (RMB'000)	Percentage of total	Change
Employee expenses	**82,787**	15.83%	64,567	17.52%	28.22%
Road maintenance expenses[1]	**69,292**	13.25%	61,154	16.60%	13.31%
Depreciation and amortisation	**311,363**	59.53%	195,332	53.01%	59.40%
Other operating costs	**59,607**	11.40%	47,439	12.87%	25.65%
Total	**523,049**	100.00%	368,492	100.00%	41.94%

Note:

(1) Road maintenance expenses excluded the provisions for maintenance/resurfacing obligations of Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway.

Since 1 January 2008, the Group has made retrospective adjustments to the provisions for maintenance/resurfacing obligations to Jihe West, Yanba (A&B) and Yanpai Expressway in accordance with IFRIC 12 and the Group's large-scale maintenance work plan for its principal toll highways. Since 1 April 2009, the Group has made provisions for maintenance/resurfacing obligations to Jihe West, Yanba (A&B) and Yanpai Expressway in accordance with the revised maintenance/resurfacing plan for principal toll highways, and made provisions for maintenance/resurfacing obligations to Nanguang Expressway in accordance with the approved large-scale maintenance work plan. As the expansion works on Meiguan Expressway has been arranged to commence, while the Liannan Section of Qinglian Project has not been completed, no provisions for maintenance/resurfacing obligations were made to these projects during the Reporting Period. Please refer to the description in the sections "Making and Adjusting Provisions for Maintenance/resurfacing Obligations" and "Changes in Accounting Estimates" below and notes 4(c), 4(f)(i) and 23 to the Financial Statements for details on the accounting policies and changes in accounting estimates for provisions for maintenance/resurfacing obligations.

(2) Share of Profit/Loss of Jointly Controlled Entities and Associates

The Group's share of profit of jointly controlled entities and associates for the Reporting Period amounted to RMB332,972,000 (2008: RMB274,373,000), representing an increase of 21.36% over 2008. Excluding the impacts of "making and adjusting provisions for maintenance/resurfacing obligations" and further payment of enterprise income tax for Jihe East in 2008, the Group's share of profit of jointly controlled entities and associates decreased by RMB17,075,000, representing a decrease of approximately 5.62%. Excluding the relevant data of Jihe East Company, such increase would be approximately 14.44% over 2008, mainly due to growth in the traffic volume of toll highways operated by invested enterprises and the effective control of operating costs. A detailed analysis of share of profit/loss of jointly controlled entities and associates is as follows:

		Toll revenue		(1) Operating costs of toll highway		(1) Gross margin of toll highways		(1) Profit/loss attributable to the Group	
Principal toll highway	Percentage of interests held	2009 (RMB'000)	YoY Change Ratio	2009 (RMB'000)	YoY Change Ratio	2009	YoY Change in percentage	2009 (RMB'000)	YoY Change (RMB'000)
Jointly controlled entities:									
Jihe East[2]	55%	**332,843**	-25.90%	**98,330**	2.69%	**70.46%**	-8.23	**115,722**	-38,642
Wuhuang Expressway	55%	**397,844**	6.87%	(3) **183,984**	8.38%	**53.75%**	-0.58	**74,763**	-5,829
Changsha Ring Road	51%	**23,205**	1.07%	**22,353**	-2.92%	**3.67%**	N/A	**3,089**	772
Associates:									
Shuiguan Expressway	40%	**391,416**	6.31%	**86,422**	7.00%	**77.92%**	-0.14	**80,361**	-3,204
Yangmao Expressway	25%	**353,150**	6.94%	**192,520**	39.44%	**45.49%**	-12.71	**16,564**	-2,681
Jiangzhong Project	25%	**255,885**	7.26%	**156,213**	9.50%	**38.95%**	-1.59	**144**	6,342
Nanjing Third Bridge	25%	**245,308**	4.70%	**109,131**	3.54%	**55.51%**	0.50	**-1,524**	5,244
Guangwu Project	30%	**111,596**	15.07%	**52,737**	7.30%	**52.74%**	3.42	**1,303**	4,721
GZ W2 Expressway	25%	**171,912**	55.82%	**90,803**	33.30%	**47.18%**	8.92	**-11,495**	10,272
Shuiguan Extension	40%	**73,916**	12.89%	**33,057**	8.13%	**55.28%**	1.97	**5,765**	5,509
Total		**2,357,075**	3.00%	**1,025,550**	13.54%	**56.49%**	-4.04%	(4) **284,692**	-17,496

Note:

(1) Operating costs for the Reporting Period and the comparative figures last year excluded provisions for maintenance/resurfacing obligations made and adjusted. Profit/loss attributable to the Group excluded the corresponding impacts. For details on making and adjusting provisions for maintenance/resurfacing obligations, please refer to the description in sections "Making and Adjusting Provisions for Maintenance/resurfacing Obligations" and "Changes in Accounting Estimates" below.

(2) Jihe East Company has been changed from a jointly controlled entity to a subsidiary of the Company, and has been consolidated into the Group since 30 September 2009.

(3) The operating costs for Wuhuang Expressway recorded a decrease of RMB11,913,000 (2008: RMB19,229,000) due to changes in the amortisation method of intangible assets under concession to align the accounting policy of the Group.

(4) Share of profit of Consulting Company of RMB1,944,000 (2008: RMB1,524,000) was not included in the profit/loss attributable to the Group for the Reporting Period.

Since 1 April 2009, the Group has adjusted provisions for maintenance/resurfacing obligations to Jihe East in accordance with the revised maintenance/resurfacing plan for principal toll highways. During the Reporting Period, the Group has prepared large-scale maintenance work plan for the toll highways operated by qualified invested enterprises in accordance with the requirements of relevant accounting standards and the Company's accounting policies, and began to make provisions for maintenance/resurfacing obligations during the Reporting Period. Please refer to the description in the sections "Making and Adjusting Provisions for Maintenance/resurfacing Obligations" and "Changes in Accounting Estimates" below and notes 4(c) and 4(f)(i) to the Financial Statements for details on the accounting policies and changes in accounting estimates for provisions for maintenance/resurfacing obligations.

(3) Profit from Other Highway-related Businesses

- Profit from construction services under concession arrangements

During the Reporting Period, the Group recognised revenue and costs from construction services under services concession arrangements for Nanguang Expressway, Qinglian Project, Yanba C, Outer Ring Expressway and the expansion project of Meiguan Expressway within the construction period, based on their percentages of completion in accordance with the relevant requirements of IFRIC 12. The Group recognised profit from construction services based on the budgets of the projects and reasonable estimates of profitability of the construction services. According to estimates of actual construction costs of each project of the Group for the Period, the Company did not recognise profit from construction services for the aforementioned projects (2008: nil). The details on the recognition principle of revenue from construction services and accounting estimates of profits are set out in note 4(a) to the Financial Statements. A detailed analysis of revenue from construction services is as follows:

	2009 (RMB'000)			2008 (RMB'000)			Percentage of service completed	
Self-construction expressway	**Revenue**	**Cost**	**Profit before tax**	**Revenue**	**Cost**	**Profit before tax**	**Period**	**Cumulative**
Yanpai Expressway	–	–	–	56,443	56,443	–	–	100.00%
Nanguang Expressway	**140,490**	**140,490**	–	449,716	449,716	–	3.97%	89.36%
Yanba C	**27,288**	**27,288**	–	245,111	245,111	–	11.47%	100.00%
Qinglian Project	**846,929**	**846,929**	–	2,406,657	2,406,657	–	18.40%	85.87%
Outer Ring Expressway	**5,043**	**5,043**	–	14,994	14,994	–	–	–
Expansion of Meiguan Expressway	**13,986**	**13,986**	–	6,059	6,059	–	2.05%	2.73%
Total	**1,033,736**	**1,033,736**	–	3,178,980	3,178,980	–		

- Profit from entrusted construction management services

During the Reporting Period, no profit or loss from any entrusted construction management services was recognised by the Company (2008: RMB5,288,000). During the Reporting Period, the government's audit work on the total costs for Nanping (Phase I) and the estimated budget for Wutong Mountain Project had not been completed and thus the Company's original estimations for these projects remained unchanged, and the Company did not recognise or predict any relevant gains during the Reporting Period. The service results of Coastal Project, Nanping (Phase II), Longhua Extension, Shenyun Project and Hengping Link Section could not be predicted reliably. Since the Directors are of the view that future reimbursements of management expenses incurred are probable, the Company recognised revenue and costs for the Reporting Period based on actual management costs incurred of RMB43,237,000. The details are set out in notes 16(a) and 38(d) to the Financial Statements.

- Profit from entrusted operation management services

  During the Reporting Period, pursuant to the provisions of the entrusted operation management agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB15,000,000 and a relevant profit of RMB14,218,000 after deducting relevant business tax. The details are set out in note 38(d) to the Financial Statements.

3. Administrative Expenses and Finance Expenses

The Group's administrative expenses for the Reporting Period amounted to RMB67,719,000 (2008: RMB54,012,000), representing an increase of 25.38% over 2008. Such increase was mainly attributable to the increase in employee benefit expenses, depreciation expenses for new office building and specific consultancy expenses such as those related to internal control. The Group's finance expenses for the Reporting Period amounted to RMB390,944,000 (2008: RMB255,260,000), representing an increase of 53.16% over 2008. Excluding the impact of "making and adjusting provisions for maintenance/resurfacing obligations", the Group's finance expenses increased by 57% over 2008. During the Reporting Period, the Group's finance costs for the Reporting Period generally increased due to a rise in the expensed borrowing interests of Qinglian Project, Nanguang Expressway and Yanba C as well as a decrease in exchange gains, despite decrease in bank borrowing rate. A detailed analysis of finance costs is as follows:

Item	2009 (RMB'000)	2008 (RMB'000)	Change
Interest expenses	**491,449**	429,221	14.50%
Less: Interest capitalised	**(125,156)**	(190,907)	-34.44%
Exchange gain/loss and others	**(2,858)**	(6,826)	-58.13%
Finance costs excluding time value of provisions for maintenance/resurfacing obligations	***363,435***	*231,488*	*57.00%*
Add: Time value of provisions for maintenance/resurfacing obligations	**27,509**	23,772	15.72%
Finance costs	**390,944**	255,260	53.16%

4. Income Tax

During the Reporting Period, the Group's income tax expenses amounted to RMB44,826,000 (2008: RMB66,257,000), representing a decrease of 32.35% over 2008. Excluding the impacts of "making and adjusting provisions for maintenance/resurfacing obligations" and further payment of enterprise income tax in 2008, the Group's income tax expenses decreased by 18.15% over 2008.

Pursuant to the relevant written documents and communication results between the Company and Shenzhen tax authorities, the Company recognised income tax liabilities of RMB39,236,000 in 2008, recognised the relevant deferred income tax assets of RMB25,313,000 based on the implied temporary difference of the further tax payment, and made upward adjustment to income tax expenses of RMB13,923,000 in 2008 accordingly. Based on the current communication results between the Company and relevant government authorities such as tax authorities, the Directors of the Company maintained the original judgments and estimates of the above-mentioned further payment of income tax for the Reporting Period. For details on further payment of enterprise income tax by the Group, please refer to the related content of the Company's 2008 annual report and notes 22(a), 30(c) and 35(b) to the Financial Statements for the Reporting Period.

5. Recognition of Fair Value of Jihe East Company and Operating Profit

Pursuant to the relevant requirements of accounting standards, the Company recognised the fair value of net assets of Jihe East Company of RMB2,396,000,000 at consolidation date with reference to the valuation report issued by a professional valuer. Of which, the fair value attributable to the 45% interest under the Group's acquisition was basically in line with the costs of the acquisition. The fair value of net assets of the 55% interest originally held by the Group increased by RMB893,000,000 as compared to the original fair value, which was credited to the capital reserve as asset revaluation surplus. As at the end of the Reporting Period, there was no material change in the fair value of Jihe East Company. For details on the valuation techniques and relevant assumptions, models and parameter setting adopted in determining the fair value of Jihe East Company, please refer to the content of notes 4(e) and 37 to the Financial Statements.

During the Reporting Period, the profit of Jihe East Company included in the Company's investment income for the first to third quarter amounted to RMB174,197,000, Profit recognised after Jihe East Company's consolidation into the Group on 30 September 2009 amounted to RMB56,585,000. Excluding the impacts of "making and adjusting provisions for maintenance/resurfacing obligations" and further payment of enterprise income tax in 2008, Jihe East Company recorded net profit attributable to shareholders of the Company for the Reporting Period of approximately RMB230,782,000, representing an increase of 13.55% over 2008.

6. Making and Adjusting Provisions for Maintenance/resurfacing Obligations

The impact of the Group's making and adjusting provisions for maintenance/resurfacing obligations on the Group's profit for the Reporting Period and 2008 is analysed as follows:

	Impact of making and adjusting provisions for maintenance/resurfacing obligations (RMB'000)	
Item	**2009**	**2008**
Operating costs	**118,971**	42,640
Of which: Jihe West	**50,725**	21,609
Yanba Expressway	**28,204**	8,403
Yanpai Expressway	**24,570**	12,628
Nanguang Expressway	**15,472**	—
Share of profit/loss of jointly controlled entities and associates	**46,336**	(27,971)
Excluding profit before interests, tax and administrative expenses	***(72,635)***	*(70,611)*
Finance costs	**27,509**	23,772
Income tax	**(36,620)**	(16,603)
Profit	**(63,524)**	(77,780)

7. Profit

In 2009, the Group recorded profit of RMB540,219,000 (2008: RMB503,195,000), representing an increase of 7.36% over 2008. Excluding the impacts of "making and adjusting provisions for maintenance/resurfacing obligations" and further payment of enterprise income tax in 2008, the Group's profit increased 1.25% over 2008. The main reason is the overall increase in revenue and profit of highways operated and invested by the Group, which set off the impact of increase in finance costs resulted from increase in expensed borrowing interests for the Reporting Period.

During the Reporting Period, the increase in revenue of new operation projects such as Qinglian Project and Nanguang Expressway increased the return on assets and return on equity, while the consolidation of Jihe East Company into the Group and its increase in fair value diluted the Group's return on total assets and return on shareholders' equity for the Year. As at the end of the Reporting Period, highway assets newly opened for operation accounted for 40% of the Group's operating assets, diluting the Group's return on operating assets. In future, with the gradual enhancement of relevant road networks and the growth in traffic volumes of new projects, it is expected that such projects will become the main source of profit growth of the Company in the medium and long term, thereby enhancing the overall profitability of the Company.

	End of 2009	End of 2008	End of 2007	End of 2006
Return on total assets ((profit + finance expenses)/ total assets)	**4.21%**	4.19%	5.31%	6.69%
Return on operating assets ((profit + finance expenses)/ year-end operating assets)	**4.94%**	8.11%	11.64%	9.54%
Return on shareholders' equity	**6.57%**	7.14%	9.03%	8.46%

8. Amortisation Policies of Intangible Assets under Concession and Differences under Different Amortisation Methods

The Group's intangible assets under concession recognised under IFRIC 12 are amortised based on the units-of-usage method, i.e. based on the units-of-usage method, where the amortisation amount is calculated by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducted regular reviews on the projected traffic volumes and made corresponding adjustments to ensure reliability and accuracy of the amortisation amount. Details on this accounting policy and estimates are set out in notes 2.8 and 4(b) to the Financial Statements.

As the toll highways operated and invested by the Group had not reached their designated saturated traffic volumes and certain toll highways are at preliminary stages of operation, the amortisation amount calculated by the units-of-usage method was lower than that calculated by the straight-line method for the Reporting Period. The amortisation difference under different amortisation methods attributable to the Group based on its share of interests was RMB187,003,000. With the growth in traffic volumes of various toll highways in future, the above difference will gradually decrease. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects. Data for reference calculated for various toll highways for the Reporting Period are as follows:

		Amortisation amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of interests (RMB million)	
Toll highway	**Percentage of interests held**	**Units-of-usage method 2009**	**Units-of-usage method 2008**	**Straight-line method (1)**	**2009**	**2008**
The Company and subsidiaries: (2)						
Meiguan Expressway	100%	**32**	31	36	**-4**	-5
Jihe West	100%	**30**	30	28	**1**	2
Yanba (A&B)	100%	**24**	22	41	**-17**	-19
Yanpai Expressway	100%	**26**	29	47	**-21**	-18
Nanguang Expressway	100%	**21**	10	97	**-76**	-75
Jihe East (3)	55%/100%	**73**	36	73	**-2**	3
Jointly controlled entities and associates:						
Shuiguan Expressway	40%	**44**	42	41	**1**	0
Wuhuang Expressway	55%	**77**	70	89	**-7**	-10
Changsha Ring Road	51%	**12**	12	18	**-3**	-3
Yangmao Expressway	25%	**67**	63	90	**-6**	-7
Jiangzhong Project	25%	**87**	80	128	**-10**	-12
Nanjing Third Bridge	25%	**57**	54	111	**-13**	-14
Guangwu Project	30%	**23**	20	57	**-10**	-11
GZ W2 Expressway	25%	**38**	25	111	**-18**	-22
Shuiguan Extension	40%	**18**	17	24	**-2**	-3
Total					**-187**	-194

Note:

(1) Assuming the book values of the intangible assets are amortised evenly over the allowed operating periods granted by the concession grantors.

(2) The Liannan Section of Qinglian Project has not been completed in the Reporting Period and the differences due to this project were not included.

(3) Jihe East Company has been changed from a jointly controlled entity to a subsidiary of the Company since 30 September 2009. The amortisation amount of intangible assets under concession of Jihe East Company for 2009 included the amortisation of premium in the fourth quarter (Units-of-usage method: RMB26,000,000, straight-line method: RMB33,000,000).

II. Financial Position

1. Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly intangible assets under concession in high-grade toll highways, as well as investments in jointly controlled entities and associates. As at 31 December 2009, the Group's total assets amounted to RMB22,253,514,000, representing an increase of 21.85% over 2008. The increase was primarily owing to the consolidation of Jihe East Company into the Group since 30 September 2009, and the increase in construction investments in projects such as Qinglian Project, Nanguang Expressway and Yanba C. The completed sections of Qinglian Project have adopted expressway toll rates since 1 July 2009, and completed works were transferred to operating highway assets at the end of the Reporting Period. The new operating assets will become important sources of profit growth for the Group in the future.

As at 31 December 2009, the Group's total equity amounted to RMB8,909,852,000 (End of 2008: RMB7,752,141,000), representing an increase of 14.93% over 2008. This was mainly attributable to the recognition of increase in fair value of its original 55% interests held of RMB893,132,000 due to acquisition of further interest in Jihe East Company, increase in the net profit for the Reporting Period after deduction of dividend distributed for 2008 of RMB263,649,000, and increase in equity of RMB930,000 arising from the exercise of warrants attached to the Bonds with Warrants during the Year.

As at 31 December 2009, outstanding bills payable, bonds payable and bank borrowings of the Group amounted to RMB10,178,834,000, representing an increase of RMB2,142,137,000 over the end of 2008 (End of 2008: RMB8,036,697,000), mainly due to the increase in borrowings specifically for acquisition of Jihe East Company of RMB1.07 billion and borrowings for Qinglian Project of RMB860 million. As at the end of the Reporting Period, Qinglian Project had used borrowings of RMB4.916 billion. In addition, the accrued liabilities provided in accordance with the Company's highway maintenance/resurfacing plans and accounting policies, provisions for maintenance/resurfacing obligations, will increase every year until the implementation of relevant maintenance/resurfacing plans. An analysis of major balance sheet items is as follows:

	End of 2009 (RMB million)			
Item	**Group consolidation**	**Of which: Jihe East Company**	**End of 2008 (RMB million)**	**Change**
Total assets	**22,254**	**3,235**	18,264	21.85%
Of which: Property, plant and equipment	**1,111**	**46**	697	59.39%
Construction in progress	**18**	**1**	268	-93.28%
Intangible assets under construction	**17,663**	**3,059**	13,777	28.21%
Investments in jointly controlled entities and associates	**2,175**	**—**	2,478	-12.23%
Equity and liabilities	**22,254**	**3,235**	18,264	21.85%
Of which: Capital and reserves attributable to equity holders of the Company	**8,220**	**2,317**	7,047	16.65%
Of which: Other reserves	**4,540**	**1,624**	3,595	26.29%
Retained earnings	**1,499**	**—**	1,272	17.85%
Borrowings (Including bank borrowings, bonds payable and bills payable)	**10,179**	**—**	8,037	26.65%
Accrued liabilities	**702**	**256**	304	130.92%

2. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, the Group's gearing ratio increased over the beginning of the year, mainly due to additional borrowings for equity investments and investments in projects under construction. Given the Group's stable and robust operating cash flows, and expected growth in profit and cash flow after the operation of new projects, the Directors of the Company are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

	31 December 2009	31 December 2008
Debt-to-asset ratio (Total liabilities / Total assets)	**59.96%**	57.55%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents) / Total equity)	**108.87%**	96.75%

	2009	2008
Interest covered multiple (Profit before interests and tax / interest expenses)	**1.86**	1.82
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	**2.49**	2.27

3. Liquidity and Cash Management

During the Reporting Period, the Company maintained the balance of current liabilities and cash on hand at safe levels, and maintained sufficient banking facilities so as to prevent liquidity risk. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks as current or short-term fixed deposits, with no deposit in non-bank institutions or any amount applied to securities investments. Given the fact that the Group possesses a steady and abundant operating cash flow and enjoys adequate banking facilities, and that appropriate financing arrangements have been made to satisfy the needs of debt repayment and capital expenditures, the Board of the Company is of the view that there are no going concern issues for the Group.

	31 December 2009 (RMB million)	31 December 2008 (RMB million)	Change
Net current liabilities	**2,259**	1,903	18.71%
Cash and cash equivalents	**479**	536	-10.63%
Banking facilities available	**7,333**	6,610	10.94%

4. Foreign-currency Denominated Assets and Liabilities

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB4,577,000 and RMB1,193,956,000 worth of foreign currency-denominated liabilities in US$ and HK$, respectively, while RMB2,191,000 worth of foreign currency-denominated assets were in HK$. Foreign currency-denominated items were net liabilities after netting off. Despite the positive impact of the current upward trend of RMB exchange rate on the Group, the Company plans to arrange relevant financial instruments to lock the exchange rate of foreign currency-denominated liabilities to minimise exchange risk in the future.

In June 2008, the Company applied to the bank for a foreign currency loan of HK$133 million with a term of 1 year, and arranged forward transaction of foreign exchange for the principal and interests due upon maturity with the bank, with a view to locking the risks related to fluctuation in exchange rate. The agreement had expired in June 2009 and the Company recorded profit in the contractual period as a whole.

5. Contingencies

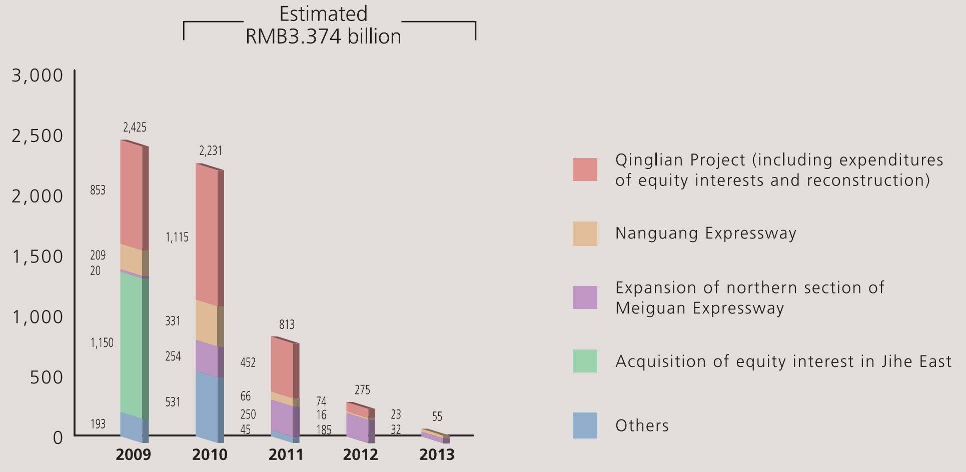
For details of the Group's contingencies during the Reporting Period, please refer to note 35 to the Financial Statements.

III. Capital and Financing

1. Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly construction investments in the reconstruction of Qinglian Class 1 Highway into an expressway, the Liannan Section of Qinglian Expressway, Nanguang Expressway and Yanba C, and equity investment in acquisition of equity interests in Jihe East, totalling to approximately RMB2.425 billion. As at 31 December 2009, the Group's capital expenditure plan comprised mainly construction investments in the Liannan Section of Qinglian Expressway, Nanguang Expressway and the expansion works on Meiguan Expressway. It is expected that the Group's total capital expenditures will amount to approximately RMB3.374 billion by the end of 2013. The Company plans to satisfy such capital needs with its own capital reserves and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan (RMB million)



2. Operating Cash Flow

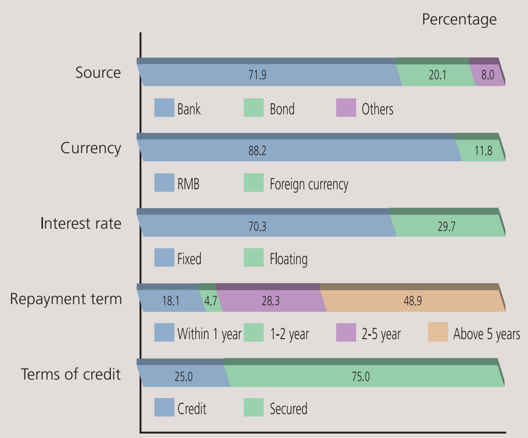
The toll revenue of the Group's principal toll highway operations is collected in cash, thereby giving a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totalled RMB1,021,642,000 (2008: RMB1,345,737,000), representing a decrease of 24.08% over 2008. After deducting the change in the net amount of the receivables and payables on behalf of Coastal Expressway (Shenzhen Section), the Group's net cash inflow from operating activities and cash return on investments increased by 6.08% over 2008, which was mainly due to the increases in traffic volume and toll revenue of new projects of the Group.

3. Financial Strategies and Financing Arrangements

During the Year, the PRC government implemented active fiscal policies and accommodative monetary policies to mitigate the negative effects of global economic crisis and to promote continuous economic growth. Commercial banks increased their credit investment. Other governments also introduced various policies and measures to stimulate economic recovery and growth. Foreign currency interest rates maintained at relatively low levels. Under the abovementioned favourable debt financing environment and on the premise of maintaining financial stability and security, the Company appropriately increased the proportion of short-term loans and foreign currency loans. It also broadened new ways of financing such as trust loans and entrusted loans, so as to further reduce its capital costs through adjustment to debt structure. Benefited from its stable cash flows, expected income growth and sound governance standard, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises, and in credit rating for bonds, and continued to enjoy the best lending rate of the People's Bank of China. The Company's composite borrowing costs for the Reporting Period amounted to 5.47%, which is 0.23 percentage point lower than that in 2008 (2008: Composite borrowing costs of 5.7%).

As at 31 December 2009, the Group had obtained a total of RMB15.3 billion of banking facilities, of which RMB7.5 billion was credit facilities specifically for projects under construction and RMB7.8 billion was general credit facilities. At the end of the Reporting Period, unutilised banking facilities available amounted to RMB7.3 billion, of which RMB2.3 billion was credit facilities specifically for projects under construction and RMB5 billion was general credit facilities.

Borrowing Structure (as at 31 December 2009)



4. Use of Proceeds

To raise fund for the construction of Nanguang Expressway, the Company issued Bonds with warrants of RMB1.5 billion with 108 million warrants attached in September 2007. During the exercise period of 23 October 2009 to 29 October 2009, a total of 70,326 warrants were exercised. As such, the Company raised proceeds of RMB930,000. As at 31 December 2009, the proceeds were fully used in the construction of Nanguang Expressway.

The main part of Nanguang Expressway was completed and opened to traffic in January 2008. Affected by adjustment of design of Nanping (Phase II), a few finishing works such as the interchange of Nanguang Expressway and Nanping (Phase II) will be postponed. It is expected to open for traffic in phase with Nanping (Phase II) in the second half of 2011. As the overall road network efficiency has not been fully realised for the time being, there are certain discrepancies between operational performance of Nanguang Expressway at this stage and expectation. The average daily mixed traffic volume and average daily toll revenue of Nanguang Expressway for the year 2009 is 32,000 and RMB302,000, representing an increase of 97% and 72%, respectively. It is estimated that following the gradual enhancement of the neighbouring road network, the operation of Nanguang Expressway will grow further.

IV. Changes in Accounting Estimates

1. Adjustments to Provisions for Maintenance/resurfacing Obligations

The Group has conducted regular review on the formulated road maintenance/resurfacing plan and the discount rate used to make provisions for maintenance/resurfacing obligations in order to maintain the reasonable and suitable accounting estimates relating to the provisions for maintenance/resurfacing obligations. The changes in accounting estimates are dealt with by the method of prospective application in accordance with the Accounting Standards for Business Enterprises No. 28 – Accounting Policies, Changes in Accounting Estimates and Errors.

In the second quarter of 2009, the Company reviewed and adjusted the road maintenance/resurfacing plan previously formulated based on the assessment results of external professional assessment organisations. Meanwhile, in light of macro-economic and political changes, the Company lowered the pre-tax discount rate used to make provisions for maintenance/resurfacing obligations from 10% to 6.62%. Since 1 April 2009, the Group has made provisions for maintenance/resurfacing obligations of Jihe East, Jihe West, Yanba (A&B) and Yanpai Expressway in accordance with the revised maintenance/resurfacing plan for principal toll highways and discount rate.

The above changes in accounting estimates increased shareholders' equity as at 31 December 2009 by RMB18,206,000, and increased net profit for the year 2009 by RMB18,206,000, without material impact on the total assets, financial condition and profitability of the Group for the Reporting Period and the Year as a whole.

2. Adjustments to Unit Amortisation Amount of Intangible Assets under Concession of Jihe East

The Company completed the acquisition of Jihe East Company on 30 September 2009, and engaged a professional traffic consultant to conduct another forecast on the total traffic volume for future operating period of Jihe East. Since 1 October 2009, the Group has adjusted the unit amortisation amount of intangible assets under concession of Jihe East based on the adjusted forecast total traffic volume for future operating period.

The above changes in accounting estimates increased shareholders' equity as at 31 December 2009 by RMB1,502,000, and increased net profit for the year 2009 by RMB1,502,000, without material impact on the total assets, financial condition and profitability of the Group for the Reporting Period and the Year as a whole. Please refer to note 4(f)(ii) to the Financial Statements for the details on the changes in accounting estimates relating to the Group's provisions for maintenance/resurfacing obligations.

V. Profit Distribution

1. Dividend Scheme of the Year 2008 and its Implementation

Pursuant to the approval at the 2008 Annual General Meeting, the Company paid a final dividend of RMB0.12 per share (tax included) for the year 2008 to all shareholders on the basis of the total share capital comprising 2,180,700,000 shares as at the year end of 2008, totalling RMB261,684,000. Such dividend distributions had been completed before 24 July 2009.

2. Proposed Profit Distribution for 2009 and Proposed Final Dividend for the Year 2009

The net profit in the consolidated financial statements and net profit in the parent financial statements for the year 2009 prepared in accordance with CAS were RMB540,218,648.15 and RMB509,527,283.13 respectively. The consolidated net profit and parent net profit adjusted in accordance with HKFRS were RMB540,219,000 and RMB511,140,000 respectively. Pursuant to the relevant PRC laws and regulations and the Articles, RMB50,952,728.31 was transferred to statutory surplus reserve.

Pursuant to the relevant PRC laws and regulations and the Articles, profit distributable shall be taken as the lower of the profit after tax calculated in accordance with CAS and HKFRS. Pursuant to the requirements of the current Accounting Standards for Business Enterprises and for prudence sake, profit distributable shall be taken as the lower of the profit after tax in the consolidated and parent financial statements. Based on the above principles, profit distributable of the Company for the year 2009 was RMB509,527,283.13.

The Board of the Company recommended the payment of a final dividend of RMB0.12 per share (tax included) to all shareholders, totalling RMB261,692,439.12, for the year ended 31 December 2009, representing 51.36% of the distributable profit for the year 2009 and 48.44% of the profit attributable to shareholder of the Company. Such dividend shall be subject to the approval by shareholders at the 2009 Annual General Meeting.

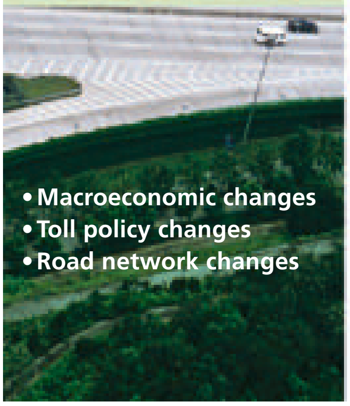
According to the Articles, the dividend distributed to the shareholders of domestic shares will be paid in RMB. The dividend distributed to the shareholders of H Shares will be paid in HK$ by reference to the average exchange rate for converting RMB into HK$ quoted by the People's Bank of China for the five working days preceding the day on which the final dividend is declared.

