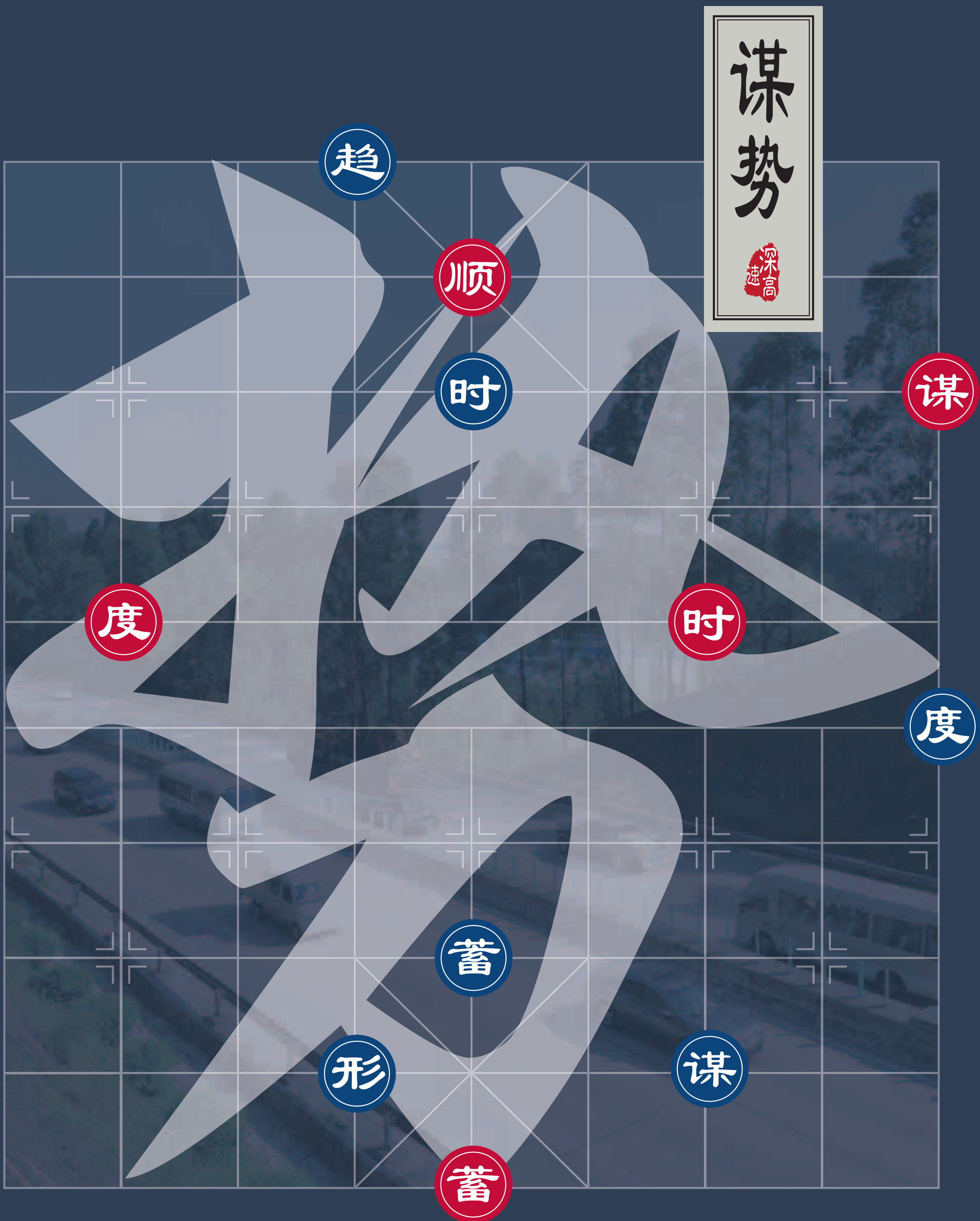
SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)



Annual Report 2010

共同進步 分享快樂

Advancing Together, Harvesting Together

As quoted ancient wisdom, "smart chess players think globally while lousy players look for one single piece". In playing chess or games, one needs to have an overall strategic plan to win rather than merely seek for a local advantage or capture a certain piece. The final victory is only led by well planning and positioning for any opportunities that may arise. The adoption of Chinese character "势"(pronounced as "shi") as the vision theme of this year reflects the unremitting thoughts of the Company on its development strategy and approach.

The character "势" has the meaning of momentum or situation. As a result of development in toll highway industry for more than ten years, the Company has gained certain momentum to lay the foundation for its long-term development. However, being faced with the sophisticated and volatile economic and policy environment, the Company still needs to closely analyse and assess the prevailing situation before making any sound judgment and exploring new business opportunity for its sustained development.

The character "势" can also be interpreted as trend and opportunity. The Company will leverage on its advantages for further development and sustainable growth. On the other hand, upon making sound judgment on the situation, the Company will also decisively take steps to seize growth opportunities, ride with the tide and be well poised for take-off.

In Chinese, the character "势" is made up of "执" (execution) and "力" (power). With this annual theme, the Company emphasises once again the necessity of executive power for it to meet the strategic development goals. Meanwhile, the vision theme well illustrates our will power focused on consistently strengthening the executive power of the Company.

Member of Shenzhen International Holdings Limited

Contents

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.

A total of 2,180,770,326 shares were issued by the Company, of which 1,433,270,326 shares are listed on SSE and 747,500,000 shares are listed on HKEx.

After over a decade's development, the Company has built a number of high-quality expressways, and also expanded its coverage to Guangdong Province and other economically developed areas in the PRC by ways of acquisition and participation. Meanwhile, the Company provides outstanding construction management and operation management services for government and other enterprises. As at the end of the Reporting Period, the Company operated and invested totally 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) exceeded 400km. The principal business structure of the Company is set out as follows:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Toll Highway Business

Shenzhen region

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

Other regions in Guangdong Province

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

Other provinces in the PRC

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

Entrusted Management Business

- Entrusted Construction Management
- Entrusted Operation Management

Other Businesses

- ▶ Advertising 100%
- ▷ Engineering Consulting 30%

Shenzhen region

Other provinces in the PRC

▶ Consolidated project / business

▷ Non consolidated project/ business

Other regions in Guangdong Province

Financial Highlights (Prepared in accordance with HKFRS)

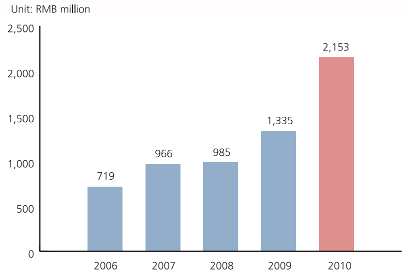
Results Highlights (For the year ended 31 December)

(RMB'000)	2010	2009	2008	2007 Restated[1]	2006 Restated[1]
Revenue	**3,041,816**	2,475,410	4,242,041	3,845,511	1,805,983
Including: Toll revenue	**2,152,551**	1,335,482	984,818	965,850	719,067
Construction revenue under service concession[2]	**739,430**	1,033,736	3,178,980	2,742,056	1,036,692
Other income	**149,835**	106,192	78,243	137,605	50,224
Profit before interests, tax, depreciation and amortisation	**2,025,984**	1,360,308	1,026,942	1,056,077	792,748
Profit before interests and tax	**1,400,286**	963,961	822,872	873,445	672,694
Profit before tax	**856,984**	570,159	560,785	715,031	576,007
Profit for the year	**710,072**	525,333	494,528	616,937	544,334
Profit attributable to the equity holders of the Company	**745,806**	540,219	503,195	622,393	532,651
Basic earnings per share for profit attributable to the equity holders of the Company (RMB)	**0.342**	0.248	0.231	0.285	0.244
Dividends per share to the equity holders of the Company (RMB)	**0.16**	0.12	0.12	0.16	0.13

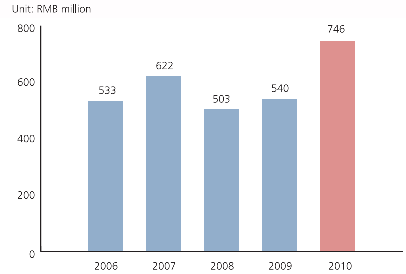
Assets Highlights (As at 31 December)

(RMB'000)	2010	2009	2008	2007 Restated[1]	2006 Restated[1]
Total assets	**22,661,452**	22,253,514	18,263,578	14,711,393	9,400,124
Total liabilities	**13,282,915**	13,343,662	10,511,437	7,104,868	3,100,670
Total equity	**9,378,537**	8,909,852	7,752,141	7,606,525	6,299,454
Equity attributable to the equity holders of the Company	**8,691,292**	8,219,955	7,047,358	6,893,075	6,299,454
Net assets per share attributable to the equity holders of the Company (RMB)	**3.99**	3.77	3.23	3.16	2.89

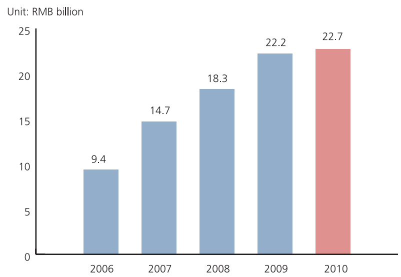
Toll Revenue



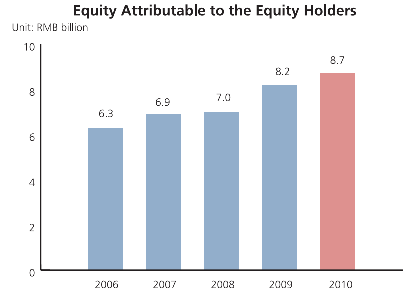
Profit Attributable to the Equity Holders



Total Assets



Equity Attributable to the Equity Holders



Principal Financial Ratios[3]

(For the year ended 31 December)	**2010**	2009	2008	2007 Restated[1]	2006 Restated[1]
Operating profit ratio[2]	**34.98%**	25.02%	12.59%	17.93%	27.31%
Toll highway operating profit ratio	**48.62%**	49.10%	55.25%	61.49%	68.57%
Return on equity attributable to the equity holders of the Company	**8.58%**	6.57%	7.14%	9.03%	8.46%
Interest covered multiple	**2.47**	1.86	1.82	3.16	6.34

(As at 31 December)	**2010**	2009	2008	2007 Restated[1]	2006 Restated[1]
Gross liabilities-to-equity ratio	**141.63%**	149.76%	135.59%	93.40%	49.22%
Net borrowings-to-equity ratio	**100.01%**	108.87%	96.75%	69.29%	33.17%

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 recognise its construction revenue under service concession. It reflected the construction or upgrade works carried out on the roads of which the operating rights were owned by the Group, whereas there was no real cash inflow realised/realisable during the relative construction phase. As a corresponding construction cost was also recognised, the amount of revenue-related profit was insignificant or not recognised. Thus a significant difference existed between the overall operating profit ratio and toll highway operating profit ratio of the Group.

(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 the equity holders = Profit attributable to the equity holders of the Company / Capital and reserves attributable to the 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

2010

Jan

- Awarded the "Shenzhen Mayor's Quality Award" by Shenzhen municipal government, which is the top award in the field of quality management in Shenzhen.
- The Board approved the Development Strategies 2010-2014, guided the orientation of further development.

Mar

- Successfully issued medium-term notes with total amount of RMB700 million.
- Published 2009 annual results and a net profit of RMB540 million was recorded.
- Yanba C was formally opened for toll collection.

May

- Convened the Annual General Meeting and announced the dividend for the year 2009.
- 深圳市外環高速公路投資有限公司 (Shenzhen Outer Ring Expressway Investment Company Limited) was established for conducting the preliminary research work of Outer Ring Expressway.

Oct

- Awarded the "Best Corporate Governance Award in Corporate Governance Evaluation of China Listed Companies in 2010".

Nov

- Awarded a bronze of "The Best Annual Reports Awards 2010" by the Hong Kong Management Association.

Dec

- Commenced the construction works of reconstruction and expansion of the north section of Meiguan Expressway.
- Awarded the "Information Disclosure Award of Listed Companies 2010" by SSE.
- Three overseas enterprises including Mei Wah Company were recognised as overseas resident enterprises.

2011

Jan

- The reconstruction of Liannan Section of Qinglian Project into an expressway was completed, and an expressway toll rate has been adopted. Qinglian Expressway, with total mileage of approximately 216km, has been fully opened to traffic.

Management Discussion and Analysis

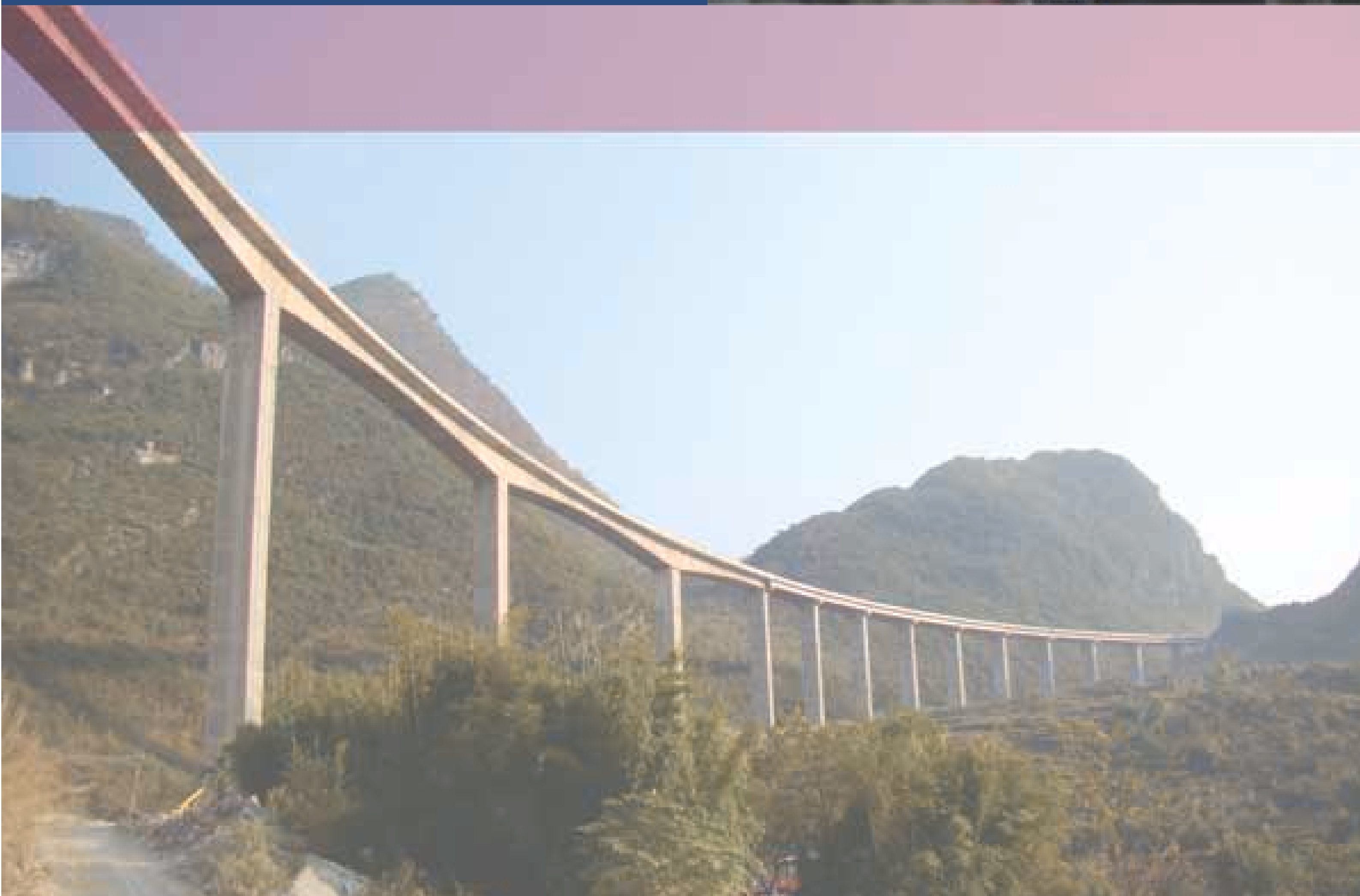
This section focuses on the Company's business performance, operating results, financial performance, internal management and material transactions in 2010 to provide a systematic way for the readers to understand the operation management of the year and the future plans and goals of the management.

善弈者谋势

Chairman's Statement

To all shareholders,

On behalf of the Board, I hereby report to the shareholders that in 2010, the Group realised earnings of RMB746 million with earnings per share of RMB0.342, representing an increase of 38.1% over 2009. The Board recommended the payment of a final dividend of RMB0.16 per share in cash for 2010, representing an increase of 33.3% over 2009. For details of the dividend for the year, please refer to the content of "Profit distribution" in "Financial Analysis" of this annual report.



Business Review

The year of 2010 saw the commencement of implementation of the "2010-2014 Development Strategies" of the Company. With the support from all stakeholders and concerted efforts and dedication of the staff of Shenzhen Expressway, we achieved the operating targets set at the beginning of the year in a more satisfactory way and gained strong momentum for the growth of the Company. This marked a good start for the five-year strategies.

During the year, the Group made great efforts to enhance the traffic efficiency of the roads, raise our service standards and provide convenient services, laying a solid foundation for achieving the operating targets for the year. The Group set up a customer service centre and established a database of the diversion distribution of vehicles and the vehicle mix of the road networks. In addition, the Group carried out target-oriented marketing activities and promoted its non-stop toll collection system. The Group also established an emergency response and traffic relieve system for peak hours and continuously improved the management and maintenance of its road assets.

With respect to project construction, the Group continued to be committed to the philosophy of delicacy management to proactively cope with any challenges, and effectively controlled its targets on schedules, quality, cost and safety. After smoothing away the adverse impacts from land requisition, demolition and relocation, weather anomalies and unusual geological conditions, the reconstruction of Liannan Section of Qinglian Project into an expressway was completed at the end of the year as scheduled, and an expressway toll rates has been adopted since 25 January 2011. The operation of the entire Qinglian Expressway marked the satisfactory completion of the largest and most challenging project for Shenzhen Expressway since its establishment and laid a solid foundation for sustainable growth of the Group's earning in the future.

In recent years, as the scale of assets of the Company increased, the liabilities scale of the Group has risen and the financial risk and pressure of finance cost also increased correspondingly. In 2010, the Company effectively reduced its capital costs on the premise of ensuring its financial security by issuing medium-term notes, reasonable utilisation of foreign currency loans with arrangements to lock up the exchange and interest rates of the loans, active consolidation of financial resources of the Group and reasonable adjustment of its debt portfolio. In addition, the Company conducted in-depth study on the provisions of tax laws and proactively cooperated with, and applied to and obtained approval from, the competent authorities of the State for confirmation of the status of overseas resident enterprises of a number of companies including Mei Wah Company. Through these measures, the Group achieved reasonable control on its tax expenses.

Based on the new five-year strategies, the Company, as always, dedicates to its principal business and will proactively carry out study and research on new industries. Through internal discussion and promotion, the Company further reached a common target with its staff and established a specialised team to conduct in-depth study on policies and regulations, operation and profit models of and risks specific to the relevant industries based on specific projects. A valuable report was brought forward, which cleared the thoughts and laid a foundation for identification of the objects on the development of new industries.

In 2010, the Group recorded toll revenue of RMB2.152 billion, representing an increase of 61.2% over the corresponding period, which was attributable to the opening and operation of new projects in succession and the completion of acquisition of a quality project in recent years, gradual recovery of economy in 2010 and unremitting efforts that the Group put on business improvement. Despite the cultivation period of its new projects and increase in its finance cost pressure, the Group still managed to achieve rapid growth in earnings and recorded satisfactory results.

Strategies for Development

A positive economic environment is simply a catalyst for the operating results, though the annual performance of toll highway companies is closely related to the macro-economic environment. The true and long-term value of a company is dependent on the quality of its assets and its capability to achieve sustainable growth. This is the reason that currently the Company continuously deliberates and explores its future development direction.

In exploring its development direction, the Company has to identify「勢」(situation) to size up the current trend and evaluate the prevailing situation. After rapid growth for nearly 20 years, the PRC is top-ranking in the mileage of expressways in the world and a complete national route network has been fundamentally built. Based on the overall road network planning and the scale of toll highways, it is expected that there will be no significant changes in the industrial policies in the short term. However, returns on new projects have trended downwards as road network became denser and suffered increasing costs. Moreover, over the past two years, the toll highway industry has faced pressures and challenges from policy changes or adjustments. In the short term, the Company needs to identify the direction of policy change in time and make adjustments to its operating strategies when appropriate; and in the long term, the Company needs to identify and make correct judgement on the prospect and development trend of the industry, and choose the direction favorable to its long-term growth.

In determining its development strategies, the Company should follow 「勢」(trend) to allocate its resources reasonably and ride with the tide. After more than ten years of development, the Company has accumulated extensive experience in construction management of projects, set up a team with rich core business capability and experience to built a strong brand with market appeal, which will be the solid foundation for the future development of the Company. In determining the direction for its development, the Company shall make full use of its advantages and strength to realise sustainable and healthy growth by leveraging on and exporting its core business capability and experience.

In implementing its development strategies, the Company should gather 「勢」(momentum) and makes careful deployment and strategic moves. The strategies outlined the blueprint of development and the actions to be taken, it is the effective execution that can turn the objectives into reality. In 2011, the Company will proactively monitor and evaluate the impacts from the change in industrial policies and road networks, strengthen marketing planning for and emergency management of toll highway projects and focus on releasing the revenue growth potential of new projects. The Company will conduct in-depth study on the road maintenance plans and continue to proceed with the construction of the Coastal Project and Nanping (Phase II) and reconstruction and expansion of Meiguan Expressway. The Company will also seize opportunities when arises to integrate its toll highway resources and proceed with development of new industries in a prudent way. In addition, the Company will continue to improve its overall management through strengthening its management of cash flow and control of expenses, further optimisation of its capital structure and maintaining its capital cost at a reasonable level. Moreover, the Company will create a desired external environment for its development by strengthening its communication and cooperation with the government, earning understanding and support from shareholders and partners and maintaining good relationship with its creditors.

The "2010-2014 Development Strategies" of the Company defines the development direction of "Insisting on the market-driven principle, relying on the expressway industry and actively exploring and attempting for new industry investment, in order to pursue a synergistic growth in scale and effectiveness." In the new strategic period, the development model of the Company will be changed from an outer scale 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 capability and experience, in order to seek new opportunities for the Group's long-term development.

It will be the harvest season for the Company for the next two to three years and the Company will see a rapid growth of its principal business as its new projects gradually mature. Meanwhile, it is also the key point whether the Company can achieve long-term value. The successful rolling out of studying and exploring work on new industries will mark the commencement of another round of the growth of the Company. Being sharp at identifying「勢」(situation), adept at following「勢」(trend) and dedicated to gathering「勢」(momentum), we are confident that we are able to achieve steadier, faster and more sustainable growth in the future!

Acknowledgements

It is difficult to achieve success, but it is more difficult to sustain it. The achievement of the Group has relied and will continue to rely on the trust and support of all shareholders and the society and the dedication and contributions of all Directors, Supervisors and the management. In addition, the hard work, aggressiveness and contributions of the staff have been the long-lasting source for the sustainable growth of the Group. On behalf of the Board, I would like to take this opportunity to express my gratitude to all of you for your immense support and continuous contributions!

Yang Hai
Chairman

Shenzhen, PRC, 25 March 2011

Toll Highway Business

The Group's earnings come mainly from toll highway operations and investments. During the Reporting Period, the Group adopted proactive management and marketing strategies and implemented rational traffic organisation plans for the continuous improvement of our operational performance. Moreover, with such favourable factors as national economic growth and increasing enhancement of road networks, the traffic volume and toll revenue of each project recorded a significant growth. Meanwhile, the Group also actively pushed ahead the road reconstruction and expansion works to further expand the business scale and the profit base of the Group. General information about each highway is set out in "Information and Map of Highways" of this annual report.

1. The Operating Environment for 2010

Although the impact of the financial tsunami on the overall economy of the world still lingers, the PRC's national economy recorded a good performance and the industrial production, the investment and the consumption maintained a steady growth under the macro-economic control measures and industrial policies implemented by the PRC government. In 2010, there was an increase in GDP of 10.3% over the previous year; and the GDP in Guangdong Province and Shenzhen City increased by 12% and 12% respectively over the previous year.

In 2010, total imports and exports of Guangdong Province and Shenzhen City amounted to US$784.66 billion and US$346.75 billion respectively, representing increases of 28.4% and 28.4% over 2009 respectively. The cargo throughput at Shenzhen Port totalled 220 million tonnes, representing an increase of 14.1% over the previous year. The container throughput totalled 22.51 million TEUs, representing an increase of 23.3% over the previous year, of which the container throughput at Yantian Port amounted to 10.11 million TEUs, representing an increase of 17.9%, which was the second time that such throughput had exceeded 10 million TEUs since 2007. The cargo and passenger transported by highways in Shenzhen City amounted to 200 million tonnes and 1,510 million passenger trips respectively, while cargo turnover and passenger turnover for highways recorded increases of approximately 16.4% and 16.4% respectively.

The vehicle ownership in China continued to grow during the year and according to the statistical bulletin by National Bureau of Statistics, the civilian vehicle ownership in China reached 90.86 million vehicles as at the end of 2010, representing an increase of 19.3% over 2009, among which private vehicles amounted to 65.39 million vehicles, representing an increase of 25.3% over 2009. In addition, the number of vehicles registered in Shenzhen exceed 1.7million, representing an annual increase of more than 0.25million over the previous year.

The robust economy and the increase in the vehicle ownership rejuvenated the operational performance of the Group. On the other hand, with the heavier inflationary pressure on the economy of the PRC, CPI recorded an increase by 3.3% for the entire year of 2010, which brought more challenges to the Group's daily operation management and construction cost control. In addition, The Central Bank has raised the deposit reserve rate and benchmark interest rate for six times and twice respectively during the year, which caused pressure on the Group's fund raising activities and financial cost control.

Source of data:

GDP: preliminary findings published by the Bureau of Statistics 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. Overall Operational Performance

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

Toll Highway	Percentage of interests held by the Group	Percentage of revenues consolidated	Average daily mixed traffic volume (number of vehicles in thousand) 2010	2009	Change	Average daily toll revenue (RMB'000) 2010	2009	Change
Shenzhen region:								
Meiguan Expressway	100%	100%	**117**	98	19.3%	**951**	814	16.9%
Jihe West	100%	100%	**91**	73	25.2%	**1,169**	951	22.9%
Jihe East	100%	100%	**112**	93	19.9%	**1,415**	1,242	13.9%
Yanpai Expressway	100%	100%	**40**	34	17.7%	**429**	383	12.0%
Yanba Expressway (1)	100%	100%	**24**	17	47.3%	**335**	213	57.1%
Nanguang Expressway	100%	100%	**51**	32	57.1%	**524**	302	72.9%
Shuiguan Expressway	40%	—	**135**	118	14.0%	**1,230**	1,072	14.7%
Shuiguan Extension	40%	—	**40**	32	25.4%	**251**	203	23.7%
Other regions in Guangdong Province:								
Qinglian Expressway (2)	76.37%	100%	**18**	16	14.2%	**1,037**	830	24.9%
Yangmao Expressway	25%	—	**20**	18	12.8%	**1,095**	968	13.2%
Guangwu Project	30%	—	**17**	11	56.2%	**472**	306	54.3%
Jiangzhong Project	25%	—	**68**	51	34.5%	**870**	707	23.1%
GZ W2 Expressway	25%	—	**29**	15	94.0%	**672**	471	42.7%
Other provinces in the PRC:								
Wuhuang Expressway	55%	—	**38**	32	17.8%	**1,272**	1,090	16.7%
Changsha Ring Road	51%	—	**8.6**	7.3	16.6%	**73**	64	14.5%
Nanjing Third Bridge	25%	—	**22**	20	10.1%	**783**	672	16.5%

Notes:

(1) Yanba C was opened for operation on 25 March 2010, the figures in the column of "Yanba Expressway" in the table included the operating statistics of Yanba C.

(2) The main route of Qinglian Project has adopted expressway toll rate since 1 July 2009. The statistics in the table excluded the operating statistics of Liannan Section tolled as class 1 highway as well as Qinglian Class 2 Road of Qinglian Company. During the Reporting Period, the overall average daily toll revenue of Qinglian Company was RMB1,074,000.

During the Reporting Period, each highway project operated and invested by the Group recorded two-digit year-on-year increases in both traffic volume and toll revenue, in which Yanba Expressway, Nanguang Expressway, Guangwu Project and GZ W2 Expressway recorded a significant growth. In 2010, the factors affecting the operational performance of the toll highways of the Group mainly include:

- **Economic sentiment and vehicle ownership.** The economic growth is the key driver for the growth in traffic demand in a society, and the vehicle ownership is the transformer that transformed the traffic demand into the traffic volume. In 2010, the economic sentiment and the vehicle ownership in the PRC maintained a continuous growth (please refer to "The Operating Environment for 2010" above for details), significantly enhancing the overall operational performance of the toll highways of the Group.

- **Marketing strategies and traffic organisation.** Proactive business strategies can enhance the operational performance of toll highways. Based on the studies and researches on the conditions of the peripheral road networks, surveys on the traffic demand of areas along the road and analysis on different functions of the road networks, the Company took target-oriented marketing measures to release the potential traffic demand and effectively attract traffic volume. In addition, the Company provided more rapid and comfortable traffic services and enhanced the traffic efficiency of the road networks through the implementation of such measures as pushing ahead inter-network toll collection, optimisation of toll collection procedures, reasonable working arrangement in toll stations, real-time monitoring and directing traffic volume on the road networks. Please refer to "Enhancement of Business" below for details.

- **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 high-speed railways and intercity 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. For details, please refer to "Analysis by Projects" below.

- **The impact of "Green Passage Toll Free Policy".** The State has implemented "Green Passage Toll Free Policy" for fresh agricultural product carrier vehicles for major transportation routes in the PRC since 2008, and has extended the policy to cover all toll highway projects in the PRC since 1 December 2010. Since December, the toll highways of the Group to which this policy was applicable have increased from Jihe Expressway, Wuhuang Expressway, Qinglian Expressway, Yangmao Expressway, Changsha Ring Road and Nanjing Third Bridge, to all 16 projects. The revenue and profit of the Group for the Reporting Period decreased by approximately RMB28,016,000 and RMB31,825,000 respectively (2009: RMB15,690,000 and RMB28,015,000) resulting from the implementation of this "Green Passage Toll Free Policy".

Q *What material adverse impacts would the "Green Passage Toll Free Policy", which has been launched since 1 December 2010, cause to the Group's operational performance?*

A *Jihe Expressway, Wuhuang Expressway, Qinglian Expressway, Yangmao Expressway, Changsha Ring Road and Nanjing Third Bridge, which are operated and invested by the Group, have adopted "Green Passage Toll Free Policy" before the policy is fully implemented in the country. According to the past experience, for the single project, the amount waived is mainly related to the functions of the roads and the seasonal factors. According to the statistics as at December 2010 and January 2011, the actual toll fees waived by Meiguan Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Shuiguan Expressway accounted for 1% or below of the total toll fees of the month. The percentage waived by Jihe Expressway, Qinglian Expressway, GZ W2 Expressway and Shuiguan Extension laid between 1% to 3%, the percentage waived by Wuhuang Expressway, Jiangzhong Project, Guangwu Project, Nanjing Third Bridge and Changsha Ring Road laid between 3% to 6%, and the percentage waived by Yangmao Expressway was approximately 12%. As Yangmao Expressway is the main truck connecting Hai Nan Province, a place characterised by agricultural crops, and Guangdong Province, the traffic volume for transportation of agricultural produces accounts for a relatively high percentage of the total traffic volume.*

3. Analysis by Projects

The impact on highway projects from economic environment and road network changes, and the performance of the highway projects during the Reporting Period varied among their different functions, years of operation and neighboring road networks. Further description on some projects is as follows:

Jihe Expressway, Meiguan Expressway, Yanpai Expressway - Guanhui Expressway, which connects Dongguan and Huizhou, opened to traffic on 26 January 2010, and diverted certain traffic from some sections of Jihe Expressway and Meiguan Expressway. Huishen Coastal Expressway, which connects Shenzhen and Huizhou, opened to traffic on 25 March 2010, and slightly diverted certain traffic from Jihe East, Meiguan Expressway and Yanpai Expressway. In addition, road condition in Shenhui Road, which is a municipal road, was improved as the reconstruction of that road was nearly completed in August 2010, and certain traffic flow of the expressways during reconstruction returned to local roads, resulting in a decrease of traffic volume in some sections of Jihe East and Yanpai Expressway. Nevertheless, benefited from sound external environment, the effect on the traffic diversion as mentioned above has been offset by the overall rapid growth in traffic demand. The average daily toll revenue of each of these projects during the Reporting Period recorded a rapid increase.

Yanba Expressway - The opening of Huishen Coastal Expressway realised the linkage between Yanba Expressway and the road networks in eastern Guangdong region, offering a convenient express passage between Shenzhen and Hong Kong with Huizhou and eastern Guangdong region. Benefited from the commencement of the operation of Yanba C and the realisation of the synergy effects among road networks, the average daily toll revenue of Yanba Expressway for the period from April to December this year was RMB377,000, representing an increase of approximately 80% over the first quarter.

Nanguang Expressway - Songbai Road, a municipal road parallel to Nanguang Expressway, has been under expansion and reconstruction since 2009, which created a positive effect on the operational performance of Nanguang Expressway. In addition, the Company adopted proactive business strategies to enhance the performance of the project. Please refer to "Enhancement of Business" below for details.

Shuiguan Expressway - Before and after the reconstruction of Shenhui Road, traffic volume in Shuiguan Expressway changed slightly and certain traffic flow of the expressway during the reconstruction of Shenhui Road returned to local roads, but the overall impact was insignificant. Shuiguan Expressway was under expansion during the Reporting Period. However, the possible impacts from expansion on its operational performance were significantly reduced due to the implementation of rationalised construction organisation plans, together with the rapid growth in regional traffic demand. During the Reporting Period, the project recorded a growth of approximately 14.7%.

Qinglian Project - During the Reporting Period, the overall average daily toll revenue of Qinglian Company was RMB1,074,000, of which RMB1,037,000 or 96.5% derived from expressway. The overall performance of Qinglian Expressway remained stable since it adopted a toll-by-weight trial system in November 2009. Driven by the traffic during the Chinese New Year, its average daily toll revenue reached the peak in February 2010, then its revenue lowered slightly but has still been stable. Since Qinglian Class 2 Road bore most of the traffic flow during the period of reconstruction into an expressway of Qinglian Project, the road surfaces were badly worn out. In order to recover its traffic capacity and ensure the traffic safety, the Group has temporarily closed Qinglian Class 2 Road and suspended its toll collection since late September 2010 for maintenance and repair works.

Guangwu Project - The second phase of Guangwu Expressway (Hekou to Pingtai section) commenced operation at the end of June 2010, and the entire expressway from Guangzhou, Guangdong to Wuzhou, Guangxi has been opened and the traffic between the provinces in the southwestern region, Guangdong, Hong Kong and Macau become more convenient. The synergy effects among road networks significantly enhance the operational performance of Guangwu Project.

Jiangzhong Project - The second phase of Guangzhu West Line commenced operation at the end of June 2010, linking-with Jiangzhong Project. This route shortens the time of the journey between Guangzhou and Zhongshan and thus attracts the traffic volume between two cities effectively, which has favourable effect on the Jiangzhong Project. In addition, with the construction works of nearby Jiangzhao Expressway, certain traffic flow was attracted to the Jiangzhu section of Jiangzhong Project, which increased the traffic volume and toll revenue of Jiangzhong Project during the Reporting Period to a certain extent.

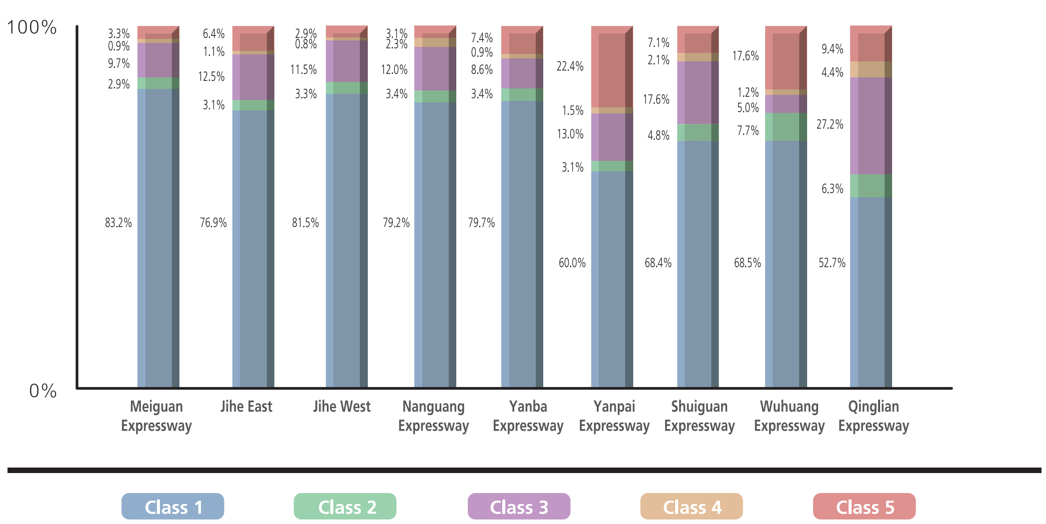
GZ W2 Expressway - Benefited from the enhancement in road networks and the government authorities' active implementation of traffic improvement measures, such as separation of the cross-border traffic from the urban traffic and overloading control, the cross-border traffic function of GZ W2 Expressway became increasingly prominent, which had a remarkably positive impact on the operational performance of GZ W2 Expressway.

Wuhuang Expressway - With several expressways and express passages opened in Hubei Province in recent years, the neighbouring road networks of Wuhan region were further enhanced. This contributed to the sustained growth in traffic volume of Wuhuang Expressway. In particular, after the opening of Hubei section of Hurong West Expressway at the end of 2009, the major route of the national expressway between Shanghai and Chengdu was opened to traffic, which drove the operational performance of Wuhuang Expressway in remarkable degree. In addition, the administration provided and guidance given by the local traffic administration department and neighboring roads for cargo traffic also brought positive effect on the traffic volume and revenue of Wuhuang Expressway.

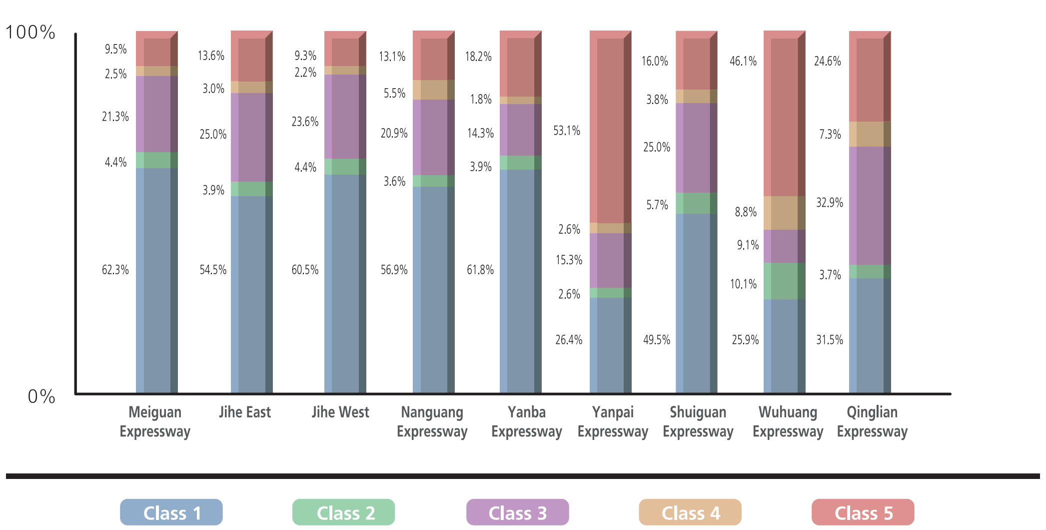
Nanjing Third Bridge - Nanjing Yangtze Tunnel commenced operation at the end of May 2010 and diverted to a significant extent the traffic flow of the passenger car volume from Nanjing Third Bridge. On the other hand, the Southeast Section of Nanjing Ring Expressway linking Nanjing Third Bridge Expressway commenced operation in October, which has brought a greater traffic volume of lorries, and has positive effect on operational performance of Nanjing Third Bridge.