According to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China, from 1 January 2008 onwards, any PRC domestic enterprise shall withhold and pay enterprise income tax upon distribution of dividends for the accounting period beginning on or after 1 January 2008 to non-resident enterprise shareholders, and the payer is treated as the withholding agent. Accordingly, the Company shall be obligated to withhold and pay a 10% enterprise income tax when distributing final dividends to non-resident enterprise shareholders whose names appear in the register of holders of H shares; but the Company has no obligation to withhold and pay such enterprise income tax when distributing final dividends to resident enterprise shareholders whose names appear in the register of holders of H shares.

Risk Management

The risks faced by an enterprise refer to the impact of future uncertainties on an enterprise in achieving its operating objectives. Strengthening risk management as well as proactively and systematically identifying, evaluating and handling the risks that exist in the course of an enterprise's operation is beneficial for it to enhance its managing and coping capabilities, thereby ensuring the realisation of the enterprise's operating objectives and sustainable and stable development. The Group is principally engaged in the investment, construction, operation and management of toll highways and roads, and has been in a stage of rapid development in recent years with continuous expansion in its business scale. Accordingly, at this stage the Group should pay particular attention to and actively handle/prevent policy, market, financial and operational risks. The specific descriptions and impact analysis of relevant risks and our coping measures and plans for such risks are as follows:

Policy and Market Risks



- Macroeconomic changes
- Toll policy changes
- Road network changes

Financial Risks

- Interest rate risks
- Financing and liquidity risks
- Foreign currency borrowing risks

Operational Risks

- Project investment risks
- Highway maintenance and repair risks
- Project construction risks
- Entrusted management risks
- Management risks

I. Policy and Market Risks

1. Macroeconomic Changes

The toll highway industry exhibits a certain degree of sensitivity towards changes in economic cycle. In 2009, to cope with the impacts of economic slowdown and the global financial crisis, the government has adopted various measures to stimulate economic recovery and growth, and obtained preliminary results. However, due to the complexity and variability of macroeconomic environment, such impacts are expected to continue for some time, restraining the traffic volume and revenue growth of the Group's toll highway projects. In addition, the government will increase investment in infrastructure including highways to stimulate domestic demand. This will increase investment opportunities in the highway market on the one hand, and will have positive or negative impacts on the traffic volume of existing highway road networks on the other hand.

The Company has continued to track and analyse the impacts of macroeconomic environment on its business operation. In 2009, the overall decrease in traffic volume of lorries in road networks of highway projects operated by the Group was lower than expected at the beginning of the year. Such figure also recorded a YOY growth in November and December, showing gradual economic recovery.

The Company will minimise the relevant negative impacts by adopting specific sales and marketing measures to attract vehicles. It will also continuously maintain good communication with various government authorities and industry peers, pay special attention to adjustments to road network planning related to the Group, study and analyse the impacts thereof, and formulate appropriate coping measures. For the impacts of road network changes, please refer to the analysis in section "3. Road Network Changes" below.

2. Toll Policy Changes

The major income source of the Group is toll revenue from vehicles. The toll policies for toll rate, term and calculation are mainly determined by the government. Accordingly, changes in toll policies have a direct impact on the income of Company and the achievement of its operating objectives. In November 2009, Qinglian Expressway commenced the trail implementation of "toll-by-weight" on lorries, which expected a positive impact on toll revenue but increased the difficulty of toll management in the meanwhile. The continuation of the "Green Passage Toll Free Policy" had considerable negative impact on the toll revenue of the Group. Since 2009, the government has gradually cancelled the toll fees for Class 2 road, creating uncertainties for the operation of the Group's Qinglian Class 2 road. In addition, relevant government authorities are studying the policies for adjusting toll rate in relation to highway reconstruction, expansion or extension, and large-scale maintenance, which may have certain impact on the future operation of the Company.

Our work in response to the uncertainties arising from toll policy changes includes:

- Adopting prudent assumptions for price adjustments and sensitivity analysis when analysing project investments and setting operating objectives, so as to reduce investment risks.
- Lowing construction costs and operating costs, so as to achieve a higher return with the same toll rates.
- Formulating management procedures for toll-by-weight management with reference to the experience of other enterprises in the same industry, and conducting strict inspection procedures on the implementation of the "Green Passage" policy, so as to avoid loss of toll fees.
- Promoting understanding by the government and the public regarding the actual situation of the sector and its function on social development through different ways, so as to facilitate our pursuit for more reasonable toll rates or government subsidies.

3. Changes in Road Networks

Changes in road networks of highways and the network effect may facilitate the rapid growth of traffic volume, but may also create diversion effects on existing highways. If a smooth connection with neighbouring roads is not achieved, the connecting roads are undergoing maintenance works, the toll rates of related roads are changed or the toll fees of such roads are cancelled, the traffic volume of a toll highway may fall, and the overall operational performance of the project may be unable to meet expectations. Since 2009, the government has increased investment in the construction of infrastructure including highways, and cancelled the toll fees for Class 2 highways, which will speed up the changes in road networks and traffic volume distribution of highways.

Our work in response to the abovementioned risks includes:

- Actively following-up information on relevant road network construction progress, road network planning and adjustment, and providing assistance when practicable. For example, the Company has appointed professionals to provide assistance at the project site to expedite the construction progress of Yilian Expressway, which connects with Qinglian Expressway, so as to promote the effective and smooth connection of road networks.

- In respect of new operation projects such as Nanguang Expressway and Qinglian Expressway, carrying out business research and advertising promotion, improving traffic signs and directing vehicles to the projects, so as to facilitate growth in traffic volume.

- Conducting analysis and research on the road networks to be opened to traffic shortly and formulating coping measures, so as to enhance positive benefits and minimise negative impacts. Please refer to the related content of the section "Outlook and Plans" in this annual report for details.

II. Financial Risks

1. Interest Rate Risks

In view of the increasing borrowing scale of the Group, the proportion of finance costs to the profit of the Group has been increasing every year. This has increased the impact of interest rate fluctuations, especially medium to long-term interest rate fluctuations, on the Group. In 2009, impacted by the global financial crisis, the interest rate of RMB still maintained at a lower level, which has considerably relieved the pressure of finance costs for the Group. Expectation of RMB rate hike has been growing since the end of 2009, thereby exerting pressure on the Group's management of finance costs in medium to long-term.

In 2009, the Company capitalised on the opportunity of gradual interest rate cut, and applied to the banks for advance repayment of old loans and borrowing of new loans to replace the loans with higher costs. On the premise of ensuring financial security, the Company appropriately increased the proportion of short-term loans to lower its overall capital costs. During the year, the actual borrowing cost paid by the Group was 4.9%, and the booked borrowing cost was 5.47%.

Under the expectation of possible interest rate hike in the future, the Company plans to appropriately increase the proportion of fixed interest borrowings in 2010, and make arrangements to lock interest rate within a certain range.

2. Financing and Liquidity Risks

In recent years, the Company has actively used debt financing to realise the significant growth in toll highway assets scale. The Group's level of indebtedness has reached record high, which caused certain pressure on financing and capital liquidity for the Group at this stage. Pursuant to the capital expenditure plan for 2010, the liabilities scale of the Company will continue to rise. Meanwhile, due to lower return at preliminary stage of operation of new projects, the Group's performance indicators are expected to fall, which may lead to a lower credit rating for the Company. Impacted by the global financial crisis, despite the current accommodative monetary policy of the PRC, the banks will adopt a more prudent strategy in its lending business in view of the risks of fluctuation and contraction and its own risks. Accordingly, while the Company did not have any difficulty in obtaining sufficient borrowings, the difficulty in financing management and capital management of the Group increased.

In 2009, the Group made relevant financing arrangements based on changes in the internal and external environment:

- Making best timely arrangements to meet the capital requirements for investment in the Liannan Section of Qinglian Project and acquisition of Jihe East by capitalising on good political and market opportunities.

- On the premise of ensuring financial security, appropriately increasing the proportion of foreign loans, trust loans and short-term loans.

- Maintaining the highest credit rating and good co-operation relationship with banks, and arranging sufficient banking facilities. As at the end of the Reporting Period, unutilised banking facilities of the Group amounted to RMB7.3 billion.

- Conducting continuous study on various financing instruments in the capital market, such as medium-term notes and asset-backed commercial paper.

Through the above measures, the Company achieved the objective of "maintaining stable and sound financial structure, ensuring financial security" during the year. In 2010, the Company will continue to carry out relevant works. Measures will be implemented in due course based on the in-depth study on financing instruments in the capital market carried out in 2009, in order to further enhance the Company's capital structure and lower financial risks.

3. Foreign Currency Borrowing Risks

In recent years, the exchange rate of RMB has trended upwards in general, while foreign exchange rates such as US dollars has decreased to lower levels under the impact of global financial crisis, resulting in lower foreign currency composite borrowing costs than RMB costs. At the end of the third quarter of 2009, the Group appropriately increased its foreign currency borrowing scale, which helped to lower its capital costs. As all major operations of the Company are located in China, most operating payments and capital expenditures are settled in RMB. The costs of the Company may increase in the event of any decrease in RMB exchange rate and/or increase in foreign exchange rates.

During the year, the overall fluctuations in RMB exchange rate and foreign exchange rates were not significant, and the Company recorded certain exchange gains. The Company plans to arrange relevant financial instruments to lock the exchange rates and interest rates of foreign currency-denominated liabilities in 2010, so as to prevent future risks of exchange rate and interest rate fluctuations. The Board of the Company approved the proposal of the lock-ups of interest and exchange rates for the Group's three foreign currency loans on 26 January 2010, which will be implemented at the right time.

III. Operational Risks

1. Project Investment Risks

The toll highway industry is characterised by a capital-intensive nature, involving large investment amount and long payback period. Decisions on investment strategies and project investments are the critical factors for the quality and level of return of the Company's assets. The Group has regularly reviewed and adjusted its investment strategies, and has developed standardised financial forecast and risk analysis regimes and investment decision-making procedures. It has also adopted external professional reports such as feasibility studies, traffic volume forecasts and valuation reports to enhance the assessment quality of its project. However, due to the complexity and variability of external environment, if investment strategies are not adjusted in a timely manner, major assumed conditions or basic data of projects change, or project assessment procedures are not effectively enforced, the actual results of project investment may fall below expectation. For other types of investment projects such as expansion/extension or acquisition of interests, inadequate experience or inappropriate assessment may also result in overly high investment costs or lower project returns.

Our work in response to the abovementioned risks includes:

- For projects indicated by investment assessment results to involve more significant uncertainties or risks, the Company has actively communicated with the government and participated in the form of entrusted construction and entrusted management, so as to avoid the investment risks of new projects.

- The Company has conducted post-investment evaluations on projects, taking into consideration the changes in major assumptions resulted from factors such as changes in government planning, so as to timely summarise experience, identify problems and explore potentials.

- For projects on expansion/extension and acquisition of interests operated and managed by the Company, the Company has fully utilised the information available, and arranged its internal professional departments to conduct in-depth investment evaluation, so as to minimise the impact of uncertainties. The Company plans to develop different financial forecast and risk analysis regimes for new projects, expansion/extension, and acquisition of shares, so as to reflect the specific nature and objective for each type of investment.

2. Highway Maintenance and Repair Risks

The cycle of major maintenance is normally 10 to 15 years. Commensurating with the increases in years of operation, traffic volume and wear-and-tear, the scale of a highway's maintenance work and related costs may also increase. In the next few years, the major operating highways of the Group will successively enter the large-scale repair period. Large-scale maintenance and reconstruction of a highway will enhance the medium to long-term competitiveness of the operating project, but will also decrease toll revenues, and increase costs and capital pressure, thereby creating a considerable negative impact on profit. Although the Company has adopted the accounting policy for making provisions for maintenance/resurfacing obligations to allocate expenses in respective periods, the excessive concentration of large-scale maintenance time, inaccurate plan preparation and material plan adjustment may result in fluctuations in the profit of the Company.

The Company has established a system for regular review on large-scale maintenance plans. Professional inspection of road surfaces of each toll highway has been conducted to determine the urgency and priority of highway large-scale maintenance works based on future changes in neighbouring road networks, with adjustments made to the original large-scale maintenance plans. According to the review results for the Year, the large-scale maintenance of highways such as Jihe East will successively commence with some alternating arrangements at the end of 2011, which helps to relieve the performance and capital pressures of the Company in recent years.

In 2009, the Company implemented pilot pre-maintenance and large-scale maintenance works on certain road sections, and adopted various measures to enhance the management standard of road assets maintenance. Please refer to the relevant content of the section "Business Review" in this annual report for details.

3. Project Construction Risks

The capital expenditures of the Group mainly comprised highway construction costs. Whether crucial targets such as work schedules, quality, cost, safety and environmental protection can meet expectations will have impact on the total project costs, return levels and the Company's reputation. Achievement of the above construction management targets are mainly affected by factors such as price fluctuations in construction materials; higher compensation standards for land requisition, demolition and relocation; changes in planning or design and changes in government policies. In recent years, apart from construction of new highways, the Group's reconstruction or expansion/extension projects of existing highways have been increasing. Greater difficulties arose in the construction technologies, traffic organisations and closure works of such projects, thereby increasing the pressure on the Group's management.

The Company has accumulated rich experience in highway construction management throughout the years, trained sufficient human resources, developed enhanced project management systems and procedures, and maintained a good track record. All these are strong evidences showing the effectiveness of Company's prevention of the aforementioned risks. During the year, the projects of the Group basically achieved the pre-set targets in respect of costs, work schedules and quality. Specific measures taken include:

- Focusing on the management for preliminary design, tendering, land requisition, demolition and relocation, and reinforcing the guidance and supervision of engineering department on project management office, so as to enhance the controllability of targets for costs, work schedules, quality and safety.

- Strengthening the communication and co-ordination with government departments, and making proper arrangements for construction and traffic organisation plans, so as to minimise the overall negative impacts of project reconstruction and expansion/extension on the Company and road users.

- Listening to all opinions of external experts, and drawing on the experience of reconstruction and expansion/extension projects of other companies.

4. Entrusted Management Risks

In recent years, the government has reformed its investment regime and increased its investment in infrastructure. Under this backdrop, the Company has capitalised on its experience and advantages in highway construction and operation management, and actively expanded its entrusted construction and operation management businesses. As there are no standardised regulations and mature models for entrusted management, the rationality of the relevant agreement and the prevention of risks of assuming construction cost overrun and return settlement have become key factors for the Company to expand the business.

Our coping measures in response to the abovementioned risks include:

- Continuously enhancing the standards of construction management and operation management of the Company, ensuring the achievement of targets for costs, work schedules and quality as stipulated in contracts, as well as reinforcing and strengthening the Company's competitive advantages in the entrusted management market and its leadership position in the regional market.
- Summarising experience and formulating business procedures for entrusted construction management, so as to lower internal management risks.
- Strengthening the communication with the government for improvement and standardisation of relevant contract specifications so as to lower the risks beyond the Company's control; pushing ahead the audit works in the implementation of entrusted construction projects, so as to accelerate the settlement progress upon project completion and minimise disputes.
- In the course of project assessment and decision-making, adopting more prudent assumptions and basis for risks beyond control.

So far, the implementation progress and results of the Company's entrusted management projects have basically met the Company's objectives. No significant loss and default risk have been discovered.

5. Management Risks

In recent years, with the rapid development and expansion of the Group's businesses, the scales and difficulties of the Company's operation and construction management have increased. These have brought new requirements to the enhancement of the Company's management standards.

The Company has introduced the excellent performance management regime since 2006. In recent two years, the Company has enhanced the management level and performance of the Group through comprehensive organisation and regulation of its management structure and work procedures.

In recent years, the Company has also continued to conduct comprehensive organisation, self-evaluation and remedy of deficiencies, and greatly reduced the risk of ineffective internal control. In addition, the Company has also carried out specific examination and assessment on certain new businesses or weak business segments, and adopted specific measures to minimise risks. Please refer to the content of the section "Self-assessment Report on Internal Control" in this annual report for details.

Outlook and Plans

Han Yu (韓愈) (one of the "Eight Great Writers in Tang and Song Dynasties") has mentioned in his Explanation Upon Entering The Academy (《進學解》) that: "Perfection is reached by hard work rather than recreation; achievement (行) comes from thorough consideration rather than casual decisions". By applying this quote to enterprises, it refers to the two fundamental elements for long-term development of an enterprise. One is diligent practice; another is continuous review and introspection. Success can be achieved only through the unity of knowledge and action.

Every year, the Company summarises its experience, lessons, gains and losses for the year based on its plans formulated at the beginning of the year. It also conducts regular review on and makes adjustments to its objectives for strategic development based on analysis and understanding of the external environment and its own condition, and incorporates such objectives into the work plans of every year. By implementing and executing specific and effective strategies and measures, the Company's development continues to move forward.

Our Fundamental Judgement on Policies and Environment

In 2009, the PRC economy weathered the impacts of global financial crisis. Under the stimulation of strong macroeconomic policies decisively implemented by the central government and local governments at various levels, the PRC economy has gradually recovered, and maintained an overall stable and rapid development momentum. A positive macroeconomic situation is conducive to the recovery and growth of traffic demands, and provides a good operating environment for the toll highway industry. On the other hand, according to the information of the Ministry of Commerce, fundamental changes have not yet occurred in the global investment and consumption situations, and significant rebound in external demands has not been seen. With a lower base last year, import and export trade may record a better growth this year. However, total trade volume will continue to fluctuate at low levels, limiting the growth in foreign trade-related logistics and traffic volume growth to a certain extent.

In 2009, the State Council announced various industrial revitalisation plans for industries including automobile and logistics industries, and approved the Framework for Development and Reform Planning for Pearl River Delta Region and Shenzhen Overall Comprehensive Reform Pilot Programme. The gradual implementation of industrial revitalisation plans will fuel the continuous growth in car ownership, consumption demand and logistics market demand. Regional economic development and increased regional economic transactions will also be beneficial for a longer period of stable growth in local traffic demand in the future. The implementation of these plans will create a favourable external environment for the Group's operating activities, and have positive impacts on its operating performance.

With the intensification of the existing highway networks and the gradual formation of high-speed railway networks, the supply and demand pattern in toll highway industry will change. To revitalise domestic economy and carry out overall construction planning, the government has accelerated its investments in infrastructure projects including expressways and high-speed railway in recent years. The increase in parallel highways in the same passage will cause certain diversion to the existing projects; while the emergence of high-speed railway will also affect highway passenger traffic volume, which will in turn, have negative impacts on highways near their line positions. However, considering the more advantageous line positions of existing projects in general, the insignificant proportion of long-distance passenger traffic volume in total traffic volume, and the existence of certain limitations in railway transportation, it is expected that the impacts of the above diversion factors on the Group are limited.

Over the past 20 years, toll highway industry has served its proper roles of raising capital for highway construction and maintenance, enhancing highway management efficiency and relieving traffic congestion. The government has also introduced a series of policies and administrative measures to optimise the operating environment of this industry and regulate its industrial development. At present, policies for toll highways after expiry of their operation periods are still unclear. In view of the overall road network planning and the scale of toll highways, and with increasing marketisation, the investment, reconstruction, repair, operation and maintenance of highways still have much room for growth for a long time in the future, but the return rate of single item or single business may show a downward trend. In the short term, we expect the "Green Passage Toll Free Policy" will be continuously implemented on major national highways, but the impacts on such roads will be stabilised. In recent years, the "toll-by-weight" policy has been implemented one after another in various regions. In Guangdong Province, the policy is currently trial implemented in northern Guangdong region, and is planned to extend to other inter-province passages. This policy can effectively mitigate the damages to highways and bridges, help toll highways to operate safely, and objectively enhance the operating performance of toll highways.

Our Review of Strategies

During the period of the "2005-2009 Development Strategies", the Company recorded rapid growth in its scale, and fulfilled its pre-set strategic objectives. As compared to the end of 2004, the assets scale of the Group increased from RMB6.8 billion to RMB22.2billion, while toll revenue increased from RMB510 million to RMB1.34 billion. Road mileage, shareholders' equity, profit level and staff scale also recorded significant growth. However, growth in effectiveness was lower than growth in scale, with an average return on net assets of only 7.88% during the strategic period.

Based on its continuous review and introspection of the environment and actual condition, the Board approved the "2010-2014 Development Strategies" at the beginning of 2010, and proposed the development strategies of "Insisting to the market-oriented principle, relying to the expressway industry, actively exploring and attempting for new industry investment, realising synergistic growth of scale and effectiveness". In the new strategic period, the development mode of the Company will be changed from outer scale expansion to inner emphasis of both scale and effectiveness, with the focus on improving the overall return of the Company's assets. The Company will also actively study and attempt for industries and businesses related to toll highway industry and the Company's core business capabilities, in order to seek new opportunities for the Group's long-term development.

Our Analysis of Operating Conditions

Under the guidance of pre-set strategies, the operational performance of each toll highway of the Group will be related to different stages in its operating cycle, and subject to changes in neighbouring competitive and synergistic road networks. Currently, we are of the opinion that the following major matters will have positive or negative impacts on the operational performance of the Group in the future:

- **Commencement of operation of new projects.** In recent two years, Nanguang Expressway and Qinglian Expressway have commenced operation. Yanba Expressway is also expected to fully open to traffic in 2010. The commencement of operation of new projects and the acquisition of 45% equity interests in Jihe East completed in 2009, will generate new operating cash flows to the Group and enhance the financial condition of the Group.

- **Entering maturity period of operation projects.** Apart from the three aforesaid newly-opened projects, the Company has completed the acquisition or construction of seven other projects in the past six years. Among such projects, Wuhuang Expressway, Yanpai Expressway and Yangmao Expressway has made profit contribution to the Group. Jiangzhong Project, GZ W2 Expressway and Guangwu Project has also increasingly matured with significant growth in traffic volume and toll revenue as compared to their preliminary stages of operation, and are expected to generate profit in the coming two to three years.

- **Road reconstruction, expansion/extension and large-scale maintenance.** Shuiguan Expressway and Meiguan Expressway will carry out extension/expansion works in the coming two years, and road sections such as Jihe Expressway will also enter large-scale maintenance period since 2011. During construction, the operational performance of these road sections will be considerably affected, thereby affecting the overall revenue level of the Group in the short term. However, the competitiveness of operation projects will be enhanced in the long term.

- **Changes in neighbouring road networks of Qinglian Expressway.** The reconstruction of the Liannan Section of Qinglian Expressway into an expressway is planned to complete in early 2011, and Yilian Expressway, which connects Qinglian Expressway and the Hunan section of Jingzhu Expressway, is also expected to commence operation in 2011. This will bring significant improvements to the smoothness of Qinglian Expressway as a whole to enjoy its line location advantage as the essential route linking Guangdong and Hunan.

  In the following years, Hunan Section of Jingzhu Dual Expressway and the Yongzhou to Lianzhou Section of Erguang Expressway, both connecting the northern end of Qinglian Expressway will open to traffic as scheduled, which will stimulate a new traffic volume growth of Qinglian Expressway. However, Guangdong Province is pushing forward the construction plan of Guangle Expressway (Guangzhou-Lechang), which line location is basically parallel to Jingzhu Expressway (Guangdong section) and Qinglian Expressway, resulting in certain diversion. The completion time or construction plan of the above project has not been finalised. The Company will follow up its progress, and analyse the possible opportunities or risks to Qinglian Expressway, so as to formulate appropriate measures to strengthen the positive impacts and minimise the negative impacts.

- **Opening to traffic of Huishen Coastal Expressway.** Huishen Coastal Expressway (Huizhou-Shenzhen), which links with Yanba Expressway and Shenshan Expressway (Shenzhen-Shantou), is expected to open to traffic in 2010. Yanba C will also open to traffic at the same time. This will link Yanba Expressway with the road networks in eastern Guangdong region to become the most convenient express passage travelling between Shenzhen and Hong Kong, and Huizhou and eastern Guangdong region, thereby facilitating Yanba Expressway to enter a rapid growth period. However, it is expected that the opening to traffic of Huishen Coastal Expressway will also cause certain diversions to Jihe Expressway and Yanpai Expressway.

- **Changes in neighbouring road networks of Nanguang Expressway.** In 2010, a municipal road near Nanguang Expressway (Songbai Road) will carry out large-scale maintenance works, which is expected to result in rapid growth in its traffic volume in the short term. The construction works for the main part of Nanping (Phase II) is planned to complete and open to traffic at the end of 2011. It will link with Nanguang Expressway, Bao'an District of Shenzhen and Hong Kong-Shenzhen Western Corridor, thereby effectively enhancing the operating performance of Nanguang Expressway.

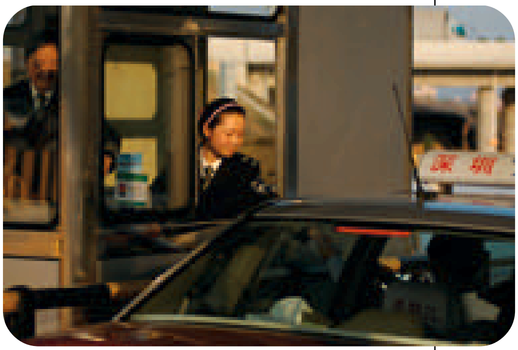
- **Others.** Guanhui Expressway (Dongguan-Huizhou) has opened to traffic on 26 January 2010. It is expected to have a slight induced-increase effect on Meiguan Expressway, but will cause certain diversion to Jihe Expressway.

In addition, the increase in finance expenses will also exert pressure on the Group's operational performance. As at the end of the Reporting Period, the total borrowings of the Group exceeded RMB10.1 billion. Despite various measures taken to lower capital costs, based on the Company's current borrowing scale and our fundamental judgement on interest rate trends, it is expected that the Group's finance expenses will reach RMB500-600 million in 2010, and will maintain at a higher level in the coming few years.

Our Plans and Objectives in 2010

In 2010, the Group will formulate and implement practical and effective annual operating strategies and plans with reference to the new strategic objectives, to ensure the consistency between the Company's annual objectives and its long-term development objectives. The work focuses of the Company in 2010 include:

- **To enhance operations management standards and achieve operating profit targets.** Based on the reasonable expectation that no substantial changes will take place in the operating environment, the Group has set the total toll revenue target for 2010 at not less than RMB1.9 billion, with operating costs and administrative expenses (excluding depreciation, amortisation and provision for maintenance) at not more than RMB0.45 billion, (2009 actual amount: RMB1.34 billion and RMB0.33 billion respectively). Our main tasks for the year include: (1) enhancing the management mode for regional inter-network toll collection to increase toll collection efficiency; (2) further reinforcing standardised management for operational works, and establishing an appropriate management mode for the operation scale of the Company; (3) strengthening the sales and management planning of Nanguang Expressway, Yanba Expressway and Qinglian Expressway to enhance road operation performance; (4) optimising the mechanical and electrical management mode and road assets maintenance management mode to enhance road traffic efficiency and capacity; and (5) organising road assets maintenance planning, aligning with and implementing the management concept of "optimal costs for the entire operating period" to enhance the management and maintenance standards of road assets and ensure the operation quality of highways.



- **To complete the management tasks for the construction projects.** In 2010, the Group has to effectively push ahead the construction management work of self-constructed projects including the Liannan Section of Qinglian Project and the reconstruction and expansion of Meiguan Expressway, as well as entrusted construction projects including Nanping (Phase II), Shenyun Project and Longhua Extension, striving to achieve pre-set objectives for work schedule, quality, budget and safety. In addition, the Group has to undertake negotiations and discussions for the specific terms and arrangements of Coastal Project to lay a good foundation for the business development of the Company.

- **To maintain a sound financial structure and lower finance costs.** In 2010, the Group will continue to seek to optimise its overall borrowing structure and lower its overall finance costs on the premise of ensuring financial security. Based on its study on financial instruments such as various bond financing instruments, interest rate and exchange rate swap arrangements conducted in 2009, and the operation of such arrangements, the Group will continue to move ahead with the implementation of specific proposals, maintain its concern and study on market policies and financing modes, broaden financing channels and rationally arrange debt portfolios, in order to control its overall capital costs.

- **To begin study of new businesses and strengthen investment risk management.** In 2010, the Company will rely on the expressway industry and capitalise on its existing resource and management advantages. It will actively study and explore the directions for investments in new industries, and study relevant industrial policies and profit models, in order to expand room for the Company's business development. Meanwhile, the Company will conduct studies and evaluations on investment opportunities in toll highway projects in a prudent manner, and strengthen its investment risk management, so as to promote the Company's business expansion by enhancing the return of the Group.

- **To further enhance comprehensive management capabilities.** In 2010, the Company will continue to consolidate the work achievements of excellent performance management, optimise and improve its internal control regime and further strengthen its risk management, to ensure that the management regimes are duly complied with, and the actual needs of the Group's business development are met. At the same time, the Company will further enhance the structure of its human resources system and step up efforts in training and recruitment of talents to meet the actual needs of the Group's development.

Q: **There are industry peers developing their businesses in industries other than highway industry. What is the strategy of the Company in this respect ?**

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A: The Company adheres to the development strategy of focusing on toll highway operations as its core business. At the present stage, the values of toll highway industry rest on its stable, safe and abundant cash flows, not high returns or high growth rates. As the road networks of national expressways improve, investment opportunities in quality highway projects decrease. Besides, the policies for toll highways after expiry of their operation periods are still unclear. Accordingly, the Company will appropriately study and attempt for investment opportunities in new industries. However, such attempts will be made in respect of the Company's principal business and its core business capabilities. For example, in the new strategic period, the Group will appropriately expand its investment in the existing advertising business, strengthen the expansion of road entrusted construction and entrusted management businesses, and actively study the policies, profit models and business risks for the development and use of lands along expressways. The Group will pursue new business development by fully capitalising on its own advantages and capabilities.

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Report of the Directors

The Board is pleased to present herewith the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

Details of the Company

The Company was established as a joint stock limited company in the PRC on 30 December 1996 and its H Shares and A Shares were listed on HKEx and SSE on 12 March 1997 and 25 December 2001, respectively.

Summary of the Report of the Board

During year 2009, ten board meetings were held, of which details are set out in the section "Corporate Governance Practice Report" of this annual report.

Principal Activities

The principal activities of the Group are the investment, construction and operation management of toll highways and roads in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses.

An analysis of the Group's revenue and contributions to operating profit for the Reporting Period is set out in the section of "Financial Analysis" of this annual report.

An analysis of the Group's revenue and contributions to operating profit in terms of business segments for the Reporting Period is set out in note 5 to the Financial Statements.

Major Customers and Suppliers

No further disclosures with regard to the Group's major customers and suppliers are made since the Group's major customers are users of its toll highways while there is normally no major purchase in relation to its ordinary course of business. During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted for no more than 30% of the Group's total revenue and total amount of purchases, respectively. Therefore, no further disclosure in respect of its major customers and suppliers made by the Group.

Financial Results

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement of the Financial Statements attached in this annual report on page 147.

The financial positions of the Group and the Company as at 31 December 2009 are set out in the balance sheets of the Financial Statements attached in this annual report on pages 145 to 146.

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 4 of this annual report.

Dividends

The Board proposed the payment of a final dividend for the year 2009. Details of the dividend scheme for the year 2008 and its implementation are set out in "Profit Distribution" under "Financial Analysis" in this annual report.

Directors, Supervisors and Senior Management

1. The details of the Directors, the Supervisors and the senior management, and changes of such personnel during the Reporting Period are set out in the section "Directors, Supervisors and Senior Management" of this annual report.

2. Details of the remuneration received by the Directors, the Supervisors and the senior management during the Reporting Period are set out in the section "Report of the Remuneration Committee" of this annual report and note 28(b) to the Financial Statements.

3. Directors' service contracts:

   Each of the Directors has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are effective from 1 January 2009 to 31 December 2011. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

4. Directors' and Supervisors' interests in contracts:

   As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance was entered into to which the Company or its subsidiaries was a party and in which the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, nor any of the aforesaid contract that was still effective subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

5. None of the Directors, Supervisors or senior management is materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting at the date of this annual report and which is significant in relation to the business of the Group.

6. During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Directors, the Supervisors and senior management of the Company or its controlling shareholder(s) or their respective connected persons.

Disclosure of Interests

As at 31 December 2009, the interests or short positions of the Directors, Supervisors or senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held	Approximate percentage of issued share capital of Shenzhen International	Nature of Interests	Capacity
Li Jing Qi	20,000,000	0.14%	Personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Share option unexercised as at 1 January 2009	Number of share option granted during 2009	Number of share option exercised during 2009	Share option unexercised as at 31 December 2009	Nature of Interests	Capacity
Yang Hai	10,000,000	Nil	10,000,000	0	Personal	Beneficial owner
Li Jing Qi	27,210,000	Nil	18,210,000	9,000,000	Personal	Beneficial owner
Tse Yat Hong	9,500,000	Nil	9,500,000	0	Personal	Beneficial owner

Note:

(1) The above share options were all granted on 19 January 2005 and could be exercised during the period from 19 January 2005 to11 January 2010 with the exercise price HK$ 0.282 per share.