There was no substantial change on the vehicle category for each major highway project of the Group in 2010 as compared to that of last year. The following diagram shows the vehicle category of major highway projects of the Group during the Reporting Period:

Vehicle Category of Major Highways - By traffic volume



Vehicle Category of Major Highways - By toll revenue



4. Enhancement of Business

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

Conduction of in-depth survey and analysis as well as optimisation of marketing strategies: With the continuous improvement on the road networks, the Group put more focus on the survey and study on neighbouring road networks and the distribution of functional communities for major projects, formulated and implemented targeted marketing and management measures based on the results of the survey and study. For example, for such roads newly opened to traffic but less known to the road users, through improving of road signs and guideposts, designing and distributing travel guides, launching promotion activities through media such as the press, radio stations and TV stations, and holding marketing activities with connecting road networks, the Group sought to enhance road users' understanding of the alignment and function of the projects and familiarity with the traffic routes. In respect of the periodical traffic jam occurred in individual section of a highway, the Operations Department analysed the causes in details, optimised toll collection arrangement, adopted a rational pricing strategy as well as worked in line with the implementation of traffic organisation and soothing plans of regional governments, and thereby improving the overall smoothness and efficiency of the road networks.

Actively pushing ahead inter-network toll collection between regions and promoting non-stop toll collection system: In order to improve the traffic efficiency of the overall road networks, the Company actively pushed ahead inter-network toll collection between regions and subsequent standardisation of toll collection management. In January 2010, the inter-network toll collection has officially adopted in the "Shenzhen" and the "Pearl River Delta" regions; In March 2010, the inter-network toll collection was also adopted in Yanba Expressway and the highways in eastern Guangdong region. Meanwhile, the Company put more effort on the promotion to large-scale customers of non-stop toll collection system (Unitoll Card) and thus the utilisation of Unitoll Card in busy toll stations increased, which improved the traffic efficiency. While upgrading such hardware as intelligence toll system, the Company has also enhanced its auditing and supervision management and implemented standardised toll collection measures to reduce loss in tolls.

Establishment of a traffic divergence system for peak hours to ensure the traffic capacity of highways: With the increasing traffic volume, the Group faced more challenges in terms of the traffic capacity at its toll stations. In order to rapidly diverge the traffic during peak hours and enhance emergency response capability, the Company, through the implementation of scientific and rational rapid divergence measures, increase of the emergency response training and drills, and utilisation of advanced information monitor and release system to timely provide information on the traffic condition on highways as well as manage the traffic flow in a rational way, which greatly improved the overall emergency response capability. In addition, in light of the increasing complexity of the road networks, the Company has established a database of diversion distribution of vehicles and vehicle mix of the road networks to conduct an in-depth tracking and analysis on diversion of vehicles, which formed a basis for the formulation of work plans for rationalised distribution of vehicles and staggered shift. By implementation of such measures, the current resources can be fully utilised, which ensures the traffic capacity of highways and enhance the growth of the traffic volume and revenue.

Enhancing road assets maintenance: The Company conducts regular quality checks and continuous inspections on roads to timely monitor road conditions, hazards, adopt measures to eradicate or remedy any detected hazards or adopt the relative maintenance measures, so as to maintain the qualities, safety and smoothness of the roads. In 2010, the Company continued to adopt its road assets maintenance philosophy, "The maximum benefit of maintenance during the whole operating period", and collected and analysed a large amount of basic data and cases on maintenance and repair works for similar highways in the PRC, which further facilitated the study and formulation of a preventive maintenance plan in order to ensure the sound condition of highways and extend the lifespan of highways, which in turn will effectively lower the overall maintenance cost of highways.

5. Business Development

In 2010, the Company actively pushed ahead projects under construction, meticulously looked into and formulated reconstruction and expansion plans, and conducted the preliminary works of the new projects in a practical manner, which laid a solid foundation for the Group's future operational performance.

◆ **Project construction**

The Group has overcome various challenges and completed the reconstruction of Liannan Section of Qinglian Class 1 Highway into an expressway on schedule. This highway has adopted expressway toll rate since 25 January 2011. Impacted by persistent rainfall across northern Guangdong region during the first half of the year, the reconstruction of Liannan Section became more difficult and the time for reconstruction was limited, which adversely affected the project management. In response to these, Qinglian Company made timely adjustments to optimise the reconstruction organisation and arrangement, and continually reinforced external coordination, strengthened on-site supervision and actively pushed ahead the progress of the reconstruction works. Hence, all of the works for reconstruction of Qinglian Project were completed on schedule, and achieved its management objectives in quality, safety, cost and schedules.

In addition, the construction works of the interchange of Nanguang Expressway and Nanping (Phase II) is in progress simultaneously with the construction works of Nanping (Phase II). It is expected to be opened to traffic concurrently with Section A of Nanping (Phase II) at the end of 2011.

Q ***How does the performance of Liannan Section of Qinglian Project after its operation as an expressway?***

A ***Liannan Section has started to commence expressway operation on 25 January 2011, which newly increases another 27 km toll mileage to Qinglian Expressway and marks the whole 216km Qinglian Expressway has achieved thorough connection. The operation of Liannan Section improved the operating conditions and the traffic capacity of Qinglian Expressway, facilitating a better operational performance of it. During 1 January to 24 January, the average daily toll revenue of Qinglian Expressway was approximately RMB1,115,000, while the average daily toll revenue during 25 January to 15 March was approximately RMB1,411,000, representing an increase of 26.6%. Its overall performance was in line with expectation.***

Project reconstruction and expansion

Reconstruction and Expansion of Meiguan Expressway - To increase the traffic capacity and service standards of the project, the Company approved the reconstruction and expansion of the North Section of Meiguan Expressway (Qinghu-Liguang, approximately 11km). The approval, construction drawing design and most of the tendering process were completed during the year. As at the end of the Reporting Period, approximately 90% of the land requisition, demolition and relocation works and preparation for construction were completed, and some of the construction works for passages, culverts and bridge foundation works were also commenced. The project is expected to be completed at the beginning of 2013. Given the development of the economy and traffic of the peripheral regions, the government is planning to move northward the toll station on the main route of Meiguan Expressway in the south, and to pay the toll fees collectively by the government for the vehicles using the section to the south of the new toll station. Currently, the Company is proactively negotiating with the relevant competent authorities on the overall operation and reconstruction arrangement of the South Section of Meiguan Expressway (Qinghu-Meilin, approximately 8 km). The Company believes that reasonable arrangement for toll model adjustment and reconstruction and expansion will enable the Group to simplify its management mode on the premise of maintaining return on assets, and will improve local traffic environment and stimulate the development of communities and their economy as well. As at the date of this report, the negotiations are still in progress. The Company will timely submit the relevant proposal to the Board for consideration in line with the work progress.

Expansion of Shuiguan Expressway - Qinglong Company is in charge of the expansion of Shuiguan Expressway, the progress of which is going well and expected to be completed in mid-2011. The expansion has adopted the construction organisation arrangement to minimise the adverse effects on the traffic capacity arising from the construction works, which is to expand new lanes first and reconstruct the old lanes after the new lanes come to use. As at the end of the Reporting Period, the road understructure and bridge culverts of the new lanes was completed, and the road surface construction works has commenced. The shareholders of Qinglong Company have agreed to make additional capital contribution for the expansion of the project, please refer to the announcement dated 21 September 2009 and the Annual Report 2009 of the Company for details. As at the date of this report, the additional capital contribution is underway.

- **Project development**

In order to further push ahead the preliminary study and relevant negotiations, the Company established a legal entity, 深圳市外環高速公路投資有限公司(Shenzhen Outer Ring Expressway Investment Company Limited), to verify the investment value of the project based on a in-depth study on the returns and risks of it. As at the end of the Reporting Period, the toll proposal for the Outer Ring Expressway has been approved and the application for site selection as well as pre-approval of land use have been submitted to relevant government authorities of Guangdong Province. The preliminary design works is expected to be commenced at the beginning of 2011.

Q ***Does the Company have any investment plans on the toll highways projects currently?***

A ***The Group is mainly engaged in toll highways business. Subject to the clear principles of investments, the Group will continue to explore investment opportunities of projects with high quality. Those principles are not to invest on the toll highway projects under construction outside Shenzhen and the return rates of the projects invested shall be in accordance with the Company's strategies. In Shenzhen, the Company has the first rights of refusal in developing the Outer Ring Expressway, which is the last one of the planned expressways in the Shenzhen Municipal. Following the unification of Shenzhen-Dongguang-Huizhou, the highway will become more important as it links up the cities. However, the investment and construction cost of the project is high. The Company will make its investment decisions based on aspects such as enhancing the design plans and the investment mode, seeking support from the government, and consideration of the returns of the project and the capability of the Company to bear the burden with its financial resources. Currently, the Company does not have any investment plans on the toll highways projects.***

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 4 management projects as at the end of the Reporting Period, which received positive comments from the owner and the market.

In 2010, each business activity of Nanping (Phase II), Shenyun Project, Hengping Link Section and Longhua Link Section, which the Company was entrusted for construction management, was normally conducted and the construction costs were basically in line with expectation, of which, Shenyun Project was opened to traffic at the end of July 2010. Section A of Nanping (Phase II) is currently progressing smoothly as a whole, though the progress of individual contracted sections were behind schedule as a result of delay in land requisition, demolition and relocation. Most of the construction works of Section B of Nanping (Phase II), the construction cost of which accounted for about 40% of total investment for Nanping (Phase II), are temporarily not ready to commence construction as affected by the planning adjustment and progress of reclamation works by the government. However, pursuant to the agreement, such delay would not incur performance obligations of the Company under the entrusted construction agreement. The construction of Section A of Nanping (Phase II) was scheduled to be completed by the end of 2011. Management of the Coastal Project achieved positive progress, while the relevant review and approval process of the entrusted construction agreement is yet to be completed. For the revenue and profit of the Company's entrusted construction management services, please refer to "Financial Analysis" of this annual report.

In addition, the Company has also undertaken the entrustment of operation management of Longda Project by way of equity management since January 2008. For details of the contract and the profit of the project, please refer to "Contracts and Transactions" below and "Financial Analysis" of this annual report.

Through the aforesaid entrusted management business, the Company will timely seize the opportunities in development of entrusted 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. In recent years, in addition to utilisation of resources of the Group for operating its advertising business, Advertising Company also actively developed other resources for the operation of billboard leasing business and has made certain progress. During 2010, Advertising Company recorded revenue of RMB49,881,000 and a net profit of RMB16,380,000, representing increases of 25.17% and 30.76% respectively over 2009.

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. During the year, the Company approved the proposal for capital increase of Consulting Company. Upon the completion of capital increase, the percentage of interests held by the Company in Consulting Company will decrease from 30% to 24%, but the Company will still be the largest shareholder of Consulting Company. As at the date of this report, the relevant capital increase was still in progress. In 2010, Consulting Company recorded revenue of RMB122,726,000 and the profit attributable to the Group was RMB2,212,000, representing increases of 17.37% and 13.75% respectively over 2009.

The Company has invested RMB28,500,000 for subscription of 28,500,000 shares of Guangdong UETC in 2009. 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 highway inter-network toll collection 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 registration procedures of the 28,500,000 shares mentioned above have been completed.

Contracts and Transactions

1. Connected Transaction in Ordinary Course of Business and Continuing Connected Transaction - Longda Project

On 28 December 2009, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interest in Longda Company. The term of the entrusted management 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. Longda Company is principally engaged in toll collection, maintenance, management of the road asset and its rights, and resources development of Longda Expressway.

As Baotong Company is a wholly-owned subsidiary of Shenzhen International, which is the indirectly controlling shareholder of the Company, in accordance with the Listing Rules of SSE, the transaction constitutes a connected transaction of the Company. According to the Listing Rules of HKEx, this transaction constitutes a continuing connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 28 December 2009. The entrusted management fees under this transaction were determined after arm's length negotiation between both parties with reference to the experience in operation and management of toll highways of the Company. 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 amounted to RMB15,000,000, accounting for 0.49% and 99.4% of the Group's revenue and 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 that the terms are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

2. Connected Transaction in Ordinary Course of Business - Entrusted Settlement Service for Inter-network Toll Collection

In order to improve the traffic efficiency of the road network as a whole, inter-network toll collection for all highways in Guangdong Province was carries out in phases, and Guangdong UETC was designated to be responsible for inter-network toll collection settlement and unified management of non-cash settlement systems for all highways in the province. The Company and its subsidiary entered into with Guangdong UETC (which was not connected to the Company at the time the agreements being entered into) a number of agreements of entrusted settlement services for inter-network toll collection of the highways in Guangdong Province to entrust Guangdong UETC to provide toll settlement service to such expressways being invested by the Company as Meiguan Expressway, Jihe Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway, with terms until the expiry of the concession period for toll collection of respective expressway and the service fees standard were determined by the pricing regulatory department of Guangdong Province. During the Reporting Period, the Company nominated Mr. Zhou Qing Ming, a Vice President of the Company as a director of Guangdong UETC pursuant to the cooperation agreement, which is approved by the shareholders' meeting of Guangdong UETC in July 2010. In accordance with the Listing Rules of SSE, Guangdong UETC became a connected person of the Company, and these transactions were no longer non-connected transactions and constituted connected transactions. According to the Listing Rules of HKEx, these transactions did not constitute connected transactions of the Company. During the Reporting Period, these transactions had no effect on the independence of the Company and the entrusted settlement agreement was normally performed. Service fees recognised for the year of 2010 amounted to RMB10,965,000, accounting for 0.57% and 100% of the Group's operating cost and management service expenditures from entrusted operation management service respectively.

3. 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 of 2010, investment income of the Group from Wuhuang Expressway amounted to RMB116,913,000, representing 15.68% of the profit attributable to the equity holders of the Company. The amount of entrusted management fees accounted for by Magerk Company during the Reporting Period was RMB116,885,000, of which RMB64,287,000 was attributable to the Company in proportion to the interests held. This aforesaid management contract has no material impact on the financial position and operating results of the Group.

4. Additional Capital Contribution to a Subsidiary

On 8 April 2010, the Group entered into a contract with the co-shareholder of Qinglian Company, whereby it is intended to make additional capital contribution to Qinglian Company. The Group will contribute RMB1.451 billion, including RMB976 million transferred from shareholder's loan into registered capital and RMB475 million injected by cash. For details thereof, please refer to the announcement of the Company dated 9 April 2010. As at the date of this report, the additional capital contribution is underway.

In 2010, the Group's operating results outperformed the Company's expectation. The Group recorded profit attributable to the equity holders of the Company ("Profit") of RMB745,806,000 (2009: RMB540,219,000), representing an increase of 38.06% over 2009 ("YOY"). Excluding the impact of "provisions for maintenance/resurfacing obligations" (please refer to point 5 under "Analysis of Operating Results" for details), Profit of Group for the Reporting Period amounted to RMB911,750,000 (comparable figure of 2009: RMB603,743,000), representing a YOY increase of 51.02%. During the Reporting Period, benefited from the national economic growth, the gradual enhancement of road networks and the Group's aggressive marketing strategies, toll revenue derived from the toll highways invested and operated by the Group recorded a strong recovery growth, and Profit of the Group recorded relatively significant growth, which set off the impact of increase in finance costs resulted from increase in expensed borrowing interests for the Reporting Period, and the return of the Group's assets improved.

The Group has made adjustments to the unit amortisation amount of concession intangible assets of Jihe West, Yanpai Expressway, Meiguan Expressway and Qinglian Class 2 Road based on the review results of traffic volume since 1 January 2010, which had no material impact on the financial position and operating result of the Group as a whole. For details, please refer to the content of "Changes in Accounting Estimates" below.

Analysis of Operating Results

1. Revenue

During the Reporting Period, the Group recorded revenue of RMB3,041,816,000, representing a YOY growth of 22.88%. Toll revenue is the main source of revenue of the Group (accounting for 70.77% of total revenue), which recorded a YOY increase of 61.18% to RMB2,152,551,000. A detailed analysis on revenue is as follows:

Operating revenue item	**2010 (RMB'000)**	Percentage of total	2009 (RMB'000)	Percentage of total	Change
Toll revenue (Refer to 2.1 below for details)	**2,152,551**	70.77%	1,335,482	53.95%	61.18%
Management services income (1)	**90,935**	2.99%	58,237	2.35%	56.15%
Other income (including income from advertising service)	**58,900**	1.94%	47,955	1.94%	22.82%
Construction revenue under service concessions (2)	**739,430**	24.30%	1,033,736	41.76%	-28.47%
Total	**3,041,816**	100.00%	2,475,410	100.00%	22.88%

Notes:

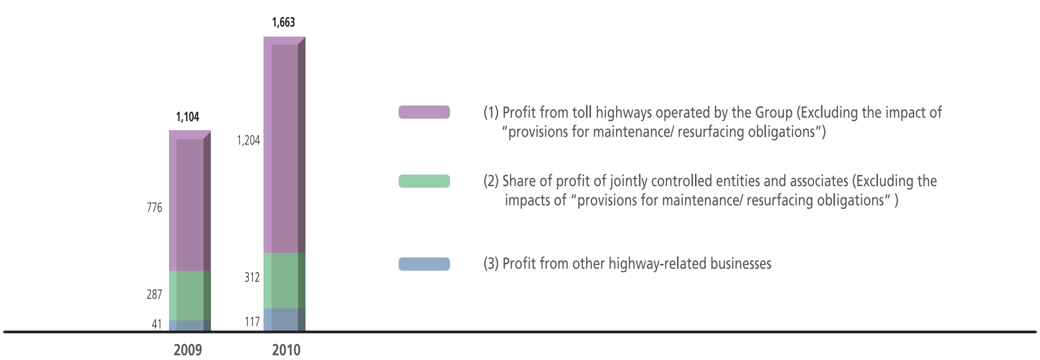
(1) Management services income included income from entrusted construction management services of RMB75,845,000 and income from entrusted operation management services of RMB15,090,000. Please refer to 2.3 below for details.

(2) Pursuant to IFRIC 12 effective from 2008, the Group is required to recognise construction revenue under service concessions, which reflects the construction or reconstruction of roads with toll operating rights owned by the Group. However, the Group had no realised or realisable cash inflow during the corresponding construction periods, and according to estimates of actual construction costs of each project of the Group for the Reporting Period, the Company did not recognise profit from construction under service concessions for the aforementioned projects (2009: nil). Please refer to 2.3 below for details.

2. Profit before Interests, Tax and Administrative Expenses

During the Reporting Period, the Group's profit before interests, tax and administrative expenses amounted to RMB1,462,614,000 (2009: RMB1,031,680,000), representing a YOY increase of 41.77%. Excluding the impact of "provisions for maintenance/resurfacing obligations", the Group's profit before interests, tax and administrative expenses increased by 47.86% YOY. Profit contributed by principal business is as follows:

Profit before Interests, Tax and Administrative Expenses (RMB million)



2.1 Profit from Toll Highways Operated by the Group

◆ Profit

Profit before interests, tax and administrative expenses from toll highways operated by the Group for the Reporting Period amounted to RMB1,047,294,000 (2009: RMB657,333,000), representing a YOY growth of 59.32%. Excluding the impact of "provisions for maintenance/resurfacing obligations", the profit amounted to RMB1,203,710,000, representing an increase of RMB427,406,000 or approximately 55.06%. It was principally attributable to the profit before interests, tax and administrative expenses growth from Jihe West, Nanguang Expressway, Qinglian Project, and the consolidation of Jihe East Company into the financial statements of Group since 30 September 2009.

Toll highway	Percentage of interests held	Toll revenue 2010 (RMB'000)	Toll revenue YOY Change	[1] Cost of services 2010 (RMB'000)	[1] Cost of services YOY Change	[1] Gross margin of toll highway 2010	[1] Gross margin of toll highway YOY Change percentage	[1] Profit before interests, tax and administrative expenses 2010 (RMB'000)	[1] Profit before interests, tax and administrative expenses YOY Change (RMB'000)
Meiguan Expressway	100%	**347,247**	16.87%	**90,692**	28.90%	**73.88%**	-2.44	**244,146**	25,415
Jihe East [2]	100%	**516,377**	[2] N/A	**217,796**	[2] N/A	**57.82%**	[2] N/A	**283,650**	[2] 218,871
Jihe West	100%	**426,755**	22.89%	**86,741**	21.71%	**79.67%**	0.19	**329,032**	62,571
Yanba Expressway	100%	**122,406**	57.14%	**77,924**	37.17%	**36.34%**	9.27	**40,033**	20,700
Yanpai Expressway	100%	**156,453**	12.02%	**64,990**	9.07%	**58.46%**	1.12	**87,037**	11,118
Nanguang Expressway	100%	**191,088**	72.85%	**85,522**	38.79%	**55.24%**	10.98	**99,767**	54,252
Qinglian Project	76.37%	**392,225**	61.74%	**261,029**	72.70%	**33.45%**	-4.22	**120,045**	34,479
Total		**2,152,551**	61.18%	**884,694**	69.14%	**58.90%**	-1.93	**1,203,710**	427,406

Notes:

(1) Cost of services and profit before interests, tax and administrative expenses for the Reporting Period excluded provisions for maintenance/resurfacing obligations of Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway. For details on provisions for maintenance/resurfacing obligations, please refer to the description in "Cost of services" and "Provisions for Maintenance/resurfacing Obligations" below.

(2) Jihe East Company has been consolidated into the financial statements of the Group since 30 September 2009. Profit before interests, tax and administrative expenses of Jihe East Company for the 4th quarter of 2009 amounted to RMB64,779,000.

- Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB2,152,551,000, representing a YOY increase of 61.18%. Among this, Jihe East, which has been consolidated into the Group since 30 September 2009 with revenue amounting to RMB120,469,000 for the fourth quarter of 2009, recorded toll revenue of RMB516,377,000 in 2010, accounting for 23.99% of the Group's toll revenue. The main part of Qinglian Project commenced expressway operation on 1 July 2009, and adopted a toll-by-weight trial system in November 2009. Since expressway operation and toll-by-weight system were carried out in Qinglian Project for the whole year of 2010, the project recorded a rapid YOY growth of 61.74% in toll revenue. In addition, benefited from the economic growth, enhancement of road networks and the Group's implementation of targeted marketing measures, revenues from other toll highways including Nanguang Expressway, Yanba Expressway, Jihe West, Meiguan Expressway and Yanpai Expressway also recorded double-digit growth, with an average growth of 27.91%. For operational performance of toll highway projects during the Reporting Period, please refer to the content of "Business Review" above.

◆ Cost of services

During the Reporting Period, cost of services for the Group's toll highways recorded a YOY increase of 62.16% to RMB1,041,110,000 (2009: RMB642,020,000). Excluding the impact of "provisions for maintenance/resurfacing obligations", cost of services increased by 69.14% YOY. Among this, cost of services of Jihe East, which has been consolidated into the Group since 30 September 2009, was RMB217,796,000 for 2010 (the fourth quarter of 2009: RMB52,261,000), accounting for 20.92% of the cost of services for the Group's toll highways. Qinglian Project recorded a YOY increase of 72.70% in cost of services for 2010 due to the growth in traffic volume and unit amortisation amount after expressway operation of Qinglian Expressway since 1 July 2009 and overall repair of Qinglian Class 2 Road during the Reporting Period. The cost of services for remaining toll highways increased by 26.98% YOY, which was mainly due to the increase in employee expenses, maintenance expenses and depreciation expenses as a result of the increase in traffic volume. As Jihe East Company increased its amortisation of premium by RMB111,937,000 for the Reporting Period, the overall depreciation and amortisation expenses of the Group experienced a significant YOY increase. A detailed analysis on cost of services is as follows:

Cost of services item	**2010 (RMB'000)**	Percentage of total	2009 (RMB'000)	Percentage of total	Change
Employee expenses	**119,223**	13.48%	82,787	15.83%	44.01%
Road maintenance expenses Note	**148,730**	16.81%	69,292	13.24%	114.64%
Depreciation and amortisation	**544,624**	61.56%	311,363	59.53%	74.92%
Other cost of services	**72,117**	8.15%	59,607	11.40%	20.99%
Sub-total	**884,694**	100.00%	523,049	100.00%	69.14%
Provisions for maintenance/ resurfacing obligations	**156,416**	—	118,971	—	31.47%
Total	**1,041,110**	—	642,020	—	62.16%

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

The Group has made provisions for maintenance/resurfacing obligations to Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway during the Reporting Period. As the reconstruction works on Meiguan Expressway commenced, while the reconstruction of Liannan Section of Qinglian Project into an expressway was not completed during the Reporting Period, no provisions for maintenance/resurfacing obligations were made to these projects for the Reporting Period. For details, please refer to the description in "Provisions for Maintenance/Resurfacing Obligations" below and notes 4(c) and 23 to the Financial Statements.

2.2 Share of Profit of Jointly Controlled Entities and Associates

The Group's share of profit of jointly controlled entities and associates for the Reporting Period amounted to RMB298,319,000 (2009: RMB332,972,000), representing a YOY decrease of 10.40%. Excluding the impact of "provisions for maintenance/resurfacing obligations" and the relevant figure of Jihe East Company, the investment earnings of the Group for the Reporting Period increased by 83.39% YOY, mainly due to the growth in the traffic volume and the sound control of cost of services of toll highways operated by invested enterprises. For operational performance of toll highway projects during the Reporting Period, please refer to the content of "Business Review" above.

A detailed analysis on share of profit of jointly controlled entities and associates is as follows:

		Toll revenue		(1)Cost of services of toll highway		(1) Gross margin of toll highway		(1)Profit attributable to the Group	
Principal toll highway	Percentage of interests held	2010 (RMB'000)	YOY change	2010 (RMB'000)	YOY change	2010	YOY change percentage	2010 (RMB'000)	YOY change (RMB'000)
Jointly controlled entities:									
Wuhuang Expressway	55%	**462,914**	16.36%	**215,170**	16.95%	**53.51%**	-0.24	**116,913**	42,150
Changsha Ring Road	51%	**26,564**	14.47%	**29,223**	30.73%	**-10.00%**	-13.67	**2,557**	-532
Associates:									
Shuiguan Expressway	40%	**448,915**	14.69%	**98,984**	14.54%	**77.95%**	0.03	**95,173**	14,812
Shuiguan Extension	40%	**91,463**	23.74%	**40,504**	22.53%	**55.71%**	0.43	**8,822**	3,057
Yangmao Expressway	25%	**399,625**	13.16%	**206,831**	7.43%	**48.24%**	2.75	**24,549**	7,985
Guangwu Project	30%	**172,218**	54.32%	**80,606**	52.85%	**53.19%**	0.45	**11,132**	9,829
Jiangzhong Project	25%	**317,634**	24.13%	**189,317**	21.19%	**40.39%**	1.44	**15,216**	15,072
GZ W2 Expressway	25%	**245,298**	42.69%	**109,876**	21.00%	**55.20%**	8.02	**23,551**	35,046
Nanjing Third Bridge	25%	**284,953**	16.16%	**126,644**	16.05%	**55.55%**	0.04	**11,955**	13,479
Total(2)		**2,449,584**	21.01%	**1,097,155**	18.33%	**55.21%**	-1.28	**(3) 309,868**	140,898

Notes:

(1) Cost of services for the Reporting Period and the comparative figures of 2009 excluded provisions for maintenance/resurfacing obligations made or adjusted. Profit attributable to the Group excluded the corresponding impacts. For details on provisions for maintenance/resurfacing obligations, please refer to the description in "Provisions for Maintenance/Resurfacing Obligations" below.

(2) Jihe East Company was changed from a jointly controlled entity to a subsidiary of the Company, and has been consolidated into the Group since 30 September 2009. The table excluded the figures of Jihe East Company for 2009 (1st to 3rd quarter of 2009: RMB332,843,000 of toll revenue, RMB98,330,000 of cost of services and RMB115,722,000 of profit attributable to the Group).

(3) Share of profit of Consulting Company of RMB2,212,000 (2009: RMB1,944,000) was not included in the figure of profit attributable to the Group for the Reporting Period.

2.3 Profit from Other Highway-related Businesses

- Profit from construction under service concessions

During the Reporting Period, the Group recognised revenue and costs from construction under services concession arrangements for Nanguang Expressway, Qinglian Project, Outer Ring Expressway and expansion of Meiguan Expressway which are 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 Reporting Period, the Company did not recognise profit from construction services for the aforementioned projects (2009: 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 on revenue from construction services is as follows:

	2010 (RMB'000)			2009 (RMB'000)			Percentage of Service Completed	
Self-constructed expressway	Revenue	Cost	Profit before tax	Revenue	Cost	Profit before tax	Current Period	Cumulative
Yanba C	–	–	–	27,288	27,288	–	11.47%	100.00%
Nanguang Expressway	161,376	161,376	–	140,490	140,490	–	3.28%	92.64%
Qinglian Project	524,491	524,491	–	846,929	846,929	–	8.47%	94.34%
Outer Ring Expressway	2,559	2,559	–	5,043	5,043	–	–	–
Expansion of Meiguan Expressway	51,004	51,004	–	13,986	13,986	–	3.85%	6.58%
Total	739,430	739,430	–	1,033,736	1,033,736	–		

- Profit from entrusted construction management services

During the Reporting Period, the Group adjusted the profit estimate for the entrusted construction management services of Wutong Mountain Project and Hengping Project based on the audit results for the actual cost of the completed Wutong Mountain Project and the budget for Hengping Project, and recognised profit from the entrusted construction services of RMB 37,448,000 in aggregate. In addition, the government's audit work on the total construction costs for Nanping (Phase I) had not been completed and thus the Company's original estimate for this project remained unchanged.

The service results of Coastal Project, Nanping (Phase II), Longhua Extension and Shenyun Project could not be predicted reliably, while the Directors of the Company are of the view that future reimbursements of management expenses and taxes incurred are probable, therefore the Company recognised revenue and costs for the Reporting Period based on actual management expenses and taxes of RMB33,610,000 incurred. The details are set out in note 16(a) 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 RMB15,090,000 and a relevant profit of RMB14,293,000 after deducting relevant business tax. The details are set out in note 37(c) to the Financial Statements.

3. Administrative Expenses and Finance Costs

The Group's administrative expenses for the Reporting Period amounted to RMB62,328,000 (2009: RMB67,719,000), representing a YOY decrease of 7.96%. Such decrease was mainly attributable to the decrease in specific expenses such as legal fee and consultancy fee. The Group's finance costs for the Reporting Period amounted to RMB519,382,000 (2009: RMB390,944,000), representing a YOY increase of 32.85%. Excluding the impact of "provisions for maintenance/resurfacing obligations", the Group's finance costs increased by 30.12% YOY. During the Reporting Period, the Group's finance costs for the Reporting Period increased as compared with those in 2009 as a result of the increase of approximately RMB124,935,000 in the expensed borrowing interests of Qinglian Project, despite YOY decrease in the Group's composite borrowing costs and increase in currency exchange gains. A detailed analysis on finance costs is as follows:

Item	**2010 (RMB'000)**	2009 (RMB'000)	Change
Interest expenses	**519,510**	491,449	5.71%
Less: Interest capitalised	**(22,704)**	(125,156)	-81.86%
Exchange gain/loss and others	**(23,920)**	(2,858)	736.95%
Finance costs excluding time value of provisions for maintenance/resurfacing obligations	***472,886***	*363,435*	*30.12%*
Add: Time value of provisions for maintenance/resurfacing obligations	**46,496**	27,509	69.02%
Finance costs	**519,382**	390,944	32.85%

Q ***How do the Government's continuous rate hikes impact the Group's operation and performance, as the Company's debt ratio is relatively high?***

A ***The percentage of medium to long-term loans and fixed-rate loans to the total borrowings of the Company is high, the interest rate hike will only cause limited effect to the Company in short term. However, if the market rate remains high for a while in the future, there will be heavy pressure for the financial cost increase when some of the fixed-rate loan contracts of the Group are falling to due. The Company will further study on new financing products and financial instruments, and appropriately adjust the proportion of fixed rate borrowings and floating rate borrowings, in order to reasonably control the cost. With the completion of the projects under construction and the stable growth of the cash flow of the projects, the Group's overall level of borrowings is expected to decrease slightly in 2011. However, it is expected that the Group's finance costs of the year will continue to increase slightly because the overall borrowing remains at a high level and the capitalised interest will further decrease, as well as the financial environment is becoming tight.***

4. Income Tax Expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB146,912,000 (2009: RMB44,826,000), representing a YOY increase of 227.74%. Excluding the impacts of "provisions for maintenance/resurfacing obligations", the Group's income tax expenses increased by 142.66% YOY. Further excluding the relevant figure of Jihe East Company, the income tax expenses for the Reporting Period recorded a YOY increase of 85.01%, mainly due to the increase in operating profit, and thus the corresponding increase in taxable income and tax rate (2010: 22%; 2009: 20%). The details are set out in note 30 to the Financial Statements.

5. Provisions for Maintenance/Resurfacing Obligations

The impact of the Group's making and adjusting provisions for maintenance/resurfacing obligations on the profit for 2010 and 2009 is analysed as follows:

	Impact of provisions for maintenance/resurfacing obligations (RMB'000)	
Item	**Provisions made for 2010**	Provisions made and adjusted for 2009
Cost of services	**156,416**	118,971
Of which: Jihe West	**65,141**	50,725
Yanpai Expressway	**31,569**	24,570
Yanba Expressway	**37,711**	28,204
Nanguang Expressway	**21,995**	15,472
Share of profit/(loss) of jointly controlled entities and associates Note	**(13,760)**	46,336
Profit before interests, tax and administrative expenses	***(170,176)***	*(72,635)*
Finance costs	**46,496**	27,509
Income tax expenses	**(50,728)**	(36,620)
Profit	**(165,944)**	(63,524)

Note: The difference between the share of profit/loss of jointly controlled entities and associates for the Reporting Period and that for 2009 was mainly due to the adjustments to provisions for maintenance/resurfacing obligations of Jihe East Company. For details on the adjustment, please refer to the related content of the Annual Report 2009 of the Company.

6. Impact of Consolidation of Jihe East Company

Jihe East Company has been consolidated into the Group since 30 September 2009, the effect of which on the Group's financial figures is analysed as follows:

	2010			The 4th quarter of 2009
Financial statement item	The Group (consolidated) (RMB'000)	Of which: Jihe East Company (RMB'000)	Percentage of Jihe East Company to the Group (consolidated)	Jihe East Company (RMB'000)
Profit before interests, tax and administrative expenses	**1,462,614**	**283,650**	**19.39%**	64,779
Income tax expenses	**146,912**	**54,773**	**37.28%**	4,224
Toll revenue	**2,152,551**	**516,377**	**23.99%**	120,469
Cost of services	**1,041,110**	**217,796**	**20.92%**	52,261
Net operating cash flow and cash return on investments	**1,814,776**	**515,370**	**28.40%**	120,729

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

The Group's concession intangible assets are amortised based on the units-of-usage method, i.e. based on usage amount per unit, 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 note 4(b) to the Financial Statements.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortisation amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. With the growth in traffic volumes of various toll highways in 2010, the amortisation difference under the two methods of amortisation attributable to the Company based on its equity interests was RMB99,111,000 and the YOY amortisation difference greatly decreased. 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. Figures for reference calculated for various toll highways for the Reporting Period is as follows:

Toll highway	Percentage of interests held	Amortisation amount of operating rights (RMB million) Units-of-usage method 2010	Units-of-usage method 2009	[1] Straight-line method	Amortisation difference attributable to the Company based on its share of interests (RMB million) 2010	2009
The Company and subsidiaries [2]:						
Meiguan Expressway	100%	**46**	32	36	**10**	-4
Jihe East	100%	**160**	73	155	**6**	-2
Jihe West	100%	**39**	30	28	**11**	1
Yanpai Expressway	100%	**39**	26	47	**-9**	-21
Yanba Expressway	100%	**43**	24	69	**-26**	-17
Nanguang Expressway	100%	**37**	21	85	**-49**	-76
Jointly controlled entities and associates:						
Wuhuang Expressway	55%	**90**	77	89	**1**	-7
Changsha Ring Road	51%	**14**	12	18	**-2**	-3
Shuiguan Expressway	40%	**50**	44	41	**4**	1
Shuiguan Extension	40%	**22**	18	24	**-1**	-2
Yangmao Expressway	25%	**71**	67	90	**-5**	-6
Guangwu Project	30%	**43**	23	57	**-4**	-10
Jiangzhong Project	25%	**94**	87	128	**-9**	-10
GZ W2 Expressway	25%	**53**	37	111	**-15**	-18
Nanjing Third Bridge	25%	**66**	57	111	**-11**	-13
Total					**-99**	-187

Notes:

(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 concession intangible assets of Jihe East Company for the Reporting Period included the amortisation of premium (Units-of-usage method: RMB112 million, straight-line method: RMB122 million).

Analysis of Financial Position

1. Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly concession intangible assets as well as investments in jointly controlled entities and associates in high-grade toll highways. As at 31 December 2010, the Group's total assets amounted to RMB22,661,452,000 (31 December 2009: RMB22,253,514,000), representing an increase of 1.83% over the end of 2009, of which concession intangible assets as well as investments in jointly controlled entities and associates in toll highways in aggregate accounted for 89.63% of the total assets.

As at 31 December 2010, the Group's total equity amounted to RMB9,378,537,000 (31 December 2009: RMB8,909,852,000), representing an increase of 5.26% over the end of 2009. This was mainly attributable to the increased profit for the Reporting Period and the deduction of dividend distributed for 2009.

As at 31 December 2010, outstanding bills payable, bonds payable and bank borrowings of the Group amounted to RMB9,915,223,000 (31 December 2009: RMB10,178,834,000), representing a slight decrease compared with that at the end of 2009, of which Qinglian Project had used borrowings of RMB5.214 billion.

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. With the increase of the profit from toll highway projects and the operating cash flows for the Reporting Period, the Group recorded decreases in various financial leverage ratios. Given the Group's stable and robust operating cash flows, and expected growth in 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 2010	31 December 2009
Debt-to-asset ratio (Total liabilities / Total assets)	**58.61%**	59.96%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	**100.01%**	108.87%

	Jan ~ Dec 2010	Jan ~ Dec 2009
Interest covered multiple (Profit before interests and tax / interest expenses)	**2.47**	1.86
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	**3.58**	2.49

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 2010 (RMB million)	31 December 2009 (RMB million)	Change
Net current liabilities	**1,854**	2,259	-17.93%
Cash and cash equivalents	**535**	479	11.69%
Banking facilities available	**5,777**	7,333	-21.22%

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 RMB1,318,895,000 and RMB1,480,000 worth of foreign currency-denominated liabilities in HK$ and other foreign currencies, respectively, while RMB50,417,000 and RMB101,000 worth of foreign currency-denominated assets were in HK$ and other foreign currencies, respectively. 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 has arranged relevant financial instruments to lock up the exchange rate and interest rate of two medium to long-term loans denominated in HK$ respectively to minimise the risk of exchange rate and interest rate in the future. The Company has arranged "Non-Deliverable Cross Currency Swap ("NDS")" for a loan of HK$420,000,000 with a maturity period of five years to lock up its interest rate and exchange rate, and "Non-Deliverable Forward ("NDF")"for a loan of HK$227,000,000 with a maturity period of three years to lock up the exchange rate.

5. Contingencies

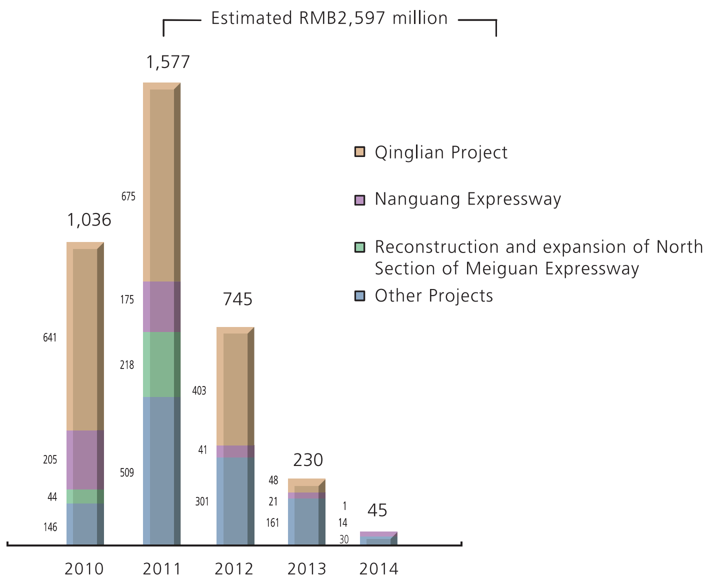
Details on the Group's contingencies during the Reporting Period were set out in note 35 to the Financial Statements.

Capital and Financing

1. Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly the reconstruction of Qinglian Class 1 Highway into an expressway and the remaining construction and investments of Nanguang Expressway, totaling approximately RMB1.036 billion. As at 31 December 2010, the Group's capital expenditure plan comprised mainly construction and investments in the reconstruction of Qinglian Class 1 Highway into an expressway, remaining construction, investments and settlements of projects such as Nanguang Expressway and the reconstruction and expansion of Meiguan Expressway. It is expected that the Group's total capital expenditures will amount to approximately RMB2.597 billion by the end of 2014. The Group 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)



The major construction projects have gradually completed, and why does the Group have capital expenditures of over 2.5 billion?

The future capital expenditures of the Group mainly include the remaining investment of Qinglian Project and Nanguang Expressway, as well as the required capital for the reconstruction and expansion of Meiguan Expressway. Generally, being affected by various reasons, such as the agreed settlement period of projects fund under construction contracts, procedures of testing and inspection and liability period of defects and so on, the actual payment of projects fund may vary from the actual progress of the projects.

2. Operating Cash Flow

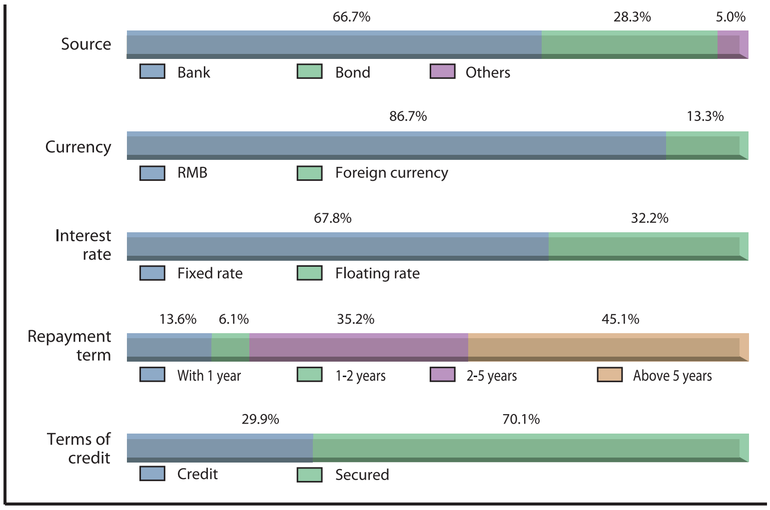
The toll revenue of the Group's principal toll highway operations is collected in cash, thereby giving a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totaled RMB1,814,776,000 (2009: RMB1,021,641,000), representing a YOY increase of 77.63%. After deducting the net amount of the receivables and payables of RMB205,526,000 for 2009 on behalf of Coastal Project by the Group, the Group's net cash inflow from operating activities and cash return on investments increased YOY by 47.88%, which mainly represented the growth in toll revenue generated from the toll highways operated by the Group and the corresponding increase in cash flow as a result of Jihe East Company's consolidation into the Group. For the effect of Jihe East Company's consolidation into the Group, please refer to point 6 under "Analysis of Operating Results" above for details.

3. Financial Strategies and Financing Arrangements

During the Year, under the impact of the macro-economic control measures adopted by China, various financial institutions adopted considerably tightening credit policies. To prevent bank loan risks and improve financial structure, the Group issued medium-term notes totaling RMB700 million and considerably expanded such debt financing as entrusted loans and foreign currency loans, so as to diversify the Group's debt structure and further reduce its capital costs.

As at the end of the Reporting Period, the Group's borrowings comprised mainly medium to long-term borrowings and fixed rate borrowings. The borrowing structure of the Group is shown as follows:

Borrowing Structure (As at 31 December 2010)



Based on the expectation in fluctuations in RMB exchange rate and rise in interest rates, and in order to lower the risk of fluctuations in finance costs, the Group executed transaction arrangements under NDS and NDF during the Reporting Period, which locked up the exchange and interest rates of medium to long-term foreign currency loans totaling HK$647 million. Under various arrangements, the Group's composite borrowing costs for the Reporting Period amounted to 4.77% (2009: composite borrowing costs of 5.47%), which is 0.7 percentage point lower than that in 2009.

During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises. Corporate bonds and Bonds with Warrants continued to maintain at the original credit rating of AAA, while the credit rating for the medium-term notes issued by the Group during the Reporting Period was AA+.

As at 31 December 2010, the Group had obtained a total of RMB13.88 billion of banking facilities, including RMB7.2 billion of credit facilities specifically for projects under construction and RMB6.68 billion of general credit facilities. At the end of the Reporting Period, unutilised banking facilities available amounted to RMB5.78 billion, of which RMB1.24 billion was credit facilities specifically for projects under construction and RMB4.54 billion was general banking credit facilities.

During the Reporting Period, there was no proceeds raised by the Company nor was there any proceeds raised in prior year that was utilised in the Reporting Period (as defined by CSRC).

Changes in Accounting Estimates

According to the requirements of the Company's related accounting policies and systems, in general consideration of the actual situation of major toll highways, the Group has changed the related accounting estimates of the unit amortisation amount of concession intangible assets of Jihe West, Yanpai Expressway, Meiguan Expressway and Qinglian Class 2 Road since 1 January 2010, and adjusted the unit amortisation amount of concession intangible assets of the above sections based on the adjusted forecast of total standard traffic volume for future operating period. The above changes in accounting estimates reduced the equity attributable to the equity holders of the Company as at 31 December 2010 by approximately RMB22,997,000 and Profit for the Reporting Period by RMB22,997,000. The change had no material impact on the financial position and operating results of the Group as a whole. Details on the Company's changes in accounting estimates of the unit amortisation amount of concession intangible assets are set out in note 4(e) to the Financial Statements.

Profit Distribution

1. Dividend Distribution Scheme for the Year 2009 and Its Implementation

Pursuant to the approval at the 2009 Annual General Meeting, the Company paid a final dividend of RMB0.12 (tax included) per share for the year 2009 to all shareholders on the basis of the total share capital comprising 2,180,770,326 shares as at the year end of 2009, totaling RMB261,692,439.12. Such dividend distributions were implemented by 13 July 2009.

2. Proposed Profit Distribution for 2010 and Proposed Final Dividend for the Year 2010

The net profit in the consolidated financial statements and net profit in the parent financial statements for the year 2010 prepared in accordance with CAS were RMB745,806,530.62 and RMB741,078,923.76 respectively. The consolidated net profit and parent net profit adjusted in accordance with HKFRS were RMB745,806,000 and RMB699,115,000 respectively. Pursuant to the relevant PRC laws and regulations and the Articles, RMB74,107,892.38 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 of the PRC 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 2010 was RMB699,115,000.

The Board of the Company recommended the payment of a final dividend of RMB0.16 (tax included) per share to all shareholders, totaling RMB348,923,252.16, for the year ended 31 December 2010, representing 49.9% of the profit distributable for the year 2010 and 46.8% of the profit attributable to the equity holders of the Company for the year 2010. Such dividend shall be subject to the approval by shareholders at the 2010 Annual General Meeting of the Company.

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

In order to support the rapid growth of the Company's businesses, the risk management has gradually incorporated with our strategies, planning, decisions and operations in the recent years, which enabled the Company to seek a balance between the profit targets and risks. On this basis, the Company established a financial risk warning system in 2010 and further improved the Procedures for Risk Control Management, so as to achieve a regulated and effective implementation on risk identification, quantitative assessment, warning report and risk response. During the years, the Company focused on and proactively took relevant measures to the risks set out as follows:

Policy and Market Risks

- Macroeconomic changes
- Toll policy changes
- Road network changes

Financial Risks

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

Operational Risks

- Risk of operating cost increase or fluctuation
- Project investment risk
- Risk of project expansion investment
- Construction management risk
- Risk of entrusted construction management business

Policy and Market Risks

1. Macroeconomic Changes

The toll highway industry exhibits a certain degree of sensitivity towards changes in economic cycle. Chinese and global economy is on the way to recover from the negative impacts of the global financial crisis in 2008. However, due to the complexity and variability of macroeconomic environment, such impacts are expected to continue or to be uncertain for some time. With growing inflation pressure, the Government will tighten the monetary policies as appropriate, implying some uncertainties for the recovery of the traffic volume and revenue of the Groups' toll highway projects, and causing great pressure on the Group's financing and cost control.

The Company has continued to track and analyzed the impacts of macroeconomic environment on its business operation. In 2010, the traffic volume and revenue growth of the Groups' toll highway projects outperformed our expectation at the beginning of the year, and was higher than the average growth over the years, reflecting a strong growth from the recovery of the macro economy. The Company has made timely adjustment to the related expectation data and related work plans. For the measures taken for handling the cost and financing pressure, please refer to "Risk of operating cost increase or fluctuation" and "Financing and liquidity risks" below.

2. Toll Policy Changes

Over the years, Ministry of Communications has been studying the policy changes on toll highway, which included gradual cancellation of the toll fees for Class 2 road, extension of the operating period and reduction of the toll rates. The finalization or implementation of the above toll policies will directly affect the Company's revenue and profit of its core businesses. In 2010, as "Green Passage Toll Free Policy" was continued and extended its application, and an occasional toll free pass measures were provisionally implemented in Guangdong Province during the peak hours of traffic volume, they imposed negative impacts on the toll revenue and the management mode of the Group. The Guangdong Provincial Government is studying and implementing the toll-by-weight model. The fully implementation of the system may have caused impacts to the revenue and management of the Group.

The Company's measures in response to the uncertainties arising from the policy changes include:

- maintaining the communication and co-ordination with government bodies and other enterprises in the same industry, and actively study the policies to strive for a more reasonable and fair toll policies.
- conducting strict inspection procedures on the implementation of the "Green Passage Toll Free Policy", so as to avoid loss of toll fees.
- taking related measures to reduce and avoid the toll free pass arising from the traffic congestion, including formulating plans to quickly sooth the traffic during the peak hours, encouraging the vehicles to use the highways during the off-peak hours and actively promoting the use of "Unitoll Card".

3. Changes in Road Networks

According to the road plans and development plans of the Government, some roads that are neighboring or adjoining or parallel to the Group's toll highway projects will commence operation gradually upon completion or undergone expansion and maintenance works, which will cause changes to the road networks and positive or negative impacts on the traffic volume and revenue of the Group's toll highways. Although the Company has conducted a preliminary study and taken measures with reasonable expectation, the actual progress of the related projects and the impact on the traffic volume after the projects are put into operation may be different from our expectation, so that the operating performance of the Company or the projects may fail to meet our expectation.

Our work in 2010 in response to the abovementioned risks includes:

- focus on the follow-up work of the construction progress of road networks, including Huishen Coastal Expressway that links with Yanba Expressway and Yilian Expressway that links with Qinglian Expressway, by maintaining communication and cooperation in terms of the construction, unified toll connection and marketing strategies, so as to promote the effectiveness and smooth connection of road networks. The Company will continue to study and address the risk before there is an actual improvement on the operating performance of the relevant projects.
- conducting targeted road network study and analysis and study of the traffic volume as well as implementing proactive marketing strategies, so as to enhance the overall operating performance. During the year, the changes in road network caused positive impacts on the overall revenue of the Company and the negative effects arising from road network diversion was lower than expected. Please refer to the relevant content of "Toll Highway Business" under "Business Review" in this annual report for details.

Financial Risks

1. Financing and Liquidity Risks

In 2010, the Group experienced pressure from cash flow as the Company's level of indebtedness maintained a record high, and there was a lower return at preliminary stage of operation of new projects. During the year, China adopted various measures to control commercial loans by implementing a tighter monetary policy, which increased the difficulty in financing management and capital management of the Group. Although the Group has entered into loan agreements for the payment of construction capital for the major capital expenditure projects, the banks were exposed to the risk of failing to grant loans when necessary, as they were subject to their own banking facilities and policies. The Company has been planning to use direct financing instruments in the capital market to lessen the reliance on the bank loans. However, there are risks of issuance given the current complicated policies and market environment.

In 2010, the Group took measures based on changes in the internal and external environment as follows:

- widening the financial channels by the issue of medium-term notes and arrangement of entrusted loans and overseas loans to raise capital. The Company timely adjusted the issue plans, accelerated the reporting and timing of issue based on the market situation. The Group issued medium-term notes totaling RMB700 million in the first quarter, avoiding the risk of market changes.
- maintaining the ordinary credit rating of the Group and good co-operation relationships with various commercial banks to ensure the Company's financing capability.
- further strengthening the management and planning on capital, reasonably arranging the proportion of cash on hand and current liabilities, establishing and implementing the administrative measures on the financial risk warning system to ensure that the risk indicators, e.g. the debt repayment capability, maintained at the given safety level.
- continuing to follow the loan policies and changes of the Government and the commercial banks and timely adjusting the strategies and the operating procedures for the financing management and capital management of the Company.

Through the above measures, the Company achieved the financing management targets of the year. The liabilities of the Group slightly reduced compared to that of last year and the unutilised banking facilities of the Group amounted to RMB5.78 billion at the end of the Reporting Period. In 2011, the Company will continue to focus on management of financing and cash flow risks as it is expected that the internal and external environment will continue the current trend.

2. Interest Rate Risks

The borrowing of the Group and the proportion of finance costs to the profit of the Group will remain high in the coming years. Due to the new round of interest rate hike and tightening of monetary policy, it is more difficult for the Company to enjoy the prime rate, which falls below the benchmark interest rate offered by the commercial banks, which would increase the financial costs of the Group. Although the percentage of medium to long-term loans and fixed-rate loans to the total borrowings of the Company is high, the interest rate hike will only cause limited effect to the Company in short term. However, if the market rate remains high for a while in the future, there will be heavy pressure for the financial cost increase when some of the fixed-rate loan contracts of the Group are falling to due.

The interest rate hikes for two times during the fourth quarter of 2010 did not cause significant impact to the financial cost of the Group for this year. During the year, the Company took measures to reduce the interest rate risks as follows:

- swapping some of the loans that carry variable interest rates and fall due in the year to the fixed-rate loans and having arrangement on the unexpired fixed-rate loan contracts in advance. However, it is more and more difficult for the related arrangement as interest rate hike is expected.
- locking up the interest rate and exchange rate for the loans totaling HK$647 million by maintaining the borrowing costs at the level as low as 1.04%-1.8% with the use of financial instruments.
- fully utilising the capital with low interest rate such as entrusted loans, medium-term notes and loans denominated in foreign currencies and reducing the total borrowing costs of the Group through optimised adjustment and allocation of the capital resources of the Group.
- continuing to enjoy the best lending rate of the People's Bank of China for the loans that carry variable interest rates granted by various banks during the year by cost comparison.

Through the above arrangement, the Group's average borrowing cost and out-of-pocket cost of capital for the year were 4.77% and 4.15% respectively, a 0.7 percentage point lower than that in 2009. It is expected that the pressure of interest rate hike is increasing. The Company will further study on the new financing instruments and optimise the borrowing structure, so as to proactively address the interest rate risks.

3. Foreign Currency Borrowing Risks

To reduce the financial costs of the Group, we have increased the proportion of foreign currency borrowing in recent years. Although the exchange rate of RMB moves upwards in general, the fluctuations in exchange rate and interest rate will increase the risk of fluctuation in the Company's results. The costs of the foreign currency borrowing of the Company tend to increase or suffer losses in the event of any lower-than-expected increase or decrease in RMB exchange rates. If the Company locks up the cash flow by financial instruments, the market fluctuation would lead to fair value losses and fluctuation in performance of the Company during the period.

The RMB appreciation met our expectation during the year. In response to the medium to long-term borrowings denominated in foreign currencies, the Company has managed to lock up the exchange rates and interest rates to fix the capital cost at a lower level, and the performance was free from the fair value fluctuation during the period by adoption of hedge accounting. The short-term foreign exchange borrowings recorded exchange gains as the Company has flexibly adjusted its size against the risk on regulated basis in line with the market changes. In 2010, approximately RMB28.86 million of foreign exchange gains was recorded.

Operational Risks

1. Risk of Operating Cost Increase or Fluctuation

With the increases in years of operation and wear-and-tear of the Group's toll highways, the demand for the maintenance work of the highways may also increase, particularly the road surfaces of Qinglian Class 2 Road, which were badly worn out, require comprehensive maintenance. The increase in and imbalance of the traffic volume of the Group's toll highway projects caused traffic congestion in some of the toll stations, which demand for more staff and facilities. Moreover, in order to enhance the overall traffic efficiency and image of the city, the Company will invest more on the road lighting facilities in response to the Government. These will increase the cost of operating cost of the Company. It is expected that the future inflation will further increase the pressure on the cost.

In 2010, the Group took major measures as follows:

◆ determining the maintenance plans for Qinglian Class 2 Road and the landscape reconstruction plans for the roads in Shenzhen with optimised design plans and active communication and coordination with the Government. These plans commenced and/or will commence in the fourth quarter in 2010 and 2011 respectively. It is expected that the related expenditures will be at reasonable and regulated level.

◆ completing the study on the technologies of maintenance planning for toll highways in Shenzhen, and formulating and implementing the comprehensive maintenance plan based on the findings of the study to achieve the road maintenance target of "maximizing the maintenance efficiency throughout the operation period". With the advanced maintenance technologies and experience in maintenance of the Company over years, we will timely adjust and enhance the maintenance policies and planning, which possibly causing great changes to the accounting estimates for maintenance expenditures and provisions.

◆ persistent to the occasional toll free pass measure introduced by the Government during the peak hours of traffic volume, basically avoiding the traffic congestion during the peak hours by enhanced working procedures and additional staff and facilities. The Company will expand the toll stations and toll tunnels when necessary.

2. Project Investment Risks

The Company has the first right to develop Outer Ring Expressway. However, due to its substantial investment size, the return may not meet the Company's demand and it will increase the uncertainties of financial risks. Moreover, the Company is negotiating and discussing with the Government for the plan of toll rate adjustment model of the South Section of Meiguan Expressway. The investment income and achievement of the management targets of the Company will be affected as to whether it is reasonable and implemented successfully.

In 2010, the Group took major measures as follows:

◆ intensively communicating with the governmental authorities for the expansion plan, the plan of toll rate adjustment model and the arrangement for future maintenance and management for South Section of Meiguan Expressway, engaging a traffic consultant recognised by both parties to perform predictions and review on the traffic volume as well as a valuer to assess the value. Reasonable suggestions and contingency plans will be made according to the actual situation based on the interest of the Company, the Government and the public.

◆ establishing Shenzhen Outer Ring Expressway Investment Company Limited (深圳市外環高速公路投資有限公司)to study the projects and optimise the design plans of the projects and actively negotiating with the relevant government authorities for the investment model of the projects.

The Company will maintain an active communication with the government authorities, and carefully make the investment decisions based on the strategic goals and financial positions of the Company due to in-depth analysis and study.

3. Risk of Project Expansion Investment

As the traffic volume of toll highways is becoming saturated, Shuiguan Expressway and Meiguan Expressway has commenced the expansion works to enhance their traffic and handling capacity. Affected by the factors such as land requisition, demolition and relocation and the increase in price of construction materials, the expansion cost is generally higher than the initial construction cost of the projects, which increased the total investment cost and unit cost of the projects. The traffic volume and revenue will tend to fluctuate and reduce since the progress of the expansion may cause certain impacts on the ordinary toll collection. It is anticipated that the additional traffic volume and revenue after expansion cannot cover the increased expansion cost in short term, which leads to a decrease in profit of the projects in the short run.

While arranging the expansion plans and performing the investment assessments, the Company fully and closely considered the expansion scale, timing and the strategies of implementation to minimize the above risks as much as possible. In 2010, our strategies taken include:

- strengthening the supervision on the design plans to optimise the expansion of Meiguan Expressway and the expansion process of Shuiguan Expressway, so as to ensure that the construction cost, progress and quality satisfy our goals.
- sensible construction management and traffic coordination to maintain a high growth of the traffic volume of Shuiguan Expressway fundamentally without adversely affected by the construction when Shuiguan Expressway was at its peak cycle of construction during the year. The Company will further optimise the plans for the expansion of Meiguan Expressway on this basis.

Through comprehensive and sensible arrangement and effective management for investment, construction and operation of the expansion projects, it is expected that the investment efficiency of the project expansion will be gradually enhanced with the increasing traffic capacity and traffic demand.

4. Construction Management Risks

In 2010, the Liannan Section of Qinglian Project, Coastal Project and Nanping (Phase II) were at their peak cycle of construction. The successful completion of the construction will directly affect the achievement of major targets, namely total project cost, schedules, quality and safety of each project, and thus affect the return levels and the Company's reputation. The changes in design during the construction, the price fluctuations in construction materials and increased compensation standards for land requisition, demolition and relocation as well as inflation have exerted pressure on the increasing construction cost.

The Company is experienced in the highway construction management, and has developed improved internal control procedures and maintained a good track record. The Company has focused on important works including the design, tendering and bidding, and land requisition, demolition and relocation of the preliminary construction work of those projects to significantly lower the subsequent risks. During the year, with strengthened on-site construction management and regular examination, strengthened procedural management on the construction company, and flexible cost and progress management, the Company stepped up the construction of major projects including the Liannan Section of Qinglian Project, Coastal Project and Nanping (Phase II) and achieved effective control over targets such as the progress, quality, costs and safety, having taken consideration of the characteristics during the construction period. For example, the persistent rainfall across northern Guangdong region adversely affected the construction progress of Liannan Section of Qinglian Project. Hence, Qinglian Company made timely adjustments to optimise the construction organisation and arrangement, and reinforced external coordination and strengthened on-site supervision, by which all construction works were completed on schedule.

5. Risk of Entrusted Construction Management Business

Where it fails to approve and execute the governmental budgets and contracts of entrusted construction projects on schedule, or the approved budget differs from the Company's expected budget, great uncertainties on our estimates to the Company's returns on contracts will be resulted. It is also expected that the market changes and the inflation will have pressure on the cost control and the target of schedule. Moreover, the litigation of and the governmental audit on Nanping (Phase I) are pending, resulting in certain pressure on the returns from entrusted construction projects and cash inflow of the Company.

Our coping measures in response to the abovementioned risks include:

- thoroughly discussing and reviewing the entrusted construction contracts for Coastal Project, maintaining close communication with the relevant governmental authorities and seeking mutual consent for the terms of contracts as soon as practicable.
- strengthening the budget audit, cost audit and settlement breakdown of projects during the construction process on timely basis, which helps lessen the audit works after the completion of projects and lower the uncertain risks of returns from entrusted construction projects.
- regularly submitting the written report in relation to the progress and impacts to the Government for the planning of Nanping (Phase II) as it is affected by the changes of planning and the suspension of works at the request of the Government, so as to avoid unnecessary obligations and risks.
- actively carrying out the progress and settlement audit of Nanping (Phase I) which is pending for final decision of arbitration, and it is expected that solid progress will be achieved in 2011.

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.

Outlook and Plans

The Company 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.

Fundamental Judgement on Operating Environment

The work focus and emphasis of local governments at various levels in recent years have been on promoting economic transformation, driving domestic demand and increasing the income level of local people. While macroeconomic growth will drive the demands for cargo traffic of highways and business relationship, increase in the income level of local people will also give rise to traveling demand, thus leading to the persistent growth in toll highway industry.

Under the comprehensive traffic plan for the "Twelfth Five-Year Plan" introduced by Shenzhen City in 2010, the major mission and direction, being the unification of special economic zones and the establishment of a traffic network connecting the 3 cities namely, Shenzhen, Dongguang and Huizhou were stepped up. Through the construction of expressways and the establishment of a multi-tier traffic network, support for the unification of development of Shenzhen, Dongguang and Huizhou was demonstrated while the ability of cohesion of and expansion among regions were enhanced. Moreover, it was also proposed in the plan on the development of the Shenzhen Port to be a major port of the integrated transportation network of the State and a main container port of South China region. It further stressed the comprehensive cooperation with Hong Kong for the joint construction of an international shipping center. With the implementation of these plans, economic and trade relationship among regions will be reinforced while new drive for the growth of traffic demand in the regions will be brought about.

However, accompanying economic growth, inflationary pressure will lead to increase in employee expenses, construction materials prices and higher standards of costs for land requisition, demolition and relocation, thereby adding pressure to the increase in operating costs. Moreover, the economic situation is complicated and subject to changes due to various factors. Our concerns will remain on the economic development trend, assessing the impacts brought by changes in operating environment on the Company's operation and development, as well as timely adoption of feasible measures.

In addition, the toll highway industry faced pressures and challenges brought by policy changes or adjustments over the past two years. For instance, the extent of implementation of the "Green Passage Toll Free Policy" was expanded and the trial temporary "toll free pass measure" during the peak hours of traffic volume was adopted in some regions, while extensive discussions and concerns from the market on industry prospects were provoked as reviews and studies on the "Regulations on Toll Highway Administration" by the traffic and transportation authorities was implemented. In view of the general plan of road network and the scale of toll highway, no material changes in toll highway policy shall be put in place in short-term. However, the management has to master the trend of policy in a timely manner and make essential and timely adjustments to operation strategies in the face of partial policy changes or adjustments. In the short-term, it is expected that the expansion of the extent of "Green Passage Toll Free Policy" commencing from December 2010 may bring about greater effect to the Group's results of 2011 as compared to that of 2010, though not substantial in general. Besides, if toll-by-weight for some highways in Guangdong Province were to be adopted in 2011, growth in revenue for the investment enterprises of the Group's in the province might be achieved, while increase in the capital expenditure of the project and the difficulty in management could be resulted. As the toll-by-weight for all highways has yet been compulsorily adopted in Guangdong Province, the way by which coordination and settlement be achieved between different toll modes under inter-network toll collection system is the next issue of concern and for study.

In 2011, it is expected that the monetary and credit policies of the State will remain tight. Circumstances such as strict control over credit facility, stricter supervision over the types of loans and use of funds and clear anticipation of increase in interest rate, will heighten the difficulties for the Group's financial arrangement and obtaining prime rate.

Analysis of Operating Conditions

Currently, the Group is of the opinion that the following major matters will have positive or negative impacts on the operating results in the future:

- **Completion of projects under construction:** The reconstruction of Liannan Section of Qinglian Project into an expressway was completed as scheduled, and an expressway toll rates has been adopted since 25 January 2011, which results in an increase of total toll mileage of Qinglian Expressway from approximately 188 km to approximately 216km. The expansion of Shuiguan Expressway is expected to be completed in the first half of 2011. Upon the completion of these reconstruction projects, it is expected that there will be growth in toll revenue and new operating cash flows, as well as simultaneous increase in depreciation and amortisation expenses for such projects' assets. Following the completion of projects under construction and the steady increase in cash flows of the projects, the overall borrowing level of the Group for 2011 is expected to fall slightly. However, as the overall borrowing scale remains at a relatively high level, coupled with further decrease in capitalised interest and the tightening financing environment, it is expected that the finance costs of the Group during the year will have a slight increase.

- **Impact of changes in road networks:**

  In 2010, improvement of the road networks created greater positive stimulation effect on the projects of the Group. For example, the commencement of operation of Huishen Coastal Expressway, the second phase of Guangwu Expressway and the second phase of Guangzhu West Line have brought different levels of positive effects to the Group's Yanba Expressway, Guangwu Project and Jiangzhong Project (For details, please refer to the content of "Business Review" above). It is expected that the above positive effects will last in 2011. Besides, Section A of Nanping (Phase II) is planned to be completed and opened to traffic at the end of 2011. It will link with Nanguang Expressway and Bao'an District of Shenzhen, thereby effectively enhancing the future operational performance of Nanguang Expressway.

  In the last two years, some municipal roads (such as Songbai Road and Shenhui Road) were under reconstruction, which had positive effect to the performance of peripheral Nanguang Expressway, Jihe Expressway, Yanba Expressway and Shuiguan Expressway. Following the gradual completion of municipal projects, Songbai Road and Shenhui Road resumed opening to traffic at the end of 2010 and early 2011 respectively. It is expected that certain traffic flow of those expressways during the construction period would return to local roads, thereby creating certain negative effect to the traffic volume or slight change in vehicle mix in above expressways.

  Yilian Expressway, which connected Qinglian Expressway and Jinggang'ao Expressway (Hunan Section) is expected to commence operation at the end of 2011, thereby allowing Qinglian Expressway to fully develop its line location advantage as the essential route linking Guangdong Province and Hunan Province and improving its operational performance. According to the plans, in the subsequent years, Jinggang'ao Dual Expressway (Hunan Section) and Erguang Expressway (Yongzhou, Hunan to Lianzhou, Guangdong Section), both connecting the northern end of Qinglian Expressway will open to traffic in succession, which will stimulate new growth in traffic volume in Qinglian Expressway. However, Guangdong Province is pushing forward the construction plan of Guangle Expressway, of which the line is basically parallel to Jinggang'ao Expressway (Guangdong Section) and Qinglian Expressway, and may result 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.

The reconstruction and expansion works of the North Section of Meiguan Expressway commenced in December 2010. As the early construction works was focused on constructing new lanes, it is expected that the reconstruction and expansion works would not have material impact on the project's overall traffic efficiency and traffic volume riding on good project organisation and traffic dispersion.

- **Road repair and maintenance**: As most of the regional traffic volume was borne by the Qinglian Class 2 Road during the reconstruction of Qinglian Project into an expressway, which caused serious damage to the road surface of Qinglian Class 2 Road. In order to resume its traffic capacity and ensure traffic safety, the Group has closed the road and conducted maintenance since late September 2010. The maintenance works is expected to last for 2 to 3 years, during which period the maintenance expenses incurred by the Group will increase accordingly. The Company has also started the preparation work for the maintenance of Jihe Expressway and planned to carry out the maintenance work in the coming one or two years with its increasing years of operation. As the Company has made provisions for the relevant maintenance work and will make appropriate organisation and arrangement in the course of works, it is therefore expected that the maintenance works would not have material impact on the Company's operating results and daily operations. With the renewal of maintenance technology and cumulation of the Company's experience in maintenance, the Company has actively pushed ahead the study on theories and technology of preventive maintenance in recent years, and will make timely adjustment and improvement of maintenance policies and plans based on the results of study.

Ongoing Review and Implementation of Strategies

2010 was the first year of the Group's "2010-2014 Development Strategies". The Company has established a strategic target decomposition group, aiming to organise and coordinate departments and units to accomplish the developmental strategic plans of each business unit for the coming 5 years, and to break down the Group's detailed strategic targets by different departments and positions. Currently, the Group has broken down its 5-year strategic financial targets in each business unit and operating year and has identified the key measures to achieve the targets. The Company regularly follows up and analyses the progress of completing the strategic financial targets and the difference caused by key influential factors, and adopts timely measures to ensure the achievement of the strategic targets.

During this strategic period, the development approach of the Company is defined as inner emphasis of both scale and effectiveness, by which the Company places its emphasis on enhancing the overall returns of assets and actively studies and explores those industries and businesses relating to toll highway industry and other core business capability and experience of the Company, so as to seek new opportunities for the Group's long-term development. To further push forward the Company's research and development of new industries, the Board approved the Company to cooperate with Longli Government of Guizhou and its specified state-owned enterprises to engage in the overall planning of Guilong Urban Economic Zone in early 2011. The Company wishes to gain better understanding of the projects by this means and improve the research and understanding of the operating approach, investment value assessment and risk control measures of the related business. This will help the Company further identify its target and direction for new industry development.

Work Plans and Objectives in 2011

In 2011, the Group will adhere to the pragmatic and progressive principle in striving for better operating results for the Group. The work targets and focuses for 2011 are as follows:

- **Operating target**. 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 2011 at not less than RMB2.45 billion, with operating costs and administrative expenses (excluding depreciation, amortisation and provision for maintenance) at not more than RMB0.61 billion, (2010 actual amount: RMB2.15 billion and RMB0.45 billion respectively).

- **Operation management.** Our main tasks for the year include: ① continually enhancing the standardisation and informatisation level of operation management and the emergency traffic soothing capacity during peak traffic hours, to assure traffic efficiency and capacity; ② focusing on the advantages and features of projects to carry out the marketing of Nanguang Expressway, Yanba Expressway and Qinglian Expressway, in order to enhance operational performance of such expressways; ③ strengthening the maintenance and management of toll collection system and data, improving coordination and cooperation with the manager and participant of the inter-network toll collection system to protect the Group's interests; ④ timely commencing preventive maintenance work and completing the lighting reconstruction and toll station expansion projects as scheduled, as well as pushing ahead the preparation work for the maintenance of Jihe Expressway in order.

- **Construction management.** The Company will improve the audit work for its substantial design plans and technologies, actively and effectively manage its own construction projects and entrusted construction projects, and grasp key aspects to strengthen quality project management. We will strive to achieve pre-set objectives for work schedule, quality, budget and safety. Meanwhile, 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.

- **Investment management.** The Group will conduct research and negotiation for the reconstruction and expansion plan of the South Section of Meiguan Expressway and the adjustment plan for its toll collection mode. We will attach greater effort to the research and development of new industries and carefully improve the progress of the projects.

- **Financial management.** We will further optimise the Company's debt structure, rationally control capital costs and strengthen cost control, budget management and medium-long term financial estimation and analysis and improve the warning system for financial risks, and fully support the financial management decision making.

- **Comprehensive management.** The Group will continue to optimise its management system, strengthen internal control management and risk management, further enhance the human resources system. The Group will also develop and apply the fitness and properness model of its staff, enhance organisational planning, training system and performance assessment system, and step up efforts in training and recruitment of talents to meet the actual needs of the Group's development.

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 2010.

1. Statement of the 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 "Independent Auditor's Report" of this annual report.

It is the Board's opinion that the financial statements were prepared on a going concern basis 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. 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.

2. 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.

3. Summary of the Report of the Board

During year 2010, five board meetings were held. Major issues discussed in the Board meetings include:

- Consideration of the Development Strategies 2010-2014;
- 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 proposals of projects, including the establishment of Outer Ring Expressway project company and the reconstruction of the north section of Meiguan Expressway;
- Consideration of the financing proposals, including lock-ups of interest and exchange rates of foreign currency loans, arrangements for financing guarantee and counter-guarantee, issue of debenture financing instruments denominated in RMB;
- Studying matters on changes in 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;
- Adjustment of the organisational structure and appointment of the management staffs, etc.

4. Principle 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 "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.

5. 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.

6. Financial Results

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income of the Financial Statements attached in this annual report on page 140.

The financial positions of the Group and the Company as at 31 December 2010 are set out in the balance sheets of the Financial Statements attached in this annual report on pages 136 to 139.

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.

7. Dividends

The Board of the Company recommended the payment of a final dividend of RMB0.16 (tax included) per share to all shareholders, totaling RMB348,923,252.16, for the year ended 31 December 2010, representing 49.9% of the distributable profit for the year 2010 and 46.8% of the profit attributable to the equity holders of the Company for the year 2010. Such dividend shall be subject to the approval by shareholders at the 2010 annual general meeting of the Company.

Details of proposal of the payment of final dividend for the year 2010 by the Board and the dividend scheme for the year 2009 and its implementation are set out in "Profit Distribution" under "Financial Analysis" of this annual report.

8. 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 "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 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, the Supervisors or the 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 the senior management of the Company or its controlling shareholder(s) or their respective connected persons.

9. Disclosure of Interests

As at 31 December 2010, the interests or short positions of the Directors, the Supervisors or the 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	0.12%	Personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Share option unexercised as at 1 January 2010(1)	Number of share option granted during 2010(2)	Number of share option exercised during 2010(1)	Share option unexercised as at 31 December 2010(2)	Nature of interests	Capacity
Yang Hai	Nil	14,300,000	Nil	14,300,000	Personal	Beneficial owner
Li Jing Qi(3)	9,000,000	17,000,000	9,000,000	17,000,000	Personal	Beneficial owner
Zhao Jun Rong	Nil	14,300,000	Nil	14,300,000	Personal	Beneficial owner
Tse Yat Hong	Nil	14,300,000	Nil	14,300,000	Personal	Beneficial owner
Lin Xiang Ke	Nil	5,900,000	Nil	5,900,000	Personal	Beneficial owner
Zhong Shan Qun	Nil	14,300,000	Nil	14,300,000	Personal	Beneficial owner

Note:

(1) These share options were granted on 19 January 2005 and could be exercised during the period from 19 January 2005 to 11 January 2010 with the exercise price HK$ 0.282 per share.

(2) These share options were all granted on 28 September 2010 and could be exercised during the period from 28 September 2012 to 27 September 2015 with the exercise price HK$ 0.58 per share.

(3) Ordinary shares obtained upon exercise of share options by Mr. Li Jing Qi, Director, were disposed during the Reporting Period.

Saved as disclosed above, as at 31 December 2010, none of the Directors, the Supervisors or the senior management had interests or short positions defined above.

10. Share Capital

The total share capital of the Company was RMB2,180,770,326. Details are set out in note 19 to the Financial Statements and "Investor Relations" of this annual report.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. Interest Capitalised

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

17. 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 to the Financial Statements respectively.

18. Trust Deposits and Overdue Time Deposits

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

19. 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.

20. 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.

21. Material Acquisition, Sale and Business Combination

During the Reporting Period, there is no material acquisition, sale or business combination by the Company or its subsidiaries nor is there any material acquisition, sale or business combination subsisting in the Reporting Period.

22. 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	Term
(1) 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 RMB5.9 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the 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)
47.3% of toll collection right of Nanguang Expressway	Pledge	Agricultural Bank of China Shenzhen Branch	Counter-guarantee for the 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 the Bonds with Warrants (principal and interests)
(2) 40% of equity interest 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
RMB275 million fixed deposit	Pledge	Shanghai Pudong Development Bank Shenzhen Branch	Principal and interests of a HK$316 million bank loan	Until 29 September 2011
(3) 154,000,000 shares of JEL Company	Pledge	Industrial and Commercial Bank of China (Asia) Limited	Revolving credit facilities of HK$112 million, long term credit facilities of HK$210 million and relative payment liabilities under swap facilities of approximately HK$1.2 billion	Until the 7th month after the repayment of all mortgage-backed liabilities by the Mei Wah Company

Notes:

(1) Pledged by Qinglian Company, a subsidiary of the Company. Interests pledged are 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; and 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 consortium loans used by Qinglian Company was RMB3,634 million.

(2) As at the end of the Reporting Period, the balance of such loans used by the Company was RMB665 million.

(3) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of related loans used by Mei Wah Company was HK$322 million.

23. External Guarantees

External Guarantees of the Company (Excluding guarantees provided for subsidiaries) [1]

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	RMB 800 million	Counter - guarantee [2]	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	RMB 1,500 million	Counter - guarantee [2]	From February 2009 until repayment of the Bonds with Warrants (principal and interests)	No	No
Industrial and Commercial Bank of China Limited Shenzhen Branch	2010-9-17	HK$ 220.5 million [3]	Counter - guarantee [3]	Upon the relief of guarantee bank's liability and until repayment of liability (if any) under the agreement	No	No
Total amount of guarantees occurred during the Reporting Period (RMB million)					188 [3]	
Total balance of guarantees as at the end of the Reporting Period (RMB million)					2,488 [3]	
Proportion of total amount of guarantees to the net assets of the Company					26.53%	

Notes:

(1) Above-mentioned three external guarantees had been approved by the 2006 Annual General Meeting, the 2007 Annual General Meeting and the Second Extraordinary General Meeting 2010 of the Company respectively.

(2) Please refer to "Mortgage and Pledge of Assets" above for related details.

(3) As for the financing needs in Hong Kong, Mei Wah Company, a wholly-owned subsidiary of the Company accepted the guarantee provided by the Industrial and Commercial Bank of China Limited (Shenzhen Branch). The Company provided credit counter-guarantee for the bank which provided guarantee. As at the end of the Reporting Period, the guarantees accepted by Mei Wah Company was HK$220.5 million, equivalent to approximately RMB188 million.

In order to facilitate and improve the efficiency of financing work, it was approved by the 2009 Annual General Meeting that from the date on which the general meeting approved to the date on which the 2010 Annual General Meeting is held, the Board was granted to provided credit or mortgage/pledge counter-guarantee for the domestic commercial bank which provides guarantee for the Company or wholly-owned subsidiaries of the Company not exceeding RMB500 million in aggregate. As at the date of this report, there was no counter-guarantee under this mandate.

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.

24. Other Agreements

Details of the investments, acquisitions, connected transactions, entrust management and other material contracts of the Company during the Reporting Period are set out in "Contracts and Transactions" under "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.

25. Advances and Liabilities or Guarantees Related to the Connected Parties (As defined in the relevant PRC regulatory rules):

Unit: RMB'000

	Fund provided to the connected parties		Fund provided to the Company by the connected parties	
Connected party	**Amount accrued**	**Balance**	**Amount accrued**	**Balance**
(1) Coastal Company	—	—	40,212	40,794
(2) Baotong Company	—	—	(1,264)	(364)
Nanjing Company	—	—	—	46,500
Total	—	—	38,948	86,930

Notes:

(1) The operating fund intercourse to ensure timely payment for expenses incurred by Coastal Project.

(2) Advances from Baotong Company is the management fee received in advance pursuant to the entrusted construction agreement of Longhua Extension. As at the end of the Reporting Period, the balance is the difference between the management fee received in advance by the Company and the revenue recognised by the Company according to the accounting policies.

During the Reporting Period, there is no fund occupancy by the controlling shareholders and its subsidiaries arising in the Company. The statutory auditors of the Company have produced specific explanations in relation to the sheet of fund occupancy by the controlling shareholders and other connected parties prepared by the Company in accordance with regulations.