(2) Ordinary shares obtained upon exercise of share options by Mr. Yang Hai, Mr. Li Jing Qi and Mr. Tse Yat Hong (all being Directors) were disposed during the Reporting Period.

Saved as disclosed above, as at 31 December 2009, none of the Directors, Supervisors or senior management had interests or short positions defined above.

Share Capital

The total share capital of the Company was RMB2,180,700,326. During the Reporting Period, the Company issued 70,326 shares, which increased the total share capital of the Company by RMB70,326. Details of the total share capital and the issue of shares are set out in note 19 to the Financial Statements and the section "Shareholders and Investor Relations" in this annual report.

Purchase, Sale or Redemption of Securities

During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its jointly controlled entities.

Pre-emptive Rights

According to the Articles and the PRC laws, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings if new shares are issued.

Reserves

The amounts and particulars of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in note 20 to the Financial Statements.

Property, Plant and Equipment

The movements in property, plant and equipment of the Group and the Company during the Reporting Period are set out in note 6 to the Financial Statements.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in note 21 to the Financial Statements.

Interest Capitalized

The amount of interest capitalized by the Group during the Reporting Period is set out in note 29 to the Financial Statements.

Income Tax and Business Tax

Details of income tax and business tax of the Group during the Reporting Period are set out in notes 30 and 27(b) to the Financial Statements respectively.

Trust Deposits and Overdue Time Deposits

During the Reporting Period, the Group did not have any trust deposit or overdue time deposit.

Subsidiaries and Jointly Controlled Entities

Details of the Company's subsidiaries are set out in note 11 to the Financial Statements; details of the Company's jointly controlled entities are set out in note 13 to the Financial Statements.

Material Litigation and Arbitration

During the Reporting Period, there is no material litigation or arbitration arising in connection with the Company or its subsidiaries nor is there any material prior litigation or arbitration subsisting in the Reporting Period.

Management Contract

Pursuant to a contract dated 7 June 1995 together with subsequent amendments thereof, the Company's jointly controlled entity, Magerk Company, entrusted the toll collection of Wuhaung Expressway and the usage, management, preservation, maintenance and repair of Wuhuang Expressway and its ancillary facilities to 湖北省高等級公路管理局 (Hubei Bureau for the Administration of Higher Class Public Roads), or other sub-contractors whom it may designate from time to time (湖北武黃高速公路經營有限公司 (Hubei Wuhuang Expressway Management Co. Ltd.) is the sub-contractor currently designated), throughout the operating period of Wuhuang Expressway. The service was charged at a fee which is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

For the year 2009, investment income of the Group from Wuhuang Expressway amounted to RMB74,763,000, representing 13.84% of the profit attributable to equity holders of the Company. The amount of entrusted management fees accounted for by Magerk Company during the Reporting Period was RMB100,455,000. This aforesaid management contract has no material impact on the financial position and operating results of the Group.

Mortgage and Pledge of Assets

As at the end of the Reporting Period, details of the Group's assets mortgaged or pledged are as follows:

Assets	Type	Bank	Scope of security	Terms
(1)154,000,000 shares of JEL Company	Mortgage	Industrial and Commercial Bank of China (Asia) Limited	Principal and interests of a HK$680 million bank loan	Until repayment of all liabilities by Mei Wah Company under the loan agreement
(2)Toll collection rights of Qinglian project	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB4.66 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
(3)100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million	upon maturity Until repayment of corporate bonds (principal and interests)
(4)47.3% of toll collection right of Nanguang Expressway	Pledge	Agricultural Bank of China Shenzhen Branch	Counter-guarantee for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the bonds with warrants issued by the Company with an amount of RMB1.5 billion upon maturity	Until repayment of bonds with warrants (principal and interests)
(5)40% of equity interests in Qinglong Company	Pledge	Industrial and Commercial Bank of China Limited Shenzhen Branch	Principal and interests of bank loans in an aggregate amount of RMB1.3 billion	Until repayment of all liabilities by the Company under the loan agreement
(6)RMB450 million fixed deposit	Pledge	Shanghai Pudong Development Bank Shenzhen Branch	Principal and interests of a HK$510 million bank loan	Until 29 September 2010

Notes:

(1) Pledged by the subsidiary Mei Wah Company, as at the end of the Reporting Period, the balance of such loan guaranteed was HK$102 million.

(2) Pledged by Qinglian Company, a subsidiary of the Company. On 19 May 2006, Qinglian Company entered into agreements with lending banks, and pledged the following interests in favour of lending bank as security of loans of an aggregate amount of RMB4.66 billion: (a) toll collection rights of Qinglian Class 1 Highway and Qinglian Class 2 Road during the reconstruction period of Qinglian Class 1 Highway into an expressway; (b) toll collection rights of Qinglian Expressway and Qinglian Class 2 Road after completion of the reconstruction of Qinglian Class 1 Highway into an expressway. As at the end of the Reporting Period, the balance of such loans used by Qinglian Company is RMB4.124 billion.

(3) As approved at the 2006 annual general meeting, the Company entered into an agreement with China Construction Bank Corporation Shenzhen Branch on 20 April 2007. The Company pledged its 100% equity interests in Meiguan Company in favour of the bank, as a counter-guarantee for the guarantee provided in favour of the Company by it. The pledging procedure for the aforesaid equity interests was completed in August 2007.

(4) As approved at the 2007 annual general meeting, the Company entered into an agreement with Agricultural Bank of China Shenzhen Branch on 11 July 2008. The Company pledged its 47.3% toll collection rights of Nanguang Expressway in favour of the bank, as a counter-guarantee for the guarantee provided in favour of the Company by it. The pledging procedure for the aforesaid toll collection right was completed in February 2009.

(5) The Company entered into an agreement with Industrial and Commercial Bank of China Limited Shenzhen Branch on 29 May 2009. The Company pledged its 40% equity interests in Qinglong Company in favour of the bank, as security of loans of an aggregate amount of RMB1.3 billion. The pledging procedure for the aforesaid equity interests was completed on 10 October 2009. As at the end of the Reporting Period, the balance of such loans is RMB910 million.

(6) The Company entered into an agreement with Shanghai Pudong Development Bank Shenzhen Branch on 29 September 2009. The Company pledged its RMB450 million fixed deposit with the maturity of one year in favour of the bank as security of the principal and interests of a HK$510 million bank loan provided to the Company. The pledging procedure for the aforesaid fixed deposit was completed in September 2009.

(7) The Company entered into an agreement with Bank of China Limited Shenzhen Longhua Branch on 24 June 2008. The Company pledged its RMB116 million fixed deposit with the maturity of one year in favour of the bank as security of the principal and interests of a HK$133 million bank loan provided to the Company. In June 2009, the Company has repaid the aforesaid principal and interests of the loan and the pledge has been released.

External Guarantees

(RMB million)

External guarantees of the Company (excluding guarantees provided for subsidiaries)						
Name of the guaranteed	Date of occurrence (date of agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Completed or not	Guarantee for connected party or not
China Construction Bank Shenzhen Branch	2007-4-20	800	Counter - guarantee	From August 2007 until repayment of corporate bonds of the Company (principal and interests)	No	No
Agricultural Bank of China Shenzhen Branch	2008-7-11	1,500	Counter - guarantee	From February 2009 until repayment of bonds with warrants (principal and interests)	No	No
Total amount of guarantees occurred during the Reporting Period					0	
Total balance of guarantees as at the end of the Reporting Period					2,300	
Proportion of total amount of guarantees to the net assets of the Company					27.98%	

Notes: Please refer to "Mortgage and Pledge of Assets" above for related details.

The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered specific explanations and independent opinions in relation to the external guarantees of the Company.

Other Agreements

Details of the investments, acquisitions, connected transactions and other material contracts of the Company during the Reporting Period are set out in "Material Contracts and Transactions" under the section "Business Review" of this annual report.

Save as disclosed above, the Company did not enter into any contract in respect of the management and administration of its overall business or any material business, nor did it enter into any other material contracts in relation to entrustment, subcontracting, leasing, guarantee or cash assets management during the Reporting Period. Furthermore, there were no such prior material contracts subsisting during the Reporting Period.

Undertakings

1. The shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding in the Company, have undertaken in the promoters' agreement that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. The Company did not notice violation of such undertaking by the above two major shareholders up to the end of the Reporting Period.

2. Special undertakings and the fulfillment made by the shareholders during the process of Share Segregation Reform:

Name of shareholders	Special undertakings	Fulfillment
XTC Company SGH Company Huajian Centre GDRB Company	1. Within 36 months from the day of granting listing status to the unlisted shares of the Company held by them, they shall not trade such shares on the stock exchange; 2. During three consecutive years immediately following the completion of implementation of the Share Segregation Reform, they shall propose resolutions at the annual general meeting of the Company that the Company shall distribute at least 50% of the profit available for distribution in the corresponding periods as cash dividends to the shareholders, and they shall vote for such resolutions at the annual general meeting; 3. They shall pay all relevant expenses arising from the Share Segregation Reform in proportion to their shareholdings.	The Company did not notice that these shareholders had violated such undertakings during the Reporting Period.

Note: The circulating shares from the Share Segregation Reform of the Company subject to sale restrictions were all released from the sale restrictions on 2 March 2009. Up to the end of the Reporting Period, all the special undertakings made by the above shareholders of the Company in the process of the Share Segregation Reform were fulfilled.

3. Shenzhen International and SJG Shenzhen proposed to acquire 100% equity interest in SGH Company and made undertakings in《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") published on 18 October 2007 in the securities market of PRC. The undertakings includes procuring SGH Company to continue to comply with the relevant undertakings made under the Share Segregation Reform of the Company, avoiding competitions and standardising connected transactions, etc. Details related is available in《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") published by Shenzhen International and SJG Shenzhen on 18 October 2007 or related contents of the annual report for the year 2007 of the Company. Up to the end of the Reporting Period, the Company did not notice violation of such undertaking by Shenzhen International and SJG Shenzhen.

Basic Information of Employees

At the end of the Reporting Period, the Company and its wholly-owned subsidiaries had 1,881 employees, of whom 416 were management and professional staff, while 1,465 were toll collection staff. 26% of the Company's staff held tertiary or above qualifications, and 89% of the management and professional staff held tertiary or above qualifications, among whom 14% held master degrees or above and 45% held bachelor degrees.

Details of the development and trainings, remuneration and benefits, and the rights of employees are set out in the section "Employees" of this annual report.

Charity Donations

During the Reporting Period, the Company allocated RMB1,000,000 for charity or public welfares. The details related are set out in the section "Environment and Community" of this annual report.

Results Review

The Audit Committee of the Company has reviewed and confirmed the annual results announcement and the annual report for the twelve months ended 31 December 2009.

Auditors

Details of the appointment and remuneration of the auditors are set out in the section "Corporate Governance Practice Report" of this annual report.

Name of Directors

As at the date of this report, the Directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Lam Wai Hon, Ambrose (Independent Director), Mr. Ting Fook Cheung, Fred (Independent Director), Mr. Wang Hai Tao (Independent Director) and Mr. Zhang Li Min (Independent Director).

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 19 March 2010

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.

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.

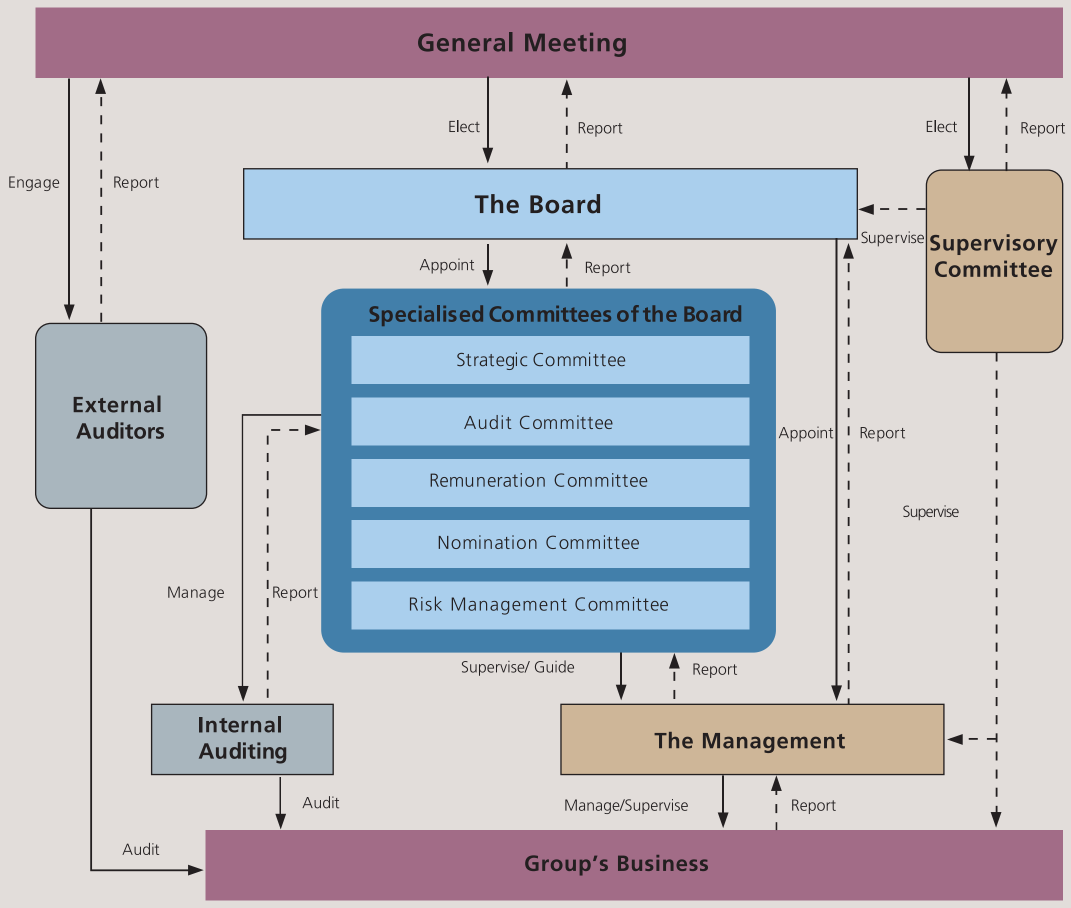
Corporate Governance Practice Report

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.

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:



Governance Structure of Shenzhen Expressway

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.

Corporate Governance Practice Report

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.*

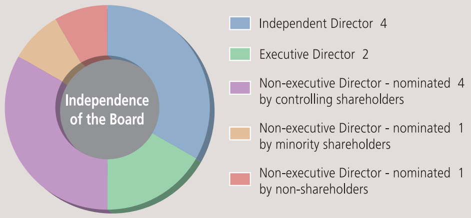
2. Composition

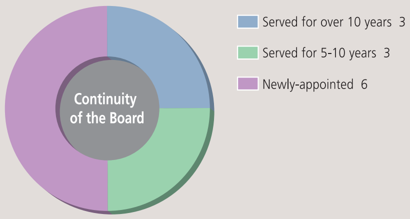
The current Board is the fifth session since the establishment of the Company, comprises 12 Directors, with a term from 1 January 2009 to 31 December 2011. The current Board members came from various industry backgrounds and have professional expertise in highway industry, project construction, accounting 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	From 1 January 2009 to 31 December 2011	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		Law, investment project management	Yes
Tse Yat Hong	January 2009		Financial and accounting, corporate governance	Yes
Lin Xiang Ke	June 1998		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 new-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:

	Attendance in person / Total number of meetings						
Directors	**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:

	Audit fees (Note (1))		Other fees (Note (2))	
(RMB'000)	**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 Reltaions	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	√	*The full text of the terms of reference for the Remuneration Committee can be found on the website of the Company.*		
B.1.4	√	*The full text of the terms of reference for the Remuneration Committee can be found on the website of the Company.*		
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

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	√	*The full text of the terms of reference for the Audit Committee can be found on the website of the Company.*		
C.3.4	√	*The full text of the terms of reference for the Audit Committee can be found on the website of the Company.*		
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 ant 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.

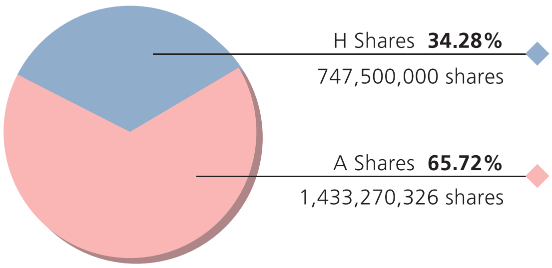
◆ In March 1997, the Company issued 747,500,000 H Shares, which were listed on HKEx on 12 March 1997 (stock code: 00548). The total share capital of the Company increased to RMB2,015,700,000.

◆ 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.

Total Share Capital 2,180,770,326



◆ 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 1,066,239,887domestic 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.

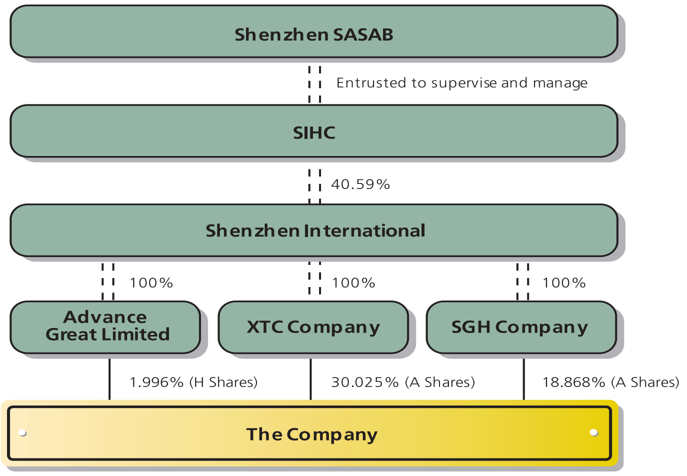
(8) These 60,456,000 H Shares were interests of controlled corporations of The Real Return Group Limited, including 59,298,000 shares of long position held directly by Veritas Asset Management (UK) Limited.

(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.



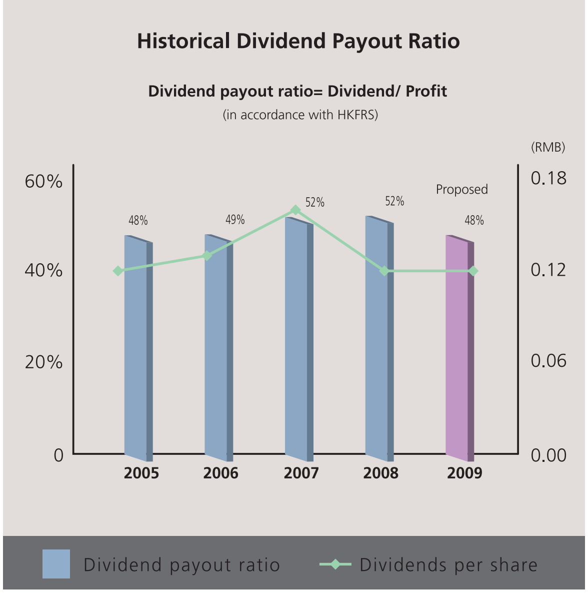
Shenzhen International is a company incorporated on 22 November 1989 in Bermuda with limited liability and is listed on the main board of HKEx. Shenzhen International had issued a total share capital of HK$1,414,192,947.50 as at 31 December 2009. It is principally engaged in investment holding. The Group, 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

Report of the Audit Committee

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

Report of the Remuneration Committee

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)

		Remuneration received from the Company during the Reporting Period				
Name	Title	Emolument	Meeting subsidies	(2) Remuneration	Total	Whether receive remuneration from shareholder or other connected entities
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:

(1) 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.

(2) 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

Report 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, Supervisors and Senior Management

Directors

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-	Mei Wah Company – chairman
	Shareholder-	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.	

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 Tiehan 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.	

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.	

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.	

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.	

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.	

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

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$^{\text{a Hong Kong listed company}}$ - vice president $^{\text{Shenzhen International Group}}$ XTC Company, Shenzhen International South-China Logistics Co., Ltd., Nanjing Xiba Wharf Co., Ltd - chairman $^{\text{Shenzhen International Group}}$ Shenzhen International Huatongyuan Logistics Co., Ltd. - director
	Other -	Shenzhen Capital Group Co., Ltd. - director
Main work experience:	Shenzhen International$^{\text{a Hong Kong listed company}}$ - 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 $^{\text{GDRB Group}}$ Guangdong Luda Expressway Company Limited - director $^{\text{GDRB Group}}$ 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.	

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.	

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.	

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.	

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.	

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.	

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.

Social Responsibility Report

Corporate development is inseparable from a harmonious environment both internally and externally. This section principally sets out the Company's philosophy, principle and the actual operation and planning in relation to fulfilling its social responsibilities and dealing with the relationship with stakeholders.

The ''Annual Social Responsibility Report" is regularly published and updated on the website of the Company (http://www.sz-expressway.com/). Further information can also be accessed on the website.

行遠自邇登高自卑

Quote from *The Doctrine of the Mean, The Book of Rites*《禮記 • 中庸》: "The way of the superior man may be compared to what takes place in traveling, when to go to a distance we must first traverse the space that is near, and in ascending a height, when we must begin from the lower ground." (君子之道，辟如行遠必自邇，辟如登高必自卑)To go afar, we must start from the nearest space. This says that we should proceed from the easy to the difficult gradually, and go forward step by step.

Social Responsibility Report

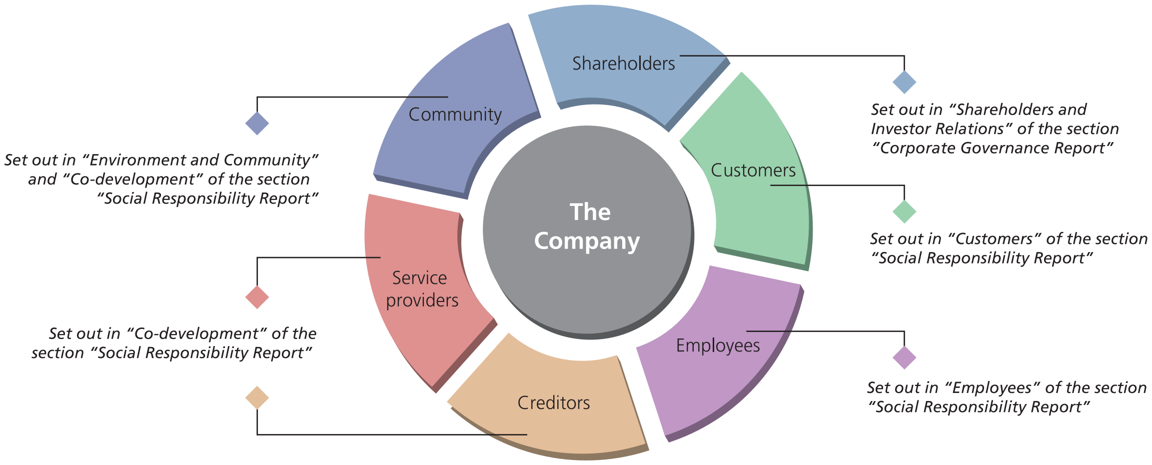
Overview of Social Responsibility

Our Understanding of Social Responsibility

- "Clothing, food, shelter and transportation（行）" are the basic necessities of everyone in society. The Company is principally engaged in the construction and acquisition of expressways, which not only meets the needs of society for rapid "transportation（行）", but also effectively facilitates the regional economic and social development. As such, the basic social responsibility of the Company is to provide high quality products and thereby "safe, rapid, economical and comfortable" transportation to the society.

- In the provision of products and services and deriving profits therefrom, enterprises shall continue to show their concerns and respects for the interests of all stakeholders. Such concerns and respects not only come from the importance of stakeholders to corporate development, but also from the gratitude and return of enterprises to their environment for survival.

- The stakeholders of the Company include its shareholders, customers, employees, creditors, service providers and the community.



Set out in "Shareholders and Investor Relations" of the section "Corporate Governance Report"

Set out in "Customers" of the section "Social Responsibility Report"

Set out in "Employees" of the section "Social Responsibility Report"

Set out in "Environment and Community" and "Co-development" of the section "Social Responsibility Report"

Set out in "Co-development" of the section "Social Responsibility Report"

Our Strategies for Social Responsibility

- To Value the impact of the Company's act on other stakeholders, strengthen the communication and coordination with stakeholders, and create an internal and external environment conductive to development of the Company.

- To utilise resources and protect the environment in a rational manner, and encourage the application of environmental technologies and materials in daily management, project design and construction.

- To make proper planning of charity work and actively fulfill its obligations as corporate citizen.

Our Responsibility Statement to Stakeholders

Committed to good corporate citizenship, the Company has incorporated the concepts of sustainable development and social responsibility into its daily operation and corporate culture, and has proactively assumed responsibilities towards its stakeholders. Our responsibility statement is as follows:

Stakeholders	Our responsibility statement
Shareholders	• Equal right of knowledge • Timely, truthful, accurate and complete information disclosure • Reasonable investment return
Creditors	• Honesty and credibility, timely repayment of loans
Employees	• Stable and reasonable remuneration and benefit protection • Good room for career development and platform for learning and growth • Safe work environment • Increased employee compatibility
Customers	• High quality road products • High quality service • Enhanced customer satisfaction
Service providers	• Fairness and equitability, mutual assistance, co-development
Community and environment	• Compliance with laws in operation and tax payment • Rational utilisation of resources, emphasis on environmental protection • Encouragement of industrial technological progress • Dedicated to charity activities, promotion of harmonious society of society

The Company will complete the preparation and publication of the Annual Social Responsibility Report of the previous year in April every year, to strengthen the understanding and relationship between the stakeholders and the Company, and accept supervision of society.

Certain content in the sections "Social Responsibility Report" and "Corporate Governance Report" of this annual report has set out the conclusions of the Company's work, efforts and results in performing its social responsibility and sustainable development responsibility in 2009.

The 2009 Social Responsibility Report has been prepared and published on the website of the Company summarising the relevant content, to provide regularly and systematically the information on fulfillment of corporate social responsibility of the Company to stakeholders such as the Company's shareholders, customers, employees, service providers and partners, and government authorities, non-governmental organisations and community, and hence strengthen the understanding and relationship between the stakeholders and the Company, and accept supervision of the society.

The framework of the 2009 Social Responsibility Report has been developed mainly with reference to the principles of materiality, completeness and comparability in the Sustainability Reporting Guidelines of Global Reporting Initiative (GRI). The report has described the responsibility and practices of the Company in relation to products, customers, employees, environment and community from economic, social and environmental aspects.

The basic social responsibility and foundation of the Company is the provision of safe and high quality expressway products to the society. For years, the Company has continuously explored and worked on the establishment and implementation of a quality management system that meets scientific standards. The Company aims at ensuring the quality and safety of products and services provided through the establishment and effective implementation of institutionalised, systematic and informational quality control and management system. In 2008, the Company passed the ISO9000 certification, re-designed and established the Company's quality management system based on the ISO9000 management standards, and implemented in all levels of the Group.

I. Systematic Implementation of Construction Quality Control System, and Assurance of Quality and Safety of Road Construction Quality

The Company has established a comprehensive business flow and quality control system for highway construction, and incorporated the system into every segment of its operation. Supervision of key points of each output segment and output results has been conducted in strict compliance with technology and quality standards to ensure construction quality. In addition, the Company has also endeavoured to increase traffic capacity and safety factors through technological innovation.

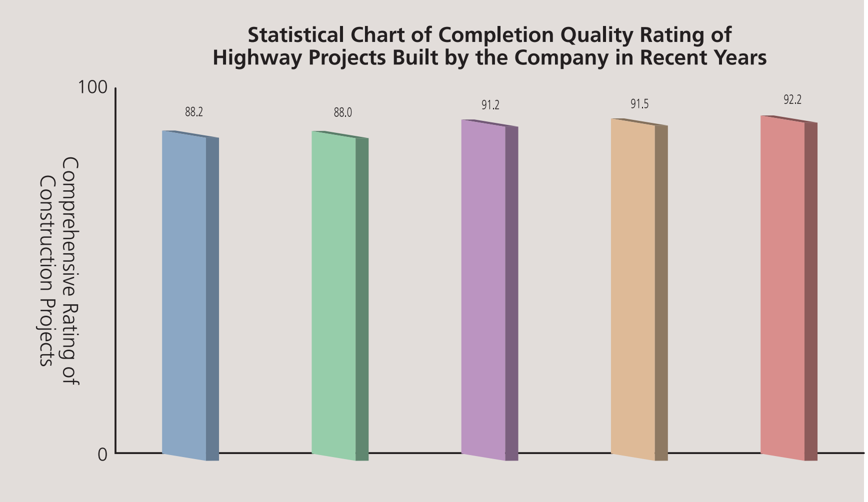
- **In project design segment:** To ensure the safety and quality of construction, the Company has placed strong emphasis on the preliminary technical management of projects. Pursuant to the management code for investigation and design, the Company conducts meticulous and specific technological researches and demonstrations in light of the actual conditions in different projects, to provide basic information to the designers, minimise design defects of projects and reduce safety risks during implementation.

- **In tendering segment:** The Company has formulated the Management Code for Tendering（《工程招標管理規程》）in accordance with the requirements of laws and regulations regarding quality management and tendering and bidding management. It has also strengthened its control over the preparation quality of tender documents, reviewed the qualification of potential contractors, and selected qualified constructors through public tendering. The Company has created appraisal and assessment portfolios for the constructors it co-operates with, and sought to establish co-operation with partners with good credit standing.

- **In project implementation segment:** In project implementation, the Company has built a two-level quality control model. The first level is the monitoring and management of design, supervision and construction units by the project management offices of the Company, while the second level is the monitoring, examination, guidance of and service provision to project management offices by the Project Management Department. At each management level, responsible parties shall conduct regular general examination and irregular specific examination on supervised parties in accordance with the terms of contract and the requirements of the Company's Project Management Manual and various management codes, to ensure the compliance with quality, safety, cost, progress and environmental protection requirements of projects.

With a quality management system that meets scientific standards and good system implementation, the construction quality of the Company's projects has continued to maintain at a higher level. In recent years, many construction projects have been accredited as excellent projects.

Statistical Chart of Completion Quality Rating of Highway Projects Built by the Company in Recent Years



Project	Meiguan Expressway	Jihe East	Jihe West	Yanba A	Yanba B
Completion time	1995.5	1997.11	1999.5	2001.4	2003.6
Comprehensive rating of construction projects	88.2	88.0	91.2	91.5	92.2

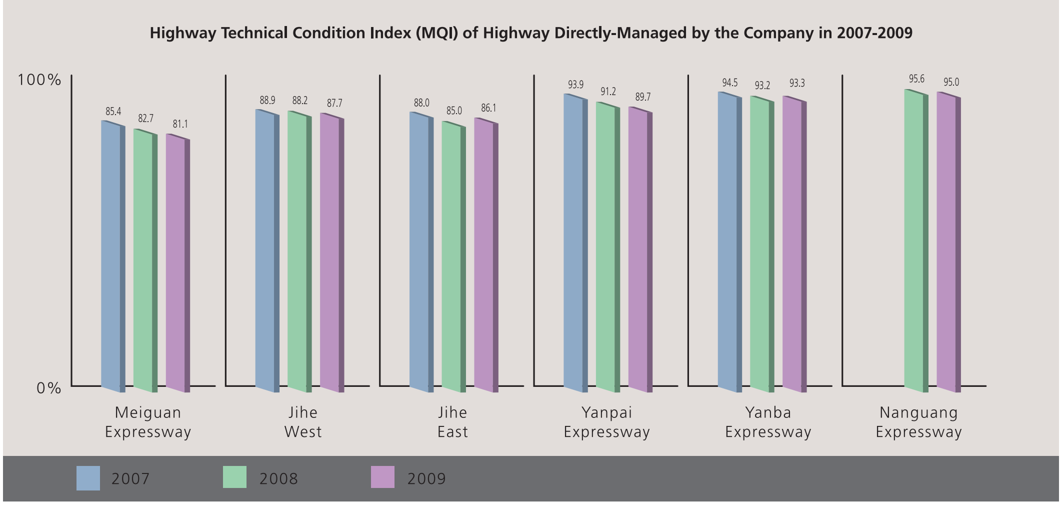
II. Establishment of Highway Maintenance Management System, Assurance of Road Safety and Traffic Quality

Strengthening highway maintenance management helps to prevent highway damages, timely eliminate hidden dangers of safety, maintain sound highway technical conditions and extend useful life of existing highways, thereby effectively enhancing highway transportation efficiency. This represents an important foundation for ensuring safe, rapid, efficient and comfortable road traffic quality.

The Company conducts daily examinations, recurring examinations and regular examinations on managed expressways in accordance with the national highway maintenance technical regulations and evaluation standards, closely monitors highway technical conditions and timely identifies highway damages. For early road surface damages identified in daily examinations, data is collected by PDA, and recorded in daily road surface maintenance management system for timely handling; for damages identified in recurring examinations and regular examinations, data is recorded by staff or with specific equipment in highway database. Maintenance proposal is determined upon highway technical condition evaluation with road surface technical condition evaluation system.