Besides, the loan in a sum of US$223,420 from the Spanish Government on-lent by China Construction Bank was secured by a guarantee given by XTC Company, a substantial shareholder of the Company.

26. Undertakings

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.

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 include 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.

27. Basic Information of Employees

At the end of the Reporting Period, the Company and its wholly-owned subsidiaries had 2,028 employees, of whom 482 were management and professional staff, while 1,546 were toll collection staff. 27% of the Company's staff held tertiary or above qualifications, and 87% 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 remuneration and benefits, the development and trainings, and the rights of employees are set out in "Report of the Remuneration Committee" and "Staff" of this annual report.

28. Charity Donations

During the Reporting Period, the Company allocated RMB1,000,000 for charity or public welfares. The details related are set out in "Co-development" of this annual report.

29. 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 2010.

30. Auditors

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

31. 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, 25 March 2011

Corporate Governance Report

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

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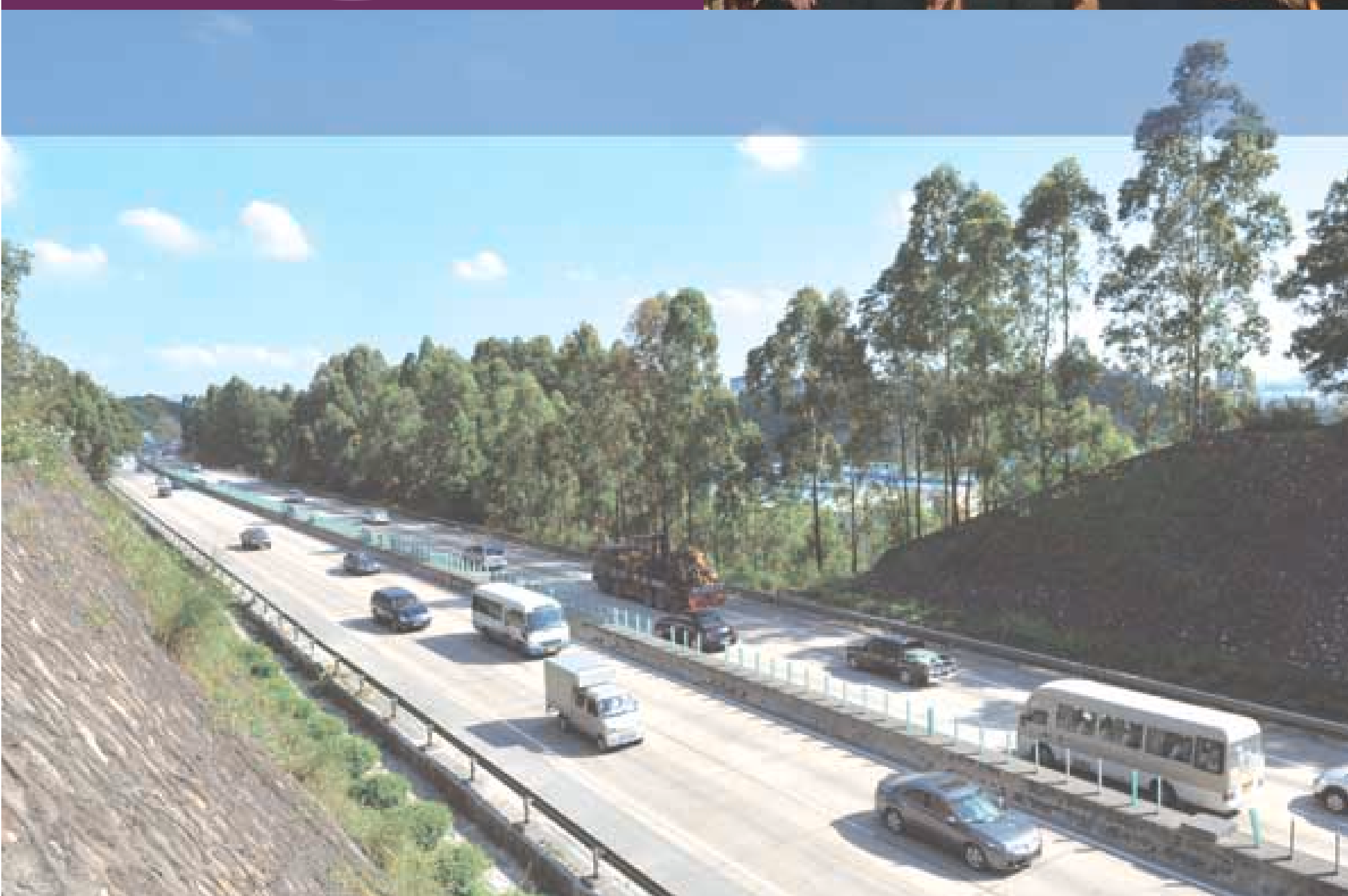
Corporate Governance Practice Report

The Company believes that sound corporate governance enables the Company to achieve healthy and stable development, enhance its image in the industry and capital market and gain recognition and confidence of its development from investors, creditors, partners, society and so forth. The Company has always been committed to promoting sound governance structure, establishing and improving operational principles and improving the effectiveness of governance.



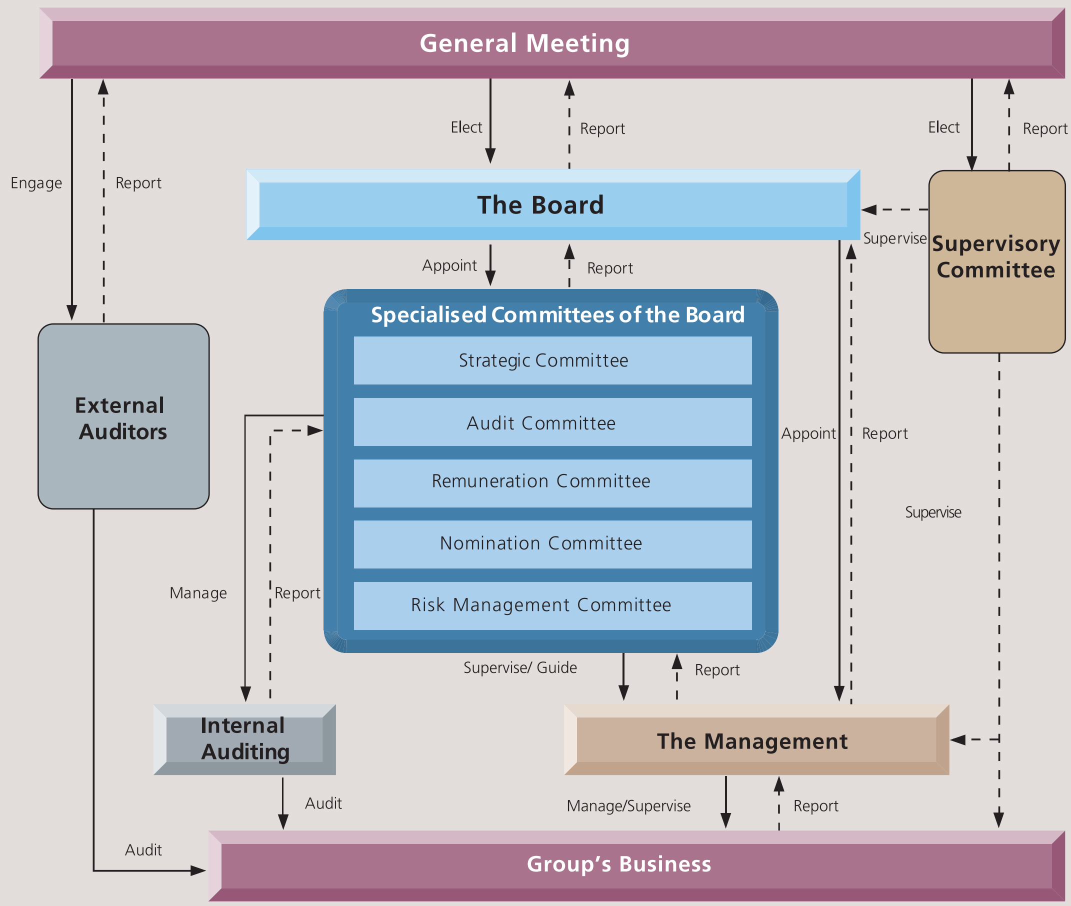
Corporate Governance Practice Report

The Company is listed on both SSE and HKEx. Besides complying with the applicable laws and regulations, we have to comply with the requirements of the Code of Corporate Governance for Listed Companies of CSRC and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the HKEx regarding the practice of corporate governance. During the Reporting Period, 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 and the Company has fully adopted the code provisions of the Code on Corporate Governance Practices. In addition, the Company has also 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 and the Risk Management Committee under the Board, in addition to the Audit Committee and the Remuneration Committee, all being mainly comprised of Independent Directors and Non-executive Directors with each committee chaired by an Independent Director;
- ☑ 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;
- ☑ Regular publication of the Social Responsibility Report.

Governance Structure and Rules

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. It has formulated multi-tier governance rules based on the Articles of Association, aiming to clearly define the duties, limit of authority and code of conduct. The current governance structure of the Company is shown as follows:



Governance Structure of Shenzhen Expressway

In 2010, the Company further improved governance rules, formulated and implemented related governance rules such as Responsibility System for Major Errors in Information Disclosure in Annual Reports, Management Rules for Selection of Accountants' Firm for Auditing Financial Statements and Management Rules for Connected Transactions, to further clear and standardise management procedure for connected transactions and selection of auditing firm for financial statements, increase personal accountability, enhance the information disclosure quality, transparency and management level.

The primary documents of the Company's Governance Rules, including the Articles and the attachments to the Articles, Work Guidelines for Independent Directors, Work Details for the President and terms of reference of each specialised committee, are available for inspection or downloading in the column headed "Corporate Governance" on the Company's website.

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. Subject to the stipulated procedures and requirements, shareholders of the Company 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. Detailed provisions in relation to specific procedures and arrangement for the convening, proposal and holding of and voting at the general meeting are set out in the Articles of the Company and the attachments to the Articles (Rules of Procedures for the Shareholders' General Meetings).

The general meeting is one of the major channels for direct communication between the management and shareholders. Therefore, the Company encourages all shareholders to attend the general meeting and requests all directors and senior management to make their best efforts to attend. The Company will give a notice of any general meeting at least 45 days prior to the date of such meeting, and provide shareholders with any information necessary for them to attend and make decision at the meeting, including the agenda, description of procedures for shareholders' attending in person or by proxy and instructions for the completion of the forms, method of vote-counting, proposed resolutions for consideration as well as contact information for 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. 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 all general meetings. All chairmen of the specialised committees under the Board attended the annual general meeting to answer shareholders' questions where necessary.

During the year 2010, the Company held three general meetings at which all the following matters were considered and approved:

- The report of the Directors, the report of the Supervisory Committee, the audited financial report and the profit distribution scheme for the year 2009
- The budget plan for the year 2010
- Re-appointment of international auditors and statutory auditors
- Appointment of shareholders' representative Supervisor
- Formulation of the Management Rules for Selection of Accountants' Firm for Auditing Financial Statements
- Provision of counter-guarantee for the bank which provide guarantees to Mei Wah Company, a wholly-owned subsidiary of the Company
- Authorisation of the Board to provide counter-guarantee for the banks which provide guarantees to the Company or any wholly-owned subsidiaries of the Company
- The granting of a general mandate to the Board to issue debenture-typed financial tools denominated in Renminbi (as a special resolution)

Details of the general meetings held:

- The First Extraordinary General Meeting 2010 ⇨ held in the conference room of the Company on 8 January 2010
- The Second Extraordinary General Meeting 2010 ⇨ held in the conference room of the Company on 15 March 2010
- The 2009 Annual General Meeting ⇨ held in the conference room of the Company on 14 May 2010

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. The substantial shareholders or controlling shareholders of the Company have never been involved in any acts of by-passing the general meetings in ultra vires interference with the Company's decision-making or operations during the Reporting Period. Assets contributed by the promoters when the Company was established were independent and integrate, and independently managed with distinct ownership, and change of ownership of non-monetary assets contributed had been completed. There existed no industry competition and connected transactions between the Company and its controlling shareholders arising from reorganisation. Details of the Company's Shares, substantial shareholders and investor relations are set out in "Investor Relations" of this annual report.

Board

1. Responsibilities and Division of Work

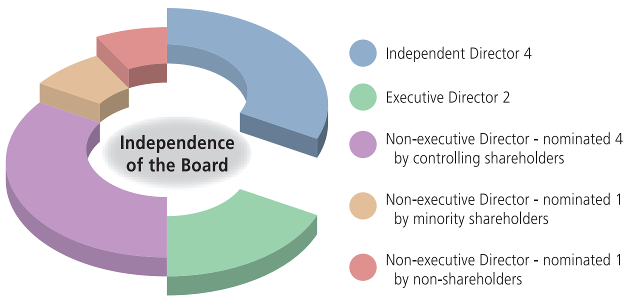
The Board is responsible for leading the Group's development, establishing the Group's strategic goals, and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The principal duties of the Board are to exercise management and decision-making 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 Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals, ensuring the Board functions effectively and assuring good corporate governance practice and procedures for the Company. 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. 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.

2. Composition

The current Board is the fifth session of the Company, comprises 12 Directors, including 2 Executive Directors, 6 Non-executive Directors and 4 Independent Directors, with a term from 1 January 2009 to 31 December 2011. Please refer to the content in "Directors" below for details. 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. Details of the profiles of the Directors (including their professional experience and their principal positions held at shareholding institutions) are set out in "Directors, Supervisors and Senior Management" of this annual report.

Among the current Board members, 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 convenes ad hoc meetings when necessary. All Directors shall receive a written notice in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings shall be dispatched to all Directors at least 14 days before the meeting is convened, while notices of ad hoc meetings shall be dispatched at least 5 days before the meeting is convened. Any relevant documents containing the resolutions to be proposed to the Board for consideration shall be dispatched to all Directors at least 3 days before the meeting is convened. In 2010, the Board convened 5 plenary Board meetings to discuss and made decisions on issues covering the Group's operating and financial performance, development strategies, planning and supervision, investment and financing plans, management structure and information disclosure, details of which are set out in "Report of the Directors" of this annual report.

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities on aspects such as external investment, acquisition and disposal of assets, pledge of assets and so forth, so as to enhance the overall quality and efficiency of decision-making of the Company. The Company has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the management of the Board on the authorised matters through establishing a regime on procedural management, documentation and regular reviews. In 2010, the Executive Directors held 7 meetings, on which they considered and approved matters on charity donations, asset resources, adjustment in increasing investment in invested enterprises and distribution of performance bonus of the management.

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 the executive 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 2010, the specialised committees convened 12 meetings. For details on the operation of the committees, please refer to the content in "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, as well as making appropriate responses or providing further information upon the Directors' reasonable enquiries, 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 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 which any of the Executive Directors shall abstain from voting, and on a matter 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. In considering the relevant matters, the Directors being involved or having interests in such matters shall have no voting rights and shall abstain from the meeting when appropriate. During the year, the Company did not have any connected transactions that required the Board to make decisions.

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 dispatched 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 dispatched to each Director for inspection. Directors may also inspect the minutes any time through the Secretary to the Board.

Directors

1. Appointment

Directors are elected or replaced at general meetings. Shareholders of the Company, the Board or 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. In 2010, no new Director of the Company has been appointed.

2. Support for Performance of 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.

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 and two site visits for the management to report in a timely manner and 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 arranges training for the Directors every year. During the Reporting Period, 6 Directors participated in the training courses organised by securities regulatory authorities. Through the various information and resource supports, 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 decisions, and to exercise effective monitoring, thereby ensuring that the Board's operation is in compliance with regulations.

Support for Performance of Duties:

◆	Annual reporting sessions	⇨	March 2010
◆	Semi-annual reporting sessions	⇨	August 2010
◆	Site visit to Wuhuang Expressway	⇨	October 2010
◆	Site visit to Nanjing Third Bridge	⇨	October 2010
◆	Publication of Reference Document Summaries	⇨	6 editions
◆	Publication of Market News Briefings	⇨	5 editions
◆	Organisation and arrangement of professional training	⇨	6 person-times

3. Performance of Duties in the Year

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2010 was 100%, while attendance in person was 93.3%. Attendance of members in person at the meetings of the specialised committees of the Board was 100%. 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 meeting						
Directors	Board	Attendance in person at Board meetings	Strategic Committee	Audit Committee	Remune-ration Committee	Nomination Committee	Risk Management Committee
Executive Directors:							
Yang Hai (Chairman of the Board)	5/5	100%	1/1	5*	1*	2/2	3*
Wu Ya De	4/5#	80%	1/1	4*	1*	2*	3*
Non-executive Directors:							
Li Jing Qi	5/5	100%	1/1	—	—	—	—
Zhao Jun Rong	4/5#	80%	1*	—	—	—	—
Tse Yat Hong	4/5#	80%	1*	—	—	—	—
Lin Xiang Ke	5/5	100%	1*	—	—	—	3/3
Zhang Yang	4/5#	80%	1	—	—	—	3/3
Chiu Chi Cheong, Clifton	5/5	100%	1/1	5/5	1/1	1*	—
Independent Directors:							
Lam Wai Hon, Ambrose	5/5	100%	1/1	5/5	—	—	—
Ting Fook Cheung, Fred	5/5	100%	1*	3*	1/1	2/2	—
Wang Hai Tao	5/5	100%	1*	3*	1/1	2/2	—
Zhang Li Min	5/5	100%	—	5/5	—	—	3/3

#: 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.

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.

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.

In 2010, apart from attending Board meetings and specialised committee meetings seriously, 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, and continuing connected transactions, and convened three 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 convene any Board meeting and general meeting or publicly collect voting rights from shareholders.

5. Remunerations of Directors

The Company has been disclosing the remunerations of Directors, Supervisors and senior management on a named basis. Details of the Company's remuneration policies, the appraisals and incentive regimes for senior management and the annual remunerations of the management are set out in "Report of the Remuneration Committee" of 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. 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.

After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that none of them held or dealt with the securities of the Company and all of them have complied with the standards on securities transactions as stipulated by the aforementioned code during the Reporting Period. Details of disclosure of interests relating to these persons are set out in "Report of the Directors" in this annual report.

7. Insurance on Directors' Liabilities

In accordance with the approval and authorisation of the general meeting, the Company has purchased the 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.

Specialised Committees of the Board

Five specialised committees have been set up under the Board. These committees 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 which explicitly explain and define their duties and powers, and such terms of reference are subject to the approval of the Board as important guidelines and basis of each committee for carrying out their work. The terms of reference of each committee are available on the website of the Company for the access of investors and the public.

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. Other than the Strategic Committee, the chairmen of specialised committees under the fifth session of the Board 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 Independent Director	Ting Fook Cheung, Fred Independent Director	Wang Hai Tao Independent Director	Zhang Li Min Independent Director
Members:	Wu Ya De	Zhang Li Min Independent Director	Wang Hai Tao Independent Director	Ting Fook Cheung, Fred Independent Director	Lin Xiang Ke
	Li Jing Qi Chiu Chi Cheong,Clifton Lam Wai Hon, Ambrose Independent Director	Chiu Chi Cheong,Clifton	Chiu Chi Cheong,Clifton	Yang Hai	Zhang Yang

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 on file. 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 2010 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 2010, the Strategic Committee held one meeting, at which the committee heard the specific report from the management on the work and proposal for the implementation of the strategic objective of the Company, and made a profound analysis and have discussions on such matters as the core business of the Company and the expansion into new industry and formed a strategic opinion for approval by the Board.

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 written reports furnished by internal audit officers as well as the management's feedback to such reports. 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.

The Audit Committee held five meetings in 2010, and completed the periodical review of the financial statements of the Company, the assessment of the auditors and the inspection of the specific financial work. For details on its performance of duties and its opinion on the review and evaluation of the Company's financial statements and auditors, please refer to the content in "Report of the Audit Committee" of this annual report.

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 one meeting in 2010, and completed the annual appraisal of the management's operating performance and the evaluation of the operating objectives. For details on its performance of duties 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 in "Report of the Remuneration Committee" of 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 2010, the Nomination Committee held two meetings, at which the committee examined the matters relating to the setting up of departments and the re-allocation of the functions among departments, followed up and provided guidance for the training given by the management, and studied and discussed the specific procedures for the appraisal of the performance of the Directors.

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 specific investment projects.

In 2010, the Risk Management Committee held three meetings, at which the committee reviewed the investment plan on the expansion of the North Section of Meiguan Expressway and the arrangement for the lock-ups of interest and exchange rate, reviewed the periodic risk management review and analysis and the annual risk management plans submitted by the Company, and examined the preliminary draft of the Management Measures of Financial Risk Warning (《財務風險預警管理辦法》) and the annual indicators of the financial warning of the Company.

Audit Supervision and Internal Control

Accountability and supervision ensure the effective operation of the corporate governance regime of the Company. The Supervisory Committee of the Company exercises its supervising authority in a lawful manner. Meanwhile, the Company has established a comprehensive internal control regime, implemented an independent internal audit regime, and appointed a professional external auditing firm to maintain and improve self-monitoring and audit and supervision regime. Directors and/or senior management of the Company have made statements of responsibility in relation to the annual report, financial statements and internal control regime, which are set out in "Confirmation to the Annual Report", "Report of the Directors" and "Self-assessment Report on Internal Control" of this annual report respectively.

1. Auditors

The financial statements contained in the Company's 2010 annual report were prepared in accordance with CAS and HKFRS respectively, and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian") and PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) ("PwC") respectively.

PwC Zhong Tian was appointed as statutory auditors since 2004. It has been providing audit services to the Company for 7 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 15 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 2010 are set out as follows:

	Audit fees (1)		Other fees (1)	
(Unit: RMB'000)	**2010**	2009	**2010**	2009
PwC Zhong Tian	**1,230**	1,180	—	150
PwC	**2,170**	2,170	—	1,000

Notes:

(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) Other fees occurred in 2009 included fees for specific audit on invested projects, evaluation and tax consultation services provided by auditors for the Company. The Board believes it will not 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 Pan-China Certified Public Accountants Company Limited (originally Carea Schinda Certified Public Accountants; after merging with other accounting firms to form Pan-China Certified Public Accountants Company Limited, it remained as the auditors for the 2 subsidiaries mentioned above) to perform audit services. The audit fees paid during the Reporting Period amounted to RMB80,000 and RMB20,000 respectively (2009: RMB50,000 and RMB20,000).

In 2010, the Management Rules for Selection of Accountants' Firm for Auditing Financial Statements was approved to be formulated at the Second Extraordinary General Meeting of the Company to regulate the selection of an accountants' firm for auditing the financial statements of the Company and continuously enhance the quality of the disclosure of the financial information of the Company.

The Audit Committee is responsible for conducting a comprehensive and objective assessment on the completion of the annual audit and the practice quality of the auditors, 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 determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. The Audit Committee has conducted a summary evaluation on the 2010 auditing work and has made proposals to the Board on the appointment of the Company's auditors for 2011. Please refer to the content in "Report of the Audit Committee" for details.

2. 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. The Supervisory Committee's main duties include examining the financial positions of the Company, supervising the Company's decisions and their operating procedures 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) of the Company have set out the powers and authorities of the Supervisory Committee in detail.

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 2010, the members of the Supervisory Committee included Mr. Zhong Shan Qun (Chairman of the Supervisory Committee), Mr. He Sen and Mr. Fang Jie. For the biographies (including professional experiences and principal positions held in shareholding institutions), term of the Supervisors and the changes in Supervisors, please refer to the content in "Directors, Supervisors and Senior Management" of this annual report.

In 2010, the Supervisory Committee held four 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. Details of the performance of duties by the Supervisory Committee are set out in the "Report of the Supervisory Committee" in this annual report.

3. Internal Control

The Board is responsible for developing and maintaining an internal control system of the Company to review the effectiveness of important control procedures for finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets. In 2010, on the basis of ongoing reviews of the Company's internal control system, the Board issued an Assessment Report on Internal Control for 2010. Details of the development and the basic elements of the internal control regime of the Company and its implementation, basic assessment and direction for improvement are set out in "Self-assessment Report on Internal Control" of this annual report.

4. Internal Audit

The Company's Audit Department which is responsible to the Audit Committee 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 compliance with the regulations and its transparency when disclosing information to the public. For the performance of their duties, 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 directly reports 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 manner. The Audit Department regularly reports the audit results, recommendations for improvement, feedback of the auditees, proposals for improvement and rectification results to the Board.

In addition, the Company set up the Standards Management Department in 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.

5. The Special Activity on Regulating Basic Work of Financial and Accounting

In 2010, the Company conducted a special activity on regulating basic work of financial and accounting in two phases in accordance with the arrangement and instructions of the regulatory authorities and self-examination and self-rectification were carried out in phase I. The Company made an overall self-examination for the basic structure of its financial and accounting regime, including the setting of financial personnel and units, standardisation of the basic accounting work, capital management and control, establishment and implementation of financial management regime, application and control of financial information system, and management and control of its subsidiaries' financial positions. The Company also studied carefully the cause(s) of the deficiencies found during the self-examination, and formulated a rectification plan based on the effect of the deficiencies and resources necessary for the rectification. Rectification and enhancement were carried out in phase II. According to the work plan, the Company completed relevant rectification within the time frame, and devoted itself to the establishment of a sustainable internal control regime covering basic work of financial and accounting. Through this special activity, the Company further enhanced the configuration and management of financial personnel and the construction of financial information system, and improved the internal control relating to the Company's basic work of financial and accounting. It also provided reasonable assurance on compiling true and fair financial statements as well as thorough compliance with the relevant laws and regulations.

Conclusion

The Company clearly understands that its commitment to the enterprise concept of integrity and diligence, 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, while a scientific and regulated decision-making system, a supervisory system with check and balance and effective execution are fundamental to the healthy and sustainable development of the Company. Therefore, the Company will continue to review and enhance its governance structure, establish sound operational rules, and continuously improve management efficiency and corporate governance to ensure its stable development and enhance shareholders' value. Meanwhile, the Company strives to enhance shareholders' value, cares and respects the needs of stakeholders. For details, please refer to the content in other parts of the section "Corporate Governance Report" and the content in the section "Social Responsibility Report" of this annual report.

Objectives for 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.

The Company respects investors' rights of knowledge and option, strives to maintain a rational and stable equity structure and ensures that all shareholders, especially minority shareholders, are able to fully exercise their rights and on an equal basis.

The Company 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.

Investor Relations Work

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 Shanghai and Hong Kong 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 2010, the Company timely announced its annual and interim reports and released approximately 40 announcements disclosing in detail the following information of the Company: operating results, daily operation, investment and financing activities, operations of the Board, the Supervisory Committee and general meetings, and so forth. The Company acted as an industry pioneer to, on its own accord, start to disclose its monthly operational statistics in the form of announcements. The Company also maintained to provide in-depth and comprehensive analyses on its operating and financial positions 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.

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 extensively collect feedback from the market to elevate the standards of the Company's governance and operations management. In organising 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, and regular meetings with investors and analysts. In 2010, the Company replied approximately 150 investors' enquiries through telephone or email, and received in aggregate of 48 investor visits involving 127 visitors.

Investor hotline: (86) 755-8285 3330

IR email box: ir@sz-expressway.com

- Conducting various presentation activities, including organising results presentations, press conferences, online investor meetings, non-deal road-shows and reverse road-shows. The Company also participated in different investor forums for face-to-face interactions with investors. Details of various presentation activities of the Company during 2010 are as follows:

January	◈	Participated in "Greater China Conference 2010" organised by UBS in Shanghai
March	◈	Held annual results presentations and press conferences in Hong Kong and Shenzhen, and organised non-deal road-shows in Hong Kong
April	◈	Held an online investor meeting
May	◈	Participated in "The 8th BOCI Investor Conference" in Qingdao
August	◈	Held interim results presentations and press conferences in Hong Kong and Shenzhen, and organised non-deal road-shows in Hong Kong
September	◈	Participated in "Daiwa Transportation Day 2010" in Hong Kong
October	◈	Held an online investor meeting
November	◈	Participated in "China Investment Frontier Conference 2010" organised by Goldman Sachs in Beijing
	◈	Organised "reverse road-show 2010"
December	◈	Participated in "Asia-Pacific Infrastructure & Transportation Conference 2010" organised by Macquarie in Singapore

- Regularly dispatching investor e-news on the operations and developments of the Group. The Company issued a total of 8 "E-news" in 2010, timely presenting investors the operating performance of the Company and movements in the industry, giving responses to issues which concern investors. Besides dispatched by means of email, "E-news" is also uploaded to the Company's website for investors' access at any time.

- Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of Directors, Supervisors and the senior management and the Group's monthly operating performance at any time on the Company's website. In 2010, the Company redesigned its website to further enhance users' visit experience. The structure of the new website is more reasonable and its content is more detailed. The Company's website provides a fair, environmental-friendly and low-cost communication channel, and as such the Company will continue to strengthen the management and development of its content, with a view to providing richer and more timely information to investors.

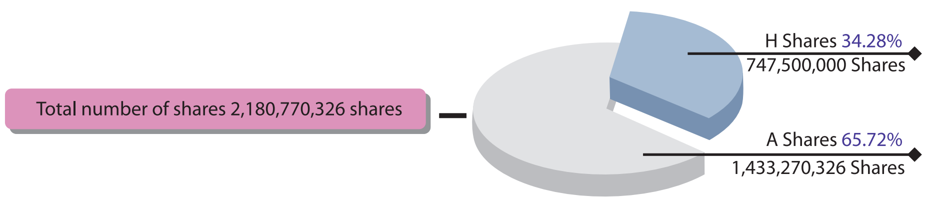
Company's website: http://www.sz-expressway.com

Profile of Share Capital

1. Table of Movements of Shares:

	Prior to the movement		Increase or decrease of the movement (+,-)					After the movement	
	Number	Ratio	Issue of new shares	Bonus issue	Conversion of reserve	Others	Sub-total	Number	Ratio
Non-restricted circulating shares									
a. Renminbi-denominated ordinary shares	1,433,270,326	65.72%	–	–	–	–	–	1,433,270,326	65.72%
b. Overseas-listed foreign shares	747,500,000	34.28%	–	–	–	–	–	747,500,000	34.28%
Total number of shares	2,180,770,326	100%	–	–	–	–	–	2,180,770,326	100%

Share Capital of the Company



During the Reporting Period, there was no change in the Company's total number of shares or share structure.

2. 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.

3. Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Reporting Period, the circulating market capitalisation of A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB4.95)) was RMB7.095 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK$4.61)) was HK$3.446 billion.

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 the PRC and Hong Kong, the Company had 39,773 shareholders in total, including 39,480 holders of domestic shares and 293 holders of H Shares. The information of the top ten holders of non-restricted circulating shares of the Company was as follows:

Name of shareholder	Number of shares held (share)	Type of shares
HKSCC Nominees Limited [Note]	703,531,098	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
Huajian Transportation and Economic Development Centre	87,211,323	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
Ip Kow	15,126,000	H Share
Au Siu Kwok	11,000,000	H Share
China Everbright Bank Co., Ltd.-UBS SDIC Industrial Securities Investment Fund	7,350,709	A Share
Pictet Asset Management Limited - Pictet Fund (Luxemburg)	7,059,992	A Share
Wong Kin Ping + Li Tao	5,000,000	H Share

Note: The H Shares held by HKSCC Nominees Limited were held on behalf of various clients.

2. Disclosure of Interests

As at 31 December 2010, 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	[3] 1,066,239,887	74.39%	48.89%
[2] Shenzhen International	[3] 1,066,239,887	74.39%	48.89%

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

	[4] Number of H Shares	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
FIL Limited	[5] 52,508,000	7.02%	2.41%
SIHCL	[6] 43,536,000	5.82%	2.00%
[2] Shenzhen International	[6] 43,536,000	5.82%	2.00%
Advance Great Limited	[6] 43,536,000	5.82%	2.00%
Veritas Asset Management (UK) Limited	[7] 40,028,000	5.35%	1.84%
UBS AG	[8] 39,568,495(L)	5.29%	1.81%
	[8] 58,000(S)	0.01%	0.002%
JPMorgan Chase & Co.	[9] 38,337,583	5.13%	1.76%

Notes:

(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) Interests of controlled corporations. 654,780,000 and 411,459,887 domestic shares were long positions held directly by XTC Company and SGH Company respectively as beneficial owners. SGH Company 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. SIHCL, through its wholly-owned subsidiary Ultrarich International Limited, indirectly held 48.59% interests in Shenzhen International. Pursuant to the SFO, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

(4) Shares listed on the main board of HKEx.

(5) These 52,508,000 H shares were long positions held directly by FIL Limited as investment manager.

(6) These 43,536,000 H shares were long positions held directly 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 among SIHCL, Ultrarich International Limited, Shenzhen International, New Vision Limited and Shenzhen International Limited, please refer to note (3).

(7) These 40,028,000 H shares were long positions held directly by Veritas Asset Management (UK) Limited as investment manager.

(8) The interests in these 39,568,495 H shares include: 232,495 shares of long position held directly by UBS AG as beneficial owner, 37,988,000 shares of long position held directly by UBS AG in the capacity of person having a security interest in the shares and 1,348,000 shares of long position held directly by UBS AG through its wholly-owned subsidiary UBS Global Asset Management (Hong Kong) Ltd. UBS AG also directly held 58,000 shares of short position as beneficial owner.

(9) The interests in these 38,337,583 H shares include: 37,824,713 shares of lending pool held directly through its wholly-owned subsidiary JPMorgan Chase Bank, N.A. as custodian, and 512,870 shares of long position held directly through its wholly-owned subsidiary J.P. Morgan Whitefriars Inc. as beneficial owner.

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 or underlying shares of the Company as at 31 December 2010.

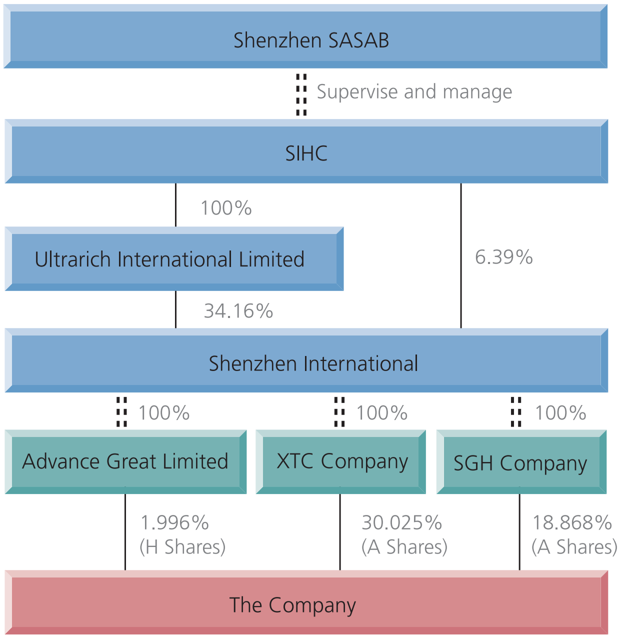
3. Information of Substantial Shareholders

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.

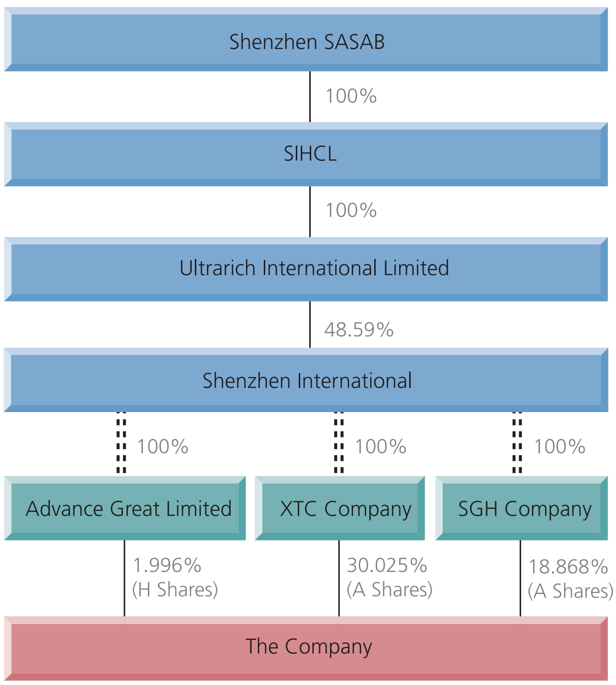
Shenzhen International is a company incorporated on 22 November 1989 in Bermuda with limited liability and is listed on the main board of HKEx. Shenzhen International had issued a total share capital of HK$1,637,217,306.40 as at 31 December 2010. It is principally engaged in investment holding. The group, 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, which holds approximately 48.59% issued share capital of Shenzhen International. Shenzhen SASAB is an operation unit under Shenzhen Municipal Government.

SIHC, an entity supervised and managed by Shenzhen SASAB, originally held 40.55% interests in Shenzhen International directly and indirectly. During the Reporting Period, for the purpose of implementing the corporate mergers and re-organisation arrangement of Shenzhen Municipal Government, SIHC transferred all of its interests held directly and indirectly in Shenzhen International to SIHCL at nominal consideration. SIHCL also obtained the waiver from the Securities and Futures Commission of Hong Kong of general offer obligation for the shares of Shenzhen International and the Company in respect of the above transfer, and is in process of making application to CSRC for the wavier of making an offer for the shares of the Company. Before and after the completion of the transfer, the de-facto controller of the Company remains unchanged, which was and still is Shenzhen SASAB. Before and after the completion of the transfer, ownership and the relation of control between the Company and the de-facto controller are as follows:

Before the completion of the transfer:



After the completion of the transfer:



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.

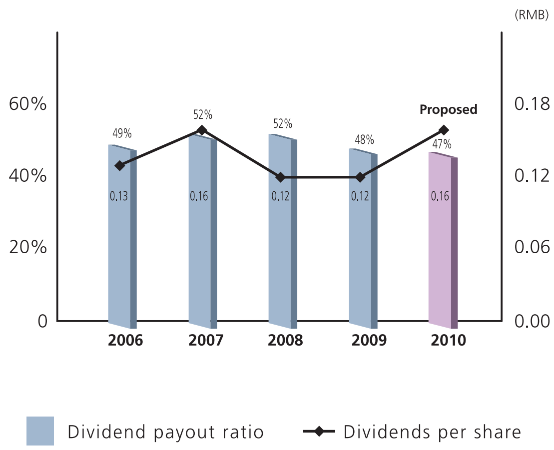
Shareholder Return

The Company insists in rewarding its shareholders with high return ever since its flotation, underpinned by the payment of cash dividends for thirteen consecutive years with an aggregate dividend payment of approximately RMB3.07 billion.

Historical Dividend Payout Ratio

Dividend payout ratio= Dividend/ Profit

(in accordance with HKFRS)



Note: The dividend payout ratio was calculated based on the financial statistics of the year of pay out without taking into consideration of the effect of changes in accounting policies thereafter.

The Board recommended the payment of a cash dividend of RMB0.16 per share for the year 2010, representing 46.8% of the earning per share. Total dividend proposed to be distributed represents 49.9% profit distributable for the year 2010. Please refer to the "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.

Establishment and Optimisation of the Internal Control System

1. Establishment of the Internal Control System

The Company always focuses on the standardisation of its internal management. It has established a comprehensive management system and the practical rules for various layers of business operation in order to maintain a stable growth of the Company.

In 2004, the Board approved the Internal Control System of the Company, which fully summarised and described the objectives, contents, measures and functions of internal control, and the effectiveness of internal control system was reviewed by the Audit Committee.

In 2005, the Company commenced to conduct regular inspections and assessments on the effectiveness of the internal control system, and has commenced to announce an annual self-assessment report since 2009.

From late 2008 to mid 2009, the Company appointed an intermediate advisor to re-organise and re-examine in detail the internal control procedures of principal operations based on the existing management documentation system. The Company also completed the formulation of the Management Manual on Internal Control（《內部控制管理手冊》）in 2009.

In 2010, the Company reviewed, revised and examined the Management Manual on Internal Control based on the actual situation. Currently, the Management Manual on Internal Control for the Company's headquarter comprises 21 operating procedures with a total of 158 sub-procedures, which covers all key management procedures in the management documentation system of the Company.

In March 2011, the Company formulated the Quality Control Procedures for the Assessment of Internal Control with reference to the Guidelines for the Assessment of Internal Control issued by regulatory authorities. The trial measures set out the measures for the examination of internal control and assessment for the deficiency of internal control, and format for the preparation of an assessment report on internal control and disclosure procedures for the implementation of a more systematic, scientific and objective internal control assessment.

2. Implementation Plan for Optimisation of Internal Control System

As Qinglian Expressway's operation is still at its initial stage of rapid growth, the establishment and optimisation of the internal control system for Qinglian Company, our subsidiary, is still in progress. The Group plans to complete a comprehensive review, update and walk-through test on the Management Manual on Internal Control of Qinglian Company in 2011.

In 2011, the Company will conduct self-assessment on the Group's internal control by phases in accordance with the provisions under the Quality Controlling Procedures for Evaluation of Internal Control, including:

- the implementation plan and specific proposals
- internal control self-assessments conducted at subsidiaries and departments level
- independent internal control assessment conducted by the Audit Department
- collection and identification of any deficiency in internal control
- follow-up of rectification actions for the deficiency in internal control and preparation of an internal control assessment report

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 2010, each element of the Company's internal control system is as follows:

1. Control Environment

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 the staff by setting examples of their own deeds. Various systems and codes of conduct, such as the Employee Manual and the Anti-fraudulent Work Regulation, have been established as guidelines for its employees' conduct, integrity and ethics. Corresponding appraisal and reward and punishment systems have been established.

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, division of duties and authorisation according to business development needs. The Company has set forth relevant regulations on the avoidance of appointment of financial personnel. The financial department has rational organisational structure and division of duties. Division of duties for financial personnel is clear and rational and in compliance with the internal control system.

2. Risk Assessments

In 2010, 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 conducted interim and annual review and evaluation on the implementation of their respective risk management plans.

In 2010, the Company formulated the Management Rules on the Warning of Financial Risks(《財務風險預警管理辦法》) and set up the Warning Indicator System for Financial Risks for 2010, which realised the standardisation and quantitative management of financial risk warning for the first time.

3. Control Activities

The corporate management documentation system covers essential management aspects of various operations and supporting units, including investment, project construction, maintenance and repair, toll collection, financial management, know-how and information management, human resources, information disclosure, management of invested companies and internal audit. In 2010, the Company amended the management documentation for the operation, road assets, construction and finance based on the needs of operation management and internal control. This made the operation management more sophisticated and practicable, and fulfilled the objectives of internal control.

The Company has established a comprehensive financial management system and optimised and revised the corporate financial management system in a timely manner in line with the business development and the changes in relevant laws and regulations. These can ensure the lawfulness, reasonableness and appropriateness of the financial management system and the accounting policy.

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 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 authority as stipulated in the Listing Rules and the Articles of Association. In addition, the Risk Management Committee 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 toll business: The Company has established a series of procedural and operational guidelines for the toll highway business, its core business operation. The guidelines stipulated detailed procedures and duties on various operations and responsible staff such as issuance of toll cards, toll collection, supervision, auditing and calculation, and such key points as cash and toll ticket management. Through the implementation of these guidelines, the Company is able to divide the duties among, and manage and supervise, the staff members of the toll business. In addition, the Company has established specific measures and internal control procedures in a timely manner to mitigate operational risks in line with the changes in relevant policies on toll collection. For examples, in response to the implementation of the Occasional Toll Free Pass Policy and the Green Passage Toll Free Policy, the Company established the Measures on the Traffic Control in Toll Stations During Peak Hours（《收費廣場車流高峰分級回應方案》）and the Management Procedures of Green Passage（《綠色通道管理控制程序》）in 2010.

Internal control over project construction: The Company has set up a project construction management system with clear power and responsibilities. It clarifies the operation procedures and control requirements for various stages of a project, covering from the preliminary management in such areas as project approval, selection and engagement of a consultant firm, design and project tendering to the process management in such areas as construction costs, material, progress, quality and safety of the project, and its inspection and examination. This system is able to ensure the project construction to be managed in a standardised and efficient manner.

Management control over invested enterprises: 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. In 2010, the Company continued to reinforce the management and revised the Management Rules for Delegated Representatives and the Management Rules for Supervision on the Financial Issues of the Invested Enterprises (《所投資企業財務監督管理辦法》), which clarified the supervision of financial personnel, basic financial and accounting matters, financial budgets, funding, financial reports, financial risks and significant financial issues of an invested enterprise.

Internal control over capital management: The Company has formulated an authorisation and hierarchical approval system on capital management with a clear division of authorisation and strictly complied with relevant rules for the approval of funding. In addition, the Company has set up a comprehensive daily capital management system to clearly standardise such areas as daily keeping, use, planning, verification and analysis of the capital, bank account management, seal and invoice management and e-banking operations. The Company conducted its treasury business according to the rules.

Internal control over financial reports: The Management Rules for the Preparation of Financial Reports(《財務報告編制管理辦法》) of the Company standardises the duties, quality requirements, working procedures and specific works for the preparation of financial reports and the Management Rules for the Significant Accounting Matters (《重大會計事項管理辦法》) of the Company standardises the judgment criterion and the settlement procedure, as so to ensure the financial information to be true, accurate and complete. Prior to the preparation of a periodic financial report, the financial personnel will complete relevant works in accordance with the Working Guidelines on the Settlement and Closing the Books at the End of a Period(《期末結賬、關賬相關事項工作指引》), including taking stock of assets, inspection on the performance of contracts, settlement of credits and debts, and the verification on internal transactions, related parties and related party transactions. The Company will review the significant accounting estimations, such as amortisation of concession intangible assets, impairment of long-term assets, highway construction costs, earnings form entrusted construction, based on the nature and key features of the operation of the Company. During the course of the preparation of a periodic financial report, personnel from the finance department will discuss and communicate with the external auditor in order to ensure that the periodic financial report has been complied with relevant policies, regulations and accounting standards. In respect to the characteristics of accounting of the principal operations, the Company has formulated special financial management system, such as the Management Rules for the Accounting Policy on Concession Intangible Assets (《特許經營無形資產會計管理辦法》), the Management Rules for the Accounting Policy on Construction under Service Concession of Toll Road (《收費公各特許經營安排的建造服務會計管理辦法》), the Management Rules for Valuation of Operational Roads (《經營性公路價值評估管理辦法》), the Internal Control System on the Provision of Impairment Loss of Assets(《資產減值准備的內部控制制度》), the Internal Control System on the classification, recognition and measurement of financial instruments (《金融工具分類、確認和計量的內部控制制度》), which aimed to ensure the accounting treatments and the information disclosure to be complied with the accounting standards.

Internal control over comprehensive budgeting: The Company implemented the comprehensive budgeting management and formulated the Budgeting Management System to standardise the working procedures and detailed requirements on budget preparation, approval, utilisation, analysis and assessment. Meanwhile, the Company formulated a working guideline to standardise the contents, methods, reporting formats and working procedures for budget preparation and analysis of each operating unit. These effectively provide guideline for the commencement of budgeting to ensure the accuracy of budget preparation and supervision of its utilisation.

Internal control over connected transactions: The Company has prepared and updated regularly a list of connected parties. 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 2010, the Company has also set up the Management System on Connected Transactions（《關聯交易管理制度》）to clarify and standardise the management procedures and responsibilities for the reporting mechanism, authority for decision making, abstaining procedures and supervisions of connected transactions, which aimed to further reinforce the management of the same.

Internal control over external guarantees: The Articles of Association has defined the approval authorities for external guarantees of general meeting and Board meeting. The Management Rules for Corporate Guarantees（《公司擔保管理制度》）of the Company defines the Company's principle of external guarantees, approval authorities, risk assessment and review procedures.

Internal control over financing management: The Company regulated the principle of financing management, the planning, approval and implementation procedure of various financing ways, and the management of account registration, reconciliation and analysis after the completion of financing by the Management Rules for Financing（《融資管理制度》）, which aimed to control the financing risks and to decrease the financing costs.

Internal control over derivatives trading: The Company formulated the terms on internal control for derivatives business, including trading principle, approval procedures, risk assessment, regular record and warning and supervision, etc.

4. Information and Communication

◆ Internal information and communication

The management submitted a quarterly analysis report on the Company's operating activities to the Board and timely reported 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. Management members are able to timely understand the operation of the invested enterprises and each road section, progress of projects in construction and utilisation of budget.

◆ External information and communication

The Rules Governing Information Disclosure Matters of the Company was effectively implemented during the reporting period. Meanwhile, the Company has promoted a full understanding of the operations and development prospects of the Company by investors and the public through a wide variety of investor relation activities. In 2010, the Company set up the Responsibility System for Major Errors in Information Disclosure in Annual Reports, which reinforced the accountabilities of the person responsible for information disclosure, and updated the Rules Governing Information Disclosure Matters in a timely manner. All these measures are aimed at maintaining the quality and transparency of the Company's information disclosure.

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

- 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.

In 2010, the Company commenced a self-inspection on its basic financial and accounting works in accordance with the arrangement and requirement of Shenzhen Regulatory Bureau of China Securities Regulatory Commission, and made rectification on the deficiencies found in the self-inspection. The work in respect of the self-inspection was supervised by the Audit Department and Audit Committee.

The Company has established the Standards Management Department as internal quality control department examine the compliance of the internal control system of the Group on an on-going basis.

The Company has established a supervision system on the internal control inspection on the basis of the Internal Control Manual and regularly conducts self-assessment on internal control. Whenever any deficiency of internal control is identified, rectification will be immediately carried out so as to improve the control system on an on-going basis.

- Independent supervision of the Audit Department

In compliance with the requirements set out in the Internal Control of Enterprises -Basic Principles and Auxiliary Guidelines on Internal Control of Enterprises, the Audit Department conducted a comprehensive review and walk-through test on the internal control manuals of the Company and the Advertising Company in 2010. In respect of any internal control deficiency found in the Company, it timely offered feedback to the management for carrying out rectification.

In 2010, The Audit Department has reviewed all the periodic reports compiled by the Company during the Reporting Period. 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.

6. Continuous Improvement Plan

In accordance with the examination and assessment on the internal control system and the rectification on the deficiency in internal control in 2010, the Company plans to continuously improve the following improvement programs in 2011:

- The Company has not set up a long-term incentive regime. The Company has now conducted the research work of the long-term incentive regime. The Company will follow closely the policy trend and approval requirements of the relevant regulatory authorities to be promoted in due course.

- The approving authority of assets disposal of the Company has been exactly specified in the rules on corporate governance and relevant authorisation letters. In 2011, the Company plans to improve the Management Rules for Project Investments（《項目投資管理辦法》）, which aims to further standardise the workflow of disposal of investment and accountability.

2010 Assessment Report on Internal Control

The Board is responsible for the establishment and maintenance of a sound internal control system in relation to financial reporting.

The objective of internal control relating to financial reporting is to ensure the information thereof to be true, complete and reliable, and reduce the risk of material false reporting. Given that internal control has its inherent limitations, it can only provide a reasonable assurance for achieving the aforesaid objectives.

The Board has made assessment on the internal control relating to financial reporting in accordance with the requirements of Internal Control of Enterprises -Basic Principles, and is of the view that the same was effective as at 31 December 2010. During the course of self-assessment on internal control, the Company did not identify any internal control deficiencies that are unrelated to financial reporting.

The Company did not engage any accountants to conduct audit work on the effectiveness of the Company's internal control relating to financial reporting for the year.

By order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 25 March 2011

Report of the Audit Committee

The Audit Committee held five meetings in 2010, and held two meetings in early 2011 (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:

Guidance and Review on the Special Work for Regulating Basic Financial and Accounting Practices

In 2010, the Company organised and commenced special work for regulating basic financial and accounting practices in order to self-examine and rectify various basic financial and accounting practices based on the arrangement and planning of regulatory authorities. The Audit Committee examined the work plans for this special work, heard reporting from the Company's finance department in respect of the deficiencies found on the self-examination and rectification thereof, provided guidance, supervision and examination on related work, and expressed its opinions of review on the self-examination report and rectification report submitted by the Company. The Audit Committee considered that the carrying out of this special work would further strengthen the internal control on the financial and accounting practices and reasonably ensure the preparation of true and fair financial statements.

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 appropriate accounting policies therefor; and 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 2009 and the unaudited interim financial statements of 2010 (prepared under HKAS and CAS), the unaudited financial statements for the first and third quarters of 2010 (prepared under CAS), and made recommendation to the Board for approval.

◆ To coordinate with the commencement of the special work for regulating basic financial and accounting practices, the Committee reviewed such matters related to the preparation of financial reports as the Company's internal control system, post establishments, manpower allocation, training courses and considered that the Company's resources and participation, and the qualifications and experience of relevant staff, in the accounting and financial reporting functions were satisfactory.

◆ Before the annual audit for 2010 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 and the annual audit plan from the certified public accountants for the annual audit. It also held meetings with the certified public accountants for the annual audit and discussed the composition of its audit team, risk analysis, scope of audit, method of audit and focus of audit for the Year, and the schedule for the annual audit.

◆ Before the annual audit for 2010 began, the Audit Committee preliminarily reviewed the Group's 2010 financial statements and provided its written opinions. The committee paid special attention to the handling of the significant financial and accounting matters for the year 2010, gave preliminary approval to the management's opinions on handling such matters, and believed that significant accounting estimates adopted by the Group were basically reasonable. It also suggested the Company to constantly pay attention to the confidentiality of the related accounting information on an ongoing basis.

- 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 24 March 2011. The Audit Committee reviewed again the 2010 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 2010 satisfied the requirements of the domestic and overseas accounting standards, and the significant accounting policy adopted was appropriate and the significant accounting estimates was 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 in terms of the compliance with statutory disclosure rules and completeness and accuracy of the disclosed matters. Attention was also paid to the compliance with the rules on corporate governance and the effectiveness of internal control system related to the preparation of financial reports.

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 2010 audit report on 25 March 2011. 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 2010 financial statements truthfully and reasonably reflect the Group's operating results for 2010 and the financial position as at 31 December 2010, and hereby suggests the Board to approve the same.

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 2010, the Audit Committee provided guidelines for and supervision on the anti-fraudulent work of the Company in accordance with the Anti-fraudulent Work Regulation of the Company. It exchanged opinions with the certified public accountants for the annual audit on risks of fraud and their management and control measures, reviewed the internal review system established by the Audit Department for the risks that the Company faces, studied the suggestions on internal control made by both internal and external auditors and the feedback and the progress of rectification reported by the management, and reviewed the significant accounting policy and accounting estimates adopted by the management. Based on the above work, the Audit Committee considered that the Company's risk management and control regarding anti-fraudulent has been effective.

The Audit Committee reviewed the round-up report on the interim and annual examination on internal control and assisted the Board in making independent assessment on the effectiveness of the Group's internal control, so as to ensure that the Group has in place and carry out an appropriate internal control system and procedures.

Work Evaluation and Re-appointment of Auditors

In compliance with the requirements under the Management Rules for Selection of Certified Public Accountants for the Annual Audit of the Company, the Audit Committee summarised the audit work of the certified public accountants for the annual audit in 2010. 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 the communication with the management, the Audit Committee and the Board.

According to the applicable amendments to the Listing Rules of the Stock Exchange, listed companies incorporated in the PRC are allowed to adopt the China Accounting Standards for the preparation of their financial statements and have their financial statements audited by PRC certified accounting firms in accordance with the China Accounting Standards. After reviewing the analysis and suggestions made by the management, the Audit Committee proposes the Board to re-appoint PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as the Company's statutory auditor for 2011 to perform its duties as the Company's overseas auditor as provided in the Listing Rules of the Stock Exchange, instead of appointing another overseas auditor.

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

Shenzhen, PRC, 25 March 2011

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 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 policies 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 policies and the performance evaluation system of the Company, and disclose the remuneration received by the Directors, Supervisors and senior management in 2010.

Work of the Remuneration Committee in the Year

The Remuneration Committee held one meeting in 2010. The works completed mainly include:

- appraising and evaluating the Company's management operating performance for 2009, 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 2009;
- reviewing the management operating performance targets of the Company for 2010, 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 held its first meeting in 2011. The following matters were discussed and studied by the committee:

- In accordance with the management operating performance targets for 2010 as approved by the Board, the committee reviewed all indicators one-by-one. It appraised and evaluated the annual operating performance of the Company's management and reported to the Board on the appraisal results and review opinions;
- The committee discussed the key performance indicators and key tasks for 2011 proposed by the Company's management, set out the operating performance targets for the Company's management for 2011 and submitted the same to the Board for consideration;
- The committee reviewed the execution of the remuneration plan for the Directors and senior management for 2010 and proposed its recommendations on rewards for senior management to the Board; reviewed the remuneration disclosure proposal for 2010 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;
- The committee considered and amended the Terms of Reference of the Remuneration Committee.

Remuneration Policies of the Directors

The remuneration 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' remuneration. 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 remuneration from the Company or its shareholders.

According to the proposal approved at the general meeting, in the year 2010, four Independent Directors and Mr. Chiu Chi Cheong, Clifton, a Director not nominated by shareholders, received Directors' emoluments, while other Directors and Supervisors did not receive any Directors' or Supervisors' 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.

Remuneration and Benefits Policies of the Company

The remuneration and benefit policies of the Company were implemented 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", determined according to the market value of the position and the overall performance of staff, and are strategy, market and performance oriented and internally and externally impartial.

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, work 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 the required maximum cap) to the labor and social security authorities as social insurance contributions for items such as pension and medical insurance. In 2010, the Company's payment of social insurance such as pension and medical insurance amounted to RMB7,710,000 (2009: RMB6,196,000). As at 31 December 2010, the Company has 8 retired staffs. 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 remuneration respectively, of which performance bonuses are calculated based on the completion of annual performance targets by them, and are proposed or reviewed by the committee.

Performance Evaluation and Incentive 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 2010, the key performance targets determined by the Company included return on shareholders' equity, operating revenue, expenses and profit indicators, 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 all grades, and dissect and delegate the Company's 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 members 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 remuneration of all senior management members are subject to review by the Remuneration Committee and are required to be reported to the Board.

To inspire all staff's initiative on working, in particular the core management and engineering and technical personnel, and motivate their creativity, the Board approved the implementation of the Performance Incentive Optimisation Scheme for the Staff（《人員績效激勵優化方案》）in 2007. Subject to the focus put on the construction and management between 2007 and 2009, we established medium-to-short-term strategic objective-based performance incentive regime. The scheme is closely related to the performance and the performance bonus of the staff are based on his achievement on the targets of the Company's and personal annual performance. In the meantime, we deferred the payment to the core management for their pro rata annual performance bonus, so as to attract, motivate and retain the talents, and encourage them to pay more attention on the long-term performance as well as strengthen the restrictive regime. According to the scheme, Supervisor Fang Jie, and senior management members, namely Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao and Wu Qian, received deferred payment of bonus of RMB26,000, RMB78,000, RMB86,000, RMB83,000. RMB35,000, RMB79,000 and RMB85,000 respectively during the Reporting Period. The Company has not established any long-term incentive regime or adopted any share option incentive scheme for the time being. Having detailed study on the related regulations put in force, the Company will actively communicate with the regulatory authorities to discuss the feasibility and the specific plan for implementation of share option incentive scheme of the Company.

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 2010 are as follows:

Unit: RMB'000 (before tax)

		Remuneration received from the Company during the Reporting Period				
Name	Title	Emolument	Meeting subsidies	[2]Remune-ration	Total	Whether receive remune-ration from shareholder or other connected entities
Director:						
Yang Hai	Chairman of the Board	N/A	[1]—	958	958	No
Wu Ya De	Executive Director and the President	N/A	[1]—	958	958	No
Li Jing Qi	Non-executive Director	N/A	[1]—	N/A	—	Yes
Zhao Jun Rong	Non-executive Director	N/A	[1]—	N/A	—	Yes
Tse Yat Hong	Non-executive Director	N/A	[1]—	N/A	—	Yes
Lin Xiang Ke	Non-executive Director	N/A	[1]—	N/A	—	Yes
Zhang Yang	Non-executive Director	N/A	9	N/A	9	Yes
Chiu Chi Cheong, Clifton	Non-executive Director	350	8	N/A	358	No
Lam Wai Hon, Ambrose	Independent Director	150	8	N/A	158	No
Ting Fook Cheung, Fred	Independent Director	150	8	N/A	158	No
Wang Hai Tao	Independent Director	150	9	N/A	159	No
Zhang Li Min	Independent Director	150	10	N/A	160	No
Supervisor:						
Zhong Shan Qun	Chairman of the Supervisory Committee	N/A	[1]—	N/A	—	Yes
He Sen	Shareholders' Representative Supervisor	N/A	6	N/A	6	Yes
Fang Jie [3]	Staff Representativer Supervisor	N/A	8	539	547	No
Senior Management [3]:						
Li Jian	Vice President	N/A	N/A	778	778	No
Zhou Qing Ming	Vice President	N/A	N/A	979	979	No
Ge Fei	Vice President	N/A	N/A	773	773	No
Liao Xiang Wen	Vice President	N/A	N/A	690	690	No
Gong Tao Tao	Financial Controller	N/A	N/A	773	773	No
Wu Xian	Chief Engineer	N/A	N/A	782	782	No
Wu Qian	Secretary of the Board	N/A	N/A	746	746	No
Total					**8,992**	

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 RMB10,000, RMB8,000, RMB6,000, RMB4,000, RMB6,000, RMB10,000 and RMB6,000 respectively for the Year.

(2) An employee's remuneration of the Company comprises wage and performance bonus. In addition, pursuant to statutory requirements and the Company's regulations, employees 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, Supervisor Fang Jie, senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian enjoyed benefits in amount of RMB77,000, RMB77,000, RMB73,000, RMB81,000, RMB81,000, RMB80,000, RMB78,000, RMB82,000, RMB81,000 and RMB82,000 respectively.

(3) According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For management staff members who participated 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 persons received vehicle subsidies of RMB43,000, RMB60,000, RMB60,000, RMB38,000, RMB60,000, RMB60,000, RMB60,000 and RMB60,000 respectively.

(4) Former Supervisor Yang Qin Hua ceased to be the Supervisor of the Company and to receive Supervisor's emolument from the Company since 8 January 2010.

Ongoing Reviews

On the premise of seriously studying and complying with the relevant regulatory regulations and guidelines which have been promulgated, the Company will actively study a long-term incentive regime of share options and introduce the same in due course. The Remuneration Committee will review the remuneration policies and incentive regime of the Company on an ongoing basis, and ensure that none of the Directors, senior management or their associates are allowed to set their own remuneration.

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

Shenzhen, PRC, 25 March 2011

Report of the Supervisory Committee

During the year of 2010, the Supervisory Committee convened 4 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 Reporting Period include:

- Consideration of the work report and work plan of the Supervisory Committee for the year;
- Review of the changes in accounting estimates, the final accounts and budgets of the year, the profit distribution scheme for the year, and the periodic reports;
- Assessment on the performance of duties of the Directors;
- Review of the self-inspection report on establishment and implementation of long-term mechanism for preventing funds occupation.

During the year 2010, 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, the minutes of Executive Directors meeting 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, 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 2010:

1. In 2010, 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 2010 prepared in accordance with CAS and HKFRS, the Supervisory Committee considered that the financial statements for the year 2010 have objectively, truthfully and fairly reflected the financial status, operating results and cash flows of the Company and the Group.

3. Upon review, during the Reporting Period, the Supervisory Committee was not aware of any unfairness or any situation in which the interests of the Company, shareholders or its staff were impaired by the connected transactions in ordinary course of business or continuing connected transactions during the Reporting Period. During the Reporting Period, the aforesaid transactions had no effect on the independence of the Company. Details of the aforesaid transactions are set out in "Business Review" of this annual report.

4. 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 2010 or violation of rules in information disclosure of the Company.

5. The Supervisory Committee conducted an assessment on the performance of duties of the Directors for the year 2010. It was not aware of any situation in which the Directors violated the rules and regulations or the Articles of the Company, or the Directors impaired the Company's interests or failed to perform their duties properly.

6. The Supervisory Committee reviewed the Evaluation Report on Internal Control for the Year 2010, and is of the view that the report comprehensively and objectively evaluated the actual situation of the Company's internal control and has no disagreement with the report.

By Order of the Supervisory Committee
Zhong Shan Qun
Chairman of the Supervisory Committee

Shenzhen, PRC, 25 March 2011

Directors, Supervisors and Senior Management

General Information

Name	Title	Term of the current session	Date First being Director/ Supervisor of the Company
Director			
Yang Hai	Chairman of the Board	Jan 2009-Dec 2011	Apr 2005
Wu Ya De	Executive Director	Jan 2009-Dec 2011	Jan 1997
	President	Sep 2009-Aug 2012	—
Li Jing Qi	Non-executive Director	Jan 2009-Dec 2011	Apr 2005
Zhao Jun Rong	Non-executive Director	Jan 2009-Dec 2011	Jan 2009
Tse Yat Hong	Non-executive Director	Jan 2009-Dec 2011	Jan 2009
Lin Xiang Ke	Non-executive Director	Jan 2009-Dec 2011	Jun 1998
Zhang Yang	Non-executive Director	Jan 2009-Dec 2011	Mar 2001
Chiu Chi Cheong, Clifton	Non-executive Director	Jan 2009-Dec 2011	Dec 1996 (as an Independent Director from December 1996 to December 2002)
Lam Wai Hon, Ambrose	Independent Director	Jan 2009-Dec 2011	Jan 2009
Ting Fook Cheung, Fred	Independent Director	Jan 2009-Dec 2011	Jan 2009
Wang Hai Tao	Independent Director	Jan 2009-Dec 2011	Jan 2009
Zhang Li Min	Independent Director	Jan 2009-Dec 2011	Jan 2009
Supervisor			
Zhong Shan Qun	Chairman of the Supervisory Committee	Aug 2009-Dec201	• as a Director from January 1997 to April 2005 • as the Chairman of the Supervisory Committee from January 2006 to September 2007
He Sen	Supervisor	Jan 2010-Dec 2011	Jan 2010
Fang Jie	Supervisor	Jan 2009-Dec 2011	Aug 2008
Senior Management			
Li Jian	Vice President	Sep 2009-Aug 2012	—
Zhou Qing Ming	Vice President	Sep 2009-Aug 2012	—
Ge Fei	Vice President	Sep 2009-Aug 2012	—
Liao Xiang Wen	Vice President	Sep 2009-Aug 2012	—
Gong Tao Tao	Financial Controller	Sep 2009-Aug 2012	—
Wu Xian	Chief Engineer	Sep 2009-Aug 2012	—
Wu Qian	Secretary of the Board	Sep 2009-Aug 2012	—

Biography of the Directors, Supervisors and Senior Management

Directors

Mr. YANG Hai *Chairman of the Board, Chairman of the Strategic Committee, member of the Nominations Committee*

Mr. Yang, born in 1961, graduated from the Department of Roads and Bridges of Chongqing University (formerly Chongqing Institute of Architecture and Engineering), senior engineer. He has extensive experience in the construction management of road engineering and corporate management. Mr. Yang had been a Deputy General Manager of the Company from 1997 to 2000. He joined Shenzhen International in March 2000 and since then had successively been the general manager of a subsidiary of Shenzhen International, a vice president of Shenzhen International and an executive director of Shenzhen International, etc. Since April 2005, Mr. Yang has been the Chairman of the Company, and is currently also the chairman of Mei Wah Company, a company invested by the Company.

Mr. WU Ya De *Executive Director, President, member of the Strategic Committee*

Mr. Wu, born in 1964, graduated from the Administration Institute of Guangdong Province and obtained a postgraduate degree from Guangdong Province Social Science Institute. Mr. Wu has extensive experience in toll highway management and investment as well as corporate management. Mr. Wu has been a Director of the Company since January 1997. Since January 2002, he has been the acting General Manager, the General Manager/ President of the Company. He is currently also the chairman of Qinglian Company, a company invested by the Company.

Mr. LI Jing Qi *Non-Executive Director, member of the Strategic Committee*

Mr. Li, born in 1956, graduated from Shanghai Foreign Language University. He has over 20 years of experience in international banking and corporate management. Mr. Li had been an executive director and vice president of Shenzhen International since March 2000, and has been the president of Shenzhen International since August 2006.

Mr. ZHAO Jun Rong *Non-Executive Director*

Mr. Zhao, born in 1964, graduated from Xiamen University majoring in international economic law with a master degree, economist, lawyer. He has extensive experience in corporate management and the legal profession. In October 2001, Mr. Zhao joined Shenzhen International and since then had successively been legal consultant, assistant to the president and concurrently manager of strategic development department and chief legal consultant, etc. Since June 2007, he has been a vice president of Shenzhen International. He is currently also a director of JEL Company and Magerk Company, both of which are jointly invested by the Company and Shenzhen International.

Mr. TSE Yat Hong *Non-Executive Director*

Mr. Tse, born in 1969, graduated from Monash University in Australia majoring in accounting and computer science, a fellow of the Hong Kong Institute of Certified Public Accountants and a certified public accountant of CPA Australia. He has experience in accounting, finance and corporate governance matters of listed companies for many years. Mr. Tse joined Shenzhen International as chief financial officer in June 2000. He had also been the company secretary of Shenzhen International and a Joint Company Secretary of the Company.

Mr. LIN Xiang Ke *Non-Executive Director, member of the Risk Management Committee*

Mr. Lin, born in 1956, obtained a bachelor degree from Guangdong University of Technology majoring in communication management, senior political officer, senior accountant. He has experience in toll highway management and financial management for many years. Mr. Lin had been the chairman of SGH Company from 1999 to 2009 and has been the general manager of SGH Company since April 2004. He has also been the chairman of Shenzhen International Huatongyuan Logistics Co., Ltd. since January 2009, a subsidiary of Shenzhen International.

Ms. ZHANG Yang *Non-Executive Director, member of the Risk Management Committee*

Ms. Zhang, born in 1964, graduated from Lanzhou University majoring in political economy and obtained a postgraduate degree from Central Party School majoring in economic management, political officer. She has extensive experience in industry and corporate management in toll highway as well as investment management. Ms. Zhang joined Huajian Centre in 1994 and since then had successively been project manager, department manager, assistant to general manager. She has been a deputy general manager of the Huajian Centre since April 2007.

Mr. CHIU Chi Cheong, Clifton *Non-Executive Director, member of the Strategic Committee, the Audit Committee and the Remuneration Committee*

Mr. Chiu, born in 1954, graduated from University of Southern California with a MBA degree, a certified accountant in USA. He has extensive experience in finance, securities, financial management and corporate governance. Mr. Chiu has been the managing director of Harvester (Holdings) Company Limited since January 1994, and had been the vice chairman of the Takeovers and Mergers Panel of the SFC, the vice chairman of the Listing Committee of the Main Board and the Growth Enterprises Market of HKEx. He is currently also a member of Process Review Panel for the SFC.

Mr. LAM Wai Hon, Ambrose *Independent Director, Chairman of the Audit Committee, member of the Strategic Committee*

Mr. Lam, born in 1953, holding a Bachelor of Arts (Honours) degree from University of Newcastle Upon Tyne in England, a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in corporate finance and financial management. Mr. Lam established Access Capital Limited with its co-founder in 2000 and is currently a director of the company.

Mr. TING Fook Cheung, Fred *Independent Director, Chairman of the Remuneration Committee, member of the Nominations Committee*

Mr. Ting, born in 1947, holding a Bachelor of Arts (Honours) degree from The Chinese University of Hong Kong. He has extensive experience in administration and human resources management. Mr. Ting had been an Administrative Officer of the Hong Kong Government since 1971, working in various government departments, and had been 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. Mr. Ting had retired in October 2007.

Mr. WANG Hai Tao *Independent Director, Chairman of the Nominations Committee, member of the Remuneration Committee*

Mr. Wang, born in 1945, graduated from the Department of Chinese of Hebei Normal University (formerly Hebei and Beijing Institute of Normal) with a bachelor's degree, studied in Central Party School majoring in economic management and been a postgraduate student of Southwestern University of Finance and Economics majoring in finance, senior economist. He has experience in State Government, toll highway industry management as well as administrative and personnel management for many years. In April 1994, Mr. Wang joined China Merchants Bank Co., Ltd. and had held positions such as executing deputy officer of administrative office of headquarter, officer of training centre, general manager of administrative department, vice chairman of the labour union of headquarter. Mr. Wang had retired in February 2006.

Mr. ZHANG Li Min *Independent Director, Chairman of the Risk Management Committee, member of the Audit Committee*

Mr. Zhang, born in 1955, graduated from Tianjin Institute of Finance & Economics with a doctor degree in economics, professor, tutor of doctorship, certified public accountant of PRC. He has extensive experience in finance, accounting and auditing profession. From 1999 to 2009, Mr. Zhang had been a professor in accounting and tutor of doctorship in School of Tourism and Management of Sun Yat-sen University. He is currently a professor in accounting of Beijing Jiaotong University, a part-time professor and tutor of doctorship of Sun Yat-sen University, and also a deputy chairman of China Audit Society, etc.

Supervisors

Mr. ZHONG Shan Qun *Chairman of the Supervisory Committee*

Mr. Zhong, born in 1964, graduated from Changsha Institute of Communications with bachelor's degrees in civil engineering and in communications and transportations management, obtained a master's degree in management science and engineering from Hunan University. He has extensive experience in construction project management, logistic management and corporate management. Mr. Zhong joined XTC Company in January 1994 and served in sequence as manager of the engineering department, assistant to general manager, deputy general manager. He has been the general manager of XTC Company since March 2003 and the chairman of XTC Company since September 2005. Since June 2007, Mr. Zhong has been a vice president of Shenzhen International.

Mr. HE Sen *Supervisor*

Mr. He, born in 1973, graduated from the finance and economic department of Changsha Institute of Communications majoring in finance and accounting, senior accountant. He has experience in financial management and corporate management in toll highways industry. Mr. He joined GDRB Company in March 2001, serving successively as the finance manager, assistant to general manager, vice general manager and chief accountant in enterprises invested by GDRB Company, and deputy manager of finance department of GDRB Company. Since November 2009, he served as the manager of finance department of GDRB Company.

Mr. FANG Jie *Supervisor (representing the staff)*

Mr. Fang, born in 1960, graduated from Chongqing University (formerly Chongqing Institute of Architecture and Engineering) majoring in bridge and tunnel, senior engineer. He has experience in project management and personnel administration for many years. From January 2001 to March 2007, Mr. Fang had worked in XTC Company as the administrative officer, head of human resources department and secretary of the board of directors, etc. Mr. Fang joined the Company as the general manger of Project Development Department in April 2007. Since September 2010, he has been the director of the Chief Engineer Office of the Company, and also a director of Advertising Company, which is invested by the Company.

Senior Management

Mr. WU Ya De *President*

Please refer to the section "Director" for Mr. Wu's resume.

Mr. LI Jian *Vice President*

Mr. Li, born in 1958, graduated from Changsha Institute of Communications. Mr. Li joined the Company in 1996, served successively as the manager of the Operations Department, the manager of the Investment and Development Department and the Operations Controller of the Company. Since August 2007, he has been a Vice President of the Company. Currently he is also a vice chairman of Jiangzhong Company, GZ W2 Company and Nanjing Company, which are invested by the Company. Mr. Li is mainly responsible for the arrangement of the Company's strategy planning, equity financing and investment project management as well as the study and promotion of new industry.

Mr. ZHOU Qing Ming *Vice President*

Mr. Zhou, born in 1956, senior engineer, registered safety officer. Mr. Zhou joined the Company in 1998, serving successively as the Administrative Officer, the Assistant to General Manager and the Administrative Controller of the Company. Since August 2007, Mr. Zhou has been a Vice President of the Company. He is currently the Representative of the Management of the System Construction of the Company, the executive director of Meiguan Company and Jihe East Company and a director of Consulting Company, all of which are invested in by the Company. He is also the chairman of Longda Company, which the Company is entrusted to manage. He is mainly responsible for the unified management of toll highway operation system and the Company's quality system management.

Mr. GE Fei *Vice President*

Mr. Ge, born in 1968, graduated from Northern Transportation University. Mr. Ge joined the Company in 1998, serving successively as 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, a director and deputy general manager of Consulting Company and the Engineering Controller of the Company. Since August 2007, Mr. Ge has been a Vice President of the Company and currently also a director of the companies which are invested by Consulting Company. He is also the executive director of Costal Company, which the Company is entrusted to manage. Mr. Ge is mainly responsible for the unified management of construction of projects and the promotion of the new industry.

Mr. LIAO Xiang Wen *Vice President*

Mr. Liao, born in 1968, graduated from Southwest University of Political Science and Law and obtained a doctor's degree in Law. Mr. Liao joined the Company in 2004, serving successively as deputy manager of Public Relations Department, deputy manager of Human Resource Department, Secretariat Officer of the Board etc. He has been the general manager of Human Resource Department since November 2005, and has been a Vice President of the Company since September 2009. Mr. Liao is mainly responsible for the human resources, legal matters, public relations, development of corporate culture, and administrative management of the Company.

Ms. GONG Tao Tao *Financial Controller*

Ms. Gong, born in 1973, graduated from Shanghai University of Finance & Economics majoring in accounting and obtained a master's degree in business administration from Fudan University, certified public accountant of PRC, certified public valuer of PRC. Ms. Gong joined the Company in 1999, serving successively as deputy manager of the Finance Department and the manager of the Internal Audit Department. She had also been the chairman of Advertising Company, which is invested by the Company. Since November 2002, Ms. Gong has been the Financial Controller of the Company. Currently she is also a director of Qinglian Company, which is invested by the Company. Ms. Gong is mainly responsible for the overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, preparation of periodic financial reports, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans.

Mr. WU Xian *Chief Engineer*

Mr. Wu, born in 1958, graduated from Xi'an Institute of Highways majoring in the Bridge and Tunnel, senior manager, registered supervising engineer. Mr. Wu joined the Company in 1996, serving successively as Deputy General Manager of the Company and general manager of the Project Management Office of Jihe Expressway, the chief engineer of the Consulting Company, Technical Controller of the Company and a director and the general manager of Qinglian Company. Since August 2007, Mr. Wu has been the Chief Engineer of the Company, and currently also the chairman of Qinglong Company and Huayu Company, a director of Qinglian Company, all of which are invested by the Company. Mr. Wu is mainly responsible for the arrangement and management of technical works, project prophase management and safety management of the Company.

Ms. WU Qian *Secretary of the Board, Company Secretary*

Ms. Wu, born in 1971, graduated from Shenzhen University, certified public accountant of PRC, economist. Ms. Wu joined the Company in 2003. She had been the manager of the Internal Audit Department of the Company and has been the Secretary of the Board of the Company since September 2004. She is currently also the Company Secretary of the Company. Ms. Wu 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 Positions of the Directors, Supervisors and Senior Management in Shareholder Entities

<table>
<tr><th>Name</th><th colspan="2">Name of the shareholder entity</th><th>Title</th><th>Term</th></tr>
<tr><td rowspan="4">Yang Hai</td><td colspan="2">XTC Company Note 2</td><td>Director</td><td>Jul 2002-Now</td></tr>
<tr><td rowspan="3">Shenzhen International group Note 1</td><td>Shenzhen International</td><td>Executive director</td><td>Aug 2007-Now</td></tr>
<tr><td>Shen Ke Industry and Development (Shenzhen) Co., Ltd</td><td>Director</td><td>Dec 2000-Now</td></tr>
<tr><td>CSG Holding Co., Ltd</td><td>Supervisor, chairman of the supervisory committee</td><td>May 2002-Now</td></tr>
<tr><td rowspan="6">Li Jing Qi</td><td colspan="2">XTC Company Note 2</td><td>Director</td><td>Jul 2002-Now</td></tr>
<tr><td colspan="2">SGH Company Note 2</td><td>Chairman</td><td>Jun 2009-Now</td></tr>
<tr><td rowspan="3">Shenzhen International group Note 1</td><td rowspan="2">Shenzhen International
* Mr Li is also a director of various subsidiaries of Shenzhen International</td><td>Executive director</td><td>Mar 2000-Now</td></tr>
<tr><td>President</td><td>Aug 2006-Now</td></tr>
<tr><td>CSG Holding Co., Ltd</td><td>Director</td><td>May 2000-Now</td></tr>
<tr><td colspan="2">Ultrarich International Limited</td><td>Director</td><td>May 2007-Now</td></tr>
</table>

Name	Name of the shareholder entity		Title	Term
Zhao Jun Rong	XTC Company [Note 2]		Director	Jun 2009-Now
	SGH Company [Note 2]		Director	Jun 2009-Now
	Shenzhen International group [Note 1]	Shenzhen International	Vice president	Jun 2007-Now
		Shenzhen International Western Logistics Co., Ltd	Director	Jul 2007-Now
		Shenzhen EDI Co., Ltd.	Director	Jan 2002-Now
		Shenzhen Total Logistics Service Co., Ltd	Director	Nov 2002-Now
		China Total Logistics Co., Limited	Director	May 2001-Now
		Shenzhen Airlines Company Limited	Director/ Vice chairman	Dec 2006-Now/ May 2010-Now
Tse Yat Hong	Shenzhen International group [Note 1]	Shenzhen International	Chief financial officer	Jun 2000-Now
		Shenzhen International South-China Logistics Co., Ltd.	Director	Aug 2007-Now
		Flywheel Investments Limited	Director	Apr 2006-Now
		Nanjing Xiba Wharf Co., Ltd.	Director	Mar 2008-Now
Lin Xiang Ke	SGH Company [Note 2]		General manager	May 2004-Now
	Shenzhen International group [Note 1]	Shenzhen International Huatongyuan Logistics Co., Ltd.	Chairman	Jan 2009-Now
Zhang Yang	Huajian Centre group [Note 1]	Huajian Centre	Deputy general manager	Apr 2007-Now
		Sichuan Expressway Co., Ltd.	Director, vice chairman	Jun 2001-Now
		Jilin Expressway Company Limited	Vice chairman	Feb 2010-Now
		Henan Zhongyuan Expressway Company Limited	Director	Nov 2009-Now
		Jiangsu Expressway Co., Ltd.	Director	Nov 2007-Now
		Zhejiang Expressway Co., Ltd.	Director	Mar 2003-Aug 2010

Name	Name of the shareholder entity		Title	Term
Zhong Shan Qun	XTC Company Note 2		Chairman	Sep 2005-Now
			General manager	Mar 2003-Now
	Shenzhen International group Note 1	Shenzhen International	Vice president	Jun 2007-Now
		Shenzhen International South-China Logistics Co., Ltd.	Chairman	Aug 2004-Now
		Nanjing Xiba Wharf Co., Ltd.	Chairman	Mar 2008-Now
		Shen Ke Industry and Development (Shenzhen) Co., Ltd	Chairman	Nov 2006-Now
		Shenzhen International Huatongyuan Logistics Co., Ltd.	Director	Jan 2009-Now
		Shenzhen Capital Group Co., Ltd.	Director	Mar 2005-Jun 2010
He Sen	GDRB Company group Note 1	GDRB Company	Manager of finance department	Nov 2009-Now
		Guangdong Luda Expressway Company Limited	Director	Nov 2009-Jan 2011
		Zhanjiang Bay Bridge Company Limited	Supervisor	Nov 2009- Jan 2011
		Yingde Yueying Highway Company Limited	Supervisor	Nov 2009-Now
		Luoding Luochong Class 1 Highway Company Limited	Supervisor	Nov 2009-Now
		Guangdong Litong Property Investment Company Limited	Supervisor	Nov 2009-Now
Fang Jie	Shenzhen International group Note 1	Sichuan New Road and Bridge Mechanism Co., Ltd.	Director	Mar 2005-Now

Note:

1. The group mentioned in the above table included the company and its invested enterprises;

2. Both of XTC Company and SGH Company are wholly-owned subsidiaries of Shenzhen International, directly holding the shares of the Company.