In the implementation process of maintenance work, the Company has strengthened its supervision management over construction units. Project quality has been controlled in strict compliance with various technical regulations. The Company has also further perfected its management regime for traffic organisation of sections under maintenance construction and defined the requirements of traffic safety facilities and warning signs in construction, to minimise the impact of construction on highway traffic and ensure traffic safety.

For scientific and systematic highway maintenance management, the Company has established an analysis system for maintenance management, which provides a comprehensive management function of storage and contrastive analysis on road condition data of road networks, and information such as coping measure for maintenance, prediction model for road surface performance and prediction model for economic performance. Through the application of prediction model for road surface performance, the Company can predict future change and trend of road surface technical performance under certain conditions. Based on such prediction, it can propose maintenance coping measures and conduct economic assessment and proposal optimisation, providing a basis for policy decision of large-scale and medium-scale road surface maintenance and pre-maintenance, and thereby formulation of reasonable short-term, medium-term and long-term maintenance plans and quality objectives.


Highway Technical Condition Index (MQI) of Highway Directly-Managed by the Company in 2007-2009

Highway Technical Condition Evaluation *comprises four parts, namely road surface, road bed, bridge and tunnel structure and roadside facilities, represented by MQI (Maintenance Quality Indicator), a highway technical condition index, and corresponding sub-indexes. It is classified into five grades, namely excellent, good, average, sub-standard and poor, where a project scoring 80-90 is good, over 90 is excellent.*

Customers

Customers (i.e. clients) are users of the Company's products and services, and foundation for survival and development of the Company. Shenzhen Expressway has pioneered the concept of "concern about customer", adopted a customer demand-oriented approach, listened to voices of its customers and made ongoing improvements to its management, for continuous enhancement of customer satisfaction.

I. Customer Demand-oriented

At the present stage, the major customers of the Company are drivers and passengers who use automobiles as their means of transportation, and various business or non-business entities they work for, as well as government and highway investors who need to use highway construction and operation management services.

The Company identifies customer demand information by conducting market research and forecast and collecting customer opinion on different customer groups. Focusing on customer demand, the Company has formulated work documents and procedures such as the Control Procedures for Meeting Demand of Customers, Suppliers and Stakeholders(《滿足顧客、供方、相關方需求控制程序》), and introduced tools and methods such as the Matrix Table of Coping Measures for Demand of Customers and Stakeholders（《顧客及相關方需求對策矩陣表》）to control the quality of service processes, meet customer demand with stable work quality and service standard. It has also further extended and expanded customer value through the provision of effective supports, personalised services and value-added services to customers.

1. Service Measures to Meet Driver and Passenger Demand

- Through the implementation of standardised codes of conduct such as "Six Steps to Civilised Service"(文明服務六步驟）, launch of activities such as "Smile 365"（微笑365）and "Star of Civilised Service"（文明服務之星）, and establishment of measures such as "Sacrifice Award"（委屈獎）, the Company has enhanced the work quality of fee collection service windows. The Company has also set up a customer service centre to provide convenient services and create pleasant travel experience for customers.

- The Company has strengthened its emergency response capability. Road blocks and traffic obstacles arising from traffic accidents have been rapidly removed to ensure smooth traffic. The Company has also provided value-added services to customers, such as emergent repair for vehicles, response to contingency of vehicles, and assistance to driver and passenger illnesses and difficulties.

- The Company has selected appropriate travel routes and provided effective support by timely notification of traffic conditions in road networks to customers through radio stations and network.

- The Company has improved road signs, set up road signage in toll plazas, printed and released travel guides, reinforced its guidance and promotion for road networks, and acted as traffic consultants of drivers and passengers.

- The Company has increased the accuracy and efficiency of manual toll collection, promoted the "Unitoll Card" non-stop toll collection system and pushed ahead the progress of toll collection inter-network to enhance traffic efficiency.

2. Service Measures to Meet Government and Highway Investor Demand

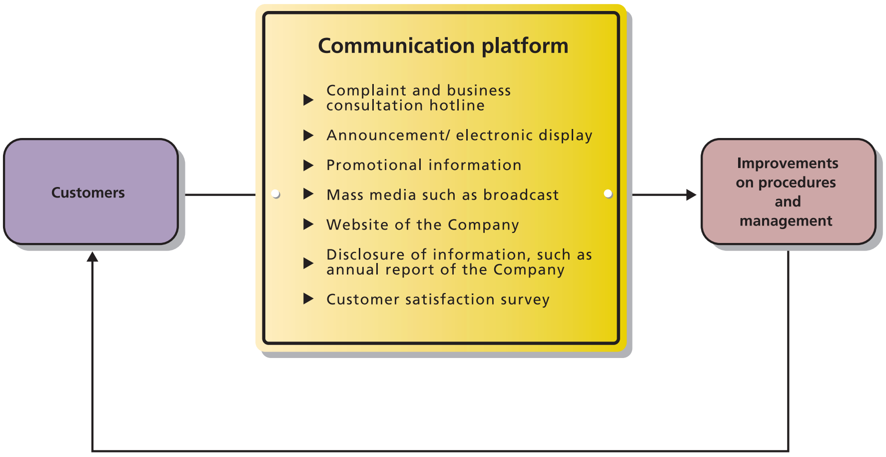
The Company has established comprehensive management regimes for design, tendering, measurement, payment and acceptance segments during construction. The acts of managing parties, supervising parties and contracting parities have been strictly regulated to ensure the achievement of investment, quality, schedule, safety and environmental protection objectives as stipulated in contracts, and meet and surpass customer demand.

II. Listened to Voices of Customers

By setting up communication platform, improving complaint channels and timely handling customer complaints, the Company listens to voices of its customers in patience to understand and effectively identify customer demand.

1. Communication Platform

The Company has implemented its responsibilities for information collection, feedback, analysis and handling by setting up a multi-layered information communication platform, and established an effective communication regime with its customers. On the one hand, the Company can communicate changes and updates on highways, road networks, operation standards and modes of service to customers. On the other hand, the Company can timely find out potential customer demand, and collect customer opinions and suggestions on it.



2. Complaint Channels and Handling

The Company has received complaints from customers through various channels, including complaint hotline, e-mail, website and service site. The Company has published the address, phone number and ways for handling complaints on various medias, every toll gate and the Company's website. Staffs are available at the monitoring centre 365 days a year, 24 hours a day to answer the complaint hotline and handle customer complaints of all types.

The Company has formulated the Procedures for Handling Customer Complaints(《顧客投訴處理程序》), followed the principle of "response to all complaints, immediate correction of all mistakes", and implemented the management models of "first inquiry responsibility system", "division of work and authorisation system" and "leader responsibility system". Based on differences in sources and types of information, the Company assigns the responsibility for handling complaint information to specific departments. Relevant responsible departments are required to conduct information screening, selection and organisation in a timely manner, and respond within 24 hours. Responsible departments provide feedbacks of investigation results to complainants by telephone, letter, online reply or follow-up visit based on actual situation to restore customer confidence with their best efforts. Meanwhile, the management of the Company also defines duties and requirements of improvement in light of information and issues obtained in handling customer complaints, implements such duties and requirements in specific departments and business units, and respond to customer and market demand.

III. Customer Relationship Management

The Company has built systems, regimes and database for customer relationship management and conducted customer satisfaction survey regularly. On this basis, the Company has established and maintained good cooperation relationship with its customers. Customer satisfaction has continued to grow.

1. Building Systems and Regimes

The Company has formulated various systems and documents in relation to customer relationship management, such as the Control Procedures for Customer Communication(《顧客溝通控制程序》), the Procedures for Handling Customer Complaints, the Control Procedures for Record（《記錄控制程序》）and the Control Procedures for Toll Collection Service Process Management（《收費服務過程管理控制程序》）, to regulate the conduct of staff in providing services to customers.

2. Building Customer Opinion Database

The Company collects customer opinion through various channels, classifies the information into categories such as customer demand, recommendation, complaint and satisfaction feedback based on differences in customer groups and projects, and input it into the database for further organisation and analysis. Opinions and recommendations in the database can provide supports to the improvement of the Company's departments and business units. Staff can also share past experience and lessons from information on complaints and handling, which helps continuous enhancement of work quality.

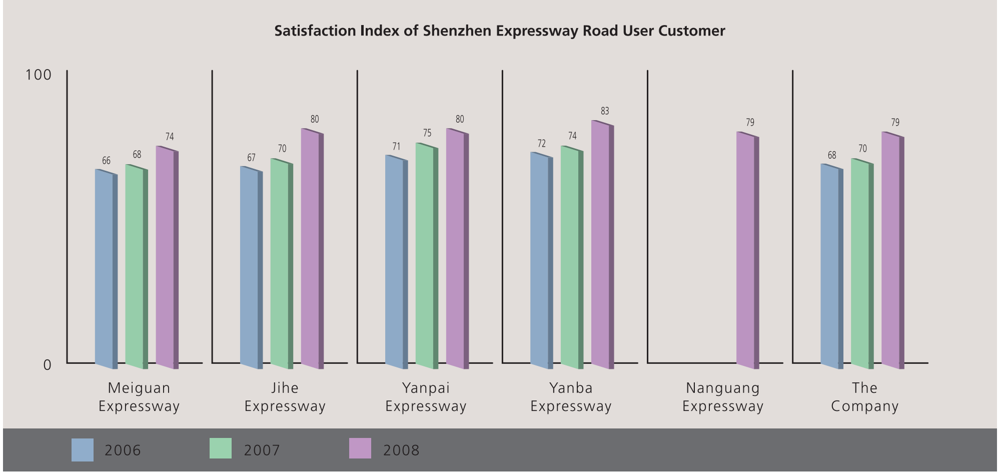
3. Customer Satisfaction Survey

Since 2007, the Company has engaged a third party professional organisation every year to conduct customer satisfaction survey for the previous year. Investigation and evaluation proposals are continuously improved on the basis of consistency and comparability in evaluation method, indicator system, application model and calculation, to enhance its scientific nature and reasonableness.

Customer satisfaction survey mainly targets at two types of customers and three types of stakeholders. Customers include road user and government customers, while stakeholders include supply chain parties, consultation service parties and important economic towns along expressways. Investigation modes include personal interview, questionnaire and interview by telephone, fax and email. So far, the evaluation for 2006-2008 has been completed. Over 300,000 entries of qualitative and quantitative information have been collected. The third party organisation calculates the customer satisfaction index of Shenzhen Expressway road user customers with its professional model and software based on the information obtained from site investigation, and provides the qualitative evaluation result, opinion and recommendation on government customers, and the evaluation of stakeholders, explanation and analysis of problems existed, and recommendation for improvement to the Company. Meanwhile, the Company also analyses the investigation result, sorts out customer dissatisfaction factors, put them in order based on their importance with factor influencing approach, finds out key factors and formulates related improvement measures.

Customers

From the customer satisfaction survey results for 2006-2008, the customer satisfaction of the Company has increased year by year, reflecting the Company's achievement under customer-centred value and ongoing pursuit of excellence. The following table shows the satisfaction index of road user customers of the Company for 2006-2008:


Satisfaction Index of Shenzhen Expressway Road User Customer

Staff

"Successful, healthy and happy staff" is one of the values of the Company. The Company regards its staff as its valuable resource and wealth. It respects the work contributed and values created by its staff, strives to create a safe and healthy working environment for its staff and to provide comprehensive benefits and protections such as medical treatment and retirement, as well as values and safeguards the legal rights and interests of its staff. Through improvements to the talent incentive, training and selection systems, the Company also builds a good development platform for staff and continuously promotes the appreciation of human resources to achieve a harmonious win-win situation between the interests of the staff and the Company.

I. Protection of Rights and Interests of Staff, Improvement of Benefits of Staff

The Company upholds the concept of long-term employment and signs labour contracts of longer term with its staff. Market and performance-oriented remuneration and benefit policy has also been implemented.

1. Protection of Interests

The Company has signed labour contracts with its staff in accordance with the requirements of the Labour Contract Law and the Implementation Regulations of the Labour Contract Law. Paid annual leave system has been implemented to protect the staff's rights to normal workload, rest and leave according to laws. In 2009, the outbreak of the global financial crisis was a great test to the operation of the Company. While many enterprises in the PRC and overseas adopted downsizing and pay-cut measures to lower their operating costs, the Company made a clear commitment of "no downsizing, no pay-cut" (不裁一員、一減一薪), calling its entire staff to work together to overcome the difficulties.

2. Remuneration and Benefit Policy

The remuneration and benefit policy of the Company is enforced pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefit (《薪酬福利管理程序》) of the Company. Staff remuneration and benefit comprise wage, performance bonus and statutory and company benefits which are based on the principle of "salary is based on the individual position and changes with the position" and are 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 benefit scheme (social pension insurance) which is organised by the local government authorities, and has provided various protection plans such as basic medical insurance, industrial injury insurance, unemployment insurance and maternity insurance for its in-service staff. In 2009, the Company's payment of social insurance such as pension and medical insurance amounted to RMB6,300,000 (2008: RMB6,400,000).

Apart from statutory benefits, the Company has made regular enterprise pension contributions (supplementary pension insurance) for its management staff and key technical staff to let them further share the fruits of the Company's development and safeguard their living standard upon retirement, thereby building a long-term trust between the Company and its staff. In 2009, the Company's payment of enterprise pension amounted to RMB2,340,000 (2008: RMB2,230,000).

For toll collectors who have been working over 5 years, the Company has launched a re-employment incentive payment scheme to finance staff to return to workforce on the basis of acknowledging their contributions to the Company. This provides more opportunities and choices for their career development. The Company has also voluntarily procured commercial insurance on personal accidents for all staff, and the Company's labour union has initiated the "Employee Mutual Aid Fund for Major Diseases and Personal Accidents" to strengthen staff's ability of resisting the risks of illnesses and injuries. In 2009, the Company's payment of re-employment incentives to 28 employees amounted to RMB160,000 (2008: RMB202,000), and distribution of mutual aid fund amounted to RMB30,000 (2008: RMB110,000).

II. High Regard to Staff Training, Provision of Platform for Development

1. Staff Training

Training is the engine of the Company's sustainable development, and the best benefit provided by the Company to its staff. The provision of different forms of training to staff enhances overall quality and earning capacity of staff, and at the same time increases the core competitiveness of the Company.

The Company puts high regard to staff training. At the beginning of each year, the Company formulates a training program based on annual work plan and actual needs of staff as a master training guide for that year, and conducts a roundup and review at the end of that year. In 2009, the Company and its departments organised over 40 training sessions with accumulated training hours of 9,850 hours (2008: 9,530 hours) and training costs amounting to approximately RMB795,000 (2008: RMB930,000). Training content covered the major business segments of the Company, including general management, operation and engineering technology. 2,326 person-times (2008: 1,559 person-times) participated in the training, among them were staff of all levels from toll collectors to senior management. In addition, the Company has also set up an internal training lecturer team after selection and specific training. The team currently comprises 17 internal lecturers who have extensive practical experience and profound knowledge of corporate culture and management concepts, playing a positive role in the training on corporate culture, expertise and operation main points. Meanwhile, the individual capacity and quality of staff can also be trained and enhanced through participation in the training of the Company.

2. Learning and Enhancement

The Company has built a knowledge management database that contains laws and regulations documents, procedural documents, work documents, internal and external cases and scientific achievements collected in relation to its operations in the intranet system for its staff to circulate and share knowledge and experience, providing a platform for staff learning and development. In addition, to meet the learning and development needs of staff in leisure time, the Company has also established an online training college. The online college currently provides 42 courses, covering various aspects such corporate management, strategic management, human resources management, financial management, standard system establishment and individual development. The online college has also provided a number of learning tools, including e-books, Powerpoint course materials and handouts, Flash teaching materials and video teaching materials, to increase the attractiveness of the online courses.

The Company has also implemented schooling education and qualification examination management. Subsidies or incentives of certain amounts are provided to staff taking relevant education and qualification examinations to encourage ongoing learning and self-improvement. In 2009, the Company has provided schooling education incentives amounting to RMB13,000 to 11 employees.

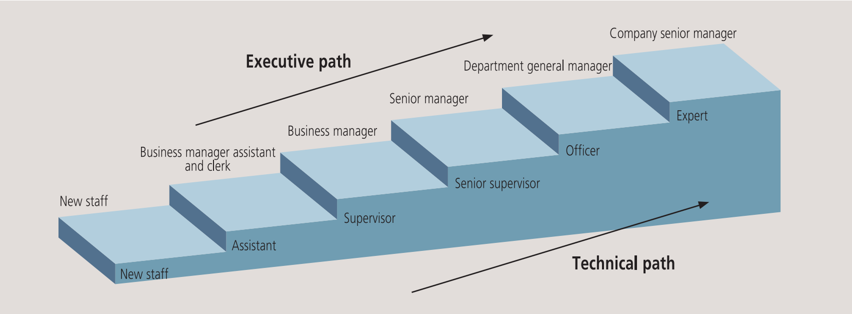
3. Staff Incentives

Since 2006, the Company has introduced the Excellent Performance Management Model to promote the value of pursuit for excellent performance. The Company has set up performance management and appraisal systems for each business segment with the use of Balanced Scorecard. Various incentives such as performance bonus, salary adjustment, promotion, excellence appraisal and succession plans are provided to staff based on the results of performance appraisals. Every year, the Company selects a group of outstanding staff, toll collection models and service models. Spiritual and material awards are granted to commend such staff for their excellence and inspire their passions on working.

4. Career Development

Outstanding talents are added to the “Reserve Talent Bank” based on the professional capability and performance of the staff with the use of Key Position Quality Model to reserve talents for development of the Company. The Company has formulated the Rules for Selection and Appointment of Management (《管理人員選拔任用辦法》) and established a system for selection, training, appointment and appraisal of reserve cadres. The Company has adopted different ways of talent selection, including self-recommendation, department recommendation, senior management nomination and public recruitment, creating a good employment environment. In 2007-2009, the Company organised 13 recruitment fairs of various types with over 200 person-times participating in the recruitment of relevant positions. 52 employees were promoted through public recruitment and became the major force for the Company’s development.

Since 2009, the Company has introduced the “dual path” career development approach for administrative and technical posts, which opens up a channel for career life development that fits different types of staff by building an ability and quality model, in order to provide a larger room for career development.



“Dual-path” Career Development Approach

III. Safe Production, Happy Work

1. Emphasis on Management of Production Safety

Production safety is one of the major objectives of the Company in its operation management. The Company has set up the Production Safety Committee, and employed 2 specialised certified safety officers for the daily supervision of production safety. The Company has formulated the Control Procedures for Safety Management (《安全管理控制程序》) to define responsibilities and identify focuses of control. It has also adopted measures such as reinforcing training on safety-related knowledge and installing protection facilities to increase safety awareness of staff, and minimise and prevent industrial accidents. Rescue and treatment are provided with best efforts to staff injured in accidents, and industrial injury insurance is procured in strict compliance with relevant requirements to guarantee availability of medical treatment and economic compensation to staff. In 2009, the Company made insurance claims for 12 employees injured in industrial accidents. The outstanding safety management performance of the Company has won recognition from the society. In 2009, the Company was awarded the accolade of “Forerunner in Production Safety of Transportation 2008” (2008年度交通運輸安全生產先進單位) by Shenzhen Communications Bureau.

2. Provision of Good Working and Living Environment

The Company uses its best endeavor to create a sound working and living environment for its staff. At toll gates of all levels, the Company has set up recreational and sports areas such as multi-function rooms, reading rooms and illuminated courts. Toll booths are air-conditioned. Living quarters for frontline staff are also equipped with air conditioners and electric water heaters. The Company strives to meet the needs of frontline staff for leisure studies and entertainment and to make appropriate improvements to staff's comfort level both at work and in life. In offices at the headquarters, the Company has installed indoor oxygen supply systems, developed rest areas and set up relevant facilities. Employees are regularly arranged to organise office activities to provide a human-oriented working environment. In 2009, the Company has also built single staff quarters for single management staff to relieve their worries and boredom.

In addition, the Company is also concerned about the health of staff. For example, the height of desks and chairs inside toll booths have been modified to fit human engineering so as to minimise fatigue caused to toll collectors due to repetition of work; regular inspections and tests are conducted at places such as tunnels where vehicle exhausts accumulate, and high-standard protective masks are provided for staff as a precaution against occupational injuries. The Company also provides regular health counselling and annual body checks to staff at its own expenses. During hot seasons, allowances are given to staff and free drinks are provided to frontline staff to lower their body temperature. "Small medical kits" are also available for frontline staff to use without charge.

3. Provision of a Wide Variety of Recreational Activities

Every year, employees are arranged to organise basketball, football, badminton and mountaineering competitions, carry out calligraphy and painting and photo contests and hold exhibitions. Movies and art performances are arranged for frontline staff regularly. In 2009, the Company has also organised Fun Games for staff, with over 1,000 participants. The Company carries out various healthy recreational and sports activities to create a joyful work atmosphere and promote staff cohesiveness.

4. Establishment of Two-way Communication System

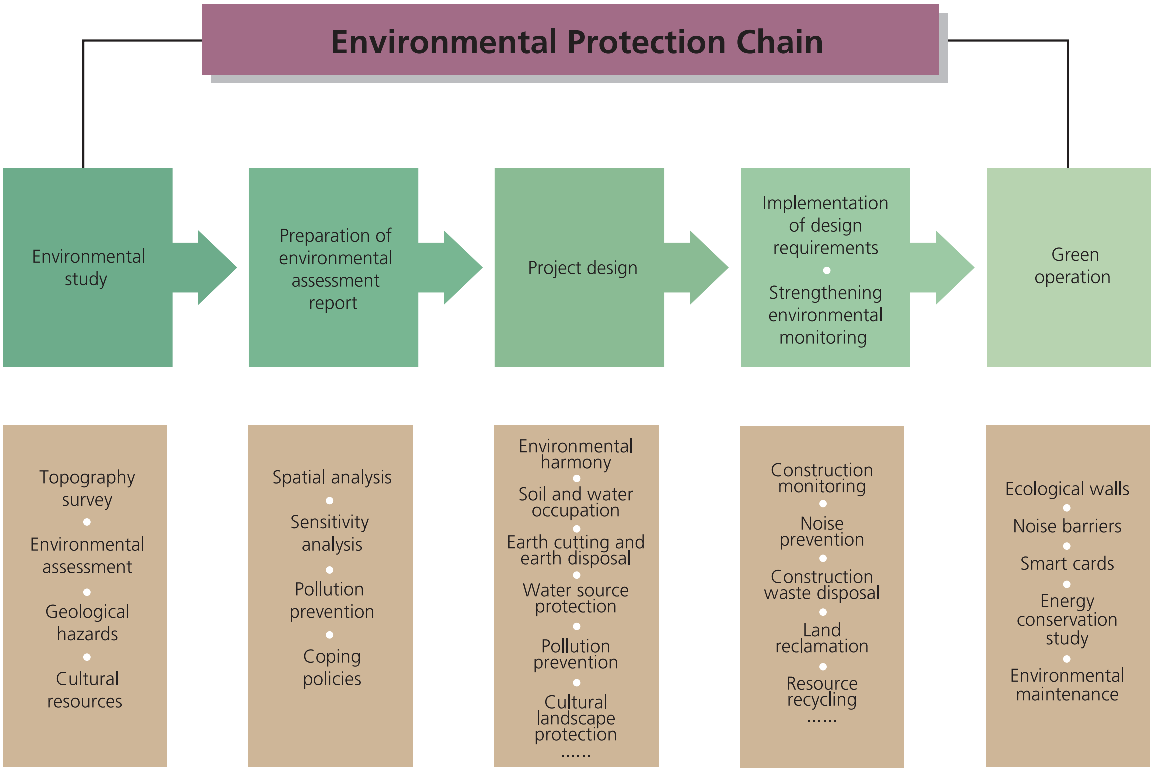
The Company has established various communication channels with its staff, including daily communication, performance interview, collection of rational proposals from staff, staff forum and annual staff representatives' meeting.

The Company values the voice of its staff. In 2009, the Company received 70 rational proposals from staff, and granted incentives to 20 staff submitting outstanding proposals. In April 2009, the Company has also carried out 2008 staff cohesivenss survey. Survey results indicated higher general staff satisfaction to the Company. Overall staff cohesivenss was 69%, in which management staff cohesivenss was 70%, toll supporting staff cohesivenss was 66% (2007: 65%, 67% and 58%). The staff cohesivenss survey has served as a reference for the Company in setting up a more scientific and reasonable human resources management regime.

I. Play a Role in Environmental Protection

Environment and resource are the basic conditions for survival of human being. As a company principally engaged in the operation and construction of expressways, Shenzhen Expressway carries out practical activities for the protection and use of soil and water resources, pollution prevention and resource recycling in its highway construction and operation. The Company has attached great importance to social responsibility of environmental protection and resource conservation in its corporate development, and used its best endeavour to promote the development of an environmental-friendly and resource-conservative society.

To achieve the object of harmonious development between highway construction and environmental protection, the concept of environmental protection must be incorporated into every aspect from preliminary project planning, project design, construction management and operation management to form an environmental protection chain that runs through all work processes.



1. Emphasis on Preliminary Research and Planning of Project Construction

In accordance with requirements under industrial standards, the Company shall engage a qualified third party to conduct an environmental study and issue an environmental assessment report before project proposal work, with the aims to find out the environmental quality of areas along the project and environmental sensitive sites, analyse the emission of pollution sources upon project completion, forecast the scope and degree of possible adverse environmental impacts of highway construction period and operation period on areas along the project, and suggest measures and coping strategies for prevention of pollution and reduction of destruction. The report provides the basis for project design, operation management and environmental management, as well as economic development and environmental protection plannings of areas along the project.

2. Value of Soil and Water Resources, Promotion of Resource Recycling

- In project planning, the Company tries its best to minimise the occupation of arable land, forestland and water sources.

- In project construction, the Company adopts appropriate measures for earth cutting, earth disposal and water source protection. For example, in earth cutting, the Company first considers utilising earth and stones in the cubage of excavation of the road sections, and secondly it considers centralised earth cutting from impoverished land lots, with attention paid to the protection of local vegetation and water resources by combing irrigation and drainage for pits with local aquaculture and farmland. In construction and earth disposal, the Company tries its best to minimise the destruction of vegetation and misappropriation of farmland, and carries out rational planning for reclamation or afforestation projects to improve the renewable resources of land.

- The Company encourages its staff to innovate, applies new environmental-friendly technologies and processes in project design and construction, and promotes the recycling of construction waste with scientific planning and technology.

3. Initiation of Green Operation

- The Company sees reduction of energy consumption and carbon emission as its key concern in highway operation management. Measures such as setting up auto toll lanes, enhancing manual toll collection efficiency and maintaining smooth road surface are adopted to help reduce petroleum consumption and exhaust emissions of vehicles.

- The Company incorporates the concept of “green office” in its daily office management. Office energy consumption and emission are reduced by raising air conditioner temperature, implementing paperless office, encouraging office automation, setting up digital remote conferencing system, reforming car usage system and managing paper use.

- The Company promotes the use of environmental-friendly and energy-saving materials in its operation. For example: In project construction, new environmental-friendly materials with high performance are preferred. In road assets maintenance, new low-noise materials are used on road surface to minimise noise pollution.

- The Company has undertook afforestation and built “ecological walls” along highways to protect road bed and reduce noise. Green corridors in harmony with natural landscape have also been established.

II. Play a Role in Social Development

The Company has been shouldering a mission and responsibilities for improving public transportation efficiency since the date of its establishment. As a public product, expressway shall have the characteristics of "safe, rapid, economical and comfortable", and shall assume social functions of matching national planning on regional economic and industrial policies and enhancing regional transportation capacity. Starting from product planning, the Company has put high emphasis on public participation. By publication of environmental assessment reports, holding discussions, conducting social surveys and so forth, the Company listens conscientiously to the views of the government, experts and the public, to seek a balance and unification between social and economic benefits.

The highway investment, construction and operation projects of the Company have meet the transportation needs of the society, and made positive contributions to regional economic development and social progress. In July 2009, the main part of Qinglian Expressway opened to operation after three years of hard work and construction. The opening of the project helps to resolve the traffic bottleneck in northern Guangdong, and will become an important engine for local tourism resources development and external tangible culture exchange.

In 2009, the Company created 280 job opportunities for the society. In recruiting toll collectors, the Company has introduced a policy that gives priority to recruitment from less economically developed areas. This helps the toll collectors to improve their domestic financial situation as they work and live in Shenzhen and provides a platform for transmitting new thoughts and new ideas, which in turn, improves the employment of residents in these areas and supports regional development. In 2009, the Company recruited 73 employees of this category.

In 2009, the tax payment of the Company and its subsidiaries amounted to RMB176,219,000 (2008: RMB129,383,000), making due contribution to national and local financial income. The Company has been awarded with the title of "Top 100 Tax-Paying Enterprises in Futian District" by Shenzhen Futian Government consecutively for 7 years.

III. Play a Role in Public Welfare Undertakings

During the Reporting Period, the Company appropriated RMB1,000,000 for charity or social public welfare purposes. Specific plans included: donation of RMB50,000 to Traffic Police Martyrs Foundation, donation of RMB200,000 to charitable sight restoration campaign, donation amounting to RMB250,000 to secondary schools and universities to award outstanding teachers with notable contributions and subsidise students from poverty-stricken regions, and donation of RMB500,000 to poverty-stricken regions in Zhanjiang. In addition, advertising companies also provided 10 advertising spaces at nil consideration, co-operated with and provided assistance to China Highway & Transportation Society and government units and authorities such as Shenzhen City Administration Bureau and Shenzhen Communications Bureau for public welfare promotion purpose, involving a total area of over 2900M^2.

Co-development

With hard work over the past 13 years, the Company has grown and increased its scale continuously. While pursuing development of its own businesses, Shenzhen Expressway has also moved forward with its partners for joint promotion of industrial, social and economic prosperity.

I. Co-operative Parties in Value Chain

The Company has regarded all co-operative parties in value chain (including material and equipment suppliers, construction contractors, design companies, supervision units, consulting firms and intermediary advisors etc.) as its partners. The Company neither poses as the stronger party nor gives up its position or rights and interests as the weaker party. The Company seeks to grow with its partners. Under increasingly sophisticated external economic environment nowadays, the Company clearly understands that high-quality co-operation is conducive to delivery of high-quality work achievement. The concept of enterprise boundary has moved beyond its original meaning and extended to all co-operative parties in value chain. As a unity with consistent operating objectives for inter-organisational information and resource sharing and mutual support, partners in value chain can fully capitalise on their initiative, innovative capability and professional advantage, enhance their response to market conditions, thereby generating income greater than they would have generated.

Honesty and trust are the basis for co-operation. Accordingly, the Company earnestly executes the contracts signed with its partners to establish sound business reputation. At the same time, the Company seeks to establish a long-term and deep strategic partnership with financial strong and reputable partners sharing the same values. The Company has devised a number of management systems governing procurement, management and tendering such as the "Management Code for Building Materials Supply"(《工程材料供應管理規程》), the "Management Code for Tendering" (《工程招標管理規程》) and the "Measures for Selection and Management of Qualified Consulting Firms" (《合格諮詢單位選擇與管理辦法》). Partners have been selected in an open, fair and impartial way. The Company has also established appraisal and assessment portfolios for co-operative project constructors and maintenance contractors. Appraisal and assessment have been conducted on quality of their products and services provided, their contract performance ability and business reputation as reference for future co-operation.

In operation management, the Company is committed to the value of "win-win co-operation". It interacts positively with all co-operative parties in value chain, and provides support to partners to facilitate their work, to achieve joint work objectives.

- **With respect to project management**, the Company has placed strong emphasis on the preliminary technical management of construction projects. Specific studies are conducted on essential technical factors based on the actual conditions of different projects, to provide basic information and suggestions to the designers, so that construction design drawings can meet the functionality of projects and the technical requirements for construction. Before a project enters the construction period, the Company conducts a careful analysis of every aspect from overall project to every detail by formulating a progress schedule to identify the focuses, problems and resources to be allocated and committed at different contract sections, so as to help project contractors to clarify the work details they need to prepare at early construction. During project construction, the Company conducts in-depth communication with project contractors for organisation of various technical projects to provide support to the implementation of construction proposals.

- **With respect to operation and maintenance**, the Company communicates and exchanges with maintenance contractors by various means; assists them in solving difficult problems encountered in the course of maintenance by means of instructions, training and discussions on technology; offers convenience to their work and life by providing maintenance sites or otherwise; and achieves the management objective of highway maintenance with maintenance contractors through strict performance of relevant contracts.

The positive interaction between the Company and its partners in value chain has achieved good results. Many projects of the Company have been accredited as excellent projects. In 2009, the Company was awarded the accolades of "Forerunner in Standardised Management and Maintenance of Expressways in Guangdong 2007-2008" (2007-2008年度全省高速公路規範化管理養護先進單位) by Guangdong Highway Administration Bureau and "Forerunner in Construction of Major Projects 2008" (2008年度重大項目建設工作先進單位) by Shenzhen Municipal People's Government. Apart from recording economic income, the partners have also increased their business competitiveness and innovative capability by sharing the Company's technological and management resources.