Main Positions of the Directors, Supervisors and Senior Management in Other Entities

Apart from those described in resume, main positions of Directors, Supervisors and senior management in other entities are as follows:

Name	Name of the entity	Title
Wu Ya De	Shenzhen Fenda Technology Co., Ltd.	Independent director
Lam Wai Hon, Ambrose	China Agri-Industries Holdings Limited	Independent director
Zhang Li Min	Shenzhen Chiwan Petroleum Supply Base Co., Ltd.	Independent director
	Tianjin Benefo Tejing Electric Co., Ltd.	Independent director

Changes of the Directors, Supervisors and Senior Management

As approved by the shareholders at the general meeting held on 8 January 2010, Mr. He Sen has been appointed as the shareholders' representative supervisor of the fifth session of the Supervisory Committee with term of office end on 31 December 2011. Mr. Yang Qin Hua has ceased to be a supervisor of the Company with effect from 8 January 2010.

Social Responsibility Report

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.

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Overview of Social Responsibility

Corporate development is inseparable from a harmonious environment both internally and externally.

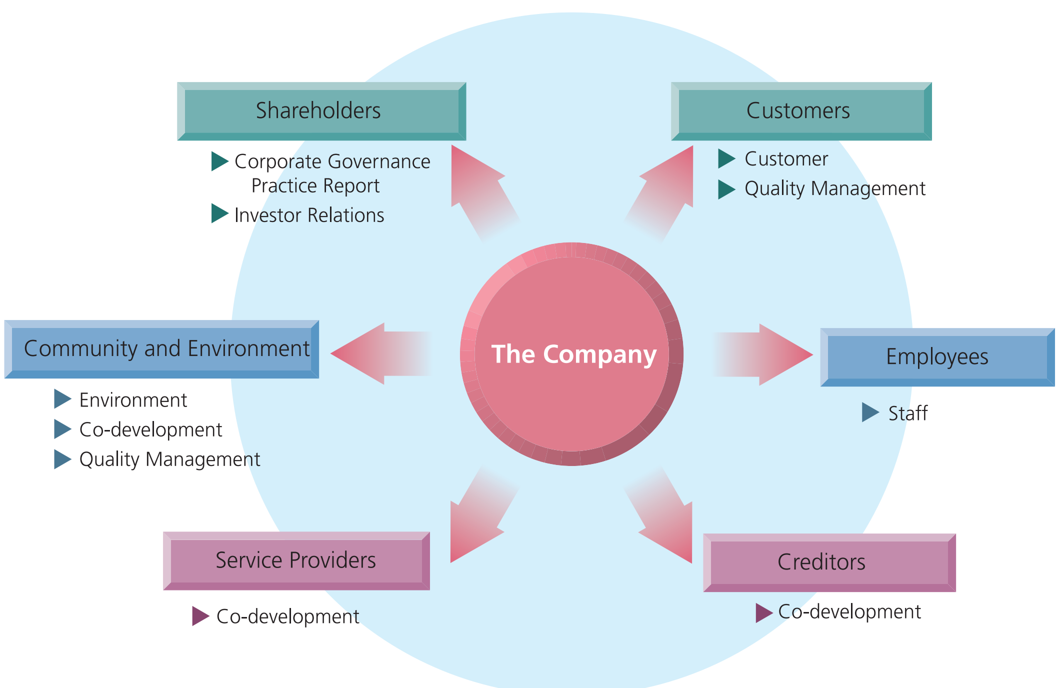
Overview of Social Responsibility

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 Understanding of Social Responsibility

- The Company is principally engaged in the construction and acquisition of expressways, which not only meets the needs of society for rapid transportation, 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 services to the society.
- While providing products and services and then deriving profits, the enterprises should respect the interests of all stakeholders and continue to show their concerns for the impact on the environment. 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 the society and their environment for existence.
- To concern about the possible worries of products which produced in the process of design, manufacture and delivery, and take positive response measures, to achieve in the harmony between products, people and nature.
- The stakeholders of the Company include its shareholders, customers, staff, creditors, service providers and the community. The chart below briefly shows the major stakeholders of the Company and the specific sections setting out social responsibility practices of the Company in this annual report:



Quality Management

The basic social responsibility and foundation of the Company is to provide safe and high quality expressway products to the society. The Company has passed the ISO9000 certification, established the Company's quality control and management system based on the ISO9000 management standards, and implemented in the Group to ensure the quality and safety of products and services provided. In addition, the Company has also constantly endeavored to increase traffic capacity and safety factors through relevant technological upgrading and innovation.

Implement Quality Management and Assure Quality and Safety of Highway Construction

Quality management is essential to the management of expressway construction. To achieve the Company's mission of "constructing and managing high-quality expressways", the Company has actively implemented standardised management and established a comprehensive business flow and quality control system which has been implemented and complied in each segment from project preliminary design, tendering to construction.

To minimise design defects of projects and reduce safety risks during implementation, the Company conducted on-site investigation and specific technological study and demonstration on projects to provide basic data for the designers, participated in such preliminary work as feasibility study, preliminary design and construction drawing design, and communicated and discussed further with the designers for the key points of the projects.

In tendering segment°Athe Company has formulated the management code in accordance with the requirements of laws and regulations regarding qualification and tendering management. It also has reviewed the qualification of potential contractors, strengthened its control over the preparation quality of tender documents, created appraisal and assessment portfolios for the constructors it co-operates with, and sought to selected qualified constructors and establish long term co-operation with partners with good credit standing.

The Company adopted an access management system for the building materials, which requires construction units to submit relevant documents to the supervision units for approval and to the owners for filing respectively before such building materials are used. The Company has also appointed a third party to inspect or spot check the main raw materials and part of a project. Through strict quality management and control of materials, the Company uses its best endeavor to eliminate hidden dangers of materials to ensure the safety and quality of projects.

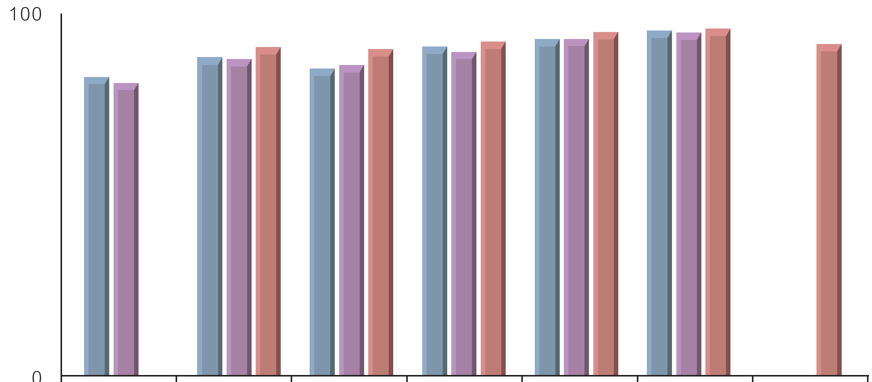
In project implementation, the Company has built a two-level quality control model. The first level is the monitoring and management of design, supervision and construction units by the project management offices of the Company, while the second level is the monitoring, examination, guidance of and service 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 contracts and the requirements of the Company's 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 sound system implementation, the construction quality of the Company's projects has continued to maintain at a higher level. In 2010, Coastal Project which the Company was entrusted to construct, ranked the first and second respectively in two comprehensive evaluations held by the government of Guangdong Province regarding construction quality of expressways under construction.

Establish Highway Maintenance Management System, Assure Quality and Safety of Traffic

Strengthening highway maintenance management helps to prevent highway damages, timely eliminate hidden dangers to the 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. During the Reporting Period, the highway Maintenance Quality Indicator of each expressway managed by the Company was graded as excellent or good.

Highway Technical Condition Index (MQI) of Highway Directly-managed by the Company in 2008-2010



	Meiguan Expressway	Jihe West	Jihe East	Yanpai Expressway	Yanba Expressway	Nanguang Expressway	Qinglian Expressway
2008	82.7	88.2	85.0	91.2	93.2	95.6	N/A
2009	81.1	87.7	86.1	89.7	93.3	95.0	N/A
2010	N/A	91.0	90.4	92.6	95.2	96.0	92

Note: 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.

The Company has established an analysis system for maintenance management, which provides a comprehensive management function of storage of and contrastive analysis on road condition data of road networks, and information such as coping measure model 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, and formulate reasonable maintenance plans and quality objectives.

In daily management of road assets, 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, and closely monitors highway technical conditions, to timely identify highway damages. In the implementation process of maintenance work, the Company has strengthened its supervision management over construction units, controlled its project quality in strict compliance with various technical regulations 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.

In 2010, the Company formulated six new management rules for highway maintenance and modified two existing management measures. With institutionalised management and reinforcement of execution, the Company effectively enhanced road safety and facilitated the transportation.

Technological Innovation

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. By putting such scientific achievements into practice, the Company has effectively enhanced the quality and safety of project construction and road assets maintenance.

Customers (i.e. clients) are users of the Company's products and services, and their recognition is the foundation for the sustainable development of the Company. 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.

In 2010, the Company further improved its management and services on original basis, constantly improved the quality of services in the areas such as enhancement of functional organisations, enhancement of emergency response regime and perfection of customer complaint regime, and enhanced the customer satisfaction.

Enhance the Administrative Organisations and Functions

For the purpose of improving management efficiency to provide customers with safe, rapid and comfortable transportation conditions and environment, the Company has established a customer service center for customer complaint management, emergency operation, customer satisfaction survey, information collection and release, data checking management and operation coordination. The Company also prepared and further revised such procedural documents as the Procedures for Handling Customer Complaints（《顧客投訴處理程序》）, the Procedures for the Control of Information Release（《信息發佈控制程序》） and the Procedures for Rapid Traffic Dispersing During Rush Hours（《高峰車流快速疏導控制程序》, and has effectively implemented such procedures. With the cooperation of toll gates, traffic police and road administration departments, the customer service center has facilitated such functions and strength as communication and coordination, resources dispatch and information sharing since the commencement of operation, and has effectively improved the overall efficiency of daily toll collection and emergency operation.

Enhance the Emergency Response Mechanism

To fulfill the corporate value of "improving public transportation efficiency", the Company has been studying emergency management measures for peak hour traffic. In 2010, the Operation Management Department of the Company focused on and proceeded the establishment, improvement and implementation of the emergency response regime, which has ensured smooth traffic flow during peak hours on the holidays or after emergent events or accidents. The Company has formulated the "Classified Response Scheme for Peak Hour Traffics at the Toll Plazas "（《收費廣場車流高峰分級響應方案》, which further modifies the emergency response plan, procedures, action measures and specific emergency guidelines on the basis of sorting out and analysis on various contingent or emergent events, and also carried out emergency training and response drills to ensure orderly traffic dispersion during rush hours or accidents. Meanwhile, in order to ensure smooth traffic, the Company worked closely with the traffic management department for centralised dispatch and direction to rapidly remove road blocks and traffic obstacles arising from traffic accidents and to quickly provide emergency response value-added services to passing-through vehicles. In addition, the Company set up a specific supervision and inspection team to enhance supervisory and rectification by studying the difficulties and advices from each section before holidays, tracking the implementation of the established procedures during holidays and carrying out specific evaluation after holidays, with the aim to continuously improve the management quality.

In 2010, the Company has carried out a specific analysis on the existing traffic capacity, and formulated and planned to implement a toll gate expansion scheme after discussions and on-site investigation with the aim to better cope with the continuously increasing traffic flow.

Strengthen Customer Relationship Management

By setting up a multi-layered information communication platform, the Company has implemented its responsibilities for information collection, feedback, analysis and handling and established an effective communication mechanism with its customers.

In 2010, the customer service center of the Company released over 1,300 pieces of information on its road assets and reported over 3,800 messages regarding to traffic condition. These notices kept the drivers and passengers timely informed of various road conditions, ensured real time direction and dispatch during an emergent circumstances and improved efficiency of business operation, and has received positive comments from drivers and passengers.

To promptly deal with customer complaints, understand the changes in market and customer needs, enhance its self-control and rectification capacity, and promote the improvement of service quality, the Company has established a platform for communication with customers and complaints handling, announced to the public the unified hotline for enquiries and complaints, and collected customers' advices and recommendations through various channels including on-site, website, email, news media and competent authorities. The Company insists in the principle of "giving response to any complaints, correcting immediately to all mistakes", and implements the management models of "first inquiry responsibility system", "division of work and authorisation system" and "leader responsibility system". In 2010, the Company designated the function of customer complaints management to the customer service center, and further enhanced the customer complaints processing mechanism. All enquires and complaints are required to be handled strictly in accordance with processing procedures of customer complaints. In the event that a customers' demand cannot be satisfied on site and through telephone explanations, the Company assigns the responsibility for handling complaints to specific departments based on differences in sources and types of information. Relevant responsible departments are required to conduct information screening, selection and organisation in a timely manner, and respond within 24 hours. With regard to unreasonable complaints, the staff are also required to patiently publicise and explain the relevant policies and regulations. In 2010, the customer service center has handled 525 complaints regarding the operation, including 448 complaints for Unitoll Card, 73 complaints for the service and 4 complaints for cash transaction. The total annual complaint rate is 0.596 per 100,000 vehicles, representing an decrease of 21.4% over last year. Reasonable complaint rate is 0.095 per 100,000 vehicles, representing an decrease of 35.9% over last year, and 100% of reasonable complaints was handled and replied.

The Company collects customers' opinions through various channels, classifies the information into categories such as customers' demands, recommendations, complaints and satisfaction feedbacks based on the differences in customer groups and projects, and input it into the database for further organisation and analysis. The Company has prepared "An Analysis on Service Complaints and Handling Measures"(《服務投訴案例及處理辦法分析》) based on the periodical classification and summarisation of and analysis on the complaints, and arranged the customer service staff for study and discussion to deepen and strengthen their sense of service, and to improve their response capability during handling complaints.

In order to understand the customers, enhance the operation management and achieve the objective of continuous improvement in customer satisfaction, the Company has conducted customer satisfaction survey in various ways since 2007. In 2010, the Company has carried out the customer satisfaction survey mainly targeting at road users by means of questionnaire and telephone interview. According to the survey result, the overall customer satisfaction index for 2009 is 82.6 (2008: 78.6), indicating a continuous improvement in customer satisfaction survey.

"Let the staff be successful, healthy and happy" is one of the values of the Company. The Company is committed to the principle of legal and equal employment and strives to create a cultural atmosphere of "happy work and harmonious win-win" to provide a safe and healthy working environment and to build a desirable career development platform for the staff. The Company also continuously promotes the appreciation of human resources to achieve a harmonious win-win situation between the interests of the staff and the Company. As at the end of 2010, the Company has 2,028 employees, of which 45% are female.

Concern for Benefits and Protection of the Staff

The Company philosophy kept the philosophy of long-term employment. It has signed longer-term labour contracts with its staff in accordance with the requirements of the Labour Contract Law and the Implementation Regulations of the Labour Contract Law. The rate of signing labour contracts is 100%. Paid annual leave system has been implemented to protect the staff's rights to normal workload, rest and leave according to laws.

The Company provides competitive salaries and benefits in the industry based on the market practices to attract and retain outstanding talents. In order to allow the staff to share the operational achievements of the Company, it has increased the overall remuneration for toll collectors by 15% in July 2010. Details of the remuneration and benefits policy of the Company are set out in the section of "Report of the Remuneration Committee" in this annual report. Apart from statutory benefits, the Company has made regular enterprise pension contributions (supplementary pension insurance) for its management staff and key technical staff to ensure their living standard upon retirement, thereby building a long-term trust between the Company and its staff. In 2010, the Company's payment of enterprise pension amounted to RMB2.545,000 (2009: RMB2,336,000). In addition, 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 2010, the Company's payment of re-employment incentives to 86 employees amounted to RMB517,000 (2009: RMB160,000), and distribution of mutual aid fund amounted to RMB116,000 (2009: RMB30,000).

Maintain Safety and Health of the Staff

The Company uses its best endeavor to create a healthy and safe working environment for its staff by equipping with necessary occupational safety equipment and strictly implementing management regime for safe operation. It also enhances the safety awareness and skills of the staff by various methods.

The Company has set up a special 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》）and the operation standards, and monitored their implementation. Meanwhile, the Company conducts various occupational safety and skills training, covering such aspects as basic knowledge on and skills of safe operation, standards of technology, emergency response to accidents, self-care and first aid, to improve the staff's safety awareness and capability of safe operation, accident control and emergency response. In addition, the Company also conducts a series of measures to help the staff to prevent occupational injuries, minimise and prevent industrial accidents. 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 the staff.

The Company strictly complies with technical regulations in the industry to ensure that the office environment meets the requirements of such regulations. For example, the Company decorates and furnishes with green material and green furniture in newly decorated areas, regularly inspects and tests the air quality, noise and ventilation in offices, and establishes indoor oxygen supply systems, so as to strive to provide a healthy and comfortable working environment for the staff. During hot seasons, allowances are given to staff and free drinks are provided to frontline staff to lower their body temperature. Emergency and medical treatments 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 the staff. In 2010, the Company was awarded the accolade of "Forerunner in Production Safety of Transportation in Shenzhen 2009" (2009年度深圳市交通運輸安全生產先進單位) by Transport Committee of Shenzhen Municipality.

Construct a Harvest Platform for the Staff

As the old saying goes, "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime". The Company makes efforts to help the staff improve their job skills, and expects them to constantly make achievements and progress, and thus the staff may develop themselves while meeting the talents demand for the growth of the Company, which leads to a win-win situation between the Company and the staff.

1. Staff Training and Enhancement

The Company set up a multi-layered training system based on the corporate development strategies and the characteristics of different positions and requirements to the staff. The Company also designed four training projects, covering management capability, professional skills, management skills and fundamental skills, to enhance the staff's comprehensive quality and capability. In 2010, the Company and its departments have organised over 46 training sessions with accumulated training hours of 9,980 hours (2009: 9,850 hours) and training costs amounting to approximately RMB1,153,000 (2009: RMB795,000). 2,465 person-times (2009: 2,326 person-times) have participated in the training, among them are staff of all levels from toll collectors to senior management.

The Company set up and continuously improved the internal training lecturer regime. At present, the Company has 17 internal training lecturers, most of whom are the Company's department heads or the key members who have extensive practical experience and profound knowledge of corporate culture and management philosophy. They have not only taught their skills and shared their experience to the staff and solved their problems, but also expressed their thought about the corporate culture and preached their enlightenment and gave encouragement regarding to career development and philosophy on life.

The Company encourages the staff to make learning exchange and experience sharing by various methods and to make use of spare time for self-learning and further education. The Company has built a knowledge management database that contains various laws and regulations documents, procedural documents, work documents, internal and external cases and scientific achievements in the intranet system for its staff to circulate and share. The Company has also established an online training college and implemented schooling education and qualification examination management. Subsidies or incentives of certain amounts are provided to staff taking relevant education and qualification examinations. In 2010, the Company has provided schooling education incentives amounting to RMB33,000 (2009: RMB13,000) to 20 employees.

2. Staff Incentives

With the use of Balanced Scorecard, the Company has set up performance management and remuneration incentive systems which used the improvement of customer and business as orientations. Various incentives such as performance bonus, salary adjustment, promotion, excellence appraisal and succession plans are provided to the staff based on the results of performance appraisals. Every year, the Company selects a group of outstanding staff, toll collection models and service models. Moral and material awards are granted to commend such staff for their excellence and inspire their passions on working.

3. Career Planning of Staff

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, management nomination and public recruitment, creating a good employment environment. In 2010, the Company organised 6 recruitment fairs of various types. A total of 23 employees were promoted through public recruitment and became the major force for the Company's development.

For the purpose of meeting the development need, the Company deems the establishment of the management system for the staff's career planning as an important task in and after 2010. The Company has helped the staff to plan their career development by adopting management instruments such as the "Guide" system, job rotation, "dual path" career development approach for administrative and technical posts, establishment of reserve talent bank, improvement plan for personal quality and management of position qualification.

Create Harmonious Working Environment

The Company carries out various healthy recreational and sports activities every year to strengthen the development of corporate culture and enrich employees' leisure life. In 2010, the Company held ball and mountaineering competitions, team building training, calligraphy and painting and photo contests, and held exhibitions. It has also organised performance groups consisted of the Company's performance art enthusiasts to tour and perform for the lower rank staff, and organised an Operation Cup (營運杯)chorus competition and talks of specific subjects, Such events enables the staff to enjoy the pleasure of life after work and to feel the cohesiveness and warmth as a group.

The Company has established various complaint and communication channels with its staff. Apart from the daily communication, performance interview and suggestion box for the staff, the Company's internal publication, staff forum in intranet and its e-mail are all effective channels for the staff to express their thought and for the management to listen to their staff's opinions and to give their feedback. The Company broadly listens to and follows up its staff's demand for their interests and their suggestions for the corporate development through annual staff representatives' meeting, symposium and questionnaire. In 2010, the Company collected approximately 50 opinions and suggestions from 21 staff members, and has fulfilled their demands or given corresponding explanations.

Environment

Shenzhen Expressway insists in consolidating the consideration for environmental factors into the whole process of highway construction and operation management, and strives to realise the philosophy of environmental protection into the practical activities such as the protection and use of soil and water resources, pollution prevention and resource recycling. The Company expects to start from itself to protect the environment as best as it can, utilise resources in a rational manner and promote environmental awareness, so as to make contribution to a harmonious development of enterprises and environment. In 2010, the Company complied, as always, with all the laws and regulations on environment, earnestly fulfilled the industry's standards in its environmental research, evaluation and review, incorporated the philosophy of "safe, environmental, beautiful and harmonious" into project construction management, and actively cultivated its staff's environmental awareness.

Embody the Philosophy of Environmental Protection

In accordance with requirements under industrial standards, the Company shall engage a qualified third party at the stage of lane planning and design to conduct a specific study and prepare an assessment report, in order to make an overall assessment on the possible environmental impacts on the areas along the project and to put forward measures and strategies for pollution prevention , reductions on the environmental impacts and improvement of existing environmental problems in the design and construction plan with reference to the scope and degree of such adverse effects. At the stage of preliminary study and planning, the Company embodied the philosophy of environmental protection into the design project.

In 2010, the Company commenced the preparatory work for the expansion of North Section of Meiguan Expressway, and commenced the construction work in December. The Company's philosophy of "attaching importance to environmental protection" continued to be reflected in the design of project, specifically in the following aspects:

- The Company engaged professional institutions to conduct assessments and studies on and to provide solutions to noises, air, water resources, ecological environment and water and soil conservation during the construction and operation period, and included the installation of noise-barriers and side slop ecological protection measures in the construction drawing design accordingly. Precaution measures for noises and exhaust emissions during the construction period were also required to be clearly set out in the construction tender documents.

- The Company has completely considered utilising existing materials during the phase of design to reduce the excavation of earth and stones and wastes of construction and to make specific requirements to the piling, drainage and afforestation on dump sites during the construction period.

- The Company emphasised on the prevention and recovery of water pollution in the designs, and connected the draining systems of expressways with the municipal draining systems to prevent the drained water on the route surface directly running into the residential areas along the highways.

- The Company organised designing units to conduct on-site investigation and in-depth research on the sensitive sites of the areas along the project where land acquisition and demolition were needed in order to minimise the adverse impacts on neighboring environment and community through adopting such measures as the prevention of demolition of a large number of buildings and high voltage iron towers by using retaining walls and piling, and avoidance of relocation of important pipelines by changing the span of bridges and infrastructures.

- The Company adopted various measures such as modification of the design of central median, afforestation on the side slop and the creation of ecological plant landscape in interchange areas to protect the environment, harmonise the surrounding environment and build landscape avenues.

- The Company has implemented specific studies on the layout of traffic facilities and prepared applicable design plans so as to minimise the inconvenience to the road users or pressure on the regional road networks caused by such extension works.

Implement the Measures of Environmental Protection

At the stage of construction, the Company strengthened its environmental monitoring and made stipulations in the contracts to regulate the activities of the construction units to minimise the nuisance from the construction sites to the residents nearby. During the construction of Nanping (Phase II), which is an entrusted construction management project of Shenzhen municipal government, the Company fully utilised its professional management experience to protect the environment and conserve resources. Relevant measures are as follows:

- The Company engaged a qualified third party to conduct environmental monitoring, issued to competent authorities of environment administration and project management office "Monthly Report on Environmental Supervision of a Project in Construction Period" on a monthly basis, and took measures timely while finding problems.
- The Company entrusted a third party to monitor water and soil loss, water and soil conservation and the effectiveness of the prevention of water and soil loss and to adopt rational measures in a timely manner when finding problems or hidden dangers, so as to ensure that the project construction fulfill relevant requirements of water and soil conservation.
- The Company installed noise barriers in the major residential areas along the highways and set out specified requirements in respect of noise prevention and control in the contracts, which require the contractors to adopt low-noise construction technology and methods during the construction works and prohibit them from carrying out construction works that produces noises at noon and night, to minimise the nuisance to the residents along the highways.
- The Company required the construction units to carry out centralised treatment for the sewage or wastewater produced from the construction works and daily life, which shall only be discharged after being tested and meeting the environmental standards. The slurry from drilling operation and other construction works shall not be discharged into the municipal draining systems or rivers before being precipitated, and the waste slurry and sludge shall be transported by specialised panel trucks. The wastes produced from the construction works and daily life shall be transported to the designated places approved by the Supervising Engineers and environmental departments in a timely manner.
- After repeated comparison and research, the Company changed a tunnel plan in the original design to a roadbed and bridge plan and had the residues from other tunnels filled into the roadbed. Such measure avoided the pollution caused from the abandonment of such residues and saved RMB35 million of construction costs while enjoying the benefit from the recycling of resources.

Promote the Awareness of Environmental Protection

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

The Company incorporates the philosophy of "green office" in its daily office management. Office energy consumption and emission are reduced by raising air conditioner temperature, saving water, encouraging office automation, setting up digital remote conferencing system, reforming car usage system and managing paper use.

In 2010, the Company held training courses to toll collectors for garbage classification, energy- saving lighting and the use of air conditioner thermostats in the summers to enhance the staff's awareness of energy saving and environmental protection. During the year, the Company's labour union and youth league committee issued an initiative of "construct a green home together, start from us" to the staff, strengthened the environmental education and promotion to the staff, and got a favourable responses from the staff.

While pursuing businesses development, the Company has also valued win-win co-operation with its partners and committed to promoting sustainable development in industry, society and economy.

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 adheres to healthy financial strategies and maintains reasonable indebtness and debt structure. In 2010, debt-to-asset ratio, interest covered multiple and EBITDA interest multiple of the Company were 58.61%, 2.47 and 3.58 respectively, and each financial indicator remained at safe levels.

To ensure safety and reasonable allocation of the capital, the Company combined the external financing environment with internal capital requirement and accordingly adjusted the financing strategies and capital management methods at due course and carrying out dynamic management of cash flows of the Group to ensure supply of capital and maintain lower financial cost. Meanwhile, the Company took highly of its credit construction and maintained a sound credit record by timely repayment of the principals with interests of its loans. Therefore, the Company has won the trust of various creditors and has been honored as the key clients at headquarters.level by many bank. In 2010, the Company continued to gain the highest rating of AAA in credit rating for borrowing enterprises in Shenzhen City and maintain the exsiting credit rating of AAA in follow-up rating for bonds.

In 2010, the Company also strengthened the construction of financial risk warning system and appointed dedicated personnel to conduct on-going and timely monitor on relevant financial risk indicators to identify and remove the potential risks during the operation to secure the sustainable development of the Company and maintain sustainable cooperation with various creditors.

Co-operative Parties in Value Chain

In operation management, the Company committed itself to the value of "win-win cooperation" and 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 co-develope with its partners.

The Company selects its partners on the basis of honesty and trust, and 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 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. Meanwhile, the Company adheres to business ethics, earnestly performs the contracts signed with its partners, and establishes sound business reputation. It endeavors to interact positively with all co-operative parties in value chain, and provides support to partners to facilitate their work, to achieve joint work objectives.

Promote Social Development

After the development of over ten years, expressway networks of the Company have become the essential routes which facilitate regional economic development and cultural exchange. Meanwhile, the Company pays taxes in accordance with the laws, making due contribution to national and local financial income. In 2010, the tax payment of the Company and its subsidiaries amounted to RMB271,776,000 (2009: RMB 176,219,000). The Company has been awarded with the title of "Top 100 Tax-Paying Enterprises in Futian District" by Shenzhen Futian Government consecutively for 8 years.

In 2010, the Company provided more than 600 job opportunities for the society. In recruiting toll collectors, the Company has introduced a policy that gives priority to recruitment from underdeveloped regions. 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 philosophys, which in turn, improves the employment of residents in these regions and supports regional development. To support the rebuilding of earthquake-hit areas in Sichuan Province, the Company recruited 10 Tibetan employees from Xiaojin County, Aba Tibetan and Qiang Autonomous Prefecture in Sichuan Province at the beginning of 2010. The Company held earnest talks with these employees on their first day of work. The management also presented them with inspiring books, directly communicated with them on their vocational development and capabilities enhancement etc.

During the Reporting Period, the Company donated an aggregate of RMB1,000,000 for charity or social public welfare purposes. Specific plans included: donation of RMB200,000 to earthquake-hit area at Yushu county in Qinghai Province, donation of RMB200,000 to charitable sight restoration campaign, donation of RMB100,000 to students from poverty-stricken regions, and donation of RMB500,000 to the poverty relief project in Zhanjiang. In addition, advertising companies also provided 25 advertising spaces at nil consideration for public welfare promotion purpose, involving a total area of over 7,500M^2. While supporting the public welfare activities, the Company also encourages its staff to participate in various public welfare events to actively make contribution to the society. During the year, the volunteer teams of the Company organised donation activities for the collection of clothes and school supplies to the earthquake-hit areas in Sichuan Province and organised other activities, such as voluntary loading and unloading disaster relief material, caring for mentally disabled children and the provision of volunteer services for environment protection activities.

Conclusion

Sustainable and healthy corporate development is inseparable from a harmonious environment both internally and externally, and respectable corporate behavior also contributes increasing the corporate competitive edges. 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. The separate edition of "Annual Social Responsibility Report" (Chinese version) is regularly published and updated in the column of "Social Responsibility" on the website of the Company (http://www.sz-expressway.com/) to provide investors and the public with further information.

Accounts

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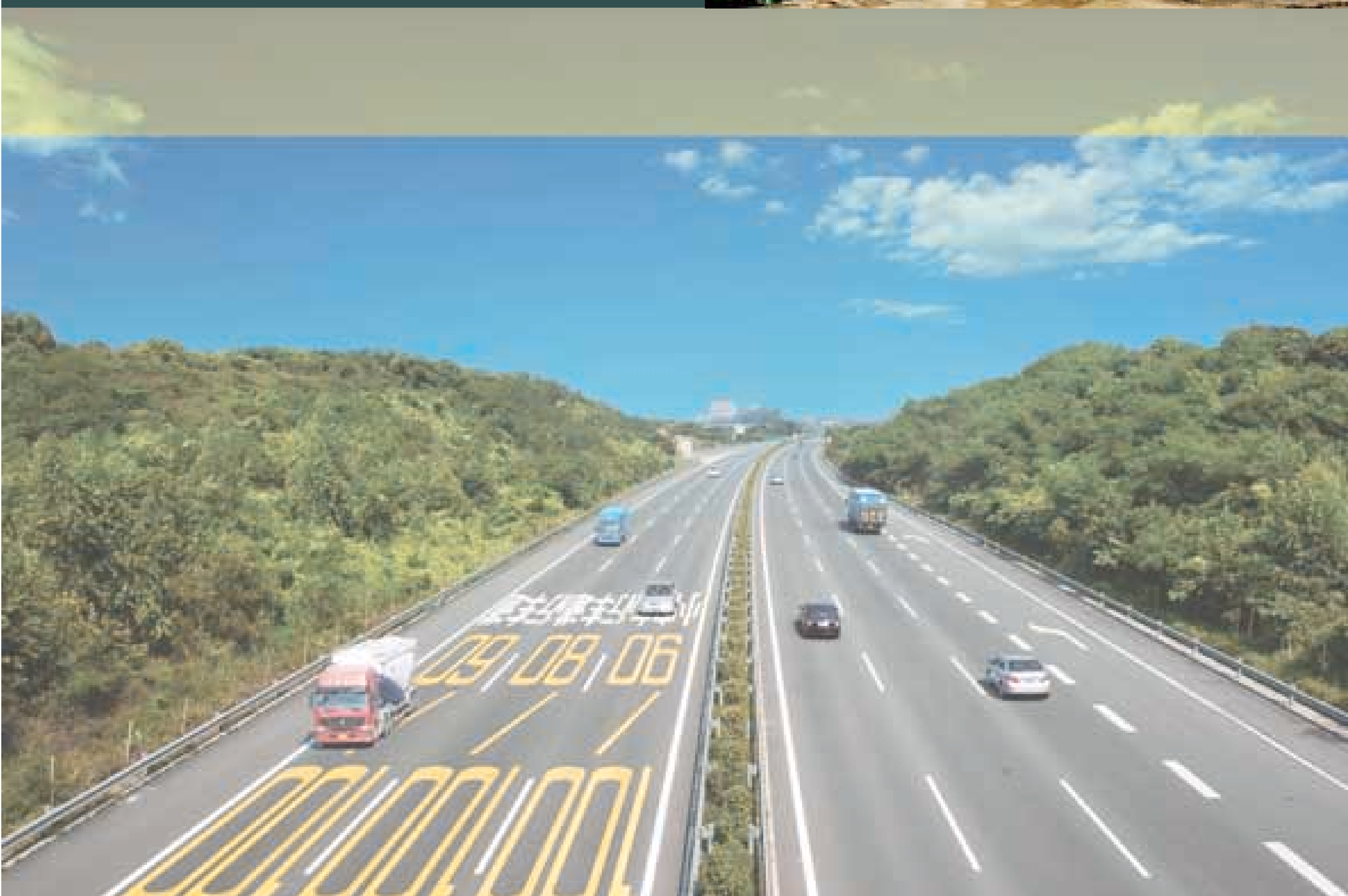
Independent Auditor's Report

This section contains the financial statements of the Group prepared in accordance with HKFRS for 2010, together with its notes, which have been audited by the independent auditor. The differences between the financial statements prepared in accordance with CAS and HKFRS is disclosed simultaneously.



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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 136 to 215, which comprise the consolidated and company balance sheets as at 31 December 2010, and 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 information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2011

Consolidated Balance Sheet

As at 31 December

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,030,572**	1,111,330
Investment properties	7	**16,980**	17,556
Construction in progress	8	**42,034**	18,084
Concession intangible assets	9	**17,945,354**	17,663,392
Prepaid lease payments and other intangible asset	10	**8,765**	12,110
Investments in jointly controlled entities	13	**967,168**	900,071
Investments in associates	14	**1,398,502**	1,275,094
Available-for-sale financial assets	15	**28,500**	28,500
Deferred income tax assets	22	**90,384**	35,476
		21,528,259	21,061,613
Current assets			
Inventories		**3,402**	3,436
Trade and other receivables	16	**297,364**	219,107
Restricted cash	17	**296,962**	490,257
Cash and cash equivalents	18	**535,465**	479,101
		1,133,193	1,191,901
Total assets		**22,661,452**	22,253,514
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	**2,180,770**	2,180,770
Other reserves	20	**4,601,137**	4,539,806
Retained earnings	20		
– Proposed final dividend	33	**348,923**	261,692
– Others		**1,560,462**	1,237,687
		8,691,292	8,219,955
Non-controlling interests		**687,245**	689,897
Total equity		**9,378,537**	8,909,852

	Note	**2010 RMB'000**	2009 RMB'000
		As at 31 December	
LIABILITIES			
Non-current liabilities			
Borrowings	21	**8,565,307**	8,333,197
Deferred income tax liabilities	22	**822,100**	857,030
Provision for maintenance/resurfacing obligations	23	**882,435**	702,355
Derivative financial liabilities	24	**25,696**	—
		10,295,538	9,892,582
Current liabilities			
Trade and other payables	25	**1,478,390**	1,565,511
Current income tax liabilities		**139,264**	92,701
Provision for maintenance/resurfacing obligations	23	**22,832**	—
Borrowings	21	**1,346,891**	1,792,868
		2,987,377	3,451,080
Total liabilities		**13,282,915**	13,343,662
Total equity and liabilities	2	**2,661,452**	22,253,514
Net current liabilities		**(1,854,184)**	(2,259,179)
Total assets less current liabilities		**19,674,075**	18,802,434

The notes on pages 144 to 215 are an integral part of these consolidated financial statements.

The financial statements on pages 136 to 216 were approved by the Board of Directors on 25 March 2011 and were signed on its behalf.

Yang Hai
Director

Wu Ya De
Director

Balance Sheet

As at 31 December

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**589,530**	647,412
Investment properties	7	**16,980**	17,556
Construction in progress	8	**1,747**	2,803
Concession intangible assets	9	**5,212,129**	5,208,864
Prepaid lease payments and other intangible asset	10	**394**	—
Investments in subsidiaries	11	**4,922,766**	4,942,726
Investments in jointly controlled entities	13	**186,163**	195,033
Investments in associates	14	**1,456,668**	1,372,667
Loans to a subsidiary	12	**1,332,357**	818,333
Available-for-sale financial assets	15	**28,500**	28,500
Deferred income tax assets	22	**90,384**	35,476
		13,837,618	13,269,370
Current assets			
Inventories		**1,620**	1,957
Trade and other receivables	16	**279,092**	206,073
Restricted cash	17	**296,962**	490,257
Cash and cash equivalents	18	**271,860**	267,621
		849,534	965,908
Total assets		**14,687,152**	14,235,278
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	**2,180,770**	2,180,770
Other reserves	20	**3,762,018**	3,687,910
Retained earnings	20		
– Proposed final dividend	33	**348,923**	261,692
– Others		**1,352,511**	1,076,426
Total equity		**7,644,222**	7,206,798

		As at 31 December	
	Note	**2010 RMB'000**	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	**4,760,833**	4,299,385
Provision for maintenance/resurfacing obligations	23	**632,629**	446,645
		5,393,462	4,746,030
Current liabilities			
Trade and other payables	25	**600,445**	609,614
Current income tax liabilities		**77,433**	56,239
Borrowings	21	**971,590**	1,616,597
		1,649,468	2,282,450
Total liabilities		**7,042,930**	7,028,480
Total equity and liabilities		**14,687,152**	14,235,278
Net current liabilities		**(799,934)**	(1,316,542)
Total assets less current liabilities		**13,037,684**	11,952,828

The notes on pages 144 to 215 are an integral part of these consolidated financial statements.