II. Creditors

The Company's creditors include financial institutions and bondholders that provide loans to the Company. Whether the Company is operating steadily and soundly and whether it can ensure the timely repayment of principals with interests are where creditors' interests lie and remain the major concern of creditors.

The Company's capital expenditures have been peaking in recent years and the borrowing scale, gearing ratio and finance expenses have risen to quite high levels. Gains from the Company's new projects and growth in cash flow require a certain maturity period. Accordingly, the current focus of the Company's financial strategies is "to maintain a reasonable and solid capital structure and ensure a safe and abundant liquidity", to enhance the Company's risk prevention capacity, and hence provide better protection to creditors' interests. In 2009, the Company paid the annual interests of corporate bonds and Bonds with Warrants on schedule, and timely repaid the principals with interests of its loans, maintaining its sound credit record. During the Reporting Period, the Company's interest covered multiple was 1.86 and EBITDA interest multiple was 2.49. Debt repayment capability maintained at a relatively high level.

The number of financial institutions co-operating with the Company continues to increase with the gradual expansion in the Company's asset size and ongoing enhancement in overall management standard, and in light of its sound credit record for years. In 2009, the credit facilities of the Company also exceeded its past amounts, and it enterprise credit rating and bond credit rating continued to maintain at the highest level.

Credit Rating Status

Time of rating	Rating category	Rating firm	Rating result
June 2009	Follow-up rating for the Bonds with Warrants	中誠信國際信用評級公司 (China Chengxin International Credit Rating Co.)	AAA
June 2009	Follow-up rating for corporate bonds	中誠信國際信用評級公司 (China Chengxin International Credit Rating Co.)	AAA
July 2009	Credit rating for borrowing enterprises	鵬元資信評估有限公司 (Pengyuan Credit Rating Co., Ltd.)	AAA

III. Industrial Progress

1. Excellent Performance Management

The Company has introduced the Excellent Performance Management Model since 2006. Documents on procedures and regimes covering each aspect in the Company's operation have been formulated in accordance with the requirements of 7 standards and 11 core values of the Excellent Performance Management Model and based on the ISO9000 Management Standard. The model has been incorporated into the Company's management and operation at all levels. Work quality has been continuously improved by procedural optimisation with practice and persistent improvement.

After over three years of continuous review, improvement and practice, the Excellent Performance Management of the Company made a stage-wise achievement in 2009. The Company was awarded the "Sixth Shenzhen Mayor's Quality Award" with a total score of 620.75 after assessment board's comprehensive investigation and evaluation of its organisational structure. The score was also the highest given by the assessment board since the launch of the award. The Company became the first high-grade highway investment and construction enterprise in the PRC to implement the Excellent Performance Management Model and receive award from the government, and provided a high reference value for other enterprises in the same industry to introduce the Excellent Performance Management Model.

2. Technological Innovation

Technological innovation is an important engine and source for increasing competitiveness of enterprise, boosting industrial and technological progress, and enhancing work and product quality. In highway construction and maintenance management, the Company has continuously explored and applied new materials, new technologies and new processes, commissioned industrial experts to conduct specific technological studies and technical projects, and made important scientific achievements. Some research achievements are first of its kind in highway construction in the PRC, and many achievements have been included in industrial standard documents by relevant industrial departments.

The Company will continue to strengthen its innovative capability. It will also continue to exchange technological achievements, experiences and insights with other industry players and experts in the PRC and overseas with an open attitude to facilitate the technological progress and development of the whole industry.

Accounts

This section contains the consolidated financial statements prepared in accordance with HKFRS for 2009, together with its notes, which have been audited by the independent auditor.

為者常成行者常至

Quote from *The Chronicle of Yan Zi* 《晏子春秋》:"Liang Qiuju told Yan Zi: 'I will not be comparable to you even till the end of my life!' Yan Zi replied: 'I have heard that, the one who works completes his mission, the one who is capable achieves his goal. I am not superior to other people, but I often work without stop and exert my capabilities unremittingly. This is not difficult, isn't it?" （梁丘據謂晏子日：「吾至死不及夫子矣！」晏子日：「嬰聞之，為者常成，行者常至。嬰非有異於人也，常為而不置，常行而不休者。故難及也？）

The one who works hard often fulfils his goal, and the one who braves his way often reaches his destination. The saying means that success can only achieved through persistent effort and exertion.

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

TO THE SHAREHOLDERS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 143 to 212, which comprise the consolidated and company balance sheets as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2010

Consolidated Balance Sheet

As at 31 December

	Note	**2009 RMB'000**	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,111,330**	696,976
Investment properties	7	**17,556**	18,132
Construction in progress	8	**18,084**	267,562
Concession intangible assets	9	**17,663,392**	13,777,469
Prepaid lease payments	10	**12,110**	15,912
Investments in jointly controlled entities	13	**900,071**	1,212,980
Investments in associates	14	**1,275,094**	1,264,681
Available-for-sale financial assets	15	**28,500**	—
Deferred income tax assets	22	**35,476**	—
		21,061,613	17,253,712
Current assets			
Inventories		**3,436**	3,075
Trade and other receivables	16	**219,107**	323,626
Restricted cash	17	**490,257**	140,580
Cash and cash equivalents	18	**479,101**	536,293
Derivatives financial instruments	26	**—**	6,292
		1,191,901	1,009,866
Total assets		**22,253,514**	18,263,578
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	19	**2,180,770**	2,180,700
Other reserves	20	**4,539,806**	3,594,861
Retained earnings			
– Proposed final dividend	33	**261,692**	261,684
– Others		**1,237,687**	1,010,113
		8,219,955	7,047,358
Minority interest		**689,897**	704,783
Total equity		**8,909,852**	7,752,141

Consolidated Balance Sheet

As at 31 December

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	**8,333,197**	6,903,730
Deferred income tax liabilities	22	**857,030**	390,279
Provision for maintenance/resurfacing obligations	23	**702,355**	304,133
		9,892,582	7,598,142
Current liabilities			
Trade and other payables	24	**1,565,511**	1,735,603
Current income tax liabilities		**92,701**	58,716
Borrowings	21	**1,792,868**	1,118,976
		3,451,080	2,913,295
Total liabilities		**13,343,662**	10,511,437
Total equity and liabilities		**22,253,514**	18,263,578
Net current liabilities		**(2,259,179)**	(1,903,429)
Total assets less current liabilities		**18,802,434**	15,350,283

The notes on pages 150 to 211 are an integral part of these consolidated financial statements.

The financial statements on pages 143 to 212 were approved by the Board of Directors on 19 March 2010 and were signed on its behalf.

Yang Hai	Wu Ya De
Director	Director

Balance Sheet

As at 31 December

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**647,412**	646,785
Investment properties	7	**17,556**	18,132
Construction in progress	8	**2,803**	19,836
Concession intangible assets	9	**5,208,864**	5,128,213
Investments in subsidiaries	11	**4,942,726**	3,484,365
Investments in jointly controlled entities	13	**195,033**	601,296
Investments in associates	14	**1,372,667**	1,342,050
Loan to a subsidiary	12	**818,333**	818,700
Available-for-sale financial assets	15	**28,500**	—
Deferred income tax assets	22	**35,476**	—
		13,269,370	12,059,377
Current assets			
Inventories		**1,957**	2,071
Trade and other receivables	16	**206,073**	306,318
Restricted cash	17	**490,257**	140,580
Cash and cash equivalents	18	**267,621**	441,915
Derivatives financial instruments		**—**	6,292
		965,908	897,176
Total assets		**14,235,278**	12,956,553
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	19	**2,180,770**	2,180,700
Other reserves	20	**3,687,910**	3,636,097
Retained earnings			
– Proposed final dividend	33	**261,692**	261,684
– Others		**1,076,426**	877,931
Total equity		**7,206,798**	6,956,412

Balance Sheet

As at 31 December

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	**4,299,385**	3,557,613
Deferred income tax liabilities	22	**—**	16,981
Provision for maintenance/resurfacing obligations	23	**446,645**	304,133
		4,746,030	3,878,727
Current liabilities			
Trade and other payables	24	**609,614**	956,594
Current income tax liabilities		**56,239**	45,844
Borrowings	21	**1,616,597**	1,118,976
		2,282,450	2,121,414
Total liabilities		**7,028,480**	6,000,141
Total equity and liabilities		**14,235,278**	12,956,553
Net current liabilities		**(1,316,542)**	(1,224,238)
Total assets less current liabilities		**11,952,828**	10,835,139

The notes on pages 150 to 211 are an integral part of these consolidated financial statements.

The financial statements on pages 143 to 212 were approved by the Board of Directors on 19 March 2010 and were signed on its behalf.

Yang Hai	Wu Ya De
Director	Director

Consolidated Statement of Comprehensive Income

		Year end 31 December	
	Note	**2009 RMB'000**	2008 RMB'000
Revenue	5	**2,475,410**	4,242,041
Cost of services	27	**(1,788,134)**	(3,661,056)
Gross profit		**687,276**	580,985
Other income	25	**—**	1,619
Other (losses)/gains – net	26	**(99)**	5,690
Administrative expenses	27	**(67,719)**	(54,012)
Operating profit		**619,458**	534,282
Finance income	29	**8,673**	7,390
Finance costs	29	**(390,944)**	(255,260)
Finance costs – net		**(382,271)**	(247,870)
Share of profit of jointly controlled entities	13	**252,049**	291,500
Share of profit/(loss) of associates	14	**80,923**	(17,127)
Profit before income tax		**570,159**	560,785
Income tax expenses	30	**(44,826)**	(66,257)
Profit for the year		**525,333**	494,528
Other comprehensive income for the year			
Revaluation surplus arising from the acquisition, net of tax	37	**893,132**	—
Total comprehensive income for the year		**1,418,465**	494,528
Profit attributable to:			
– Equity holders of the Company	32	**540,219**	503,195
– Minority interest		**(14,886)**	(8,667)
		525,333	494,528
Total comprehensive income attributable to:			
– Equity holders of the Company		**1,433,351**	503,195
– Minority interest		**(14,886)**	(8,667)
		1,418,465	494,528
Earnings per share for profit attributable to the equity holders			
of the Company during the year (expressed in RMB per share)			
– basic and diluted	32	**0.248**	0.231

The notes on pages 150 to 211 are an integral part of these consolidated financial statements.

		Year end 31 December	
	Note	**2009 RMB'000**	2008 RMB'000
Dividends	33	**261,692**	261,684

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Company					
	Note	Share capital RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total RMB'000
Balance at 1 January 2008		2,180,700	3,541,124	1,171,251	6,893,075	713,450	7,606,525
Comprehensive income							
Profit for the year		—	—	503,195	503,195	(8,667)	494,528
Transactions with owners							
Transfer to reserve fund		—	53,737	(53,737)	—	—	—
Dividend relating to 2007		—	—	(348,912)	(348,912)	—	(348,912)
		—	53,737	(402,649)	(348,912)	—	(348,912)
Balance at 31 December 2008		2,180,700	3,594,861	1,271,797	7,047,358	704,783	7,752,141
Balance at 1 January 2009		2,180,700	3,594,861	1,271,797	7,047,358	704,783	7,752,141
Comprehensive income							
Profit for the year		—	—	540,219	540,219	(14,886)	525,333
Other comprehensive income							
Revaluation surplus arising from the acquisition, net of tax	37	—	893,132	—	893,132	—	893,132
Total comprehensive income		—	893,132	540,219	1,433,351	(14,886)	1,418,465
Transactions with owners							
Warrants subscription rights exercised	19	70	860	—	930	—	930
Transfer to reserve fund		—	50,953	(50,953)	—	—	—
Dividends relating to 2008		—	—	(261,684)	(261,684)	—	(261,684)
		70	51,813	(312,637)	(260,754)	—	(260,754)
Balance at 31 December 2009		**2,180,770**	**4,539,806**	**1,499,379**	**8,219,955**	**689,897**	**8,909,852**

The notes on pages 150 to 211 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

		Year end 31 December	
	Note	**2009** **RMB'000**	2008 RMB'000
Cash flows from operating activities			
Cash received from toll income		**1,391,484**	1,030,160
Cash paid to suppliers		**(123,723)**	(111,290)
Cash paid to employees		**(109,788)**	(93,237)
Other cash (paid)/received		**(251,088)**	206,806
Cash generated from operations	34(a)	**906,885**	1,032,439
Income tax paid		**(126,940)**	(86,568)
Net cash generated from operating activities		**779,945**	945,871
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE), investment in construction in progress and concession intangible assets		**(1,028,975)**	(2,697,265)
Deposits returned to contractors for road construction projects		**(3,533)**	(46,456)
Proceeds from disposal of PPE		**27**	10
Profit distribution and appropriation from jointly controlled entities		**126,187**	378,116
Profit distribution and appropriation from associates		**115,510**	21,750
Interest received		**8,500**	3,164
Settlement of consideration payable for acquisition of subsidiaries	34(b)	**(994,532)**	—
Increase in investments in available-for-sale financial assets		**(28,500)**	—
Increase in investments in associates		**(45,000)**	(37,500)
Net cash used in investing activities		**(1,850,316)**	(2,378,181)
Cash flows from financing activities			
Proceeds from borrowings		**4,361,756**	4,876,835
Proceeds from warrants subscription rights exercised		**930**	—
Release of restricted cash		**116,272**	—
Repayments of borrowings		**(2,316,545)**	(2,545,236)
Interest paid		**(434,421)**	(364,084)
Bank fixed deposit secured for bank loan		**(450,000)**	—
Payments for other borrowing costs		**(345)**	(119,273)
Dividends paid to the Company's shareholders		**(261,684)**	(348,912)
Net cash generated from financing activities		**1,015,963**	1,499,330
Net (decrease)/increase in cash and cash equivalents		**(54,408)**	67,020
Cash and cash equivalents at beginning of the year		**536,293**	466,990
Exchange differences on cash and cash equivalents		**(2,784)**	2,283
Cash and cash equivalents at end of the year		**479,101**	536,293

The notes on pages 150 to 211 are an integral part of these consolidated financial statements.

1 General information

Shenzhen Expressway Company Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") on 30 December 1996. The principal activities of the Company and its subsidiaries (collectively the "Group") are the development, operation and management of toll highways and expressways in the PRC.

The address of the registered office of the Company is 2-4/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

The Company has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2010.

The names of some of the companies referred to in these financial statements represent management's best efforts on translating the Chinese names of these companies as no English names have been registered.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The PRC statutory financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the People's Republic of China ("CAS"). Appropriate adjustments have been made to the PRC statutory financial statements to conform with HKFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments.

The Group reported net current liabilities of approximately RMB2.26 billion as at 31 December 2009. The directors of the Company had made an assessment and concluded that there is no going concern issue of the Group based on the facts that the Group has been generating positive operating cash flows. It has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised banking facilities of approximately RMB7.33 billion at 31 December 2009 which is sufficient for the Group to meet its obligations and commitments. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as at 1 January 2009:

- HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one statement of comprehensive income. The financial information has been prepared under the revised disclosure requirements.

- HKFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This is not currently relevant to the Group.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As the Group previously applied a policy of capitalising borrowing costs which is similar to the requirements. This amendment is not relevant to the Group.

- HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

  The change has not resulted in any change in the number of reportable segments as previously presented.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- HK(IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 20091). The interpretation is part of the HKICPA's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and company will apply HK(IFRIC) 17 from 1 January 2010. It is not expected to have a material impact on the Group's or company's financial statements.

- HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

- HKFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- HKAS 38 (amendment), 'Intangible Assets' (effective from 1 July 20092). The amendment is part of the HKICPA's annual improvements project published in May 2009 and the Group and company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or company's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- HKFRS 2 (amendments), 'group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating HK(IFRIC)-Int 8, 'Scope of HKFRS 2', and HK(IFRIC)-Int 11, 'HKFRS 2 – group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment losses) identified on acquisition, net of any accumulated impairment loss. See Note 2.9 for the impairment of non-financial assets including goodwill.

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

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.9). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(d) Joint ventures

A jointly controlled entity is a contractual arrangement whereby the Group and other parties establish a company to undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities include goodwill (net of accumulated impairment losses) identified on acquisition.

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

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (continued)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other (losses)/gains-net'.

2.5 Property, plant and equipment

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

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

Depreciation of buildings and structures is calculated to write off their costs to their estimated residual values on a straight-line basis over the unexpired periods of the leases or their expected useful lives, whichever is shorter. The estimated useful lives of buildings and structures are 10 to 30 years.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost to their estimated residual values over their estimated useful lives, as follows:

Equipment	
— traffic related	8 - 10 years
— electronic and others	5 - 10 years
Motor vehicles	5 - 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'other (losses)/gains – net', in the consolidated statement of comprehensive income.

2.6 Investment properties

Investment properties, principally comprising car park spaces, are held for long-term rental yields and are not occupied by the Group. Investment properties are treated as long-term investments and are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 30 years. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The cost of maintenance, repairs and minor equipment is charged to the statement of comprehensive income as incurred; the cost of major renovations and improvements is capitalised when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. The profit or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the investment property and is recognised in the statement of comprehensive income.

2.7 Construction in progress

Construction in progress is stated at cost which includes development expenditure and other direct costs, including borrowing costs on the related borrowed funds during the construction period, attributable to the development of the qualifying assets (Note 2.24). Costs are transferred to property, plant and equipment upon completion.

2 Summary of significant accounting policies (continued)

2.8 Concession intangible assets

Under service concessions, where the Group has entered into contractual service arrangements with local government authorities for its participation in the development, financing, operation and maintenance of various toll road infrastructures, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange for the right to operate the toll roads concerned and the entitlement to toll fees collected from users of the toll road services. Concession intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road services and the fact that the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable.

For certain service concessions contracts, the Group receives from the concession grantors certain monetary grants (the "Grants") in addition to the entitlements and rights to receive the toll fees from users of the toll road services. The consideration receivable is divided into two components, financial assets recognised based on the amount of Grants payable by the concession grantors, and the residual balance is recognised as intangible assets.

Land use rights acquired in conjunction with the service concessions which the Group has no discretion or latitude to deploy for other services other than the use in the service concessions are treated as intangible assets acquired under the Service Concessions.

Amortisation of concession intangible assets is calculated to write off their costs on an units-of-usage basis according to the HK Int-1, 'The Appropriate Policies for Infrastructure Facilities', issued by the Hong Kong Institute of Certified Public Accountants, whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those roads. It is the Group's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change.

2.9 Impairment of investments in subsidiaries, joint ventures and associates and non-financial assets

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

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

2 Summary of significant accounting policies (continued)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables', 'loan to a subsidiary', 'restricted cash' and 'deposits held in banks' in the balance sheet (Notes 2.14 and 2.15).

(b) Available-for-sale financial assets

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

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

    (i) adverse changes in the payment status of borrowers in the portfolio;
    (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

(b) Assets classified as available for sale

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

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated statement of comprehensive income within 'other gains/(losses) – net'.

2.13 Inventories

Inventories mainly represent toll tickets and materials and spare parts for the repairs and maintenance of expressways, and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies (continued)

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.18 Borrowings

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

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

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

2.19 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax

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

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

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

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

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

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

2.21 Employee benefits

(a) Pension obligations

The Group participates in the municipal retirement schemes which are organised by the local government authorities in the PRC. The schemes are defined contribution plans, under which the Group pays fixed contributions to the local social security administration bureaus and the Group has no legal or constructive obligations to pay further contributions if the bureaus do not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the schemes by the Group are calculated as a percentage of employees' basic salaries, subject to a certain ceiling.

The Group pays contributions to the schemes on a mandatory basis and the contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies (continued)

2.21 Employee benefits (continued)

(b) Bonus plans

The Group recognises a liability and an expense for bonuses based on a computation method which takes into consideration the amount of profit attributable to the Company's shareholders, after making certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 Provisions

As part of its obligations under the respective service concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates. The resulting maintenance and resurfacing costs, except for upgrade services, are recognised as provisions when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Toll revenue

Toll revenue from operation of toll roads is recognised on a receipt basis.

(b) Construction revenue under service concessions

Revenue generated by construction and upgrade services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The consideration may be rights to attain a financial asset or an intangible asset.

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition

(c) Construction management services income

Construction management services income represents the amount of cost savings (the "Savings") achieved in toll road construction management projects engaged by the Group which are determined by comparing the total actual construction costs with the budgeted total construction costs of the projects; or represents a proportion of the Savings as defined in the service agreements entered into with the contract parties.

When the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

(d) Income from other services

Income from advertising services are derived from advertisements placed by advertisers on the outdoor advertising billboards owned by the Group. The related revenue is recognised ratably over the period in which the advertisements are displayed.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Dividend income

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

2.24 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.25 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Risk Management Committee under policies approved by the Board of Directors.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. It did not have significant exposure to foreign exchange risk, except for certain cash at bank balances of RMB2,191,000 (2008: RMB2,906,000) and bank borrowings of RMB 1,193,956,000 (2008: RMB207,329,000) which were denominated in Hong Kong dollars ("HKD"); and other borrowings of RMB4,577,000 (2008: RMB10,180,000) which were denominated in United States dollars ("USD"), respectively as at 31 December 2009. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2009, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB47,671,000 (2008: RMB3,569,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash in banks and borrowings. As at 31 December 2009, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the year would have been RMB183,000 (2008: RMB413,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated borrowings.

(b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings and bonds. Borrowings and bonds issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose the Group to fair value interest rate risk.

The Group's borrowings to the extent of RMB3,177 million (2008: RMB1,600 million) were issued at variable rates. As at 31 December 2009, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 16 million (2008: RMB 8 million) higher or lower.

(c) Price risk

The Group is not exposed to any commodity price risk. The available for sale financial instrument represented equity interest of an unlisted company acquired by the Group on 31 December 2009. The directors of the Company considered the related price risk is not material.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk

Credit risk arised from cash and cash equivalents, derivative financial instruments and restricted deposits with banks, as well as credit exposure to the customers.

The table below shows the bank deposits of the major counterparties of the Group as at 31 December 2009 and 2008:

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Counterparty		
State-owned banks	**188,446**	323,064
Other banks	**780,517**	353,273
	968,963	676,337

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and others are the listed banks or commercial banks at medium/large size. The directors do not expect any losses from non-performance by these counterparties.

As a result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers, except for the amount due from the Transport Committee of Shenzhen Municipality (the "Shenzhen Communications Bureau") of approximately RMB138,960,000 (2008: RMB137,585,000) in relation to the project management services provided (Note 16(a)).

(e) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group finance department. The Group finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient cash and cash equivalents on its undrawn committed borrowing facilities at all times and widening external financing ways to reduce capital risks. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, if applicable external regulatory or legal requirements – for example, currency restrictions.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2009				
Borrowings	1,902,306	462,118	3,629,392	6,404,697
- Bank borrowings	1,843,306	403,118	1,967,392	5,252,697
- Convertible bonds	15,000	15,000	1,530,000	—
- Corporate bonds	44,000	44,000	132,000	1,152,000
Other payables	1,566,122	—	—	—
At 31 December 2008				
Borrowings	1,204,873	762,681	3,552,082	7,160,169
- Bank borrowings	1,145,873	703,681	1,875,082	5,964,169
- Convertible bonds	15,000	15,000	1,545,000	—
- Corporate bonds	44,000	44,000	132,000	1,196,000
Other payables	1,735,603	—	—	—
Company				
At 31 December 2009				
Borrowings	1,717,126	435,248	2,831,657	1,708,771
- Bank borrowings	1,658,126	376,248	1,169,657	556,771
- Convertible bonds	15,000	15,000	1,530,000	—
- Corporate bonds	44,000	44,000	132,000	1,152,000
Other payables	610,225	—	—	—
At 31 December 2008				
Borrowings	1,204,873	353,341	2,503,752	1,998,591
- Bank borrowings	1,145,873	294,341	826,752	802,591
- Convertible bonds	15,000	15,000	1,545,000	—
- Corporate bonds	44,000	44,000	132,000	1,196,000
Other payables	956,594	—	—	—

3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The Group's strategy is to maintain a gearing ratio within 50% to 60% and an AAA credit rating. The gearing ratio of the Group at 31 December 2009 was as follows:

	2009 **RMB'000**	2008 RMB'000
Total borrowings (Note 21)	**10,126,065**	8,022,706
Less: Cash and cash equivalents (Note 18)	**(479,101)**	(536,293)
Net debt	**9,646,964**	7,486,413
Total equity	**8,909,852**	7,752,141
Total capital	**18,556,816**	15,238,554
Gearing ratio	**51.99%**	49.13%

The increase in the gearing ratio during 2009 primarily resulted from the increase of borrowings to finance certain toll road construction projects and the acquisition of Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao Eastern Company").

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

As at 31 December 2009, there are no financial assets or liabilities of the Group that are measured at fair value. Therefore, no related fair value information was disclosed.

4 Critical accounting estimates and judgements

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

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

(a) Construction revenue recognition relating to concession contracts

Income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised in accordance with HKAS 11 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact there was no real cash inflow realised/realisable during the construction phase of the infrastructure under the service concessions, in order to determine the construction revenue to be recognised during a reporting period, the directors of the Company made estimates of the respective amounts by making reference to the management service fees derived from the provision of project management services by the Group for construction of toll roads for respective PRC local governments without the corresponding grants of the related toll road operating rights and entitlement to future toll revenues. The directors of the Company have drawn an analogy of the construction of toll roads under the service concessions as if the Group were providing construction and project management services. Accordingly, construction revenue under the respective service concessions is recongised at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the costs.

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. In ascertaining the amount of management fee, the directors have made reference to the practice for determining management fees for management construction contracts transacted by the Group, whereby the fee is determined based on a range of 1.5% to 2.5% on the total budgeted costs of each project.

The construction revenue recognised by the Group under the percentage of completion method for the service concessions amounted to approximately RMB1,033,736,000 (2008: RMB3,178,980,000) for 2009. Due to the significant rise in construction and related costs during 2009, the actual costs were higher than the budget and the gross profit derived from the construction activities was insignificant and it had not been recognised in the statement of comprehensive income of 2009 (2008: Nil). The directors of the Company consider that these are their current best estimates on the magnitude of construction revenue and related profits. Were the magnitudes of the final construction costs and the management fee applied as a percentage of the construction costs were to be differed from management's current estimates, the Group would account for the change prospectively.

(b) Amortisation of concession intangible assets

The Group applied IFRIC 12 and recognised concession intangible assets under the service concessions arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the traffic volume amortisation method. Material adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

4 Critical accounting estimates and judgements (continued)

(b) Amortisation of concession intangible assets (continued)

The directors performed a periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference. The Group had appointed an independent professional traffic consultant to perform independent professional traffic studies for the main toll roads in 2006, and prospectively adjusted the amortisation according to the revised total projected traffic volume started from 1 January 2007.

The Group has appointed an independent professional traffic consultant and reassessed the total projected traffic volume of Airport-Heao Eastern Company. Please refer to Note 4 (f) (ii) for the detail information regarding the change of accounting estimation.

(c) Provisions for maintenance/resurfacing obligations

The Group has contractual obligations under the service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision.

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of some principal toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the directors of the Company, which were developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the discount rate estimated by the director which reflects the time value of money and the risks specific to the obligations.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the change in provision for maintenance/resurfacing is required to be accounted for prospectively.

In the second quarter of 2009, the Group has reviewed and adjusted amounts and timing of expenditures expected to incur for the major maintenance and resurfacing to be undertaken. The Group also adjusted the discount rate adopted in calculating provision for maintenance/resurfacing obligations. The detailed information of the reason and the influence of this change is described in Note 4 (f) (i).

(d) Impairment provision of investment in associates and jointly controlled entities

In prior years, since there was indication that the toll road assets of Changsha Shenchang Expressway Company Limited ("Shenchang Company"), a jointly controlled entity of the Group, were subject to impairment losses, the Group performed impairment tests on the recoverable amount of the relevant assets. The Group had recognised its share of such impairment loss, amounting to RMB223,000,000 cumulatively, and the amount was reflected in the Company's Investments in Shenchang Company.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognising; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

4 Critical accounting estimates and judgements (continued)

(e) Fair value estimation of the identifiable assets and liabilities acquired

On 30 September 2009, the Company acquired the 45% equity interest in Airport-Heao Eastern Company at a purchase consideration of RMB1,068,800,000. Upon completion of the transaction, Airport-Heao Eastern Company became a wholly-owned subsidiary of the Company. Details of the acquisition are specified in Note 37. In accordance with the accounting policy set out in Note 2.2 (a), the net identifiable assets acquired in the business combination are recorded at fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

As there is no active market existing for the net identifiable assets acquired in the business combination, the directors of the Company have considered a wide range of measures including engaging the independent professional traffic consultant to evaluate the fair value of the principal assets - concession intangible assets of Airport-Heao Eastern Company based on discounted cash flow method.

The fair value assessment process involves a number of key assumptions, including traffic volume, toll prices, applicable tax rates and the discount rate and so on. Please refer to Note 37 for detail information.

(f) Changes in critical accounting estimates and assumptions

(i) In the second quarter of 2009, the Group has reviewed and adjusted amounts and timing of expenditures expected to incur for the major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group according to the detected results made by an external professional expert. Meanwhile, according to the changes of macro-economy and macro-policies, the Group has adjusted the pretax discount rate adopted in calculating provision for maintenance/resurfacing obligations from 10% to 6.62% in order to reflect the time value of the provision on a more reasonable basis. The provision for maintenance/resurfacing obligations has been adjusted prospectively based on the updated maintenance/resurfacing plans and updated discount rate since 1 April 2009. This change in accounting estimate resulted in an increase of net profit for the period from 1 April 2009 to 31 December 2009 amounted to RMB18,206,000.

(ii) To facilitate the acquisition of Airport-Heao Eastern Company, the Group appointed an independent professional traffic consultant and reassessed its future traffic volume. The Group has adjusted the amortisation unit for concession intangible assets according to the revised total projected traffic volume since 1 October 2009 on prospective basis. Such change in accounting estimate has resulted in an increase of net profit for the period from 1 October 2009 to 31 December 2009 amounted to RMB1,502,000 and will impact the amortisation charges of Airport-Heao Eastern Company in the future.

5 Segment information

The principal activities of the Group are the development, operation and management of toll highways and expressways in the PRC.

In accordance with the Group's internal financial reporting provided to the board of directors of the Company, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the Group is organised into the following two main business segments:

- Toll roads operations; and
- Construction under Service Concession

Other operations mainly comprise provision of advertising services, construction management services and others. There have been no sales being carried out between segments. None of these operations constitutes a separate segment.

5 Segment information (continued)

The segment information provided to the board of directors of the Company for the reportable segments for the year ended 31 December 2009 is as follows:

Business segment	Toll roads operations RMB'000	Construction under service concessions RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
31 December 2009					
Revenue (from external customers)	**1,335,482**	**1,033,736**	**106,192**	**—**	**2,475,410**
Adjusted EBITDA	**967,774**	**—**	**20,757**	**292,527**	**1,281,058**
Depreciation and amortisation	**(311,363)**	**—**	**(5,031)**	**(12,234)**	**(328,628)**
Finance income	**2,005**	**—**	**143**	**6,525**	**8,673**
Finance costs	**(176,529)**	**—**	**(4)**	**(214,411)**	**(390,944)**
Share of post-tax profit of jointly controlled entities	**252,049**	**—**	**—**	**—**	**252,049**
Share of post-tax profit of associates	**78,979**	**—**	**1,944**	**—**	**80,923**
Income tax expenses	**(13,914)**	**—**	**(3,199)**	**(27,713)**	**(44,826)**
Additions to non-current assets other than deferred tax assets	**1,541,403**	**1,033,736**	**(3,084)**	**1,200,370**	**3,772,425**
31 December 2008					
Revenue (from external customers)	984,818	3,178,980	78,243	—	4,242,041
Adjusted EBITDA	790,767	—	20,508	195,158	1,006,433
Depreciation and amortisation	(195,332)	—	(4,057)	(4,681)	(204,070)
Finance income	—	—	—	7,390	7,390
Finance costs	(262,087)	—	—	6,827	(255,260)
Share of post-tax profit of jointly controlled entities	291,500	—	—	—	291,500
Share of post-tax loss of associates	(18,651)	—	1,524	—	(17,127)
Income tax expenses	(71,719)	—	(2,801)	8,263	(66,257)
Additions to non-current assets other than deferred tax assets	268,121	3,178,980	15,912	(210,830)	3,252,183

5 Segment information (continued)

Business segment	Toll roads operations RMB'000	Construction under service concessions RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
As at 31 December 2009					
Assets	**17,997,561**	**1,091,650**	**65,666**	**3,098,637**	**22,253,514**
Liabilities	**843,215**	**1,200,532**	**69,447**	**11,230,468**	**13,343,662**
As at 31 December 2008					
Assets	10,671,147	4,083,400	143,344	3,365,687	18,263,578
Liabilities	798,991	1,036,801	41,979	8,633,666	10,511,437

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2009 RMB'000	2008 RMB'000
Adjusted EBITDA for reportable segments	**967,774**	811,275
Other segments EBITDA	**313,284**	195,158
Total segments	**1,281,058**	1,006,433
Depreciation	**(82,038)**	(56,681)
Amortisation	**(246,590)**	(147,389)
Unrealised financial instrument gains	**—**	6,292
Finance costs – net	**(382,271)**	(247,870)
Profit before tax	**570,159**	560,785

The Group is domiciled in the PRC. All revenue of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. Thus no geographic information is presented.