The financial statements on pages 136 to 216 were approved by the Board of Directors on 25 March 2010 and were signed on its behalf.

Yang Hai
Director

Wu Ya De
Director

Consolidated Statement of Comprehensive Income

	Note	2010 RMB'000	2009 RMB'000
		Year ended 31 December	
Revenue	5	**3,041,816**	2,475,410
Cost of services	27	**(1,917,986)**	(1,788,134)
Gross profit		**1,123,830**	687,276
Other gains/(losses) - net	26	**2,384**	(99)
Administrative expenses	27	**(62,328)**	(67,719)
Operating profit		**1,063,886**	619,458
Finance income	29	**14,161**	8,673
Finance costs	29	**(519,382)**	(390,944)
Finance costs - net		**(505,221)**	(382,271)
Share of profit of jointly controlled entities	13	**119,470**	252,049
Share of profit of associates	14	**178,849**	80,923
Profit before income tax		**856,984**	570,159
Income tax expenses	30	**(146,912)**	(44,826)
Profit for the year		**710,072**	525,333
Other comprehensive income for the year			
Revaluation surplus arising from the acquisition, net of tax		**—**	893,132
Cash flow hedges	20	**(12,777)**	—
Total comprehensive income for the year		**697,295**	1,418,465
Profit attributable to:			
– Owners of the parent	32	**745,806**	540,219
– Non-controlling interests		**(35,734)**	(14,886)
		710,072	525,333
Total comprehensive income attributable to:			
– Owners of the parent		**733,029**	1,433,351
– Non-controlling interests		**(35,734)**	(14,886)
		697,295	1,418,465
Earnings per share attributable to owners of the parent during the year (expressed in RMB per share)			
– basic and diluted	32	**0.342**	0.248

The notes on pages 144 to 215 are an integral part of these consolidated financial statements.

	Note	2010 RMB'000	2009 RMB'000
		Year ended 31 December	
Dividends	33	**348,923**	261,692

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent					
	Share capital RMB'000	**Other reserves** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance as 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	—	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	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 as at 1 January 2010	2,180,770	4,539,806	1,499,379	8,219,955	689,897	8,909,852
Comprehensive income						
Profit for the year	—	—	745,806	745,806	(35,734)	710,072
Other comprehensive income						
Cash flow hedges	—	(12,777)	—	(12,777)	—	(12,777)
Total comprehensive income	—	(12,777)	745,806	733,029	(35,734)	697,295
Transactions with owners						
Capital injected by non-controlling interests	—	—	—	—	33,082	33,082
Transfer to reserve fund	—	74,108	(74,108)	—	—	—
Dividends relating to 2009	—	—	(261,692)	(261,692)	—	(261,692)
	—	74,108	(335,800)	(261,692)	33,082	(228,610)
Balance as at 31 December 2010	**2,180,770**	**4,601,137**	**1,909,385**	**8,691,292**	**687,245**	**9,378,537**

The notes on pages 144 to 215 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash received from toll income		**2,207,059**	1,391,484
Cash paid to suppliers		**(206,121)**	(123,723)
Cash paid to employees		**(150,234)**	(109,788)
Other cash paid		**(43,154)**	(251,088)
Cash generated from operations	34	**1,807,550**	906,885
Income tax paid		**(190,188)**	(126,940)
Net cash generated from operating activities		**1,617,362**	779,945
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE), investment in construction in progress and concession intangible assets		**(955,304)**	(1,028,975)
Deposits returned to contractors for road construction projects		**(30,646)**	(3,533)
Proceeds from disposal of PPE		**26,763**	27
Profit distribution and appropriation from jointly controlled entities		**52,373**	126,187
Profit distribution and appropriation from associates		**145,041**	115,510
Interest received		**15,026**	8,500
Settlement of consideration payable for acquisition of subsidiaries		**—**	(994,532)
Increase in investments in available-for-sale financial assets		**—**	(28,500)
Increase in investments in associates		**(89,600)**	(45,000)
Net cash used in investing activities		**(836,347)**	(1,850,316)

	Note	2010 RMB'000	2009 RMB'000
		Year ended 31 December	
Cash flows from financing activities			
Proceeds from borrowings		**2,303,237**	4,361,756
Proceeds from warrants subscription rights exercised		**—**	930
Cash injected by non-controlling interests		**33,082**	—
Proceeds from medium-term notes		**697,327**	—
Release of restricted cash		**175,000**	116,272
Repayments of borrowings		**(3,235,070)**	(2,316,545)
Interest paid		**(432,623)**	(434,421)
Bank fixed deposit secured for bank loan		**—**	(450,000)
Payments for other borrowing costs		**(4,190)**	(345)
Dividends paid to the Company's shareholders		**(261,692)**	(261,684)
Net cash (used in)/generated from financing activities		**(724,929)**	1,015,963
Net increase/(decrease) in cash and cash equivalents		**56,086**	(54,408)
Cash and cash equivalents at beginning of the year		**479,101**	536,293
Exchange differences on cash and cash equivalents		**278**	(2,784)
Cash and cash equivalents at end of the year		**535,465**	479,101

The notes on pages 144 to 215 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 25 March 2011.

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 to HKFRS.

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

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.

2.1.1Going concern

The Group reported net current liabilities of approximately RMB1.85 billion as at 31 December 2010. 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 increasing 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 RMB5.78 billion as at 31 December 2010 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term. The Group has reassessed the classification of unexpired leasehold land and land use right as at 1 January 2010 on the basis of information existing at the inception of those leases, and still recognised the leasehold land in China as operating lease.

(b) New and amended standards and interpretation mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. HKFRS 3 (revised) had no impact on the current period as there was no business combination in this year.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2Changes in accounting policy and disclosures (continued)

(b) New and amended standards and interpretation mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests 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. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. 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.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(b) New and amended standards and interpretation mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)

- HK(IFRIC) 16, Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group.

- HKAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the Grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies 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.

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies 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, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

The Group's and the Company's assessment of the impact of these new standards, amendments and interpretations is set out below:

- HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

  The Group is yet to assess HKFRS 9's full impact.

- Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the Company will need to disclose any transactions between its subsidiaries and its associates.

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

- HK(IFRIC) - Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the Company's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted (continued)

- Amendments to HK(IFRIC) Int-14, 'Prepayments of a minimum funding requirement' correct an unintended consequence of HK(IFRIC) Int-14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

2.2 Consolidation

(a) Subsidiaries

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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.

(b) Transactions with non-controlling interests

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates (continued)

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.

2.3 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 Summary of significant accounting policies (continued)

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, except when deferred in equity as qualifying cash flow hedges.

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 gains/(losses)-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 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:

Buildings and structures	10-30 years
Equipment	
– traffic related	8 - 10 years
– electronic and others	5 years
Motor vehicles	5 - 6 years

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

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

2 Summary of significant accounting policies (continued)

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.

2.8 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.

2 Summary of significant accounting policies (continued)

2.8 Concession intangible assets (continued)

Amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis, 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, 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.

2.10 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 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. The Group's loans and receivables comprise 'trade and other receivables', 'restricted cash' and 'cash and cash equivalents' 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 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

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 gains/(losses) - 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.

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'.

2.11 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

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

- 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.

For loans and receivables category, 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.

(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 Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedge activities

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, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedge of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transaction. The Group also documents their assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 24. Movements on the hedging reserve in shareholders' equity are shown in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedge item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'other gains/(losses)-net'.

Amounts accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of cross currency interest rate swap hedging variable rate borrowings and exchange forward hedging foreign currency borrowings is recognised in the statement of comprehensive income within 'financial cost'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the 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 Summary of significant accounting policies (continued)

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

In the consolidated cash flow statement, 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.

2.16 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 Summary of significant accounting policies (continued)

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.

2.20 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, joint ventures and associates, except for deferred income tax liabilities 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 Summary of significant accounting policies (continued)

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.

(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 Summary of significant accounting policies (continued)

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.

(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 is 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.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(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. The Group uses derivative financial instruments to hedge certain risk exposures. 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's exposure to foreign exchange risk mainly resulted from cash at bank balances of RMB50,417,000 (2009: RMB2,191,000) and bank borrowings of RMB1,318,895,000 (2009: RMB1,193,956,000) which were denominated in Hong Kong dollars ("HKD") as at 31 December 2010. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. In 2010, the Group used a CNY/HKD cross currency interest rate swap contract and a forward foreign exchange contract to hedge its foreign exchange risk against two of its variable-rate foreign currency loans with principal amount of HKD399,000,000 and HKD227,000,000 respectively (2009: Nil) (Note 24).

As at 31 December 2010, except for the two loans hedged, if RMB had weakened/strengthened by 10% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB73,581,000 (2009: RMB119,176,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HKD-denominated bank balances and 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. Long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk. Long-term bank borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's long-term bank borrowings and medium-term notes to the extent of RMB3,069 million (2009: RMB2,505 million) were issued at variable rates. In 2010, the Group used a cross currency interest rate swap contract to hedge its cash flow interest rate risk against one of its variable-rate foreign currency loans with principal amount of HK$399,000,000 (2009: Nil) (Note 24). As at 31 December 2010, except for the loans hedged, if the interest rates had increased or decreased by 10%, post-tax profit for the year would have been approximately RMB10,399,000 (2009: RMB6,442,000) lower or higher.

(c) Price risk

The Group is not exposed to any commodity price risk. The available for sale financial instrument represented equity interest in an unlisted company. 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 arises 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 2010:

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Counterparty		
State-owned banks	**153,931**	188,446
Other banks	**677,721**	780,517
	831,652	968,963

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 government authorities in the PRC of approximately RMB193,395,000 (2009: RMB138,960,000) 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

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.

	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				
As at 31 December 2010				
Borrowings				
– Bank borrowings	**1,391,306**	**616, 211**	**1,583,141**	**4,367,053**
– Convertible bonds	**15,000**	**15,000**	**1,515,000**	**—**
– Corporate bonds	**44,000**	**44,000**	**132,000**	**1,108,000**
– Medium-term notes	**26,040**	**26,040**	**726,040**	**—**
Trade and other payables*	**1,329,221**	**—**	**—**	**—**
Derivative financial liabilities	**610**	**611**	**10,982**	**—**
As at 31 December 2009				
Borrowings				
– Bank borrowings	1,843,306	482,731	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
Trade and other payables	1,566,122	—	—	—

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
Company				
As at 31 December 2010				
Borrowings				
– Bank borrowings	**985,503**	**616,211**	**1,049,637**	**365,043**
– Convertible bonds	**15,000**	**15,000**	**1,515,000**	**—**
– Corporate bonds	**44,000**	**44,000**	**132,000**	**1,108,000**
– Medium-term notes	**26,040**	**26,040**	**726,040**	**—**
Trade and other payables*	**496,723**	**—**	**—**	**—**
As at 31 December 2009				
Borrowings				
– 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
Trade and other payables	610,225	—	—	—

* Advances and statutory liabilities are not included.

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 as at 31 December 2010 was as follows:

	2010 **RMB'000**	2009 RMB'000
Total borrowings (Note 21)	**9,912,198**	10,126,065
Less: Cash and cash equivalents (Note 18)	**(535,465)**	(479,101)
Net debt	**9,376,733**	9,646,964
Total equity	**9,378,537**	8,909,852
Total capital	**18,755,270**	18,556,816
Gearing ratio	**50.00%**	51.99%

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).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

As at 31 December 2010, the Group's financial assets or liabilities that are measured at fair value are as followed:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets-	—	—	—	—
Financial liabilities-				
Derivative financial liabilities	—	25,696	—	25,696

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 recognised 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.

4 Critical accounting estimates and judgements (continued)

(a) Construction revenue recognition relating to concession contracts (continued)

The construction revenue recognised by the Group under the percentage of completion method for the service concessions amounted to approximately RMB739,430,000 (2009: RMB1,033,736,000) for 2010. Due to the significant rise in construction and related costs during 2010, 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 2010 (2009: 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.

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 or internally revisited its four main toll roads in 2010, and prospectively adjusted the amortisation unit according to the revised total projected traffic volume starting from 1 January 2010. The detailed information of the influence of this change is described in Note 4(e).

(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.

4 Critical accounting estimates and judgements (continued)

(d) Corporate income tax

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(e) Changes in critical accounting estimates and assumptions

In 2010, the Group appointed an independent professional traffic consultant or internally reassessed the future traffic volume of Shenzhen Airport-Heao Expressway (Western Section), Yanpai Expressway, Meiguan Expressway and Qinglian Class II Highway. The Group has adjusted the amortization unit for concession intangible assets according to the revised total projected traffic volume since 1 January 2010 on a prospective basis. Such change in accounting estimates has resulted in a decrease in net profit of RMB22,997,000 for the year ended 31 December 2010 and will impact the amortisation charges of the Group 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.

The segment information provided to the board of directors of the Company for the reportable segments for the year ended 31 December 2010 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 2010					
Revenue (from external customers)	2,152,551	739,430	149,835	—	3,041,816
Adjusted earnings before interest, tax, depreciation and amortization("EBITDA")	1,888,171	—	69,888	(32,484)	1,925,575
Depreciation and amortisation	(544,624)	—	(4,725)	(14,021)	(563,370)
Finance income	2,758	—	240	11,163	14,161
Finance costs	(322,080)	—	(4)	(197,298)	(519,382)
Share of profit of jointly controlled entities	119,470	—	—	—	119,470
Share of profit of associates	176,637	—	2,212	—	178,849
Income tax expenses	(135,544)	—	(4,574)	(6,794)	(146,912)
Investments in jointly controlled entities	967,168	—	—	—	967,168
Investments in associates	1,388,170	—	10,332	—	1,398,502
Additions to non-current assets other than deferred tax assets	171,214	739,430	2,802	1,575	915,021

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
31 December 2009*					
Revenue (from external customers)	1,335,482	1,033,736	106,192	—	2,475,410
Adjusted EBITDA	1,298,802	—	22,701	(40,445)	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 profit of jointly controlled entities	252,049	—	—	—	252,049
Share of profit of associates	78,979	—	1,944	—	80,923
Income tax expenses	(25,177)	—	(3,199)	(16,450)	(44,826)
Investments in jointly controlled entities	900,071	—	—	—	900,071
Investments in associates	1,266,974	—	8,120	—	1,275,094
Additions to non-current assets other than deferred tax assets	3,407,892	1,033,736	2,073	6,281	4,449,982

* Certain comparative figures have been reclassified to conform to the current year presentation.

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 2010					
Assets	**20,609,109**	**1,125,205**	**174,875**	**752,263**	**22,661,452**
Liabilities	**7,339,799**	**929,736**	**40,977**	**4,972,403**	**13,282,915**
As at 31 December 2009*					
Assets	20,208,202	1,091,650	65,666	887,996	22,253,514
Liabilities	6,702,062	1,200,532	70,058	5,371,010	13,343,662

* Certain comparative figures have been reclassified to conform to the current year presentation.

5 Segment information (continued)

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

	2010 RMB'000	2009* RMB'000
Adjusted EBITDA for reportable segments	**1,958,059**	1,321,503
Other segments EBITDA	**(32,484)**	(40,445)
Total segments	**1,925,575**	1,281,058
Depreciation	**(102,156)**	(82,038)
Amortisation	**(461,214)**	(246,590)
Finance costs - net	**(505,221)**	(382,271)
Profit before tax	**856,984**	570,159

* Certain comparative figures have been reclassified to conform to the current year presentation.

The Group is domiciled in the PRC. All revenues 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 RMB524,491,000 (2009: RMB846,929,000) are derived from a single external customer. These revenues are attributable to construction under service concession.

Segment assets and liabilities are reconciled to the Group's assets and liabilities as at 31 December 2010 as follows:

	Assets RMB'000	**Liabilities RMB'000**
Segment assets/liabilities	**21,909,189**	**8,310,512**
Unallocated:		
Property, plant and equipment	**130,055**	—
Prepaid lease payments and other intangible assets	**394**	—
Investment properties	**16,980**	—
Construction in progress	**59**	—
Cash and cash equivalents	**164,261**	—
Restricted cash	**275,000**	—
Trade and other receivables	**137,014**	—
Available-for-sale financial assets	**28,500**	—
Other payables	—	**200,468**
Deferred income tax liabilities	—	**40,202**
Current borrowings	—	**1,066,891**
Non-current borrowings	—	**3,639,146**
Derivative financial liabilities	—	**25,696**
Total	**22,661,452**	**13,282,915**

5 Segment information (continued)

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

	Assets* RMB'000	Liabilities* RMB'000
Segment assets/liabilities	21,365,518	7,972,652
Unallocated:		
Property, plant and equipment	179,648	—
Investment properties	17,556	—
Construction in progress	59	—
Cash and cash equivalents	105,785	—
Restricted cash	450,000	—
Trade and other receivables	106,448	—
Available-for-sale financial assets	28,500	—
Other payables	—	154,672
Deferred income tax liabilities	—	6,145
Current borrowings	—	1,710,808
Non-current borrowings	—	3,499,385
Total	22,253,514	13,343,662

* Certain comparative figures have been reclassified to conform to the current year presentation.

6 Property, plant and equipment

Group

	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2009				
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	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
As 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
Year ended 31 December 2010				
Opening net book amount	517,727	580,701	12,902	1,111,330
Transfer from construction in progress (Note 8)	2,453	18,334	—	20,787
Additions	3,375	23,409	3,107	29,891
Disposals	(23,248)	(6,121)	(487)	(29,856)
Depreciation	(21,206)	(75,424)	(4,950)	(101,580)
Closing net book amount	479,101	540,899	10,572	1,030,572
As at 31 December 2010				
Cost	574,456	842,028	25,427	1,441,911
Accumulated depreciation	(95,355)	(301,129)	(14,855)	(411,339)
Net book amount	479,101	540,899	10,572	1,030,572

6 Property, plant and equipment (continued)

Company

	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2009				
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
As 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
Year ended 31 December 2010				
Opening net book amount	352,961	288,231	6,220	647,412
Transfer from construction in progress (Note 8)	—	10,962	—	10,962
Additions	3,255	14,948	2,262	20,465
Disposals	(23,240)	(3,480)	(412)	(27,132)
Depreciation	(14,471)	(44,520)	(3,186)	(62,177)
Closing net book amount	318,505	266,141	4,884	589,530
As at 31 December 2010				
Cost	359,509	486,601	15,963	862,073
Accumulated depreciation	(41,004)	(220,460)	(11,079)	(272,543)
Net book amount	318,505	266,141	4,884	589,530

6 Property, plant and equipment (continued)

As at 31 December 2010, buildings, structures and equipments with net book amount of RMB4,582,000 were still in use while they have been fully depreciated (2009: RMB7,137,000). Buildings and structures with net book amount of RMB358,190,000 have not possessed property ownership certificates (2009: RMB361,203,000). Due to the unique feature of the Group's operation, toll roads and the affiliated buildings and structures should be reverted to the government when the approved operating periods expired. Thus the Group has no plan to obtain the related property ownership certificates.

Depreciation expenses of RMB93,627,000 (2009: RMB70,851,000) has been charged in 'cost of services' and RMB7,953,000 (2009: RMB10,611,000) in 'administrative expenses'.

7 Investment properties

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	
	2010 RMB'000	2009 RMB'000
Year ended 31 December		
Opening net book amount	**17,556**	18,132
Depreciation	**(576)**	(576)
Closing net book amount	**16,980**	17,556
As at 31 December		
Cost	**18,180**	18,180
Accumulated depreciation	**(1,200)**	(624)
Net book amount	**16,980**	17,556

8 Construction in progress

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January	**18,084**	267,562	**2,803**	19,836
Additions	**55,690**	180,494	**11,191**	33,812
Addition from acquisition of a subsidiary	—	858	—	—
Transfer to property, plant and equipment (Note 6)	**(20,787)**	(429,517)	**(10,962)**	(50,844)
Other transfers	**(10,953)**	(1,313)	**(1,285)**	(1)
As at 31 December	**42,034**	18,084	**1,747**	2,803

Construction in progress as at 31 December 2010 mainly represented construction costs incurred for toll road equipments of the Group.

9 Concession intangible assets

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January	**17,663,392**	13,777,469	**5,208,864**	5,128,213
Additions	**739,430**	1,033,736	**161,760**	172,821
Addition from acquisition of a subsidiary	**—**	3,094,975	**—**	—
Other transfers*	**—**	—	**(20,420)**	—
Amortisation	**(457,468)**	(242,788)	**(138,075)**	(92,170)
As at 31 December	**17,945,354**	17,663,392	**5,212,129**	5,208,864

* It represented the transfer of concession intangible assets for Outer Ring Expressway from the Company to Shenzhen Outer Ring Expressway Investment Company Limited after it was established by the Company on 5 May 2010.

Details of the Group's concession intangible assets are analysed as following:

	Net book amount as at 1 January 2010 RMB'000	**Additions RMB'000**	**Amortisation RMB'000**	**Net book amount as at 31 December 2010 RMB'000**
Concession intangible assets	**17,663,392**	**739,430**	**(457,468)**	**17,945,354**
Qinglian Expressway & Qinglian Class I Highway	**8,328,590**	**524,491**	**(97,673)**	**8,755,408**
Shenzhen Airport-Heao Expressway (Eastern Section)	**3,058,591**	**—**	**(160,365)**	**2,898,226**
Nanguang Expressway	**2,456,161**	**161,376**	**(36,502)**	**2,581,035**
Yanpai Expressway	**831,560**	**—**	**(34,925)**	**796,635**
Meiguan Expressway	**766,794**	**51,004**	**(45,995)**	**771,803**
Yanba Expressway (Yanba A and Yanba B)	**707,332**	**—**	**(16,805)**	**690,527**
Shenzhen Airport-Heao Expressway (Western Section)	**639,411**	**—**	**(38,548)**	**600,863**
Yanba Expressway (Yanba C)	**554,362**	**—**	**(11,295)**	**543,067**
Qinglian Class II Highway	**300,553**	**—**	**(15,360)**	**285,193**
Outer Ring Expressway	**20,038**	**2,559**	**—**	**22,597**

9 Concession intangible assets (continued)

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 government's 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.

The operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Guangdong Qinglian Highway Development Company Limited ("Qinglian Company") are secured for non-current bank borrowings amounting to RMB3,633,900,000 (Note 21(a)). The full amount of the principal and related interests of the Company's convertible 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 (Note 21(c)).

10 Prepaid lease payments and other intangible assets

Prepaid lease payments and other intangible assets are mainly billboard use right and software use right. Amortisation is calculated using the straight-line method over the lease period and five years respectively. The net book amount is analysed as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January	**12,110**	15,912	**—**	—
Addition	**401**	—	**401**	—
Amortisation	**(3,746)**	(3,802)	**(7)**	—
As at 31 December	**8,765**	12,110	**394**	—

11 Investments in subsidiaries

	Company	
	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	**4,922,766**	4,942,726

11 Investments in subsidiaries (continued)

The following is a list of the principal subsidiaries of the Company as at 31 December 2010:

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	Interest held Indirect
Shenzhen Meiguan Expressway Company Limited ("Meiguan Company")	PRC, limited liability company	Construction, operation and management of an expressway in the PRC	RMB332,400,000	100%	—
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("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%
Qinglian Company	PRC, limited liability company	Development, operation and management of highways, PRC	RMB2,040,000,000	51.37%	25%
Shenzhen Outer Ring Expressway Investment Company Limited*	PRC, limited liability company	Construction, operation and management of an expressway in the PRC	RMB100,000,000	100%	—

* Shenzhen Outer Ring Expressway Investment Company Limited was established by the Company on 5 May 2010.

12 Loans to a subsidiary

The balance represented two loans granted to Qinglian Company.

A loan with carrying amount of RMB818,333,000 (2009: RMB818,333,000) is unsecured, bearing interest at 5.5% per annum and is repayable using 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 as at 31 December 2010 was approximately RMB788,954,000 (2009: RMB791,592,000), which is determined based on expected cash flows discounted using the borrowing rate of 5.30% per annum.

The other loan with carrying amount of RMB514,024,000 (2009: Nil) is unsecured, bearing interest at 3.72% per annum and is repayable using 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 2012. The fair value of the loan as at 31 December 2010 approximated its carrying amount as the effect of discounting is not significant.

13 Investments in jointly controlled entities

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January	**900,071**	1,212,980	**195,033**	601,296
Share of profit	**119,470**	252,049	**—**	—
Dividends declared and appropriation made by jointly controlled entities	**(52,373)**	(140,518)	**(8,870)**	(23,034)
Airport-Heao Eastern Company converted to subsidiary	**—**	(424,440)	**—**	(383,229)
As at 31 December	**967,168**	900,071	**186,163**	195,033

The year end balance comprised the following:

		Group		Company	
	Note	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Unlisted investments, at cost		**—**	—	**101,999**	101,999
Share of net assets		**721,914**	645,947	**—**	—
Advances to jointly controlled entities	(b)	**245,254**	254,124	**245,254**	254,124
		967,168	900,071	**347,253**	356,123
Provision for impairment	(c)	**—**	—	**(161,090)**	(161,090)
		967,168	900,071	**186,163**	195,033

(a) The following is a list of all jointly controlled entities of the Company as at 31 December 2010:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held Direct	Interest held Indirect
Changsha Shenchang Expressway Company Limited ("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%

13 Investments in jointly controlled entities (continued)

(a) The following is a list of all jointly controlled entities of the Company as at 31 December 2010: (continued)

* 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 advances made to Shenchang Company. 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 provision required as at 31 December 2010.

(c) 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 2010, the directors considered that there was no need to make further impairment provision for this investment.

(d) The 55% equity rights of JEL held by Mei Wah is secured for non-current bank borrowings amounting to HKD210,000,000 (equivalent to RMB178,688,000) (Note 21(a)) and current bank borrowings amounting to HKD112,000,000 (equivalent to RMB95,301,000) (Note 21(f)).

(e) 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	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Non-current assets	**—**	—	**187,769**	192,927	**640,390**	645,979	**828,159**	838,906
Current assets	**—**	—	**4,715**	3,585	**272,365**	165,903	**277,080**	169,488
Total assets	**—**	—	**192,484**	196,512	**912,755**	811,882	**1,105,239**	1,008,394
Non-current liabilities	**—**	—	**245,254**	254,124	**116,327**	96,707	**361,581**	350,831
Current liabilities	**—**	—	**6,098**	3,812	**15,646**	7,804	**21,744**	11,616
Total liabilities	**—**	—	**251,352**	257,936	**131,973**	104,511	**383,325**	362,447
Revenue	**—**	183,367	**14,931**	12,482	**262,994**	220,372	**277,925**	416,221
Cost, expenses and tax	**—**	(9,170)	**(12,374)**	(9,393)	**(146,081)**	(145,609)	**(158,455)**	(164,172)
Profit after income tax	**—**	174,197	**2,557**	3,089	**116,913**	74,763	**119,470**	252,049

13 Investments in jointly controlled entities (continued)

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

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

(ii) There were no material contingent liabilities arising from the Group's interests in jointly controlled entities. The commitment in the jointly controlled entities as at 31 December 2010 was disclosed in Note 36.

14 Investments in associates

		Group		Company	
	Note	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January		**1,275,094**	1,264,681	**1,372,667**	1,342,050
Additional investments	(b)	**89,600**	45,000	**89,600**	45,000
Share of profit		**178,849**	80,923	**—**	—
Dividends declared and appropriation made by associates		**(145,041)**	(115,510)	**(5,599)**	(14,383)
As at 31 December		**1,398,502**	1,275,094	**1,456,668**	1,372,667

The year end balance comprises the following:

		Group		Company	
	Note	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Unlisted investments, at cost		**—**	—	**1,456,668**	1,372,667
Share of net assets other than goodwill		**1,321,566**	1,198,158	**—**	—
Goodwill on acquisition	(c)	**76,936**	76,936	**—**	—
		1,398,502	1,275,094	**1,456,668**	1,372,667

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	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 %	2009 %
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	**719,548**	512,463	**522,998**	397,988	**181,899**	158,938	**95,173**	80,361	**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	**27,211**	21,950	**16,879**	13,829	**36,818**	31,369	**2,212**	1,945	**30%**	30%
Shenzhen Huayu Expressway Investment Company Limited	Limited liability company, RMB150,000,000	Development, investment, operation and management of expressway	**212,233**	221,148	**154,512**	158,785	**37,125**	30,030	**7,702**	4,759	**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	**727,290**	762,540	**458,556**	505,943	**83,130**	67,161	**12,136**	(2,570)	**25%**	25%
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	Limited liability company, RMB1,080,000,000	Development, operation and management of bridges	**836,163**	841,535	**585,560**	601,447	**71,238**	61,327	**10,515**	(2,785)	**25%**	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Limited liability company, RMB200,000,000	Development, operation and management of expressway	**513,340**	579,387	**285,509**	341,425	**100,803**	89,173	**19,869**	12,438	**25%**	25%

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: (continued)

			Assets		Liabilities		Revenue		Profit/(loss)		*Interest held	
Name	Nature of legal entity and paid-in capital	Principal activities	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 %**	2009 %
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	Limited liability company, RMB1,000,000,000	Development, operation and management of expressway	**668,123**	680,209	**457,363**	490,959	**63,615**	42,978	**21,511**	(13,309)	**25%**	25%
Yunfu Guangyun Expressway Company	Limited liability company, RMB10,000,000	Development, operation and management of expressway	**391,362**	413,232	**215,391**	246,994	**53,695**	33,497	**9,731**	84	**30%**	30%
			4,095,270	4,032,464	**2,696,768**	2,757,370	**628,323**	514,473	**178,849**	80,923		

* There were no material contingent liabilities arising from the Group's interests in associates.

(b) According to the board of directors' resolution, the Company made further capital injection amounting to RMB89,600,000 to Qinglong Company for the capital expenditures of concession intangible assets in 2010.

(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 2010.

(d) The 40% equity right of Qinglong Company is secured for non-current bank borrowings amounting to RMB665,000,000 (Note 21(a)).

15 Available-for-sale financial assets

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Available-for-sale financial assets	**28,500**	28,500	**28,500**	28,500

It represented equity interest of an unlisted company acquired by the Group in 2009. As the available-for-sale financial assets do not have a quoted market price in an active market and its value cannot be reliably measured, it is measured at cost.

16 Trade and other receivables

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Trade receivables (a)				
– Due from government authorities in the PRC in relation to the project management services	**193,395**	138,960	**193,395**	138,960
– Due from other customers	**51,932**	37,753	**23,966**	18,044
Other receivables	**36,456**	34,121	**54,198**	41,792
Prepayments	**13,866**	5,693	**5,818**	4,697
Interest receivables	**1,715**	2,580	**1,715**	2,580
	297,364	219,107	**279,092**	206,073

The fair values of trade and other receivables approximated their carrying amounts.

The carrying amounts of the Group's and the Company's trade and other receivables are all denominated in RMB.

(a) Trade receivables mainly represented amounts due from government authorities in Shenzhen in relation to the project management services provided by the Group, which amounted to RMB193,395,000 as at 31 December 2010 (2009: RMB138,960,000).

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.

16 Trade and other receivables (continued)

(a) (continued)

The construction management services income of the Nanping (Phase II) Project, the renovatin 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, totally amounted to approximately RMB33,610,000. In 2010, the Company recognised construction management services income of Hengping Project and Wutong Mountain Project amounting to RMB42,234,000 according to the audited results of budgeted construction costs and actual costs 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 have not 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 as at 31 December 2010 and are analysed as below:

	2010 RMB'000	2009 RMB'000
Unbilled	**198,755**	149,766
Billed	**46,572**	26,947
	245,327	176,713

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

	2010 RMB'000	2009 RMB'000
Counterparty		
– Government authorities in the PRC	**196,695**	138,960
– Existing customers with no defaults in the past	**47,372**	37,171
– New customers	**1,260**	582
	245,327	176,713

The directors consider that the Group is not exposed to material credit risk in associated with trade and other receivables. Trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16 Trade and other receivables (continued)

(b) Trade receivables are neither past due nor impaired as at 31 December 2010 and are analysed as below: (continued)

As at 31 December 2010, the ageing analysis of trade receivables was as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within 1 year	**109,893**	38,645	**81,962**	19,078
Over 1 year	**135,434**	138,068	**135,399**	137,926
	245,327	176,713	**217,361**	157,004

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 trade receivable balances. Accordingly, the Group does not have any specified credit period for its customers. As at 31 December 2010, the Group had no overdue receivables and the Group's trade and other receivables did not contain impaired assets (2009: Nil).

17 Restricted cash

	Group and Company	
	2010 RMB'00	2009 RMB'000
Bank fixed deposit denominated in RMB with a maturity of one year (Note 21(f))	**275,000**	450,000
Project funds retained for construction management contracts (Note 25(b))	**21,962**	30,882
Project fund relating to Yanjiang Project	**—**	9,375
	296,962	490,257

As at 31 December 2010, all restricted cash were denominated in RMB (2009: Same).

18 Cash and cash equivalents

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Cash at bank and on hand	**521,535**	477,474	**271,860**	267,621
Bank deposits with terms below 3 months	**13,930**	1,627	**—**	—
	535,465	479,101	**271,860**	267,621

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

The rates of bank deposits with terms below 3 months ranged from 0.26% to 0.33% per annum (2009: 0.01%).

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
RMB	**484,947**	476,769	**271,732**	266,975
HKD	**50,417**	2,191	**27**	509
Others	**101**	141	**101**	137
	535,465	479,101	**271,860**	267,621

19 Share capital

	Group and Company 2010 and 2009 RMB'000
Registered, issued and fully paid with RMB1 for each share	
Listed shares	
– Shares held by the State	654,780
– Shares held by legal persons	560,620
– Ordinary shares, listed in the PRC ("A shares")	217,870
– Foreign invested shares, listed in Hong Kong ("H shares")	747,500
	2,180,770
Number of ordinary shares in issue (thousands)	2,180,770

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.

20 Other reserves and retained earnings

Other reserves

	Share premium RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Others RMB'000	Total RMB'000
Group					
As at 1 January 2009	2,060,009	867,978	453,391	213,483	3,594,861
Warrants subscription rights exercised	860	—	—	—	860
Transfer (d)	254,719	—	—	(254,719)	—
Revaluation surplus arising from acquisition	—	—	—	893,132	893,132
Transfer from retained earnings to reserve fund	—	50,953	—	—	50,953
As at 31 December 2009	2,315,588	918,931	453,391	851,896	4,539,806
Cash flow hedges (Note 24)					
– fair value losses	—	—	—	(25,696)	(25,696)
– transfer to finance costs	—	—	—	12,919	12,919
Transfer from retained earnings to reserve fund	—	74,108	—	—	74,108
As at 31 December 2010	2,315,588	993,039	453,391	839,119	4,601,137
Company					
As at 1 January 2009	2,060,009	867,978	453,391	254,719	3,636,097
Warrants subscription rights exercised	860	—	—	—	860
Transfer (d)	254,719	—	—	(254,719)	—
Transfer from retained earnings to reserve fund	—	50,953	—	—	50,953
As at 31 December 2009	2,315,588	918,931	453,391	—	3,687,910
Transfer from retained earnings to reserve fund	—	74,108	—	—	74,108
As at 31 December 2010	2,315,588	993,039	453,391	—	3,762,018

20 Other reserves and retained earnings (continued)

(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.

(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 RMB74,108,000 (2009: RMB50,953,000), 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.

Retained earnings

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January	**1,499,379**	1,271,797	**1,338,118**	1,139,615
Profit for the year	**745,806**	540,219	**699,116**	511,140
Dividends paid relating to prior year	**(261,692)**	(261,684)	**(261,692)**	(261,684)
Transfer to statutory surplus reserve	**(74,108)**	(50,953)	**(74,108)**	(50,953)
As at 31 December	**1,909,385**	1,499,379	**1,701,434**	1,338,118

(d) As mentioned in Note 21 (c), the Company issued convertible bonds at a par value of RMB1,500,000,000 in 2007, to which detachable warrants subscription rights were attached. The fair value of the warrants net of attributable transaction costs were recorded. under other reserves on the inception date. In accordance with a circular issued by Ministry of Finance of China in 2010, other reserves arising from the warrants subscription rights shall be transferred into share premium when the warrants expire and the retrospective reclassification shall be made, if applicable. Up to 29 October 2009, 70,326 warrants were successfully exercised and converted to 70,326 shares and the rest of warrants have expired. Accordingly, the Company reclassified other reserves amounting to RMB254,719,000 relating to expired warrants into share premium in 2009 when the warrants expired.

21 Borrowings

	Note	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Non-current					
Bank borrowings					
– Secured	(a)	**4,477,589**	5,124,089	**664,999**	910,000
– Unsecured		**1,450,944**	1,380,689	**1,450,946**	1,380,689
		5,928,533	6,504,778	**2,115,945**	2,290,689
Other borrowings - guaranteed	(b)	**1,480**	4,577	**1,480**	4,577
Convertible bonds	(c)	**1,316,166**	1,255,661	**1,316,166**	1,255,661
Corporate bonds	(d)	**792,261**	791,592	**800,000**	800,000
Medium-term notes	(e)	**699,498**	—	**699,873**	—
		8,737,938	8,556,608	**4,933,464**	4,350,927
Less: Current portion of long-term borrowings		**(172,631)**	(223,411)	**(172,631)**	(51,542)
		8,565,307	8,333,197	**4,760,833**	4,299,385
Current					
Bank borrowings					
– Secured	(f)	**364,185**	449,055	**268,884**	449,055
– Unsecured	(g)	**810,075**	1,120,402	**530,075**	1,116,000
		1,174,260	1,569,457	**798,959**	1,565,055
Current portion of long-term borrowings		**172,631**	223,411	**172,631**	51,542
		1,346,891	1,792,868	**971,590**	1,616,597
Total borrowings		**9,912,198**	10,126,065	**5,732,423**	5,915,982

(a) Amongst non-current bank borrowings, HKD210,000,000 (equivalent to RMB178,689,000) is secured by a pledge of the 55% equity rights of JEL held by Mei Wah (Note 13(d)); RMB3,633,900,000 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 (Note 9); and RMB665,000,000 is secured by a pledge of the 40% equity rights of Qinglong Company held by the Company (Note 14(d)).

(b) Other borrowings amounting to USD223,000 (equivalent to RMB1,480,000) 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.

21 Borrowings (continued)

(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 detachable warrants subscription rights which entitle the holders of the bonds to 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 equity under other reserves, net of attributable transaction costs, on the inception date. 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 (Note 9).

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

	2010 **RMB'000**	2009 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
Transaction costs attributable to equity component	**(9,284)**	(9,284)
Tax on equity component	**(73,195)**	(73,195)
Recorded in reserves	**254,719**	254,719
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 2009/2008	**124,877**	67,248
Interest expense for this year	**75,505**	72,629
Interest expense paid	**(15,000)**	(15,000)
Liability component as at 31 December	**1,316,166**	1,255,661

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) In March 2010, the Company issued medium-term notes ("The Notes") with principal amount of RMB700 million. The Notes have terms of three years and bear floating interest rate. The applicable interest rate of the Notes is 3.72% per annum for the first year.

(f) Amongst the current bank borrowing, HKD316,000,000 (equivalent to RMB268,884,000) (2009: HKD510,000,000 (equivalent to RMB449,055,000)) is secured by a fixed deposit of RMB275,000,000 (2009: RMB450,000,000) with a maturity of one year (Note 17); HKD112,000,000 (equivalent to RMB95,301,000) (2009: Nil) is secured by a pledge of the 55% equity rights of JEL held by Mei Wah (Note 13(d)).

(g) Amongst the current unsecured bank borrowing, RMB440,000,000 (2009: RMB260,000,000) was extended by Magerk Company through China Merchants Bank. They are six-month to one year term loans bearing interest of 4.374% per annum.

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

	2010	2009
Unsecure bank borrowings		
– non-current	**1.76%-5.13%**	1.73%-4.86%
– current	**2.76%-4.60%**	1.35%-4.38%
Secured bank borrowings - non-current	**1.8%-6.12%**	1.8%-6.12%
Convertible bonds	**5.5%**	5.5%
Corporate bonds	**5.5%**	5.5%
Medium-term notes	**3.72%**	NA

21 Borrowings (continued)

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

	Bank borrowings		Other borrowings and bonds	
Group	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within 1 year	**1,345,411**	1,789,817	**1,480**	3,051
Between 1 and 2 years	**601,023**	480,407	**—**	1,526
Between 2 and 5 years	**1,476,420**	1,628,193	**2,015,664**	1,255,661
Wholly repayable within 5 years	**3,422,854**	3,898,417	**2,017,144**	1,260,238
Over 5 years	**3,679,939**	4,175,818	**792,261**	791,592
	7,102,793	8,074,235	**2,809,405**	2,051,830

	Bank borrowings		Other borrowings and bonds	
Company	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within 1 year	**970,110**	1,613,546	**1,480**	3,051
Between 1 and 2 years	**601,023**	379,589	**—**	1,526
Between 2 and 5 years	**1,003,772**	1,120,253	**2,016,038**	1,255,661
Wholly repayable within 5 years	**2,574,905**	3,113,388	**2,017,518**	1,260,238
Over 5 years	**340,000**	742,356	**800,000**	800,000
	2,914,905	3,855,744	**2,817,518**	2,060,238

21 Borrowings (continued)

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

	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Bank borrowings	**5,757,383**	6,284,418	**5,453,562**	6,257,717
Other borrowings	**—**	1,526	**—**	1,496
Convertible bonds	**1,316,166**	1,255,661	**1,370,606**	1,310,256
Corporate bonds	**792,261**	791,592	**810,533**	796,154
Medium-term notes	**699,498**	—	**699,498**	—
	8,565,308	8,333,197	**8,334,199**	8,365,623

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 1.76% to 6.12% (2009: 2.44% 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 4.37% per annum and that of a comparable corporate bond at 5.30% per annum, respectively.