Revenues of approximately RMB846,929,000 (2008: RMB2,406,657,000) are derived from a single external customer. These revenues are attributable to construction under service concession.

5 Segment information (continued)

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2009 as follows:

	Assets RMB'000	**Liabilities RMB'000**
Segment assets/liabilities	**19,154,877**	**2,113,194**
Unallocated:		
Property, plant and equipment	**179,648**	**—**
Investment properties	**17,556**	**—**
Construction in progress	**59**	**—**
Investments in jointly controlled entities	**900,071**	**—**
Investments in associates	**1,275,094**	**—**
Cash and cash equivalents	**105,785**	**—**
Restricted cash	**450,000**	**—**
Trade and other receivables	**106,448**	**—**
Available-for-sale financial assets	**28,500**	**—**
Deferred tax assets	**35,476**	**—**
Other payables	**—**	**154,672**
Current income tax liabilities	**—**	**92,701**
Deferred income tax liabilities	**—**	**857,030**
Current borrowings	**—**	**1,792,868**
Non-current borrowings	**—**	**8,333,197**
Total	**22,253,514**	**13,343,662**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2008 as follows:

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities	14,897,891	1,877,771
Unallocated:		
Property, plant and equipment	364,102	—
Investment properties	18,132	—
Construction in progress	68,378	—
Investments in jointly controlled entities	1,212,980	—
Investments in associates	1,264,681	—
Cash and cash equivalents	155,360	—
Restricted cash	116,272	—
Trade and other receivables	159,490	—
Derivatives financial instruments	6,292	—
Other payables	—	161,965
Current income tax liabilities	—	58,716
Deferred income tax liabilities	—	390,279
Current borrowings	—	1,118,976
Non-current borrowings	—	6,903,730
Total	18,263,578	10,511,437

6 Property, plant and equipment

Group

	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2008				
Cost	225,742	306,354	20,224	552,320
Accumulated depreciation	(56,152)	(139,377)	(11,991)	(207,520)
Net book amount	169,590	166,977	8,233	344,800
Year ended 31 December 2008				
Opening net book amount	169,590	166,977	8,233	344,800
Transfer from construction in progress	195,639	199,147	—	394,786
Additions	200	9,176	4,829	14,205
Disposals	—	(80)	(102)	(182)
Depreciation	(11,589)	(42,444)	(2,600)	(56,633)
Closing net book amount	353,840	332,776	10,360	696,976
At 31 December 2008				
Cost	421,581	513,842	23,003	958,426
Accumulated depreciation	(67,741)	(181,066)	(12,643)	(261,450)
Net book amount	353,840	332,776	10,360	696,976
Year ended 31 December 2009				
Opening net book amount	353,840	332,776	10,360	696,976
Addition from acquisition of a subsidiary (Note 37)	29,640	17,603	1,215	48,458
Transfer from construction in progress (Note 8)	151,885	277,632	—	429,517
Additions	—	12,860	5,101	17,961
Disposals	—	(120)	—	(120)
Depreciation	(17,638)	(60,050)	(3,774)	(81,462)
Closing net book amount	517,727	580,701	12,902	1,111,330
At 31 December 2009				
Cost	603,106	821,817	28,224	1,453,147
Accumulated depreciation	(85,379)	(241,116)	(15,322)	(341,817)
Net book amount	517,727	580,701	12,902	1,111,330

6 Property, plant and equipment (continued)

Company

	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2008				
Cost	181,425	242,372	8,937	432,734
Accumulated depreciation	(33,127)	(102,355)	(4,362)	(139,844)
Net book amount	148,298	140,017	4,575	292,890
Year ended 31 December 2008				
Opening net book amount	148,298	140,017	4,575	292,890
Transfer from construction in progress (Note 8)	194,915	199,147	—	394,062
Additions	2,408	10,016	8,462	20,886
Disposals	—	(59)	(51)	(110)
Depreciation	(13,060)	(41,468)	(6,415)	(60,943)
Closing net book amount	332,561	307,653	6,571	646,785
At 31 December 2008				
Cost	378,748	451,073	16,376	846,197
Accumulated depreciation	(46,187)	(143,420)	(9,805)	(199,412)
Net book amount	332,561	307,653	6,571	646,785
Year ended 31 December 2009				
Opening net book amount	332,561	307,653	6,571	646,785
Transfer from construction in progress (Note 8)	33,724	17,120	—	50,844
Additions	—	7,056	2,769	9,825
Disposals	—	(138)	(596)	(734)
Depreciation	(13,324)	(43,460)	(2,524)	(59,308)
Closing net book amount	352,961	288,231	6,220	647,412
At 31 December 2009				
Cost	412,472	475,111	18,549	906,132
Accumulated depreciation	(59,511)	(186,880)	(12,329)	(258,720)
Net book amount	352,961	288,231	6,220	647,412

As at 31 December 2009, buildings, structures and equipments with net book amount of RMB7,137,000 are still in use while they have been fully depreciated (2008: RMB2,514,000). And buildings and structures with net book amount of RMB361,203,000 have not possessed property ownership certificates (2008: RMB215,197,000). Due to the unique feature of the Group's operation of toll roads, toll roads the affiliated buildings and structures should be reverted to the government when the approved operating periods expired, and thus the Group doesn't work out a related plan of gaining the property ownership certificates.

7 Investment properties

The Investment property is the parking space of the office building of the Company. Depreciation is calculated using the straight-line method over the estimated useful lives of 30 years. The net book amount is analysed as follows:

	Group and Company	
	2009 RMB'000	2008 RMB'000
At 1 January	**18,132**	—
Transfer from construction in progress (Note 8)	**—**	18,180
Depreciation	**(576)**	(48)
At 31 December	**17,556**	18,132

8 Construction in progress

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**267,562**	349,410	**19,836**	311,587
Additions	**180,494**	405,502	**33,812**	194,273
Addition from acquisition of a subsidiary (Note 37)	**858**	—	**—**	—
Transfer to property, plant and equipment and investment properties (Notes 6 and 7)	**(429,517)**	(412,966)	**(50,844)**	(412,242)
Other transfers	**(1,313)**	(74,384)	**(1)**	(73,782)
At 31 December	**18,084**	267,562	**2,803**	19,836

Construction in progress at 31 December 2009 mainly represents construction costs incurred for toll road equipment of the Group not yet completed.

9 Concession intangible assets

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**13,777,469**	10,741,681	**5,128,213**	4,443,762
Additions	**1,033,736**	3,180,334	**172,821**	766,264
Addition from acquisition of a subsidiary (Note 37)	**3,094,975**	—	**—**	—
Amortisation	**(242,788)**	(144,546)	**(92,170)**	(81,813)
At 31 December	**17,663,392**	13,777,469	**5,208,864**	5,128,213

The Group has been granted by the relevant local government authorities in the PRC the rights to operate the respective toll roads for a period of 19 to 30 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

10 Prepaid lease payments

The Group's prepaid lease payments represent payments for billboard use right. Amortisation is calculated using the straight-line method over the lease period. The net book amount is analysed as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**15,912**	—	**—**	—
Addition	**—**	18,755	**—**	—
Amortisation	**(3,802)**	(2,843)	**—**	—
At 31 December	**12,110**	15,912	**—**	—

11 Investments in subsidiaries

	Company	
	2009 RMB'000	2008 RMB'000
Unlisted investments, at cost	**4,942,726**	3,484,365

The Company further acquired 45% equity interest in Airport-Heao Eastern Company on 30 September 2009 (Note 37). Since then, Airport-Heao Eastern Company becomes a wholly owned subsidiary of the Group. The following is a list of the principal subsidiaries of the Company at 31 December 2009:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held	
				Direct	Indirect
Shenzhen Meiguan Expressway Company Limited ("Meiguan Company")	PRC, limited liability company expressway in the PRC	Construction, operation and management of an expressway in the PRC	RMB332,400,000	100%	—
Airport-Heao Eastern Company	PRC, limited liability company	Construction, operation and management of an expressway in the PRC	RMB440,000,000	100%	
Shenzhen Expressway Advertising Company Limited	PRC, limited liability company	Advertising agency in the PRC	RMB2,000,000	95%	5%
Mei Wah Industrial (Hong Kong) Limited ("Mei Wah")	Hong Kong, limited liability company	Investment holding in Hong Kong	795,381,300 Ordinary shares of HKD1 each	100%	—
Maxprofit Gain Limited ("Maxprofit")	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	1 Ordinary share of USD1 each	—	100%
Guangdong Qinglian Highway Development Company Limited ("Qinglian Company")	PRC, limited liability company	Development, operation and management of highways, PRC	RMB1,200,000,000	51.37%	25%

12 Loan to a subsidiary

The balance represented a loan granted to Qinglian Company, which is unsecured, bearing interest at 5.5% per annum and is repayable with the funds to be generated from the operations of the Qinglian Expressway (upon completion of construction) of Qinglian Company. The loan and interest should be fully repaid by 2022. The fair value of the loan to Qinglian Company at 31 December 2009 is approximately RMB791,592,000 (2008: RMB790,924,000), which is determined based on expected cash flows discounted using a rate based on the borrowing rate of 5.21% per annum.

13 Investments in jointly controlled entities

	Group		**Company**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**1,212,980**	1,423,810	**601,296**	723,088
Share of profit	**252,049**	291,500	**—**	—
Dividends declared and appropriation made by jointly controlled entities	**(140,518)**	(378,100)	**(23,034)**	(57,161)
Airport-Heao Eastern Company converted to subsidiary (Note 37)	**(424,440)**	—	**(383,229)**	—
Converted to an associate	**—**	(124,230)	**—**	(64,631)
At 31 December	**900,071**	1,212,980	**195,033**	601,296

The year end balance comprises the following:

		Group		**Company**	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Unlisted investments, at cost		**—**	—	**101,999**	360,107
Share of net assets		**645,947**	810,701	**—**	—
Advances to jointly controlled entities	(c)	**254,124**	402,279	**254,124**	402,279
		900,071	1,212,980	**356,123**	762,386
Provision for impairment	(b)	**—**	—	**(161,090)**	(161,090)
		900,071	1,212,980	**195,033**	601,296

13 Investments in jointly controlled entities (continued)

(a) The following is a list of all jointly controlled entities of the Company at 31 December 2009:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held	
			Direct	Indirect
Shenchang Company	PRC, limited liability company	Construction, operation and management of a ring road in the PRC	51%	—
Jade Emperor Limited ("JEL")	Cayman Islands, limited liability company	Investment holding in Cayman Islands	—	*55%
Hubei Magerk Expressway Management Company Limited ("Magerk Company")	PRC, wholly foreign owned enterprise	Operation and management of an expressway in the PRC	—	**55%

* The interest in JEL is held indirectly through Mei Wah, a subsidiary of the Company.

** JEL is the sole equity holder of Magerk Company. The Company holds an effective 55% interest in Magerk Company through Mei Wah and JEL.

(b) The amount represents the provision for impairment loss made in prior years against the Company's investment in Shenchang Company arising from impairment of the underlying toll road assets operated by Shenchang Company. As the performance of Shenchang Company has been improved in 2009, the directors considered that there is no need to make further impairment provision for this investment.

(c) The amounts represented advances made to Shenchang Company (2008: advance made to Airport-Heao Eastern Company of RMB141,229,000 and to Shenchang Company of RMB261,050,000). The advances were made by the Company as part of its investment commitments in these jointly controlled entities as stipulated in the provisions under the relevant investment agreements. In the opinion of the directors, these advances are investment in nature and are therefore stated at cost.

The advances are unsecured, non-interest bearing and are repayable out of the funds to be generated from the operations of the respective toll road projects. The directors considered that there was no recoverability problem associated with the amount as at 31 December 2009.

13 Investments in jointly controlled entities (continued)

(d) The Group's share of the results and aggregated assets and liabilities of its jointly controlled entities are as follows:

	Airport-Heao Eastern Company [i]		Shenchang Company		JEL (including Magerk Company)		Total	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Non-current assets	**—**	604,189	**192,927**	197,417	**645,979**	731,515	**838,906**	1,533,121
Current assets	**—**	49,652	**3,585**	2,782	**165,903**	36,889	**169,488**	89,323
Total assets	**—**	653,841	**196,512**	200,199	**811,882**	768,404	**1,008,394**	1,622,444
Non-current liabilities	**—**	382,169	**254,124**	261,050	**96,707**	130,092	**350,831**	773,311
Current liabilities	**—**	29,066	**3,812**	3,662	**7,804**	5,704	**11,616**	38,432
Total liabilities	**—**	411,235	**257,936**	264,712	**104,511**	135,796	**362,447**	811,743
Revenue	**183,367**	247,550	**12,482**	12,088	**220,372**	204,747	**416,221**	464,385
Cost, expenses and tax	**(9,170)**	(122,524)	**(9,393)**	(9,772)	**(145,609)**	(124,154)	**(164,172)**	(256,450)
Profit after income tax	**174,197**	125,026	**3,089**	2,316	**74,763**	80,593	**252,049**	207,935

(i) On 30 September 2009, the Company acquired the remaining 45% equity interest of Airport-Heao Eastern Company to make it become a wholly owned subsidiary of the Group.

14 Investments in associates

		Group		Company	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January		**1,264,681**	1,141,828	**1,342,050**	1,242,424
Increase in investment	(b)	**45,000**	37,500	**45,000**	37,500
Share of profit/(loss)		**80,923**	(17,127)	**—**	—
Dividends declared and appropriation made by associates		**(115,510)**	(21,750)	**(14,383)**	(2,505)
Convert from a jointly controlled entity		**—**	124,230	**—**	64,631
At 31 December		**1,275,094**	1,264,681	**1,372,667**	1,342,050

The year end balance comprises the following:

		Group		Company	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Unlisted investments, at cost		**—**	—	**1,372,667**	1,342,050
Share of net assets other than goodwill		**1,198,158**	1,187,745	**—**	—
Goodwill on acquisition	(c)	**76,936**	76,936	**—**	—
		1,275,094	1,264,681	**1,372,667**	1,342,050

14 Investments in associates (continued)

(a) The Group's share of the results and aggregated assets (including goodwill) and liabilities of its associates, all of which were established and are operating in the PRC, are as follows:

			Assets		Liabilities		Revenue		Profit/(loss)		*Interest held	
Name	Nature of legal entity and paid-in capital	Principal activities	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 %	2008 %
Shenzhen Qinglong Expressway Company Limited("Qinglong Company")	PRC, Sino-foreign cooperative enterprise RMB100,000,000	Construction, operation and management of an expressway in the PRC	**512,463**	393,134	**397,988**	268,904	**158,938**	148,372	**80,361**	83,565	**40%**	40%
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	Limited liability company, RMB1,415,000,000	Development, operation and management of expressways and related facilities	**762,540**	734,297	**505,943**	475,130	**67,161**	59,639	**(2,570)**	(6,199)	**25%**	25%
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company") (Note (b))	Limited liability company, RMB1,000,000,000	Development, operation and management of expressway	**680,209**	714,305	**490,959**	556,746	**42,978**	28,466	**(13,309)**	(21,767)	**25%**	25%
Shenzhen Huayu Expressway Investment Company Limited	Limited liability company, RMB150,000,000	Development, investment, operation and management of expressway	**221,148**	229,670	**158,785**	164,803	**30,030**	26,442	**4,759**	256	**40%**	40%
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	Limited liability company, RMB15,000,000	Project management consulting, construction consulting and sales of construction materials	**21,950**	15,218	**13,829**	8,412	**31,369**	20,169	**1,945**	1,524	**30%**	30%
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	Limited liability company, RMB1,080,000,000	Development, operation and management of bridges	**841,535**	851,010	**601,447**	608,136	**61,327**	58,572	**(2,785)**	(6,768)	**25%**	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Limited liability company, RMB200,000,000	Development, operation and management of expressway	**579,387**	607,893	**341,425**	364,869	**89,173**	83,445	**12,438**	19,245	**25%**	25%
Yunfu Guangyun Expressway Company	Limited liability company, RMB10,000,000	Development, operation and management of expressway	**413,232**	428,036	**246,994**	261,882	**33,497**	29,095	**84**	(3,418)	**30%**	30%
			4,032,464	3,973,563	**2,757,370**	2,708,882	**514,473**	454,200	**80,923**	66,438		

* There were no material contingent liabilities arising form the Group's interests in associates, and there were no material contingent liabilities and commitments in the associates as at 31 December 2009.

14 Investments in associates (continued)

(b) According to the provisions of the investment agreements of GZ W2 Company, the Company has made further capital contributions amounting to RMB45,000,000(2008: RMB37,500,000) to this associate based on the funding requirements determined according to the progress of construction of the toll road projects undertaken by the associate.

(c) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company and Qinglong Company amounting to RMB30,135,000, RMB45,165,000 and RMB1,636,000, respectively. After the assessment made by the directors, there was no impairment loss incurred as at 31 December 2009.

15 Available-for-sale financial assets

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Available-for-sale financial assets	**28,500**	—	**28,500**	—

At 28 December 2009, the Company completed the acquisition of 14.25% equity interest in Guangdong United Electronic Toll Collection Inc., an unlisted company, with consideration of RMB28,500,000. As such equity investment has no quoted market price in an active market and the fair value cannot be reliably measured, it is measured at cost.

16 Trade and other receivables

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Trade receivables (a)				
— Due from Shenzhen Communications Bureau	**138,960**	137,585	**138,960**	137,585
— Due from other customers	**37,753**	29,298	**18,044**	15,649
Other receivables	**34,121**	150,084	**41,792**	146,948
Prepayments	**5,693**	4,252	**4,697**	3,729
Interest receivables	**2,580**	2,407	**2,580**	2,407
	219,107	323,626	**206,073**	306,318

The fair value of trade and other receivable approximate their carrying amounts.

16 Trade and other receivables (continued)

(a) Trade receivables mainly represent amounts due from the Shenzhen Communications Bureau in relation to the project management services provided by the Group, which amounted to RMB138,960,000 as at 31 December 2009 (2008: RMB137,585,000).

The Company was engaged by the local government authorities to manage the construction of seven main toll road construction projects, namely the Nanping Freeway (Phase I) Project ("Nanping (Phase I) Project"), Nanping Freeway (Phase II) Project ("Nanping (Phase II) Project") , Hengping Highway Project ("Hengping Project"), the Wutong Mountain Avenue (Supplementary Road) and Airport-Heao Expressway Yantian Subsidiary Road Checkpoint Station Project ("Wutong Mountain Project"), the renovation project of the Shenyun-North Ring Interchange, the Longhua expanding section of Longda Expressway ("Longhua Extension") and Guangshen Yanjiang Expressway (Shenzhen Section) Project ("Yanjiang Project"). In return, the Company is entitled to management services income which is determined based on the savings achieved in managing these construction management projects according to the provisions of the relevant contracts.

The construction management services income of the Nanping (Phase II) Project, Hengping Project, the renovation project of the Shenyun-North Ring Interchange, Longhua Expending Project and Yanjiang Project recognised during the year, using the percentage of completion method in accordance with the accounting policies of the Group, amounted to approximately RMB9,016,000 (2008: RMB8,619,000), RMB1,529,000 (2008: RMB10,928,000), RMB1,623,000 (2008: Nil), RMB1,487,000 (2008: Nil), RMB29,581,000 (2008: Nil) respectively.

The Company undertakes to bear cost overruns for the above projects. For the Hengping Project, the Nanping (Phase II) Project and the Shenyun-North Ring Interchange, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For the Nanping (Phase I) Project and Wutong Mountain Project, the Company is obliged to bear solely all the cost overruns incurred in construction as compared to the original budget in case the overrun does not exceed by 2.5% of the total budgeted contract costs; while the related government departments would share the portion of any overruns exceeding 2.5% of the total budgeted contract costs jointly with the Company. For the Yanjiang Project, the related execution agreements including the overrun-cost terms haven't been contracted yet. Nevertheless, the outflow of resources arising from expected cost overruns of these projects is considered remote by the directors of the Company, after taking into account the actual progress and the status of these projects.

(b) Trade receivables are neither past due nor impaired at 31 December 2009 and are analysed as below:

	2009 **RMB'000**	2008 RMB'000
Unbilled	**149,766**	148,698
Billed	**26,947**	18,185
	176,713	166,883

16 Trade and other receivables (continued)

Credit quality of trade receivables can be assessed by reference to historical information about counterparty default rates:

	2009 RMB'000	2008 RMB'000
Counterparty		
— Government authorities in the PRC	**138,960**	145,585
— Existing customers with no defaults in the past	**37,171**	14,717
— New customers	**582**	6,581
	176,713	166,883

The directors do not consider the Group exposed to material credit risk in associated with trade and other receivable.

At 31 December 2009 and 2008, the ageing analysis of trade receivables was as follows:

	Group		**Company**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 1 year	**38,645**	33,144	**19,078**	19,495
Over 1 year	**138,068**	133,739	**137,926**	133,739
	176,713	166,883	**157,004**	153,234

The ageing analysis is presented based on the time lag from the initial recognition of the receivables up to the balance sheet date.

(c) Due to the fact that the Group is mainly engaged in toll road operations, its income is mainly received in cash and it usually does not maintain any accounts receivable balances. Accordingly, the Group does not have any specified credit period for its customers. The Group has no overdue receivables as at 31 December 2009 (2008: Nil).

17 Restricted cash

	Group and Company	
	2009 RMB'000	2008 RMB'000
Bank fixed deposit denominated in RMB with a maturity of one year (Note 21(e))	**450,000**	116,272
Project funds retained for construction management contracts	**30,882**	24,308
Project fund relating to Yanjiang Project	**9,375**	—
	490,257	140,580

18 Cash and cash equivalents

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Cash at bank and on hand	**477,474**	533,668	**267,621**	441,915
Bank deposits with terms below 3 months	**1,627**	2,625	**—**	—
	479,101	536,293	**267,621**	441,915

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The rate of bank deposits with terms below 3 months is 0.01% per annum (2008: 0.05%).

Cash and cash equivalents by currency equivalent in RMB are analysed as following:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
RMB	**476,769**	533,246	**266,975**	441,512
HKD	**2,191**	2,906	**509**	265
USD	**101**	101	**101**	101
Others	**40**	40	**36**	37
	479,101	536,293	**267,621**	441,915

19 Share capital

Registered, issued and fully paid with RMB1 for each share	2008 RMB'000	Movement RMB'000	**2009 RMB'000**
Liquid shares subject to sale restrictions			
— Shares held by the State	654,780	(654,780)	**—**
— Shares held by legal persons	560,620	(560,620)	**—**
	1,215,400	(1,215,400)	**—**
Listed shares			
— Shares held by the State	—	654,780	**654,780**
— Shares held by legal persons	—	560,620	**560,620**
— Ordinary shares, listed in the PRC ("A shares") (a)	217,800	70	**217,870**
— Foreign invested shares, listed in Hong Kong ("H shares")	747,500	—	**747,500**
	965,300	1,215,470	**2,180,770**
Total	2,180,700	70	**2,180,770**
Number of ordinary shares in issue (thousands)	2,180,700	70	**2,180,770**

After the implementation of the Shareholding Structure Reallocating Scheme in February 2006, the formerly non-liquid shares of the Company were converted into shares with liquidity but subject to certain restrictions in their sales. The sales restriction has been released in March 2009.

19 Share capital (continued)

Pursuant to the Company's articles of association, all shares are of nominal value of RMB1 each and they are all ordinary shares. Apart from certain restrictions on disposal and the currency used for distribution of dividends, all shares rank pari passu against each other.

(a) The warrants subscription rights attached to the convertible bonds issued by the Company matured on 29 October 2009. 70,326 of such rights were exercised at the price of RMB13.23 per share. It resulted in an increase in share capital of RMB70,326 and increase in share premium of RMB860,087 (Note 20).

20 Other reserves

Group	Share premium RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	2,060,009	814,241	453,391	213,483	3,541,124
Transfer from retained earnings	—	53,737	—	—	53,737
At 31 December 2008	2,060,009	867,978	453,391	213,483	3,594,861
Warrants subscription rights exercised (Note 19(a))	860	—	—	—	860
Revaluation surplus arising from acquisition (Note 37)	—	—	—	893,132	893,132
Transfer from retained earnings	—	50,953	—	—	50,953
At 31 December 2009	2,060,869	918,931	453,391	1,106,615	4,539,806
Company					
At 1 January 2008	2,060,009	814,241	453,391	254,719	3,582,360
Transfer from retained earnings	—	53,737	—	—	53,737
At 31 December 2008	2,060,009	867,978	453,391	254,719	3,636,097
Warrants subscription rights exercised (Note 19(a))	860	—	—	—	860
Transfer from retained earnings	—	50,953	—	—	50,953
At 31 December 2009	2,060,869	918,931	453,391	254,719	3,687,910

(a) Pursuant to relevant PRC regulations and the articles of association of the Company, profit after tax shall be appropriated according to the following sequence:

- make up any accumulated losses;
- transfer 10% of the profit after tax to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the share capital, such transfer need not be made;
- transfer to the discretionary surplus reserve an amount as approved by the shareholders in the Annual General Meeting; and
- distribute as dividends to shareholders.

The amounts of transfer to the statutory surplus reserve shall be determined based on profit after tax reported in the PRC statutory financial statements of the Company prepared in accordance with the CAS.

(b) Share premium

Share premium mainly represents premium arising from the issuance of shares, net of related issuing expenses. According to the relevant PRC regulations, share premium can only be used to increase the share capital.

20 Other reserves (continued)

(c) Statutory surplus reserve and discretionary surplus reserve

Pursuant to relevant PRC regulations and the articles of association of the Company, 10% of the profit after tax of the Company as determined under CAS, amounting to RMB50,953,000 (2008: RMB53,737,000), has been appropriated to reserve fund.

According to the relevant PRC regulations, statutory surplus reserve and discretionary surplus reserve can be used to make up losses or to increase the share capital.

(d) Profit distributable to shareholders

Pursuant to the relevant PRC regulations and the articles of association of the Company, profit distributable to shareholders shall be the lower of the accumulated distributable profits determined according to the CAS as stated in the PRC statutory financial statements and the accumulated distributable profits adjusted based on HKFRS. The profit distributable to shareholders at 31 December 2009 amounted to RMB1,198,881,000 (2008: RMB1,001,991,000).

21 Borrowings

		Group		Company	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Non-current					
Bank borrowings					
— Secured	(a)	**5,124,089**	3,355,193	**910,000**	—
— Unsecured		**1,380,689**	1,885,000	**1,380,689**	1,885,000
		6,504,778	5,240,193	**2,290,689**	1,885,000
Other borrowings – guaranteed	(b)	**4,577**	10,180	**4,577**	10,180
Convertible bonds	(c)	**1,255,661**	1,198,032	**1,255,661**	1,198,032
Corporate bonds	(d)	**791,592**	790,924	**800,000**	800,000
		8,556,608	7,239,329	**4,350,927**	3,893,212
Less: Current portion of long-term borrowings		**(223,411)**	(335,599)	**(51,542)**	(335,599)
		8,333,197	6,903,730	**4,299,385**	3,557,613
Current					
Bank borrowings					
— Secured	(e)	**449,055**	117,377	**449,055**	117,377
— Unsecured		**1,120,402**	666,000	**1,116,000**	666,000
		1,569,457	783,377	**1,565,055**	783,377
Current portion of long-term borrowings		**223,411**	335,599	**51,542**	335,599
		1,792,868	1,118,976	**1,616,597**	1,118,976
Total borrowings		**10,126,065**	8,022,706	**5,915,982**	4,676,589

21 Borrowings (continued)

(a) Amongst non-current bank borrowings, HKD102,000,000 (equivalent to RMB89,809,000) is secured by a pledge of the 55% equity rights of JEL held by Mei Wah; RMB4,124,280,000 is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Qinglian Company, a subsidiary of the Company; and RMB910,000,000 is secured by a pledge of the 40% equity rights of Qinglong Company held by the Company.

(b) Other borrowings amounted USD 670,000 (equivalent to RMB4,577,000) which were granted by the Spanish Government through the China Construction Bank Corporation, with interest-bearing of 1.8% per annum. The borrowings are guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan"), a related party of the Company.

(c) On 9 October 2007, the Company issued convertible bonds at a par value of RMB1,500,000,000. The bonds bear face interest of 1% per annum and mature in 6 years from the issue date. Interest is paid annually and the principal is repayable in full upon maturity. The bonds are attached with warrants subscription rights which entitle the holders of the bonds subscribe newly issued A shares of the Company at the rate of 7.2 shares per bond. The fair values of the liability component and the equity conversion component embedded in the bond were determined at the date of issuance of the bonds.

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for a non-convertible bond in the market with equivalent terms. The residual amount, representing the carrying value of the bonds after deduction of the fair value of the liability component, represents fair value of the equity conversion option, was included in shareholders' equity under other reserves, net of the attributable transaction costs. The full amount of the principal and related interests of the bonds is guaranteed by the Shenzhen Branch of the Agricultural Bank of China, which is in turn secured by the 47.30% of the operating rights of Nanguang Expressway.

Up to 29 October 2009, there were totally 70,326 warrants successfully exercised, with an exercise price of RMB13.23 per share. The company received RMB930,000 for warrant exercise, and has been allocated into shareholder equity and other reserve.

The computation of the fair value of different components of the convertible bonds recognised in the balance sheet is as follows:

	2009 **RMB'000**	2008 RMB'000
Face value of convertible bonds on 9 October 2007	**1,500,000**	1,500,000
Fair value of liability component	**(1,162,802)**	(1,162,802)
Equity component	**337,198**	337,198
Fair value of liability component on 9 October 2007	**1,162,802**	1,162,802
Transaction costs attributable to liability component	**(32,018)**	(32,018)
Liability component on initial recognition on 9 October 2007	**1,130,784**	1,130,784
Interest expense from issuing date to 31 December	**124,877**	67,248
Liability component at 31 December	**1,255,661**	1,198,032

21 Borrowings (continued)

(d) The Company also issued long-term corporate bonds of RMB800,000,000 for a term of 15 years bearing interest at 5.5% per annum in August 2007. Interest is paid annually and the principal is repayable in full upon maturity. The full amount of principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company.

(e) The bank loan was secured by a fixed deposit of RMB450,000,000 with a maturity of one year (Note 17).

(f) Amongst the current bank borrowing, RMB260,000,000 was extended by the Magerk Company through China Merchants Bank. It is a 6 months' term loan bearing interest of 4.374% per annum.

(g) The effective interest rates at the balance sheet date are as follows:

	2009	2008
Unsecure bank borrowings		
— non-current	**1.73%-4.86%**	4.86%-6.12%
— current	**1.35%-4.374%**	4.536%-5.508%
Secured bank borrowings - non-current	**1.80%-6.12%**	1.30%-7.047%
Convertible bonds	**5.5%**	5.5%
Corporate bonds	**5.5%**	5.5%

(h) At 31 December 2009, the Group's borrowings are repayable as follows:

	Bank borrowings		**Other borrowings and bonds**	
Group	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 1 year	**1,789,817**	1,113,377	**3,051**	5,599
Between 1 and 2 years	**480,407**	382,012	**1,526**	3,055
Between 2 and 5 years	**1,628,193**	1,040,080	**1,255,661**	1,199,559
Wholly repayable within 5 years	**3,898,417**	2,535,469	**1,260,238**	1,208,213
Over 5 years	**4,175,818**	3,488,100	**791,592**	790,924
	8,074,235	6,023,569	**2,051,830**	1,999,137

	Bank borrowings		**Other borrowings and bonds**	
Company	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 1 year	**1,613,546**	1,113,377	**3,051**	5,599
Between 1 and 2 years	**379,589**	209,999	**1,526**	3,055
Between 2 and 5 years	**1,120,253**	655,000	**1,255,661**	1,199,559
Wholly repayable within 5 years	**3,113,388**	1,978,376	**1,260,238**	1,208,213
Over 5 years	**742,356**	690,000	**800,000**	800,000
	3,855,744	2,668,376	**2,060,238**	2,008,213

21 Borrowings (continued)

(i) The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Bank borrowings	**6,284,418**	4,910,196	**6,257,717**	4,986,357
Other borrowings	**1,526**	4,578	**1,496**	4,406
Convertible bonds	**1,255,661**	1,198,032	**1,310,256**	1,198,032
Corporate bonds	**791,592**	790,924	**796,154**	790,924
	8,333,197	6,903,730	**8,365,623**	6,979,719

The fair values of bank borrowings and other borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 2.44% to 5.94% (2008: 5.4% to 5.94%) per annum.

The fair values of the convertible bonds and corporate bonds are calculated using cash flows discounted at a rate based on a market interest rate for an equivalent non-convertible bond at 4.53% per annum and that of a comparable corporate bond at 5.21% per annum, respectively.

The fair values of current borrowings approximate their respective carrying amounts as the effect of discounting is not significant.

(j) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
RMB	**8,927,532**	7,805,197	**4,811,660**	4,549,033
USD	**4,577**	10,180	**4,577**	10,180
HKD	**1,193,956**	207,329	**1,099,745**	117,376
	10,126,065	8,022,706	**5,915,982**	4,676,589

(k) The Group has the following undrawn banking facilities:

	2009 RMB'000	2008 RMB'000
Floating rate		
— Expiring within one year	**3,249,000**	2,591,000
— Expiring beyond one year	**3,824,000**	3,759,000
	7,073,000	6,350,000
Fixed rate		
— Expiring beyond one year	**260,000**	260,000
	7,333,000	6,610,000

21 Borrowings (continued)

(l) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting periods are as follows:

	2009 **RMB'000**	2008 RMB'000
Borrowings with fixed rate subject to repricing date as:		
6 months or less	**627,875**	668,803
6 months to 12 months	**511,876**	2,802
1 to 5 years	**2,228,266**	1,499,308
Over 5 years	**3,580,692**	4,251,600
	6,948,709	6,422,513
Borrowings with floating rate as:		
6 months or less	**3,177,356**	1,600,193
	10,126,065	8,022,706

22 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		**Company**	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Deferred tax assets				
— to be recovered after more than 12 months	**199,618**	99,749	**135,691**	99,749
— to be recovered within 12 months	**7,674**	1,597	**6,848**	1,597
	207,292	101,346	**142,539**	101,346
Offset within the same tax jurisdiction	**(171,816)**	(101,346)	**(107,063)**	(101,346)
Net deferred tax assets	**35,476**	—	**35,476**	—
Deferred tax liabilities				
— to be settled after more than 12 months	**939,705**	480,369	**93,473**	107,198
— to be settled within 12 months	**89,141**	11,256	**13,590**	11,129
	1,028,846	491,625	**107,063**	118,327
Offset within the same tax jurisdiction	**(171,816)**	(101,346)	**(107,063)**	(101,346)
Net deferred tax liabilities	**857,030**	390,279	**—**	16,981

22 Deferred income tax (continued)

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

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**390,279**	441,741	**16,981**	68,493
Acquisition of a subsidiary	**527,124**	—	**—**	—
Deferred tax assets arising from taxable financial subsidies	—	(25,313)	—	(25,313)
Recognised in the statement of comprehensive income	**(95,849)**	(26,149)	**(52,457)**	(26,199)
At 31 December	**821,554**	390,279	**(35,476)**	16,981

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred tax assets			
Group	**Payroll accrued but not paid** RMB'000	**Provision for resurfacing obligations** RMB'000	**Taxable financial subsidies** RMB'000 (Note a)	**Total** RMB'000
At 1 January 2008	—	59,430	—	59,430
Recognised in the statement of comprehensive income	—	16,603	25,313	41,916
At 31 December 2008	—	76,033	25,313	101,346
At 1 January 2009	—	76,033	25,313	101,346
Acquisition of a subsidiary	—	62,935	—	62,935
Recognised in the statement of comprehensive income	6,819	36,621	(429)	43,011
At 31 December 2009	6,819	175,589	24,884	207,292

	Deferred tax liabilities		
Group	**Concession intangible assets** RMB'000	**Convertible bonds** RMB'000	**Total** RMB'000
At 1 January 2008	427,976	73,195	501,171
Recognised in the statement of comprehensive income	(624)	(8,922)	(9,546)
At 31 December 2008	427,352	64,273	491,625
At 1 January 2009	427,352	64,273	491,625
Acquisition of a subsidiary	590,059	—	590,059
Recognised in the statement of comprehensive income	(42,380)	(10,458)	(52,838)
At 31 December 2009	975,031	53,815	1,028,846

22 Deferred income tax (continued)

Deferred tax assets

Company	Payroll accrued but not paid RMB'000	Provision for resurfacing obligations RMB'000	Taxable financial subsidies RMB'000 (Note a)	Total RMB'000
At 1 January 2008	—	59,430	—	59,430
Recognised in the statement of comprehensive income	—	16,603	25,313	41,916
At 31 December 2008	—	76,033	25,313	101,346
At 1 January 2009	—	76,033	25,313	101,346
Recognised in the statement of comprehensive income	5,992	35,630	(429)	41,193
At 31 December 2009	5,992	111,663	24,884	142,539

Deferred tax liabilities

Company	Concession intangible assets RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2008	54,728	73,195	127,923
Recognised in the statement of comprehensive income	(674)	(8,922)	(9,596)
At 31 December 2008	54,054	64,273	118,327
At 1 January 2009	54,054	64,273	118,327
Recognised in the statement of comprehensive income	(806)	(10,458)	(11,264)
At 31 December 2009	53,248	53,815	107,063

(a) In 2008, the Group became liable to pay PRC enterprise income tax of RMB39,236,000 (Note 30 (c)) for certain past financial subsidies and incentives granted by local governments and received by the Group in prior years. They were initially exempt from taxation according to the provisions of certain policies promulgated by the local government authorities. The Company was advised by the relevant local tax authorities that after settlement of these tax charges, any future amortisation of the related financial subsidies, which have been deferred on the balance sheet of the Group, would be allowed to claim tax deductions for income tax reporting purposes in the future.

Accordingly, deferred tax assets of RMB24,884,000 (2008: RMB25,313,000) had been recognised on such deductible temporary differences originating from the accounting base and tax base of these subsidies based on a tax rate of 25%, which is the tax rate expected to enact when a substantial portion of such temporary differences reverse.

23 Provision for maintenance/resurfacing obligations

	Group	
	2009 **RMB'000**	2008 RMB'000
At 1 January	**304,133**	237,720
Acquisition of a subsidiary	**251,741**	—
Charged to the statement of comprehensive income:		
— Additions	**118,972**	42,641
— Increase due to passage of time (Note 29)	**27,509**	23,772
At 31 December	**702,355**	304,133

	Company	
	2009 **RMB'000**	2008 RMB'000
At 1 January	**304,133**	237,720
Charged to the statement of comprehensive income:		
— Additions	**118,972**	42,641
— Increase due to passage of time	**23,540**	23,772
At 31 December	**446,645**	304,133

24 Trade and other payables

		Group		Company	
	Note	**2009** **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Payables for construction projects and quality deposits	(a)	**1,072,990**	977,127	**242,015**	282,519
Guaranteed deposits for construction projects contracts	(a)	**141,388**	203,060	**85,415**	145,395
Project funds retained for construction management contracts	(b)	**30,882**	24,308	**30,882**	24,308
Notes payable	(a)	**52,769**	13,992	**52,769**	13,992
Advance from an associate	(c)	**46,500**	46,500	**46,500**	46,500
Payable relating to Yanjiang Project	(d)	**582**	300,000	**582**	300,000
Interest payable		**37,269**	42,711	**29,981**	36,322
Salary payable		**52,780**	39,189	**39,944**	31,797
Others		**130,351**	88,716	**81,526**	75,761
		1,565,511	1,735,603	**609,614**	956,594

24 Trade and other payables (continued)

At 31 December 2009 and 2008, the ageing analysis of trade and other payables were as follows:

	Group		Company	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Within 1 year	**1,144,923**	1,560,410	**325,832**	906,914
Over 1 year	**420,588**	175,193	**283,782**	49,680
	1,565,511	1,735,603	**609,614**	956,594

The ageing analysis is presented based on the time lag from the date of initial recognition of the related payables to the balance sheet date.

(a) These represent liabilities and quality deposits arising from progress project payments payable for the construction of certain toll roads projects of the Group amounting to approximately RMB1,072,990,000 (2008: RMB977,127,000); deposits received from the contractors as guarantees for bidding the projects and their performance commitment for the construction of these projects amounting to RMB141,388,000 (2008: RMB203,060,000); and notes payable of RMB52,769,000 (2008: RMB13,992,000) for projects construction, respectively. Notes payable are bearing interest at 2% to 4.8% (2008: 4.08% to 4.8%) per annum and are required to be settled within one year.

(b) This represents projects fund paid in advance by the Shenzhen Communications Bureau to the Company for the management of the project of main route of Hengping Project under a construction management contract entered by the government authority and the Company.

(c) These represent the advances from Nanjing Third Bridge Company Limited, an associate of the Group, amounting to approximately RMB46,500,000.

(d) The balances related to Yanjiang Project managed by the Company under a management service contract (the "Contract"). Under the Contract, the Company provides project management services for construction, operation and maintenance of the Yanjiang Project for the government authority.

At 31 December 2008, the balance represented 6-month loan of RMB300 million received from Shenzhen Investment Holding Company, which acts on behalf of the government authority. After the Company entered into the Contract with Shenzhen Investment Holding Company in November 2009, the Company offset the loans received against the construction advances made for the Yanjiang Project. As at 31 December 2009, the balance represented the net payable relating to the Yanjiang Project. The management service revenue of Yanjiang Project is 1.5% of the construction budget.

(e) There is no credit period set out by the Group's suppliers.

25 Other income

	Note	2009 RMB'000	2008 RMB'000
Investment income		**—**	1,619
		—	1,619

26 Other (losses)/gains - net

	Note	2009 RMB'000	2008 RMB'000
(Loss)/gain resulted from derivative financial instruments	(a)	**(2,332)**	6,292
Others		**2,233**	(602)
		(99)	5,690

(a) To manage the fluctuation of foreign currency and interest rate, the Group entered into certain foreign exchange forward contracts and interest swap contracts in 2008 and 2007, respectively. Both of such contracts expired in 2009. As such transactions does not meet the criteria of hedge accounting, the related losses amounting to RMB2,332,000 (2008: gains amounting to RMB6,292,000) has been included in 'other (losses)/gain – net'.

27 Expenses by nature

	Note	2009 RMB'000	2008 RMB'000
Construction costs under service concessions	(a)	**1,033,736**	3,178,980
Business tax and surcharges	(b)	**47,823**	36,699
Employee benefit expenses	28	**145,517**	100,907
Road maintenance expenses		**69,291**	60,942
Depreciation and amortisation		**328,628**	204,070
Provision for maintenance resurfacing obligations		**118,972**	42,641
International auditor's remuneration			
— Annual audit		**1,970**	1,970
— Other audit/review services		**270**	200
Statutory auditor's remuneration			
— Annual audit		**880**	880
— Other audit/review services		**1,450**	300
Rental expenses		**2,896**	2,713
Agency fee		**7,959**	5,367
Utility expenses		**24,009**	16,387
Management fee of toll road network		**13,274**	10,765
Material consumption		**5,176**	5,667
Transportation expenses		**10,756**	6,037
Other expenses		**43,246**	40,543
Total cost of services and administrative expenses		**1,855,853**	3,715,068

27 Expenses by nature (continued)

(a) This represents the construction costs recognised for the year associated with the construction and upgrade services provided under the service concessions using the percentage of completion method.

(b) The amount represents PRC business tax and surcharges levied on the Group's toll road income at RMB43,721,000 (2008: RMB32,320,000); on service income derived from the provision of construction management services income at RMB1,018,000 (2008: RMB513,000); as well as on income arising from the provision of other services at RMB3,084,000 (2008: RMB3,866,000).

Toll income of the Group is subject to the following taxes and surcharges:

— PRC business tax at 3% or 5% of toll income;
— City development tax at 1% of the PRC business tax; and
— Education supplementary fee at 3% of the PRC business tax.

28 Employee benefit expenses

	Note	**2009 RMB'000**	2008 RMB'000
Wages salaries and bonus		**121,694**	76,934
Pension costs - defined contribution plans	(a)	**7,250**	3,981
Other staff welfare benefits		**16,573**	19,992
		145,517	100,907

(a) The Group participates in the municipal retirement schemes managed by the local social security administration bureaus. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 10% to 11% (2008: 10% to 11%) of the monthly salary of the employees during the year. The bureaus are responsible for making the pension payments to the retired employees of the Group and the Group has no further obligations. Contributions amounting to RMB27,000 (2008: RMB125,000) were payable to the fund at 31 December 2009.

28 Employee benefit expenses (continued)

(b) Directors' and senior management's emoluments

An analysis of the directors and supervisors' fees, salary and allowance for their attendance in meetings paid and payable to each of the director of the Company for the year ended 31 December 2009 is set out below:

Name of director/supervisor	Fees RMB'000	Salary RMB'000	Meeting allowance RMB'000	Total RMB'000
Mr. Yang Hai	—	958	—	958
Mr. Wu Ya De	—	958	—	958
Mr. Li Jing Qi	—	—	—	—
Mr. Zhao Jun Rong (i)	—	—	—	—
Mr. Tse Yat Hong (i)	—	—	—	—
Mr. Lin Xiang Ke	—	—	7	7
Ms. Zhang Yang	—	—	12	12
Mr. Chiu Chi Cheong, Clifton	350	—	18	368
Mr. Lam Wai Hon (i)	150	—	16	166
Mr. Ting Fook Cheung, Fred (i)	150	—	15	165
Mr. Wang Hai Tao (i)	150	—	15	165
Mr. Zhang Li Min (i)	150	—	15	165
Mr. Zhong Shan Qun (iii)	—	—	—	—
Mr. Yang Qin Hua (i)	—	—	14	14
Mr. Fang Jie	—	471	19	490
Mr. Jiang Lu Ming (iv)	—	247	5.5	252.5

An analysis of the directors and supervisors' fees, salary and allowance for their attendance in meetings paid and payable to each of the director of the Company for the year ended 31 December 2008 is set out below:

Name of director/supervisor	Fees RMB'000	Salary RMB'000	Meeting allowance RMB'000	Total RMB'000
Mr. Yang Hai	—	883	—	883
Mr. Wu Ya De	—	931	—	931
Mr. Li Jing Qi	—	—	—	—
Mr. Wang Ji Zhong (ii)	—	—	5	5
Mr. Liu Jun (ii)	—	—	—	—
Mr. Lin Xiang Ke	—	—	5	5
Ms. Zhang Yang	—	—	9.6	9.6
Mr. Chiu Chi Cheong, Clifton	264	—	11.5	275.5
Mr. Li Zhi Zheng (ii)	150	—	8.5	158.5
Mr. Zhang Zhi Xue (ii)	150	—	6.5	156.5
Mr. Poon Kai Leung, James (ii)	132	—	11.5	143.5
Mr. Wong Kam Ling (ii)	132	—	11	143
Mr. Jiang Lu Ming	—	613	9.7	622.7
Mr. Zhang Yi Ping (ii)	—	—	5	5
Mr. Yi Ai Guo (v)	—	59	—	59
Mr. Fang Jie	—	195	1.7	196.7

(i) Appointed in January 2009.
(ii) Resigned in January 2009.
(iii) Resigned in July 2007 and reappointed in August 2009.
(iv) Resigned in May 2009.
(v) Resigned in August 2008.

28 Employee benefit expenses (continued)

(b) Directors' and senior management's emoluments (continued)

In addition, the directors and supervisors are also entitled to other benefits and allowances including employer's contributions made to medical schemes, festival surcharges and car allowances.

During the year ended 31 December 2009, Mr. Yang Hai, Mr. Wu Ya De, Mr. Jiang Lu Ming, Mr. Yi Ai Guo and Mr. Fang Jie were entitled to other benefits and allowances and the respective amounts were RMB22,000 (2008: RMB24,000), RMB22,000 (2008: RMB22,000), RMB9,000 (2008: RMB24,000), Nil (2008: RMB13,200), RMB65,000 (2008: RMB27,000), respectively.

During the year ended 31 December 2009, Mr. Yang Hai, Mr. Wu Ya De, Mr. Jiang Lu Ming, Mr. Yi Ai Guo and Mr. Fang Jie were entitled to the employer's contribution to pension schemes of RMB45,000 (2008: RMB44,000), RMB45,000 (2008: RMB44,000), RMB21,000 (2008: RMB44,000), Nil (2008: RMB7,000) and RMB36,000 (2008: RMB14,000), respectively.

During the years ended 31 December 2009 and 2008, no emoluments had been paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: three) individuals during the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries	**2,728**	2,799

The emoluments for all the above senior management fell within the band of nil to RMB880,000 (HKD1,000,000) during the years ended 31 December 2009 and 2008.

29 Finance income and costs

	2009 **RMB'000**	2008 RMB'000
Finance income		
Interest income from bank deposits	**8,673**	7,390
Finance costs		
Interest on bank and other borrowings	**375,187**	315,441
Interest on convertible bonds and corporate bonds	**116,262**	113,781
Less: interest expense capitalised in construction in progress	**(125,156)**	(190,907)
	366,293	238,315
Other interest expense (Note 23)	**27,509**	23,772
Other borrowing costs	**807**	2,836
Net foreign exchange gains	**(3,665)**	(9,663)
	390,944	255,260
Finance costs – net	**382,271**	247,870

Borrowing costs of RMB125,156,000 (2008: RMB190,907,000) arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised during the year and had been included in additions to construction in progress. Capitalisation rates ranged from 5.346 % to 6.12% (2008: 5.93% to 7.05%) per annum were used, representing the borrowing costs of the loans used to finance the projects.

30 Income tax expenses

	2009 RMB'000	2008 RMB'000
Current income tax		
– Tax on financial subsides and incentives received by the Group in prior years (c)	—	39,236
– Current income tax	**140,675**	78,483
	140,675	117,719
Deferred income tax		
– Deferred tax assets arising from taxable financial subsidies (Note 22)	—	(25,313)
– Origination and reversal of temporary differences	**(95,849)**	(26,149)
	(95,849)	(51,462)
Income tax expense	**44,826**	66,257

(a) The Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") is effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to the Company and all of its subsidiaries established in the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012. The rates are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012.

The PRC enterprise income tax charged to the consolidated statement of comprehensive income had been calculated based on the assessable profits of the Company and its subsidiaries located in the PRC of the year at a rate of tax applicable to the respective companies at 20% (2008: 18%).

(b) The applicable tax rate to Mei Wah, a subsidiary of the Company incorporated in Hong Kong, is 16.5% (2008: 17.5%). No provision for Hong Kong profits tax has been made in the financial statements since the subsidiary has no income assessable under Hong Kong profits tax. Maxprofit is incorporated in the British Virgin Islands, which is not subject to profits tax.

(c) Pursuant to the results of a special examination performed on the local tax bureau of Shenzhen, which was conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance in 2008, the Company, Meiguan Company and Airport-Heao Eastern Company were collectively demanded by the Futian Tax Bureau in the Notice to pay PRC enterprise income tax back taxes amounting to approximately RMB60,472,000. The amount attributable to the Group is RMB57,986,000 (the "Back Taxes"). The Back Taxes were levied on certain local financial subsidies and incentives granted by local government authorities, obtained and received by the Group in previous years, which were initially exempt from income taxes according to the provisions of certain policies promulgated by the local government authorities. Such exemptions were revoked by the authorities as a result of the examination.

The Company had lodged an application to the Futian Tax Bureau for a reassessment of the computation basis of the Back Taxes, waiver of the related penalty, as well as a deferral of the payment. Subsequently, several rounds of discussion were held between the Company and the Futian Tax Bureau. According to these communications, the directors of the Company considered that the final amount of the Back Taxes would highly probable be reduced by RMB18,750,000. Accordingly, the Group had recognised a provision for the Back Taxes amounting to RMB39,236,000 as current year income tax expense in the consolidated statement of comprehensive income for the year ended 31 December 2008, based on the best estimate made by the directors of the Company.

As at the date of approval of these financial statements, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised. The directors considered that the amount of provision for the Back Taxes recognised was sufficient and thus no additional provision has been made during 2009.

30 Income tax expenses (continued)

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2009 RMB'000	2008 RMB'000
Profit before tax	**570,159**	560,785
Less: share of profit of jointly controlled entities	**(252,049)**	(291,500)
share of (profit)/loss of associates	**(80,923)**	17,127
	237,187	286,412
Tax calculated at domestic tax rate of 20% (2008: 18%)	**47,438**	51,554
Tax effects of:		
Different tax rate was applied for deferr ed tax calculation	**(15,086)**	(4,581)
Amortisation of transaction costs of convertible bonds	**(309)**	(279)
Expenses not deductible for tax purpose	**131**	1,233
Unrecognised tax losses of subsidiaries	**12,652**	6,394
Income not subject to tax	**—**	(1,988)
Tax Levies on certain local financial subsidies r eceived in previous years (Note (c))	**—**	13,924
Income tax expenses	**44,826**	66,257

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB12,652,000 (2008: RMB6,394,000) in respect of losses amounting to RMB63,260,000 (2008:RMB 35,522,000) that can be carried forward against future taxable income.

31 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB511,140,000 (2008: RMB587,531,000).

32 Earnings per share

Basic -

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the number of ordinary shares in issue during the year.

	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**540,219**	503,195
Number of ordinary shares in issue (thousands)	**2,180,712**	2,180,700
Basic earnings per share (RMB per share)	**0.248**	0.231

Diluted -

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As mentioned in Note 21(c), the Company issued convertible bonds with warrants subscription rights attached. Though the contingently issuable shares of the Company arising from the exercise of the warrants subscription rights may potentially dilute basic earnings per share, the exercise price has been higher than the average market price in the relevant period, the impact had not been included in the calculation of diluted earnings per share.

33 Dividends

The dividends paid in 2009 and 2008 were RMB261,684,000 (RMB0.12 per share) and RMB348,912,000 (RMB0.16 per share), respectively. The directors recommend the payment of a final dividend of RMB0.12 per ordinary share, totalling RMB 261,692,439. Such dividend is to be approved by the shareholders at the 2009 Annual General Meeting. This proposed dividends was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

	2009 RMB'000	2008 RMB'000
Proposed final dividend of RMB0.12 (2008: RMB0.12) per ordinary share	**261,692**	261,684

34 Cash generated from operations

(a) The reconciliation from profit for the year to cash generated from operations is set out as follows:

	2009 RMB'000	2008 RMB'000
Profit for the year from continuing operations	**525,333**	494,528
Adjustments for:		
– Income tax	**44,826**	66,257
– Depreciation	**82,038**	56,681
– Amortisation	**246,590**	147,389
– Loss on disposal of property, plant and equipment	**93**	145
– Loss/(gains) on derivative financial instruments	**2,332**	(6,292)
– Investment income	**—**	(1,619)
– Interest income	**(8,673)**	(7,390)
– Interest expense	**366,293**	238,315
– Other interest expenses	**27,509**	23,772
– Other borrowing costs	**807**	2,836
– Share of (gains)/loss of associates	**(80,923)**	17,127
– Share of profit of jointly controlled entities	**(252,049)**	(291,500)
– Exchange gains	**(3,665)**	(9,663)
– Changes in provision for maintenance/resurfacing obligations	**118,972**	42,641
Changes in working capital (excluding the effects of acquisition):		
– Inventories	**(361)**	(119)
– Trade and other receivables	**104,519**	(106,032)
– Other payables	**(266,756)**	365,363
Cash generated from operations	**906,885**	1,032,439

(b) The amount represented net cash outflow on acquisition of Airport Heao Eastern Company of RMB990,271,000 (Note 37) and settlement of outstanding consideration arising from the acquisition of Qinglian Company of RMB4,261,000. The acquisition of 20.09% equity interest in Qinglian Company took place in 2008.

35 Contingencies

(a) Project Construction Management Contracts

In associated with Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, the Company had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

As noted in Note 38(d), the company had arranged with bank to issue performance guarantee on its behalf to the Shenzhen Baotong Expressway Construction Company Limited ("Baotong Company") amounting to RMB500,000.

(b) Penalty on Back Taxes

As mentioned in Note 30 (c), the Group had made a provision for the Back Taxes liabilities in the amount of RMB39,236,000 as at 31 December 2009. As at the date of approval of these financial statements, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised.

35 Contingencies (continued)

(c) Arbitration in progress

On 8 December 2004, the Company signed a construction contract with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping (Phase I) Project. As disputes concerning the unit prices of some items under the contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against the Company in 2007. As at the date of approval of these financial statements, the arbitration process was still in progress. The directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Company's operating results.

On 1 June 2004, the Company signed a construction contract with Jilin Great Wall Construction Company Limited ("Great Wall") for Nanping (Phase I) Project. As disputes concerning construction volume and the unit prices of some items under the contract arose that were not resolved by mutual agreement, Great Wall applied for arbitration to Shenzhen Arbitration Commission against the Company in December 2009. As at the date of approval of these financial statements, the arbitration process was still in progress. The directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Company's operating results.

36 Commitments

Capital expenditure and investment commitments at the balance sheet date not yet incurred are as follows:

	2009 RMB'000	2008 RMB'000
Capital commitments		
– Expenditure of Concession intangible assets		
– contracted but not provided for	**337,384**	218,892
– authorised but not contracted for	**1,903,996**	2,218,195
	2,241,380	2,437,087
Investment commitments		
– contracted but not provided for	**—**	45,000
– authorised but not contracted for	**132,000**	—
	132,000	45,000
	2,373,380	2,482,087

The above capital commitments are capital expenditures of concession intangible assets for Nanguang Expressway, Yanba Expressway Section C, Qinglian Expressway, and Meiguan Expressway. The investment commitment related addition capital injection to be made to Qinglong Company as approved by the board of directors of the Company.

In the opinion of the directors, the above commitments could be fulfilled by internal financial resources, banking facilities and external financing arrangement made available to the Group.

37 Business combination

Airport-Heao Eastern Company was a jointly controlled entity with its 55% equity interest owned by the Group. On 30 September 2009, the Company completed the transaction and further acquired the remaining 45% equity interest of Airport-Heao Eastern Company and related shareholders' loan to make it become a wholly owned subsidiary of the Group at the acquisition cost amounted to RMB1,068,800,000, which is in line with the fair value attributable to the 45% equity interest, and no goodwill arose thereon.

(a) Details of net assets acquired and goodwill are as follows:

	RMB'000
– Purchase consideration as specified in equity transfer agreement	1,068,800
– Cash flow distribution derived from Airport-Heao Eastern Company originally attributable to the seller (i)	(72,479)
– Direct costs relating to the acquisition	81,692
Total cost of acquisition	1,078,013
Less: Fair of the Group's share of net assets and shareholders' loan acquired	(1,078,013)
Goodwill	—

(i) In accordance with the equity transfer agreement, the Group is entitled to all cash distribution derived from Airport-Heao Eastern Company since 1 April 2009 when the acquisition is completed. Since the acquisition was completed in 30 September 2009, the proportion of cash distribution generated from 1 April to 30 September, which is originally attributable to the seller will be owned by the Group. Therefore, it was treated as a deduction item to the cost of acquisition.

(b) The revaluation surplus of original 55% equity interest owned by the Group amounting to RMB893,132,000 was credited to the other reserve on the date of acquisition.

On 30 September 2009, the acquisition date	RMB'000
Fair value of net assets and shareholders' loan of Airport-Heao Eastern Company	2,395,585
The fair value of original 55% equity interest and shareholders' loan	1,317,572
Less: the carrying value of original 55% equity interest and shareholders' loan	(424,440)
Revaluation surplus arising from the acquisition	893,132

37 Business combination (continued)

(c) The assets and liabilities as at 30 September 2009 arising from the acquisition are as follows:

	Fair value RMB'000	Carrying amount RMB'000
Cash and cash equivalents	160,036	160,036
Trade and other receivables	13,272	13,272
Inventories	228	228
Deferred income tax assets	14,176	14,176
Other current assets	699	699
Property, plant and equipment	48,458	48,458
Construction in progress	858	858
Concession intangible assets	3,094,975	929,773
Less:		
Other payables and accrued expenses	(123,826)	(123,826)
Provision for maintenance/resurfacing obligations	(251,741)	(251,741)
Current income tax liabilities	(20,250)	(20,250)
Deferred income tax liabilities	(541,300)	—
Fair value of net assets and shareholders' loan	2,395,585	771,683
Purchase consideration settled in cash	1,068,800	—
Transaction costs	81,507	—
Less: Cash and cash equivalents in subsidiary acquired	(160,036)	—
Cash outflow on acquisition	990,271	—

(d) The Group adopted valuation technology to assess the fair value of net assets of Airport-Heao Eastern Company on the acquisition date. Main assets of Airport-Heao Eastern Company are cash and cash equivalents and concession intangible assets. The fair value of cash and cash equivalents is equal to its carrying amount, while concession intangible assets are assessed using "Present Earning Value Method" based on the following key estimations:

- Assume that the toll rate of Airport-Heao Eastern Company would increase by 20% from 2015;
- In order to realise the growth potential of the business and maintain the competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, the Group has assumed that the facilities and systems proposed are sufficient for future expansion;
- The Group has assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Airport-Heao Eastern Company;
- The Group has assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be complied;
- The Group has assumed that no flooding and other types of scurvy weather will occur which may result in the closure of the expressway;

37 Business combination (continued)

(d) (continued)

- Based on tax regulations applicable to the Airport-Heao Eastern Company, the Group has assumed the tax rate over the concession period of the expressway as follows:

(i) Turnover tax and surtax

Tax item	Tax base	Tax rate
Business tax -toll road	Toll road's revenue	3%
Business tax -rental income	Rental income	5%
Urban maintenance and construction tax	Business tax amount	1%
Educational surtax and surcharge	Business tax amount	3%

(ii) Income tax

Year	**2009**	2010	2011	2012 - 2027
Income tax rate	**20%**	22%	24%	25%

In determining the discount rate for the operation adopted in the valuation, the Group has taken into account a number of factors including the current market condition and the underlying risks inherent in the business, such as uncertainty risk, etc. These risk factors have been considered in determining the appropriate discount rate, i.e, 13.2%, for the valuation.

(e) Revenue, net profit and cash flow of Airport-Heao Eastern Company from the acquisition date to 31 December 2009 are set out as follows:

	RMB'000
Revenue	120,520
Net profit	56,585
Cash flow from operating activities	60,182
Net decrease in cash flow	(107,440)

38 Related party transactions

Shenzhen International Holdings Limited ("Shenzhen International") used to indirectly hold 31.153% interests in the Company. Upon transfer of additional 18.868% equity interests in the Company held by Shenzhen Shen Guang Hui Highway Development Company ("Shen Guang Hui"), a shareholder of the Company, on 30 Dec 2008, Shenzhen International began to hold, in aggregate, 50.021% of indirect interests in the Company and it became the ultimate holding company of the Company. Shenzhen International is de facto controlled by Shenzhen Investment Holding Corporation, which is supervised and managed by the Shenzhen Municipal State-owned Assets Supervision and Administration Commission, which is a state-owned authority.

Apart from the related party transactions and balances in relation to construction management services, payments made for the Yanjiang Project, guarantee for borrowings, and advance and loan received, which have already been disclosed in Notes 16(a), 21(a), 21(b), 21(f), 24(c) and 24(d) to the financial statements, the following material transactions were carried out with related parties on a normal commercial basis during the year:

(a) Capital expenditures and payable balances for construction in progress

	2009 RMB'000	2008 RMB'000
Capital expenditures incurred for service concession projects and construction in progress:		
– State-owned contractors	**522,376**	1,847,732
Payables for construction projects and guaranteed deposits		
— State-owned contractors	**1,018,122**	1,090,606

(b) Payment of project management service fee

The Group entered into project management service contracts with Consulting Company, an associate of the Group, under which Consulting Company assumes the management of the reconstruction project of the Group. The value of the management service contract is approximately RMB94,255,000. During the year, the Group paid a management fee of approximately RMB24,184,000 (2008: RMB17, 569,000) to Consulting Company. The cumulative management fee paid by the Group to Consulting Company amounted to approximately RMB72,849,000 up to 31 December 2009 (2008: RMB48,666,000).

(c) Toll income collection

Due to the geographical layout of the toll roads operated by the Group, certain toll gates of the toll roads of the Group and Airport-Heao Eastern Company are overlapping. As a result, the Group and Airport-Heao Eastern Company collect toll income for each other. From 1 January 2009 to 30 September 2009 when Airport-Heao Eastern Company became a subsidiary of the Company, the aggregate toll income collected by the Group on behalf of Airport-Heao Eastern Company was RMB100,202,000 (2008: RMB136,891,000), while the aggregate toll income collected by Airport-Heao Eastern Company on behalf of the Group was RMB89,766,000 (2008: RMB125,043,000). All toll income collected was paid back to the counterparties within three days after collection without charging any handling fees.

38 Related party transactions (continued)

(d) Management entrustment

On 7 January 2008, the Company entered into an operation and management entrustment agreement with Yibin Industrial (Shenzhen) Company Limited ("Yibin Company"), a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Yibin Company entrusts the Company to manage its 100% equity interest held in Shenzhen Baotong Expressway Construction Company Limited ("Baotong Company") and the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited ("Longda Company") by Baotong Company. The term of the operation and management entrustment agreement commenced on 8 January 2008 and will expire on 31 December 2009. However, Yibin Company retains the legal ownership in and its entitlement to risks and rewards/ obligations of the two investee companies. In return for the services rendered, the Company is entitled to a management entrustment fee determined at the higher amount of an annual fee of RMB15 million, or at 8% of the annual audited net profit of Longda Company (but in any event shall not exceed RMB25 million). The management entrustment fee for the year amounted to RMB15,000,000 (2008: RMB15,000,000). The amount had been settled by Yibin Company as at 31 December 2009.

In May 2009, the Company entered into a project construction management contract with Yibin Company and Baotong Company. Pursuant to the contract, Baotong Company entrusts the Company to construct Longhua Extension of Longda Company ("Longhua Extension"). The period of construction is 24 months from the contract's signing date. The Group recorded the related construction management service income of RMB1,487,000 (Note 16(a)). As at 31 December 2009 the Group received management fee amounting to RMB900,000 from Baotong Company, which was included in other payables.

(e) Key management compensation

	2009 **RMB'000**	2008 RMB'000
Salaries, bonus and other short-term employee benefits	**9,611**	9,019

The key management includes directors (executive and non-executive), supervisors and senior management. There are in total 23 (2008: 21) key management personnel in the Company.

39 Subsequent events

The Company's application for the issuance of medium term notes (the "Notes") with principal amount of RMB 700 million has been approved by the National Association of Financial Market Institutional Investors. The Notes would be issued in two phases, of which the first phase with principal amount of RMB 400 million has been successfully issued on 15 March 2010. The Notes have terms of three years and bear floating interest rate. The applicable interest rate of the first phase notes is 3.72% per annum.

Reconciliation of financial statements

The Group has prepared a separate set of financial statements for the year ended 31 December 2009 in accordance with the China Accounting Standards ("CAS"). The differences between the financial information prepared under the CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December 2009 RMB'000	Capital and reserves attributable to the Company's equity holders as at 31 December 2009 RMB'000
As per PRC statutory financial statements prepared under CAS	**540,219**	**8,177,490**
Impact of HKFRS adjustments:		
– Revenue and profit recognition for construction services and amortisation of concession intangible assets	**—**	**42,465**
As restated after HKFRS adjustments	**540,219**	**8,219,955**

General Information

This section sets out the basic information about the toll highway invested and managed by the Company to help readers further understand the Company's business and operation.

More information is available on the Company website (http://www.sz-expressway.com/) and will be updated regularly.

Corporate Information

Registered Chinese and English Names	深圳高速公路股份有限公司 Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Place of Business in Hong Kong	Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Telephone	(86) 755-8285 3300; (852) 2543 0633
Fax	(86) 755-8285 3400; (852) 2543 9996
Investor Hotline	(86) 755-8285 3330
Website	http://www.sz-expressway.com
E-mail	secretary@sz-expressway.com
Company Secretary	WU Qian
Listing Exchanges	H Share: The Stock Exchange of Hong Kong Limited Security Code: 00548 Abbreviation: Shenzhen Expressway
	A Share: The Shanghai Stock Exchange Security Code: 600548 Abbreviation: Shenzhen Expressway
	Bond: The Shanghai Stock Exchange Security Code: 126006 Abbreviation: 07 Shenzhen Expressway Bond
Annual Report Available at:	Hong Kong: Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Designated Publication Website	http://www.hkex.com.hk http://www.sse.com.cn http://www.sz-expressway.com
International Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Statutory Auditor	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
PRC Legal Adviser	Guangdong Junyan Law Firm 16/F, B Tower, International Commercial Building, First Fuhua Road, Shenzhen
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lu Jia Zui Road East, Pudong New District, Shanghai
Investor Relations Consultant of H Shares	Rikes Hill & Knowlton Limited Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong
Investor Relations Consultant of A Shares	Everbloom Investment Consultant Company Limited Room 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank

Definitions

Summary of abbreviations of enterprises invested:

Abbreviation of company	Full name of company	Place of registration	Note
Advertising Company	深圳高速廣告有限公司 (Shenzhen Expressway Advertising Company Limited)	Shenzhen City	
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)	Shenzhen City	
Guangdong UETC	廣東聯合電子收費股份有限公司 (Guangdong United Electronic Toll Collection Inc.)	Guangdong Province	
Guangyun Company	雲浮市廣雲高速公路有限公司 (Yunfu Guangyun Expressway Company Limited)	Guangdong Province	Owns Guangwu Project
GZ W2 Company	廣州西二環高速公路有限公司 (Guangzhou Western Second Ring Expressway Company Limited)	Guangdong Province	Owns GZ W2 Expressway
Huayu Company	深圳市華昱高速公路投資有限公司 (Shenzhen Huayu Expressway Investment Company Limited)	Shenzhen City	Owns Shuiguan Extension
JEL Company	Jade Emperor Limited	Cayman Islands	Holds 100% interest in Magerk Company
Jiangzhong Company	廣東江中高速公路有限公司 (Guangdong Jiangzhong Expressway Company Limited)	Guangdong Province	Owns Jiangzhong Project
Jihe East Company	深圳機荷高速公路東段有限公司 (Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited)	Shenzhen City	Owns Jihe East
Magerk Company	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited)	Hubei Province	A wholly foreign-owned enterprise which owns the operating rights of Wuhuang Expressway
Maxprofit Company	Maxprofit Gain Limited	British Virgin Islands	Holds 25% interest in Qinglian Company
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited	Hong Kong	Holds 100% interest in Maxprofit Company and 55% interest in JEL Company
Meiguan Company	深圳市梅觀高速公路有限公司 (Shenzhen Meiguan Expressway Company Limited)	Shenzhen City	Owns Meiguan Expressway
Nanjing Company	南京長江第三大橋有限責任公司 (Nanjing Yangtze River Third Bridge Company Limited)	Jiangsu Province	Owns Nanjing Third Bridge
Qinglian Company	廣東清連公路發展有限公司 (Guangdong Qinglian Highway Development Company Limited)	Guangdong Province	A Sino-foreign joint-venture enterprise which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited)	Shenzhen City	A Sino-foreign joint-venture enterprise which owns Shuiguan Expressway
Shenchang Company	湖南長沙市深長快速幹道有限公司 (Hunan Changsha Shenchang Expressway Company Limited)	Hunan Province	Owns Changsha Ring Road
Yangmao Company	廣東陽茂高速公路有限公司 (Guangdong Yangmao Expressway Company Limited)	Guangdong Province	Owns Yangmao Expressway

For definitions and details of the relevant toll highways, please refer to the section "Information and Map of Highways" in this annual report.

Other definitions:

A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
Articles	The articles of association of Shenzhen Expressway Company Limited
Baotong Company	深圳市寶通公路建設開發有限公司 (Shenzhen Baotong Highway Construction and Development Company Limited), which owns 89.93% equity interest in Longda Company, and is a wholly-owned subsidiary of Shenzhen International
Board	The board of Directors of the Company
Coastal Company	深圳市市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited), and is a wholly-owned subsidiary of SIHCL
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
CAS	Accounting Standards for Business Enterprises (2006) of the PRC
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited
CSRC	China Securities Regulatory Commission
Director(s)	The director(s) of the Company
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited), a shareholder of the Company
The Group, Group	The Company and its subsidiaries
H Shares	Overseas-listed foreign shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in HK$ and are listed on SEHK
HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
HKEx	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
Huajian Centre	華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre), a shareholder of the Company
IFRIC 12	HK(IFRIC) - Int 12 "Service Concession Arrangements" issued by the Hong Kong Institute of Certified Public Accountants
Independent Director(s)	The independent non-executive Director(s) of the Company
Intersafe Company	Intersafe Investments Limited
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)

Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited), which owns Longda Expressway
PRC	The People's Republic of China, which for the purpose of this report, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
Reporting Period, Period, Year	For the twelve months ended 31 December 2009
RMB	Renminbi, the lawful currency of the PRC
Road King Company	Road King Infrastructure Limited,
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company), a shareholder of the Company
Shenzhen International	Shenzhen International Holdings Limited, the shares of which are listed on the main board of HKEx, the controlling shareholder of XTC Company and SGH Company
Shenzhen SASAB	深圳市國有資產監督管理局 (Shenzhen State-owned Assets Supervision and Administration Bureau), formerly known as 深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal Government)
SIHC	深圳市投資管理公司 (Shenzhen Investment Holding Corporation), which is supervised and managed by Shenzhen SASAB , which is the investment holding institutions under the People's Government of Shenzhen, supervised and managed by Shenzhen SASAB
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited), which is wholly-owned by Shenzhen SASAB
SGJ Shenzhen	深國際控股（深圳）有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司(Yiwan Industry Development (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited), a shareholder of the Company
Yibin Company	怡賓實業（深圳）有限公司 (Yibin Industry (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International

Information and Map of Highways

1. Coverage of Business

2. Toll Highway Projects Summary (as at March 2010)

Projects operated and invested:

Toll highway	Interest held by the Company	Location	Length (km)	No. of lanes	Status	Operation period
⚐ Meiguan Expressway	100%	Shenzhen	19.3	6/4	Under operation/ extension	1995.05-2027.03
⚐ Jihe East	100%	Shenzhen	23.9	6	Under operation	1997.10-2027.03
⚐ Jihe West	100%	Shenzhen	21.7	6	Under operation	1999.05-2027.03
⚐ Yanba Expressway	100%	Shenzhen	29.1	6	Under operation	2001.04-2031.03
Shuiguan Expressway	40%	Shenzhen	20.1	6	Under operation/ extension	2002.02-2025.12
Shuiguan Extension	40%	Shenzhen	5.2	6	Under operation	2005.10-2025.12
⚐ Yanpai Expressway	100%	Shenzhen	15.2	6	Under operation	2006.05-2027.03
⚐ Nanguang Expressway	100%	Shenzhen	33.1	6	Under operation	2008.01-2033.01
Yangmao Expressway	25%	Guangdong	79.7	4	Under operation	2004.11-2027.07
Guangwu Project	30%	Guangdong	39.8	4	Under operation	2004.12-2027.11

Toll highway	Interest held by the Company	Location	Length (km)	No. of lanes	Status	Operation period
Jiangzhong Project	25%	Guangdong	37.5	4	Under operation	2005.11-2027.08
GZ W2 Expressway	25%	Guangdong	42.0	6	Under operation	Applying for approval
⚐ Qinglian Expressway	76.37%	Guangdong	188/27	4	Under operation/ reconstruction	2009.07-2034.07
Wuhuang Expressway	55%	Hubei	70.3	4	Under operation	1997.09-2022.09
Changsha Ring Road	51%	Hunan	34.5	4	Under operation operation	1999.11-2029.12
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2005.10-2035.10

⚐: The projects were developed and constructed by the Company (including the former 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited)).

Note: With the same number of lanes, differences in surface material, designed speed and lane may cause differences in capacity. Generally, the capacity of a four-lane expressway is approximately 100,000 passenger car unit per day, while the capacity of a six-lane expressway is approximately 120,000 passenger car unit per day.

Projects under entrusted operation management:

Project	Entrusting party	Location	Length (km)	No. of lanes	Entrusted management period
Longda Project	Baotong Company	Shenzhen/ Dongguan	28.2	6	2008.01.08-2009.12.31 (executed) 2010.01.01-2011.12.31

Projects under entrusted construction management:

Project	Entrusting party	Location	Length (km)	Estimated investment	Completion schedule for main works
Hengping Link Section	Shenzhen Longgang Highway Bureau	Shenzhen	0.9	50 million	Completed in the beginning of 2010
Nanping (Phase II)	Shenzhen Communications Bureau	Shenzhen	15	4.1 billion	Comprise of Section A and Section B, in which Section A is planned to be completed by the End of 2011
Shenyun Project	Shenzhen Communications Bureau	Shenzhen	2	0.12 billion	End of 2010
Longhua Extension	Baotong Company	Shenzhen	2	0.19 billion	First half of 2011
Coastal Project	SIHCL	Shenzhen	30	Approximately 8.8 billion	End of 2012

Projects development:

Toll highway	Location	Length	Basic information
Outer Ring Expressway	Shenzhen	Approximately 90km	The Company is proceeding with the preliminary work, and has not determined the mode of investment and development plan.
Coastal Expressway Airport Feeder	Shenzhen	Approximately 7km	

3. Information of Projects (including definitions of projects)

Note: For information of toll rates, please refer to the section headed "Toll Roads & Bridges" on the website of the Company at http://www.sz-expressway.com.

Projects in Shenzhen region:

Meiguan Expressway, the expressway from Meilin to Guanlan in Shenzhen City, running from south to north, is a main trunk in the central part of Shenzhen. Meiguan Expressway commenced operation in May 1995. It connects in the south with Huanggang Port, one of the largest land border checkpoints in Asia, and Guanshen Expressway (Dongguan - Shenzhen) in the north, and intersects with Jihe Expressway in the middle. It is the main route for land transportation between Hong Kong and mainland China.

Jihe Expressway, the expressway from Shenzhen International Airport to Heao in Shenzhen City, comprising **Jihe East** and **Jihe West**. Jihe Expressway connects with Yantian Port through Yanpai Expressway in the east, passes through many connecting expressways to reach areas such as Huizhou and Shantou in eastern Guangdong, links with Shenzhen Bao'an International Airport and Guangshen Expressway (Guangzhou - Shenzhen) in the west. It is a part of Shenhai Expressway (Shenyang - Haikou), and is also a main trunk in the Pearl River Delta region. Jihe East and Jihe West commenced operation in October 1997 and May 1999 respectively.

Yanba Expressway, the expressway from Yantian to Bagang in Shenzhen City, comprising **Yanba A**, **Yanba B** and **Yanba C**. Yanba Expressway is located in eastern Shenzhen, passes through several seaside resorts along the line, and accesses Yantian Port and Shenzhen downtown in the west, will link with Shenshan Expressway (Shenzhen - Shantou) through Huishen Coastal Expressway (Renshan, Huizhou - Baisha, Shenzhen, referred to as Renbai Expressway, under construction) in the east. It is a main trunk radiating outward from eastern Shenzhen, which facilitates the development of tourism and economy in the eastern region. Yanba A and Yanba B commenced operation in March 2001 and June 2003 respectively. The main part of Yanba C was completed at the end of November 2008, and is scheduled to commence operation simultaneously with Huizhou Coastal Expressway.

Shuiguan Expressway, the expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage. It commenced operation in February 2002, and is the expressway that connects with Shenzhen downtown and Longgang Industrial Zone, one of the important industrial zones in Shenzhen. It is also the trunk expressway connecting Longgang, Shenzhen with its peripheral areas. The Company acquired 40% of its interest in January 2003.

Shuiguan Extension, an extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue). It commenced operation in July 2005, connects with Bulong Interchange of Shuiguan Expressway and the Qingshuihe Checkpoint in Shenzhen, and links with the Qingshuihe and Sungang warehouse areas, two large-scale warehouse areas in Shenzhen.

Yanpai Expressway, the expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road to Jihe Expressway. It starts from Yantian Port in the south, heading northwest to connect with Shuiguan Expressway, Jihe ExpresswayEast and Yuxiang Expressway Boshen Section (under construction). Yanpai Expressway commenced operation in May 2006. It provides a convenient and express passage for prompt traffic diversion at Yantian Port, and also plays a significant role in relieving the traffic pressure in Shenzhen downtown as well as facilitating port development and tourism in the eastern region.

Nanguang Expressway, the expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue, running from south to north. The main-line commenced operation in January 2008. Nanguang Expressway connects with Shenzhen-Hong Kong Western Corridor and Shekou Western Ports via Nanping Freeway, and heading north to reach Dongguan City via Longda Expressway, passing through several important economic industrial towns of Shenzhen. It is one of the main trunks in the western part of Shenzhen City.

Outer Ring Expressway, the Shenzhen Outer Ring Expressway. It is located in the northern part of Shenzhen, with main-line running from east to west. It is a major east-west trunk corridor of Shenzhen's planned trunk road network. The Company is proceeding with the preliminary research work of Outer Ring Expressway.

Coastal Expressway Airport Feeder, the Shenzhen Airport Feeder Project of Coastal Expressway (as hereinafter defined). It is planned to run from east to west, connecting with Coastal Expressway and Jihe Expressway. It will become an important part of Shenzhen International Airport's outbound traffic and a traffic diversion channel for Dachanwan Port. Currently, the Company is proceeding with the preliminary research work of Coastal Expressway Airport Feeder.

Projects in other regions of Guangdong province:

Qinglian Project, refers to Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Highway and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be. Qinglian Project is located in the northern part of Guangdong Province and connects Qingyuan City and Lianzhou City near Hunan Province. It is a major highway transport corridor connecting the less developed areas in the northwestern part of Guangdong Province with the developed areas of the Pearl River Delta region. It connects with the highway network in the Pearl River Delta via Guangqing Expressway (Guangzhou - Qingyuan) in the south, and with Jingzhu Expressway (Beijing - Zhuhai) in Hunan Province in the north via the Yilian Expressway (Yizhang - Lianzhou, under construction). It is an essential route that links up the northern and southern highway networks of Guangdong Province and enhances the trading and economic activities from the Pearl River Delta region towards the central inland areas. The reconstruction into an expressway for the main part (Fengtouling - Lianzhou section and Fengbu - Jingkou section, approximately 188km) of Qinglian Class 1 Highway was completed and commenced operation, and started to toll by expressway since 1 July 2009. Due to adjustments to the planning of connecting road network, the Liannan section (Lianzhou - Fengbu, approximately 27km) of Qinglian Class 1 Highway has commenced reconstruction into an expressway since the first half of 2009. Reconstruction of original road surface was completed, and traffic had resumed in mid-February 2010. The remaining route changing and closing works is scheduled to complete in early 2011.

Yangmao Expressway, the expressway from Yangjiang City to Maoming City. It commenced operation in November 2004, and links with Kaiyang Expressway (Kaiping - Yangjiang) and Maozhan Expressway (Maoming - Zhanjiang). It is an important part of the Shenhai Expressway (Shenyang - Haikou) in Guangdong Province.

Guangwu Project, the section from Ma'an to Hekou of the Guangwu Expressway (Guangzhou - Wuzhou). Guangwu Project commenced operation in December 2004. It starts from Zhaoqing City, Guangdong Province in the east, connects with the Guangzhao Expressway (Guangzhou - Zhaoqing), ends in Yunfu City, Guangdong Province in the west, and connects with the second phase of Guangwu Expressway (under construction). It is a part of the Guangkun Expressway (Guangzhou - Kunming) which connects up the Pearl River Delta region, Guangxi Province and the southwestern region of China.

Jiangzhong Project, the expressway from Zhongshan City to Jiangmen City and the second phase of Jianghe Expressway (Jiangmen - Heshan). Jiangzhong Project commenced operation in November 2005. It is a part of the major trunk road network in the southwestern region of Guangdong Province, and helps enhance the economic activities between western Guangdong Province and Pearl River Delta region.

GZ W2 Expressway, Xiaotang to Maoshan Section of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway. GZ W2 Expressway commenced operation in December 2006. It starts from the Guangsan Expressway (Guangzhou - Sanshui) in Nanhai District, Foshan City, and ends in Baiyun District, Guangzhou City. It links with Guangzhou Northern Second Ring Expressway, connects with many expressways and national highways around Guangzhou City. It serves as a convenient passage running from the region to the west of Guangzhou to Guangzhou Huadu International Airport.

Projects in other provinces in the PRC:

Wuhuang Expressway, the expressway from Wuhan City to Huangshi City, located in Hubei Province. Wuhuang Expressway was formerly a Class 1 highway which commenced operation in 1991. The highway was reconstructed into an expressway in 1996, and underwent major maintenance in 2002 to 2003. The Group acquired 55% of its interest in August 2005. Running from east to west, Wuhuang Expressway is an important part of Huyu Expressway (Shanghai - Chongqing), and is also the major hub of transportation network of eastern Hubei Province. It connects with Jingzhu Expressway (Beijing - Zhuhai) and National Highway 107 in Wuhan City, and reach to Anhui Province and Jiangxi Province through surrounding expressway networks.

Changsha Ring Road, Changsha National Highway Ring Road (Northwestern Section), located in Hunan Province. Changsha Ring Road commenced operation in November 1999, linking with Jingzhu Expressway (Beijing - Zhuhai), National Highway 107 in the northeast and Changyi Expressway (Changsha - Yiyang), National Highway 319 and southwestern section of Hunan Changsha Ring Road in the west. It serves as an important infrastructure facility of Changsha City.

Nanjing Third Bridge, Nanjing Yangtze Third Bridge, located in Jiangsu Province. Nanjing Third Bridge commenced operation in October 2005. It connects with several cross-regional expressways which reach to Anhui Province, Jiangsu Province and Zhejiang Province in the south and north, respectively. It is a convenient passage along the Hurong Expressway (Shanghai - Chengdu) crossing over Yangtze River at Nanjing City.

Projects under entrusted construction and entrusted management:

Longda Expressway, the expressway from Longhua, Shenzhen to Dalingshan, Dongguan. It links up with Bulong Class 1 Highway and Fulong Freeway in the south, intersects with Jihe Expressway and Nanguang Expressway in the north, and connects with Changhu Expressway (Changping - Humen) in Dongguan. Shenzhen section and Dongguan section of Longda Expressway opened to traffic and commenced operation in September 2005 and January 2007 respectively. **Longda Project** refers to the entrusted management of 89.93% equity interest in Longda Company by the Company, including the daily operation management of Longda Expressway.

Nanping (Phase I), Nanping (Phase II), the main-line project of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) Phase I and Phase II. Nanping Freeway is a significant construction project invested by Shenzhen Municipal Government. It starts from Coastal Expressway in the west and will connect with Shenzhen Western Corridor and Nanguang Expressway etc., and intersects with Shuiguan Expressway in the east. Nanping (Phase I) project was completed and opened to traffic in June 2006.

Hengping Highway, Shenzhen Hengping Class 1 Highway, located in Longgang District, Shenzhen. It starts from Shuiguan Expressway, heading east to Longgang District, Shenzhen, and connects with Huiyan Expressway (Huizhou - Yantian). The total length is approximately 50km. **Hengping Link Section** refers to the work for the link section between Hengping Highway and NH205. **Hengping Resumed Section** refers to the section of approximately 6.7km of Hengping Highway completed at the end of December 2008, the management of which was entrusted to the Company.

Wutong Mountain Project, Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Road Checkpoint Station Project. It is an ancillary project of Yanpai Expressway. It was completed in May 2007.

Shenyun Project, the Shenyun-North Ring Interchange renovation project in Shenzhen City, includes the additional ramp and relative auxiliary projects, and the old bridge renovation and reinforcement.

Longhua Extension, Longhua Extension of Longda Expressway Project, located in Baoan District in Shenzhen City. It starts from Yuanfen Footbridge of Bulong Highway, ends at and interconnects with Longda Expressway.

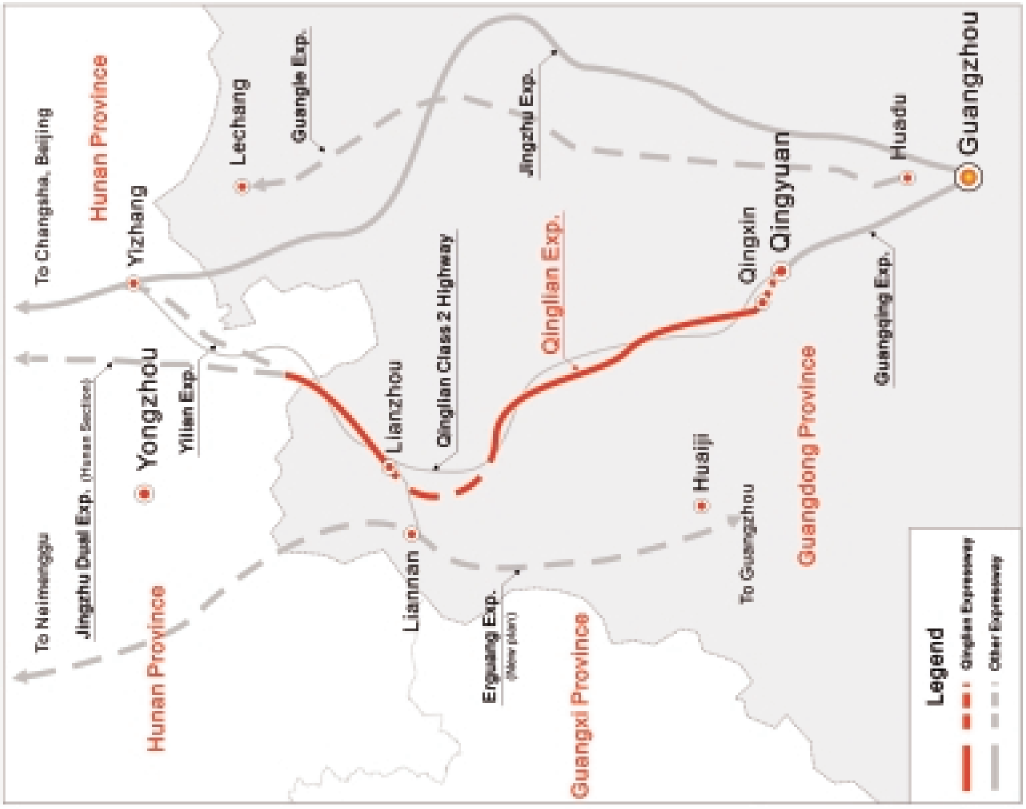
Coastal Expressway, Guangshen Coastal Expressway. Its main-line runs from south to north, starts from Nanshan District of Shenzhen, connects with Shenzhen Western Corridor in the south and ends in Huangpu, Guangzhou in the north. The total length is approximately 90km. **Coastal Expressway (Shenzhen Section)**, the section of Coastal Expressway from Nanshan district of Shenzhen to Dongbao River (the boundary between Dongguan City and Shenzhen City). **Coastal Project** refers to the entrusted management of Coastal Company by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. During the Reporting Period, it specifically refers to the entrusted management of Coastal Expressway (Shenzhen Section) during the construction period.

4. Map of Projects

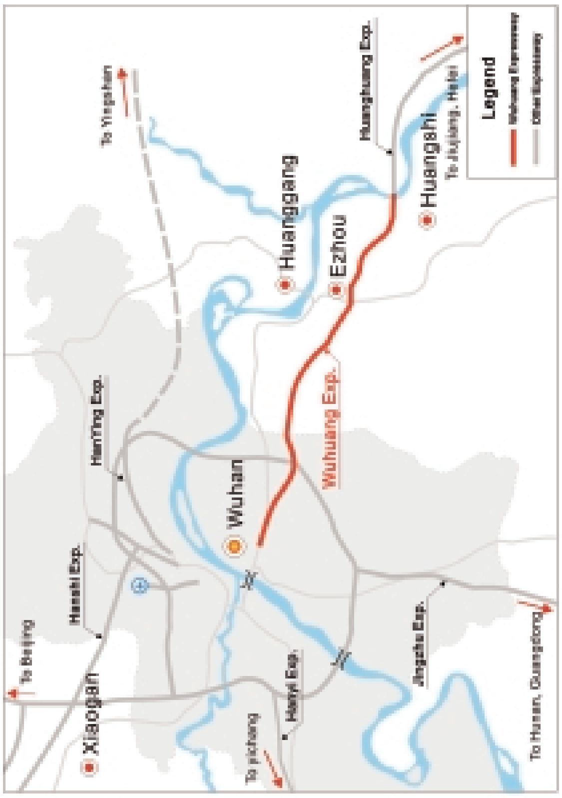
Road Network of Shenzhen

Road Network of Pearl River Delta

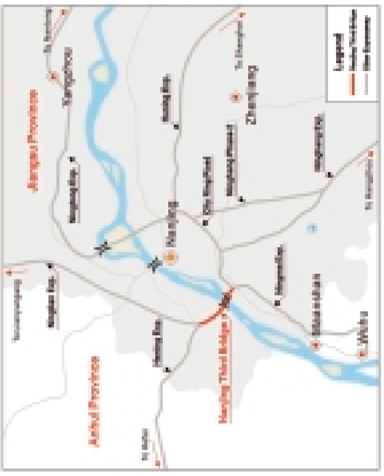
Road Network of Qinglian Expressway



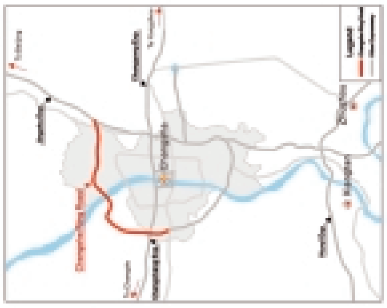
Road Network of Wuhuang Expressway



Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road



Operational Statistics Summary for Last Ten Years

Unit: number of vehicles

Average daily traffic volume	00	01	02	03	04	05	06	07	08	**09**
Shenzhen Region:										
Meiguan Expressway	23,659	33,634	37,566	46,397	64,199	76,343	89,909	98,285	92,744	**98,318**
Jihe East	21,602	25,103	26,547	33,308	44,446	56,468	70,278	88,675	90,991	**93,019**
Jihe West	12,787	16,134	21,809	28,284	35,257	46,462	53,765	65,741	67,661	**72,800**
Yanba Expressway		5,762	5,343	7,423	9,427	11,572	14,179	12,492	13,879	**16,509**
Shuiguan Expressway			22,762	30,397	39,842	54,747	75,281	103,236	106,241	**118,064**
Shuiguan Extension						31,739	25,477	28,086	28,181	**32,294**
Yanpai Expressway							15,915	26,313	31,898	**33,763**
Nanguang Expressway									16,336	**32,212**
Other Regions in Guangdong Province:										
Yangmao Expressway					8,179	10,362	13,099	16,205	18,119	**19,618**
Guangwu Project					1,926	6,120	7,695	9,185	9,806	**11,190**
Jiangzhong Project						15,472	26,114	39,492	45,344	**50,899**
GZ W2 Expressway							2,186	6,165	9,574	**14,883**
Qinglian Expressway										**16,011**
Other Provinces in the PRC:										
Changsha Ring Road	1,302	1,373	2,576	3,454	4,636	5,393	5,439	5,791	6,020	**7,342**
Wuhuang Expressway						22,895	23,530	27,846	29,140	**32,412**
Nanjing Third Bridge						8,276	12,184	16,788	18,334	**20,029**

Unit: RMB'000

Average daily toll revenue	00	01	02	03	04	05	06	07	08	**09**
Shenzhen Region:										
Meiguan Expressway	332.2	476.7	501.7	560.5	707.7	795.3	878.3	903.0	791.8	**814.0**
Jihe East	364.2	420.4	430.1	499.5	631.1	786.6	904.5	1,150.6	1,227.3	**1,242.0**
Jihe West	231.1	287.0	385.0	484.5	593.9	739.9	775.8	945.1	937.3	**951.4**
Yanba Expressway		36.1	35.5	61.2	89.2	115.1	153.0	172.7	195.6	**213.4**
Shuiguan Expressway			234.7	300.1	382.3	504.1	682.8	964.8	1,006.0	**1,072.4**
Shuiguan Extension						229.5	162.7	181.9	178.9	**202.5**
Yanpai Expressway							252.0	370.1	407.0	**382.6**
Nanguang Expressway									176.0	**302.9**
Other Regions in Guangdong Province:										
Yangmao Expressway					394.3	546.9	719.0	913.1	902.3	**967.5**
Guangwu Project					75.3	164.8	224.1	266.0	265.0	**305.7**
Jiangzhong Project						200.8	386.3	581.8	651.8	**707.2**
GZ W2 Expressway							68.6	180.7	301.5	**471.0**
Qinglian Expressway										**829.9**
Other Provinces in the PRC:										
Changsha Ring Road	18.0	18.4	36.2	46.8	55.2	58.3	54.1	61.6	60.5	**63.6**
Wuhuang Expressway						728.0	887.5	1,052.0	1,017.1	**1,090.0**
Nanjing Third Bridge						324.9	472.5	629.3	640.1	**672.1**

Confirmation to the Annual Report

As the Directors and senior management of Shenzhen Expressway Company Limited ("Company"), we confirm that there are no false representations or misleading statements contained in or material omissions from the Annual Report 2009 of the Company, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of the report.

19 March 2010

Signature of Directors:

Yang Hai: ______________________

Wu Ya De: ______________________

Li Jing Qi: ______________________

Zhao Jun Rong: ______________________

Tse Yat Hong: ______________________

Lin Xiang Ke: ______________________

Zhang Yang: ______________________

Chiu Chi Cheong, Clifton: ______________________

Lam Wai Hon, Ambrose: ______________________

Ting Fook Cheung, Fred: 丁福祥 ______________________

Wang Hai Tao: ______________________

Zhang Li Min: ______________________

Signature of Senior Management Members:

Li Jian: ______________________

Zhou Qing Ming: ______________________

Ge Fei: ______________________

Liao Xiang Wen: ______________________

Gong Tao Tao: ______________________

Wu Xian: ______________________

Wu Qian: ______________________