The fair values of medium-term notes and current borrowings approximated their respective carrying amounts as the effect of discounting is not significant.

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
RMB	**8,591,823**	8,927,532	**4,686,038**	4,811,660
USD	**1,480**	4,577	**1,480**	4,577
HKD	**1,318,895**	1,193,956	**1,044,905**	1,099,745
	9,912,198	10,126,065	**5,732,423**	5,915,982

21 Borrowings (continued)

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

	2010 RMB'000	2009 RMB'000
Floating rate		
– Expiring within one year	**1,577,000**	3,249,000
– Expiring beyond one year	**3,405,000**	3,824,000
	4,982,000	7,073,000
Fixed rate		
– Expiring beyond one year	**795,000**	260,000
	5,777,000	7,333,000

(m) 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:

	2010 RMB'000	2009 RMB'000
Borrowings with fixed rate subject to repricing date as:		
6 months or less	**646,480**	627,875
6 months to 12 months	**78,283**	511,876
1 to 5 years	**2,160,120**	2,228,266
Over 5 years	**3,336,361**	3,580,692
	6,221,244	6,948,709
Borrowings with floating rate as:		
6 months or less	**3,690,954**	3,177,356
	9,912,198	10,126,065

22 Deferred income tax

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Deferred tax assets				
– to be recovered after more than 12 months	**194,951**	199,618	**131,304**	135,691
– to be recovered within 12 months	**57,201**	7,674	**52,688**	6,848
	252,152	207,292	**183,992**	142,539
Offset within the same tax jurisdiction	**(161,768)**	(171,816)	**(93,608)**	(107,063)
Net deferred tax assets	**90,384**	35,476	**90,384**	35,476
Deferred tax liabilities				
– to be settled after more than 12 months	**937,786**	939,705	**79,051**	93,473
– to be settled within 12 months	**46,082**	89,141	**14,557**	13,590
	983,868	1,028,846	**93,608**	107,063
Offset within the same tax jurisdiction	**(161,768)**	(171,816)	**(93,608)**	(107,063)
Net deferred tax liabilities	**822,100**	857,030	**—**	—

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January	**821,554**	390,279	**(35,476)**	16,981
Acquisition of a subsidiary	**—**	527,124	**—**	—
Recognised in the statement of comprehensive income	**(89,838)**	(95,849)	**(54,908)**	(52,457)
As at 31 December	**731,716**	821,554	**(90,384)**	(35,476)

22 Deferred income tax (continued)

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:

Group	Deferred tax assets			
	Payroll accrued but not paid RMB'000	Provision for resurfacing obligations RMB'000	Taxable financial subsidies RMB'000 (Note a)	Total RMB'000
As 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
As at 31 December 2009	6,819	175,589	24,884	207,292
As at 1 January 2010	**6,819**	**175,589**	**24,884**	**207,292**
Recognised in the statement of comprehensive income	**(5,342)**	**50,728**	**(526)**	**44,860**
As at 31 December 2010	**1,477**	**226,317**	**24,358**	**252,152**

Group	Deferred tax liabilities		
	Concession intangible assets RMB'000	Convertible bonds RMB'000	Total RMB'000
As 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)
As at 31 December 2009	975,031	53,815	1,028,846
As at 1 January 2010	**975,031**	**53,815**	**1,028,846**
Recognised in the statement of comprehensive income	**(32,841)**	**(12,137)**	**(44,978)**
As at 31 December 2010	**942,190**	**41,678**	**983,868**

22 Deferred income tax (continued)

Company	Deferred tax assets			
	Payroll accrued but not paid RMB'000	**Provision for resurfacing obligations** RMB'000	**Taxable financial subsidies** RMB'000 (Note a)	**Total** RMB'000
As at 1 January 2009	—	76,033	25,313	101,346
Recognised in the statement of comprehensive income	5,992	35,630	(429)	41,193
As at 31 December 2009	5,992	111,663	24,884	142,539
As at 1 January 2010	**5,992**	**111,663**	**24,884**	**142,539**
Recognised in the statement of comprehensive income	**(4,517)**	**46,496**	**(526)**	**41,453**
As at 31 December 2010	**1,475**	**158,159**	**24,358**	**183,992**

Company	Deferred tax liabilities		
	Concession intangible assets RMB'000	**Convertible bonds** RMB'000	**Total** RMB'000
As at 1 January 2009	54,054	64,273	118,327
Recognised in the statement of comprehensive income	(806)	(10,458)	(11,264)
As at 31 December 2009	53,248	53,815	107,063
As at 1 January 2010	**53,248**	**53,815**	**107,063**
Recognised in the statement of comprehensive income	**(1,318)**	**(12,137)**	**(13,455)**
As at 31 December 2010	**51,930**	**41,678**	**93,608**

22 Deferred income tax (continued)

(a) In 2008, the Group became liable to pay PRC corporate income tax of RMB39,236,000 for certain past financial subsidies and incentives granted by local governments and received by the Group in prior years (Note 35(b)). 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 RMB25,313,000 had been recognised in 2008 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.

(b) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses amounting to RMB195,662,000 (2009: RMB69,011,000) that can be carried forward against future taxable income.

The expiry year of tax losses without deferred tax assets provided as at 31 December 2010 is as follows:

Year	2010 RMB'000	2009 RMB'000
2012	**12,154**	12,154
2013	**26,718**	26,718
2014	**30,139**	30,139
2015	**126,651**	—
	195,662	69,011

23 Provision for maintenance/resurfacing obligations

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
As at 1 January	**702,355**	304,133	**446,645**	304,133
Acquisition of a subsidiary	**—**	251,741	**—**	—
Charged to the statement of comprehensive income:				
– Additions	**156,416**	118,972	**156,416**	118,972
– Increase due to passage of time (Note 29)	**46,496**	27,509	**29,568**	23,540
	905,267	702,355	**632,629**	446,645
Less: current portion	**(22,832)**	—	**—**	—
As at 31 December	**882,435**	702,355	**632,629**	446,645

24 Derivative financial instruments

	Note	2010 RMB'000	2009 RMB'000
Non-current portion:			
CNY/HKD cross currency interest rate swap - cash flow hedges	(a)	**24,133**	—
Forward foreign exchange contracts – cash flow hedges	(b)	**1,563**	—
		25,696	—

(a) CNY/HKD cross currency interest rate swap

The Company uses a CNY/HKD cross currency interest rate swap contract to hedge its interest rate risk and exchange rate risk against one of its variable-rate foreign currency loans with a notional principal amount of HKD420,000,000 (2009: Nil) . The payment term for this loan is: HKD21,000,000 is paid each year in September from 2010 to 2013, HKD336,000,000 will be paid in September 2014. The notional principal amount of the outstanding CNY/HKD cross currency interest rate swap contract as at 31 December 2010 was HKD399,000,000. Through this arrangement, the Company is able to pay an annually fixed interest at 1.8% per annum and to repay the loan's principal at a fixed HKD/RMB exchange rate agreed in the contract while the original annual floating interest expense (3-month HIBOR+150BPS) and the floating principal payments (HKD/RMB exchange spot rate) attached to the loan is offset by the receivable leg of the CNY/HKD cross currency interest rate swap. Such a swap is settled on a quarterly basis from June 2010 to September 2014.

(b) Forward foreign exchange contracts

The Company uses a forward foreign exchange contract to hedge its exchange rate risk against one of its foreign currency loans with a notional principal amount of HKD227,000,000 (2009: Nil). The loan will be maturity in September 2012. The notional principal amount of the outstanding forward foreign exchange contract as at 31 December 2010 was HKD227,000,000. Through this arrangement, the Company is able to pay fixed principal in RMB at the contractual forward HKD/RMB exchange rate and receive foreign currency principal. Such forward foreign exchange contract will be settled in September 2012.

There was no ineffectiveness to be recorded from above cash flow hedges.

25 Trade and other payables

		Group		Company	
	Note	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Payables for construction projects and quality deposits	(a)	**939,783**	1,072,990	**177,072**	242,015
Guaranteed deposits for construction projects contracts	(a)	**203,735**	141,388	**119,303**	85,415
Project funds retained for construction management contracts	(b)	**21,962**	30,882	**21,962**	30,882
Notes payable	(a)	**3,025**	52,769	**3,025**	52,769
Advance from an associate	(c)	**46,500**	46,500	**46,500**	46,500
Payable relating to Yanjiang Project	(d)	**40,794**	582	**40,794**	582
Interest payable		**62,367**	37,269	**51,996**	29,981
Salary payable		**62,690**	52,780	**46,562**	39,944
Others		**97,534**	130,351	**93,231**	81,526
		1,478,390	1,565,511	**600,445**	609,614

As at 31 December 2010, the ageing analysis of trade and other payables were as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within 1 year	**1,137,293**	1,144,923	**422,129**	325,832
Over 1 year	**341,097**	420,588	**178,316**	283,782
	1,478,390	1,565,511	**600,445**	609,614

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 RMB939,783,000 (2009: RMB1,072,990,000); deposits received from the contractors as guarantees for bidding the projects and their performance commitment for the construction of these projects amounting to RMB203,735,000 (2009: RMB141,388,000); and notes payable of RMB3,025,000 (2009: RMB52,769,000) for projects construction, respectively. Notes payable is bearing interest at 4.2% (2009: 2% to 4.8%) per annum and is required to be settled within one year.

25 Trade and other payables (continued)

(b) This represents project funds 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 (Note 17).

(c) These represent the advances from Nanjing Third Bridge Company, 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. As at 31 December 2010, the balance represented the net payable relating to the Yanjiang Project.

(e) There is no credit period set out by the Group's suppliers.

26 Other gains/(losses) - net

	Note	**2010 RMB'000**	2009 RMB'000
Loss resulted from derivative financial instruments	(a)	—	(2,332)
Gains/(losses) on disposal of property, plant and equipment		**1,458**	(93)
Other gains		**926**	2,326
		2,384	(99)

(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 2007 and 2008, which expired in 2009.

27 Expenses by nature

	Note	2010 RMB'000	2009 RMB'000
Construction costs under service concessions	(a)	**739,430**	1,033,736
Business tax and surcharges	(b)	**77,370**	47,823
Employee benefit expenses	28	**176,949**	145,517
Road maintenance expenses		**148,730**	69,291
Depreciation and amortisation		**563,370**	328,628
Provision for maintenance resurfacing obligations		**156,416**	118,972
Utility expenses		**25,552**	24,009
Transportation expenses		**11,991**	10,756
International auditor's remuneration			
– Annual audit		**2,020**	1,970
– Other audit/review services		**200**	270
Statutory auditor's remuneration			
– Annual audit		**880**	880
– Other audit/review services		**300**	1,450
Rental expenses		**2,669**	2,896
Agency fee		**8,154**	7,959
Management fee of toll road network		**5,907**	13,274
Material consumption		**7,741**	5,176
Other expenses		**52,635**	43,246
Total cost of services and administrative expenses		**1,980,314**	1,855,853

(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 RMB67,715,000 (2009: RMB43,721,000); on service income derived from the provision of construction management services income at RMB5,174,000 (2009: RMB1,018,000); as well as on income arising from the provision of other services at RMB4,481,000 (2009: RMB3,084,000).

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 7% of the PRC business tax; and
— Education supplementary fee at 3% of the PRC business tax.

28 Employee benefit expenses

	Note	2010 RMB'000	2009 RMB'000
Wages salaries and bonus		**146,465**	121,694
Pension costs - defined contribution plans	(a)	**8,714**	7,250
Other staff welfare benefits		**21,770**	16,573
		176,949	145,517

(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% (2009: 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.

(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 2010 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	—	—	—	—
Mr. Tse Yat Hong	—	—	—	—
Mr. Lin Xiang Ke	—	—	—	—
Ms. Zhang Yang	—	—	**9**	**9**
Mr. Chiu Chi Cheong, Clifton	**350**	—	**8**	**358**
Mr. Lam Wai Hon, Ambrose	**150**	—	**8**	**158**
Mr. Ting Fook Cheung, Fred	**150**	—	**8**	**158**
Mr. Wang Hai Tao	**150**	—	**9**	**159**
Mr. Zhang Li Min	**150**	—	**10**	**160**
Mr. Zhong Shan Qun	—	—	—	—
Mr. Fang Jie	—	**539**	**8**	**547**
Mr. He Sen (i)	—	—	**6**	**6**

28 Employee benefit expenses (continued)

(b) Directors' and senior management's emoluments (continued)

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	—	—	—	—
Mr. Tse Yat Hong	—	—	—	—
Mr. Lin Xiang Ke	—	—	7	7
Ms. Zhang Yang	—	—	12	12
Mr. Chiu Chi Cheong, Clifton	350	—	18	368
Mr. Lam Wai Hon, Ambrose	150	—	16	166
Mr. Ting Fook Cheung, Fred	150	—	15	165
Mr. Wang Hai Tao	150	—	15	165
Mr. Zhang Li Min	150	—	15	165
Mr. Zhong Shan Qun	—	—	—	—
Mr. Yang Qin Hua (ii)	—	—	14	14
Mr. Fang Jie	—	471	19	490
Mr. Jiang Lu Ming (iii)	—	247	5.5	252.5

(i) Appointed in January 2010.

(ii) Resigned in January 2010.

(iii) Resigned in May 2009.

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 2010, Mr. Yang Hai, Mr. Wu Ya De, Mr. Jiang Lu Ming, Mr. Fang Jie and Mr. He Sen were entitled to other benefits and allowances and the respective amounts were RMB32,000 (2009: RMB22,000), RMB32,000 (2009: RMB22,000), Nil (2009: RMB9,000), RMB86,000 (2009: RMB65,000) and RMB6,000 (2009: Nil), respectively.

During the year ended 31 December 2010, Mr. Yang Hai, Mr. Wu Ya De, Mr. Jiang Lu Ming and Mr. Fang Jie were entitled to the employer's contribution to pension schemes of RMB45,000 (2009: RMB45,000), RMB45,000 (2009: RMB45,000), Nil (2009: RMB21,000) and RMB38,000 (2009: RMB36,000), respectively.

During the years ended 31 December 2010 and 2009, 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.

28 Employee benefit expenses (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2010 include two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	2010 RMB'000	2009 RMB'000
Salaries	**2,962**	2,728

The emoluments for all the above senior management fell within the band of HKD1,000,000 (equivalent to RMB851,000 (2009: RMB881,000)) to HKD1,500,000 (equivalent to RMB1,276,000 (2009: RMB1,321,000)) during the years ended 31 December 2010.

29 Finance income and costs

	2010 RMB'000	2009 RMB'000
Finance income		
Interest income from bank deposits	**14,161**	8,673
Finance costs		
Interest on bank and other borrowings	**378,873**	375,187
Interest on convertible bonds, corporate bonds and medium-term notes	**140,637**	116,262
Less: interest expense capitalised in construction in progress	**(22,704)**	(125,156)
	496,806	366,293
Other interest expense (Note 23)	**46,496**	27,509
Other borrowing costs	**4,940**	807
Net foreign exchange gains	**(28,860)**	(3,665)
	519,382	390,944
Finance costs - net	**505,221**	382,271

Borrowing costs of RMB22,704,000 (2009: RMB125,156,000) 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 concession intangible assets. Capitalisation rates are ranged from 3.84% to 5.508% per annum (2009: 5.346 % to 6.12% per annum).

30 Income tax expenses

	2010 RMB'000	2009 RMB'000
Current income tax		
- Current income tax	**236,750**	140,675
Deferred income tax		
- Origination and reversal of temporary differences	**(89,838)**	(95,849)
Income tax expense	**146,912**	44,826

(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 corporate 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 22% (2009: 20%).

(b) Mei Wah and Maxprofit are incorporated in Hong Kong and British Virgin Islands, respectively. According to Guoshuihan [2010] No.651 issued by State Administration of Taxation on 30 December 2010, Mei Wah and Maxprofit are recognised as resident enterprises of China and need to comply with relevant taxation administration.

(c) 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:

	2010 RMB'000	2009 RMB'000
Profit before tax	**856,984**	570,159
Less: share of profit of jointly controlled entities	**(119,470)**	(252,049)
share of profit of associates	**(178,849)**	(80,923)
	558,665	237,187
Tax calculated at domestic tax rate of 22% (2009: 20%)	**122,906**	47,438
Tax effects of:		
Different tax rate was applied for deferred tax calculation	**(6,087)**	(15,086)
Amortisation of transaction costs of convertible bonds	**(340)**	(309)
Expenses not deductible for tax purpose	**4,721**	131
Unrecognised tax losses	**27,863**	12,652
Income not subject to tax	**(2,151)**	—
Income tax expenses	**146,912**	44,826

31 Profit attributable to owners of the parent

The profit attributable to owners of the parent is dealt with in the financial statements of the Company to the extent of RMB699,116,000 (2009: RMB511,140,000).

32 Earnings per share

Basic -

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the number of ordinary shares in issue during the year.

	2010	2009
Profit attributable to owners of the parent (RMB'000)	**745,806**	540,219
Number of ordinary shares in issue (thousands)	**2,180,770**	2,180,712
Basic earnings per share (RMB per share)	**0.342**	0.248

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. The Company has no potential dilutive shares throughout the year and the diluted earnings per share presented are the same with basic earnings per share.

33 Dividends

The dividends paid in 2010 and 2009 were RMB261,692,000 (RMB0.12 per share) and RMB261,684,000 (RMB0.12 per share), respectively. The directors recommend the payment of a final dividend of RMB0.16 per ordinary share, totalling RMB348,923,000. Such dividend is to be approved by the shareholders at the 2010 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 ended 31 December 2011.

	2010 **RMB'000**	2009 RMB'000
Proposed final dividend of RMB0.16 (2009: RMB0.12) per ordinary share	**348,923**	261,692

34 Cash generated from operations

The reconciliation from profit for the year to cash generated from operations is set out as follows:

	2010 RMB'000	2009 RMB'000
Profit for the year	**710,072**	525,333
Adjustments for:		
– Income tax	**146,912**	44,826
– Depreciation	**102,156**	82,038
– Amortisation	**461,214**	246,590
– (Gains)/losses on disposal of property, plant and equipment	**(1,458)**	93
– Loss on derivative financial instruments	**—**	2,332
– Finance costs - net	**505,221**	382,271
– Share of profit of jointly controlled entities	**(119,470)**	(252,049)
– Share of profit of associates	**(178,849)**	(80,923)
– Changes in provision for maintenance/resurfacing obligations	**156,416**	118,972
Changes in working capital (excluding the effects of acquisition):		
– Inventories	**34**	(361)
– Trade and other receivables	**(78,257)**	104,519
– Trade and other payables	**103,559**	(266,756)
Cash generated from operations	**1,807,550**	906,885

35 Contingencies

(a) Project construction management contracts

The Company has entered into certain project construction management contracts with government authorities. For Nanping Freeway (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.

The Company has entered into a project construction management contract. For this project, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to Shenzhen Baotong Expressway Construction Company Limited ("Baotong Company") amounting to RMB500,000.

35 Contingencies (continued)

(b) Penalty on back taxes

According to the demand by the Shenzhen Local Tax Bureau (the "Local Tax Bureau"), the Group had made a provision for corporation income tax as at 31 December 2008 in the amount of RMB39,236,000 (the "Back Taxes"). As at the date of approval of the financial statements, no formal notice of reassessment/waiver had been issued by the Local Tax Bureau and other relevant authorities. The amount of any related penalty could not be ascertained with reasonably certainty. Thus no change has been made to the provision for the enterprise income tax liabilities and no provision has been made for the potential penalty. The tax payable of RMB39,236,000 was not paid out at the reporting date.

(c) Arbitration in progress

On 8 December 2004, the Company signed a construction contract with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping Freeway (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 the financial statements, the arbitration process is still in progress. According to the relevant provisions in the contract, the directors 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 31 December 2010, the arbitration has been revoked, and the Company is still negotiating with Great Wall on the quantities and unit price of the project. The directors considered that the outcome of the negotiation will have no significant 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:

	2010 RMB'000	2009 RMB'000
Capital commitments – expenditures of concession intangible assets		
– contracted but not provided for	**40,791**	337,384
– authorised but not contracted for	**1,240,536**	1,903,996
	1,281,327	2,241,380
Investment commitments		
– authorised but not contracted for	**235,482**	132,000
	1,516,809	2,373,380

The above capital commitments are capital expenditures of concession intangible assets for Nanguang Expressway, Outer Ring Expressway, Qinglian Expressway and Meiguan Expressway. The investment commitments relate to addition capital injection to be made to Qinglong Company and Qinglian 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 arrangements made available to the Group.

37 Related party transactions

Shenzhen International Holdings Limited ("Shenzhen International") holds 50.89% of indirect interests in the Company in aggregate and it became the parent company of the Company.

As at 17 November 2010, Shenzhen Investment Holdings Corporation, the original ultimate holding company of Shenzhen International, transferred 40.55% equity of Shenzhen International (including direct and indirect interest) to Shenzhen Investment Holdings Company Limited ('SIHCL'), which is supervised and managed by the Shenzhen State-owned Assets Supervision and Administration Bureau. After the transfer, SIHCL became the ultimate holding company of the Company. SIHCL has applied to China Securities Regulatory Commission for a waiver of the obligation of SIHCL arising from the transfer to make a general offer for the shares of Shenzhen International and the Company. Up to the reporting date, SIHCL has not been granted such waiver.

Apart from the related party transactions and balances in relation to construction management services, guarantee for borrowings, and advance and loan received, which have already been disclosed in Notes 21(b), 21(g), 25(c) and 25(d) to the financial statements, the following material transactions were carried out with related parties basis during the year:

(a) Capital expenditures and payable balances for construction in progress

	2010 RMB'000	2009 RMB'000
Capital expenditures incurred for service concession projects and construction in progress:		
– State-owned contractors	**670,088**	522,376
Payables for construction projects and guaranteed deposits		
– State-owned contractors	**318,262**	1,018,122

(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 total contract sum of the management service contract is approximately RMB122,690,000, mainly resulted from bids won in prior years with services provided for the expressway project to Qinglian Company. During the year, the Group paid a management fee of approximately RMB23,869,000 (2009: RMB24,184,000) to Consulting Company. The cumulative management fee paid by the Group to Consulting Company amounted to approximately RMB96,719,000 up to 31 December 2010.

37 Related party transactions (continued)

(c) Management entrustment

On 28 December 2009, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited ("Longda Company"). However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. 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 term of the operation and management entrustment agreement commenced on 1 January 2010 and will expire on 31 December 2011. The management entrustment fee for the year amounted to RMB15,000,000 (2009: RMB15,000,000). The amount had been settled by Baotong Company as at 31 December 2010.

As mentioned in Note 25(d), the Company provides project management services for construction, operation and maintenance of the Yanjiang Project for the government authority. Yanjiang project are owned by Shenzhen Guangshen Yanjiang Expressway Investment Co., Ltd, which is hold by SIHCL, the Company's ultimate holding company. The management service revenue is 1.5% of the construction budget. During the year, the Company has recognised construction management services fee amounting to RMB21,636,000 (2009: RMB29,581,000).

In May 2009, the Company entered into a project construction management contract with 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. As the outcome of the construction management services could not be estimated reliably in 2010, the Group recorded the related construction management service income of RMB1,294,000 (Note 16(a)) at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

(d) Key management compensation

	2010 RMB'000	2009 RMB'000
Salaries, bonus and other short-term employee benefits	**10,225**	9,611

The key management includes directors (executive and non-executive), supervisors and senior management. There are in total 22 (2009: 23) key management personnel in the Company.

Reconciliation of financial statements

The Group has prepared a separate set of financial statements for the year ended 31 December 2010 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 owners of parent for the year ended 31 December 2010 RMB'000	Capital and reserves attributable to owners of parent as at 31 December 2010 RMB'000
As per PRC statutory financial statements prepared under CAS	**745,806**	**8,648,827**
Impact of HKFRS adjustments:		
- Revenue and profit recognition for construction services and amortisation of concession intangible assets	**—**	**42,465**
As restated after HKFRS adjustments	**745,806**	**8,691,292**

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 at http://www. sz-expressway. com and will be updated regularly for reference.

Corporate Information

Registered Names in Chinese and English	深圳高速公路股份有限公司 Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address and Place of Business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Secretary of the Board /Company Secretary	WU Qian
Telephone	(86) 755-8285 3331
Securities Officer	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3338
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Investor Hotline	(86) 755-8285 3330
E-mail	secretary@sz-expressway.com
Contact Address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Listing Exchange	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
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	Hong Kong:	Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

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International Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
PRC Legal Adviser	Guangdong Junyan Law Firm 13/F, Dutyfree Business Building, First Fuhua Road, Shenzhen
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, 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
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, 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
Investor Relations Consultant of H Shares	Rikes Hill & Knowlton Limited Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong
Place of Business in Hong Kong	Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Telephone: (852)2543 0633 Fax: (852)2543 9996
Date and Place of First Registration	30 December 1996 / Shenzhen
Date of Latest Change of Registration	29 January 2010
Registration Number of Business License	440301104056451
Tax Registration Number	440304279302515
Organisation Code	27930251-5
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank

Enterprises invested by the Group:

Advertising Company	深圳高速廣告有限公司 (Shenzhen Expressway Advertising Company Limited)
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)
Guangdong UETC	廣東聯合電子收費股份有限公司 (Guangdong United Electronic Toll Collection Inc.)
Guangyun Company	雲浮市廣雲高速公路有限公司 (Yunfu Guangyun Expressway Company Limited), which 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), which 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), which owns Shuiguan Extension
JEL Company	Jade Emperor Limited, which 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), which 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), which 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), which owns the operating rights of Wuhuang Expressway
Maxprofit Company	Maxprofit Gain Limited, which holds 25% interests in Qinglian Company
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited, which holds 100% interests in Maxprofit Company and 55% interests in JEL Company
Meiguan Company	深圳市梅觀高速公路有限公司 (Shenzhen Meiguan Expressway Company Limited), which 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), which owns Nanjing Third Bridge
Qinglian Company	廣東清連公路發展有限公司 (Guangdong Qinglian Highway Development Company Limited), which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited), 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), which owns Changsha Ring Road
Yangmao Company	廣東陽茂高速公路有限公司 (Guangdong Yangmao Expressway Company Limited), which owns Yangmao Expressway

Others:

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 the Company
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), a wholly-owned subsidiary of Shenzhen International, which owns 89.93% equity interest in Longda Company
Board	The Board of Directors of the Company
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
CAS	The Accounting Standards for Business Enterprises (2006) of the PRC
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited), which is a wholly-owned subsidiary of SIHCL, and is engaged in the construction and operation of Coastal Expressway (Shenzhen Section)
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 consolidated 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 HKEx
HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration 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
Interpretation No.2	"The Interpretation No.2 to Accounting Standards for Business Enterprises" issued by the Ministry of Finance

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), a subsidiary of Shenzhen International, which owns Longda Expressway
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
Reporting Period, Period, Year	For the twelve months ended 31 December 2010
RMB	Renminbi, the lawful currency of the PRC
SFC	Securities and Futures Comission 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
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, which holds 100% equity interest in SGH 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)
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
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company
Supervisory Committee	The Supervisory Committee 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

* For definitions and details of the relevant highway projects, please refer to the content in "Information and Map of Highways" in this annual report.

Information and Map of Highways

Toll Highway Project Summary (as at March 2011)

Projects in toll operation:

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	1995.05-2027.03 / extension
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	2002.02-2025.12 / extension
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
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	216	4	Under operation	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	1999.11-2029.12
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2005.10-2035.10

* 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 planning:

Toll highway	Location	Designed Length (km)	Basic information
Outer Ring Expressway	Shenzhen	90	The Company is proceeding with the preliminary work, and has not determined the mode of investment and development plan.
Coastal Expressway Airport Feeder	Shenzhen	7	

Projects entrusted for operation:

Project	Entrusting party	Location	Length (km)	No. of lanes	Entrusted management period
Longda Project	Baotong Company	Shenzhen/ Dongguan	28.2	6	2010.01.01-2011.12.31

Projects entrusted for construction:

Project	Entrusting party	Location	Length (km)	Estimated investment	Completion schedule for main works
Shenyun Project	Shenzhen Communications Bureau	Shenzhen	2	Approximately 0.12 billion	Completed
Nanping (Phase II)	Shenzhen Communications Bureau	Shenzhen	15	Approximately 4.1 billion	Comprise of Section A and Section B, in which Section A is planned to be completed by the End of 2011
Longhua Extension	Baotong Company	Shenzhen	2	Approximately 0.19 billion	First half of 2011
Coastal Project	SIHCL	Shenzhen	30	Approximately 8.8 billion	End of 2012

Information of Projects (including definitions of projects)

Projects in Toll Operation - Shenzhen region

Meiguan Expressway, the expressway from Meilin to Guanlan in Shenzhen City, is a part of Pearl River Delta Ring Expressway [G94]. Meiguan Expressway commenced operation in May 1995. It connects with Huanggang Port, one of the largest land border checkpoints in Asia in the south, with Dongguan, Guangdong through Guanshen Expressway in the north, and intersects with Jihe Expressway in the middle. It is a main trunk in the central part of Shenzhen and also 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**, a part of Shenhai Expressway[G15]. Jihe Expressway connects with Yantian Port through Yanpai Expressway in the east, passes through connecting road network to reach areas such as Huizhou and Shantou in Guangdong, links with Shenzhen Bao'an International Airport and Guangshen Expressway in the west, and is also a main trunk in 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**, a part of Huishen Coastal Expressway[S30]. Yanba Expressway is located in eastern Shenzhen, passes through several seaside resorts along the line. It accesses Yantian Port and Shenzhen downtown in the west, and passes through connecting road network to reach areas such as Shantou, Guangdong and Fujian in the east. It is a main trunk radiating outward from eastern Shenzhen. Yanba A, Yanba B and Yanba C commenced operation in March 2001, June 2003 and March 2010 respectively.

Shuiguan Expressway, the expressway from Shuijingcun to Guanjintou in Shenzhen City[S28], also referred to as the No.2 Longgang Passage. It commenced operation in February 2002. The Company acquired 40% of its interests in January 2003. **Shuiguan Extension**, an extension to Shuiguan Expressway, Phase I of Qingping Expressway[S209] (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue). It commenced operation in July 2005. Shuiguan Expressway connects with Shuiguan Extension 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 with its peripheral areas.

Yanpai Expressway, the expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road to Jihe Expressway, a part of Changshen Expressway[G25] and Renshen Expressway[S27].Yanpai Expressway commenced operation in May 2006. It starts from Yantian Port in the south, heading northwest and connecting with Shuiguan Expressway, Jihe Expressway and Yuexiang Expressway Boshen Section (under construction). 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[S33], also referred to as Liming Avenue. It's main-line commenced operation in January 2008. Nanguang Expressway connects with Shenzhen-Hong Kong Western Corridor and Shekou Western Ports via Nanping Freeway in the south, and heading north to reach Dongguan, Guangdong 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.

Projects in Toll Operation - other regions in Guangdong province

Qinglian Project, refers to Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road 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 connects with the highway network in Pearl River Delta via Guangqing Expressway in the south, and with Jinggang'ao Expressway[G4] in Hunan Province in the north via the Yilian Expressway (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 Pearl River Delta region towards the central inland areas. Qinglian Expressway (Jingkou in Qingyuan city - Fengtouling in Lianzhou city), with total mileage of approximately 216km, has been opened to traffic. Among this, Fengtouling - Lianzhou Section and Fengbu - Jingkou Section (approximately 188km) has adopted expressway toll rates since July 2009. Lianzhou - Fengbu Section (approximately 27km) has adopted expressway toll rates since January 2011.

Yangmao Expressway, the expressway from Yangjiang City to Maoming City, a part of Shenhai Expressway[G15].Yangmao Expressway commenced operation in November 2004, it connects with the highway network in Pearl River Delta via Kaiyang Expressway in the east and reaches province such as Hainan, Guangxi and the southwestern region through Maozhan Expressway. It is an important part of the east-west coastal trunk expressway in Guangdong Province.

Guangwu Project, the section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi ("Guangwu Expressway"), a part of Guangkun Expressway[G80]. Guangwu Project commenced operation in December 2004. It starts from Zhaoqing, Guangdong in the east, connects with the highway network in Pearl River Delta, ends in Yunfu, Guangdong in the west, and reaches Guangxi Province and the southwestern provinces through the second phase of Guangwu Expressway.

Jiangzhong Project, the expressway from Zhongshan City to Jiangmen City and the second phase of the expressway from Jiangmen City to Heshan City ("Jianghe Expressway"), a part of Pearl River Delta Ring Expressway[G94] and Shenluo Expressway[S26]. Jiangzhong Project commenced operation in November 2005. Together with its neighbouring roads, it constitute 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, the section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway, a part of Shenhai Expressway[G15] and Guangzhou Ring Expressway[G1501]. GZ W2 Expressway commenced operation in December 2006. It connects Foshan City and Guangzhou City, and connects with many expressways and national highways in peripheral region. It serves as a convenient passage running from the region to the west of Guangzhou to Guangzhou Huadu International Airport.

Projects in Toll Operation - other provinces in the PRC

Wuhuang Expressway, the expressway from Wuhan City to Huangshi City, located in Hubei Province, a part of Huyu Expressway[G50], Fuyin Expressway[G70] and Guanbao Expressway[S8]. Wuhuang Expressway was formerly a Class 1 highway which commenced operation in 1991. The highway was reconstructed into an expressway in 1996. The Group acquired 55% of its interests in August 2005. Wuhuang Expressway is a major hub of transportation network of eastern Hubei Province. It connects with Jinggang'ao Expressway[G4] and National Highway 107 in Wuhan City, and reach to Anhui Province and Jiangxi Province through peripheral expressway networks.

Changsha Ring Road, the northwestern section of Changsha Ring Expressway[G0401], located in Hunan Province. Changsha Ring Road commenced operation in November 1999, linking with Jinggang'ao Expressway[G4], National Highway 107 in the northeast and Changyi Expressway, National Highway 319 and southwestern section of Changsha Ring Expressway in the west. It serves as an important infrastructure facility of Changsha City.

Nanjing Third Bridge, Nanjing Yangtze Third Bridge, located in Jiangsu Province, a part of Hurong Expressway[G42] and Nanjing Ring Expressway[G2511]. 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.

Projects in Planning

Outer Ring Expressway, the Shenzhen Outer Ring Expressway, with mainline running from east to west of northern part of Shenzhen. It is a major east-west trunk corridor of Shenzhen's road network. The preliminary research work of Outer Ring Expressway is underway.

Coastal Expressway Airport Feeder, the Shenzhen Airport Feeder of Coastal Expressway from Guangzhou to Shenzhen[S3]. It locates in the western part of Shenzhen, and is planned to run from east to west, connecting with Coastal Expressway (Shenzhen Section) 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 preliminary research work of this project is underway.

Projects Entrusted for Construction and Operation

Longda Expressway, the expressway from Longhua, Shenzhen to Dalingshan, Dongguan[S31]. It starts from Futian District, Shenzhen City in the south, intersects with Jihe Expressway and Nanguang Expressway, and connects with Changhu Expressway in Dongguan in the north. Shenzhen section and Dongguan section of Longda Expressway 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. **Longhua Extension** refers to the entrusted construction project of Longhua Extension of Longda Expressway undertaken by the Company.

Nanping Project, the entrusted construction project of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) undertaken by the Company. The first phase of the project of Shenzhen Nanping Freeway refers to **Nanping (Phase I)** and was completed and opened to traffic in June 2006. The second phase of the project of Shenzhen Nanping Freeway refers to **Nanping (Phase II)**, comprising section A and section B.

Hengping Project, the entrusted construction project of Shenzhen Hengping Class 1 Highway and the connecting sections undertaken by the Company. The section of approximately 6.7km of Hengping Highway which is undertaken by the Company and completed at the end of December 2008 refers to **Hengping Resumed Section**. The work for the link section between Hengping Class 1 Highway and National Highway 205 refers to **Hengping Link Section**.

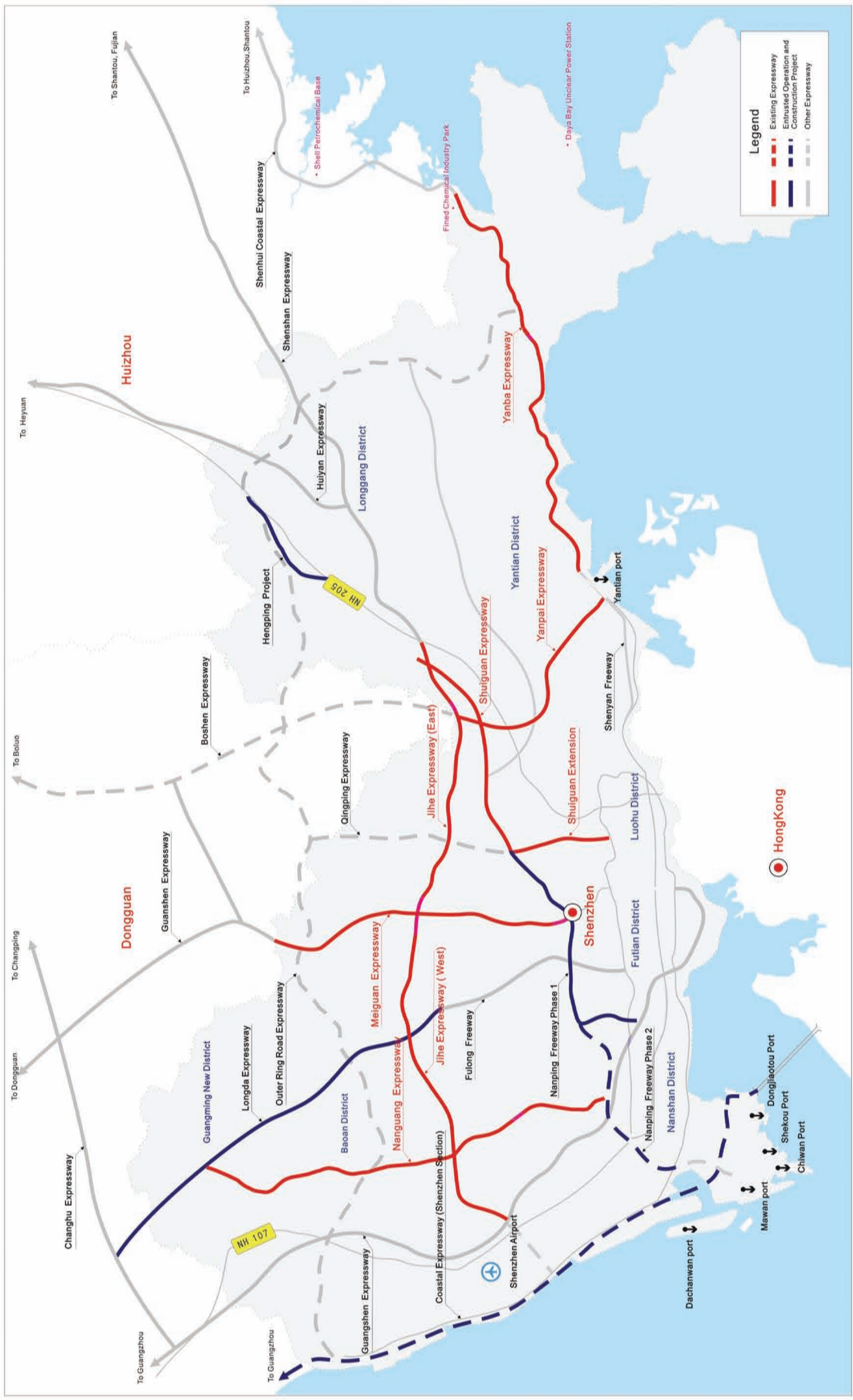
Wutong Mountain Project, the entrusted construction project of Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Road Checkpoint Station undertaken by the Company. It is an ancillary project of Yanpai Expressway and was completed in May 2007.

Shenyun Project, the entrusted construction project of Shenyun-North Ring Interchange renovation in Shenzhen City, undertaken by the Company.

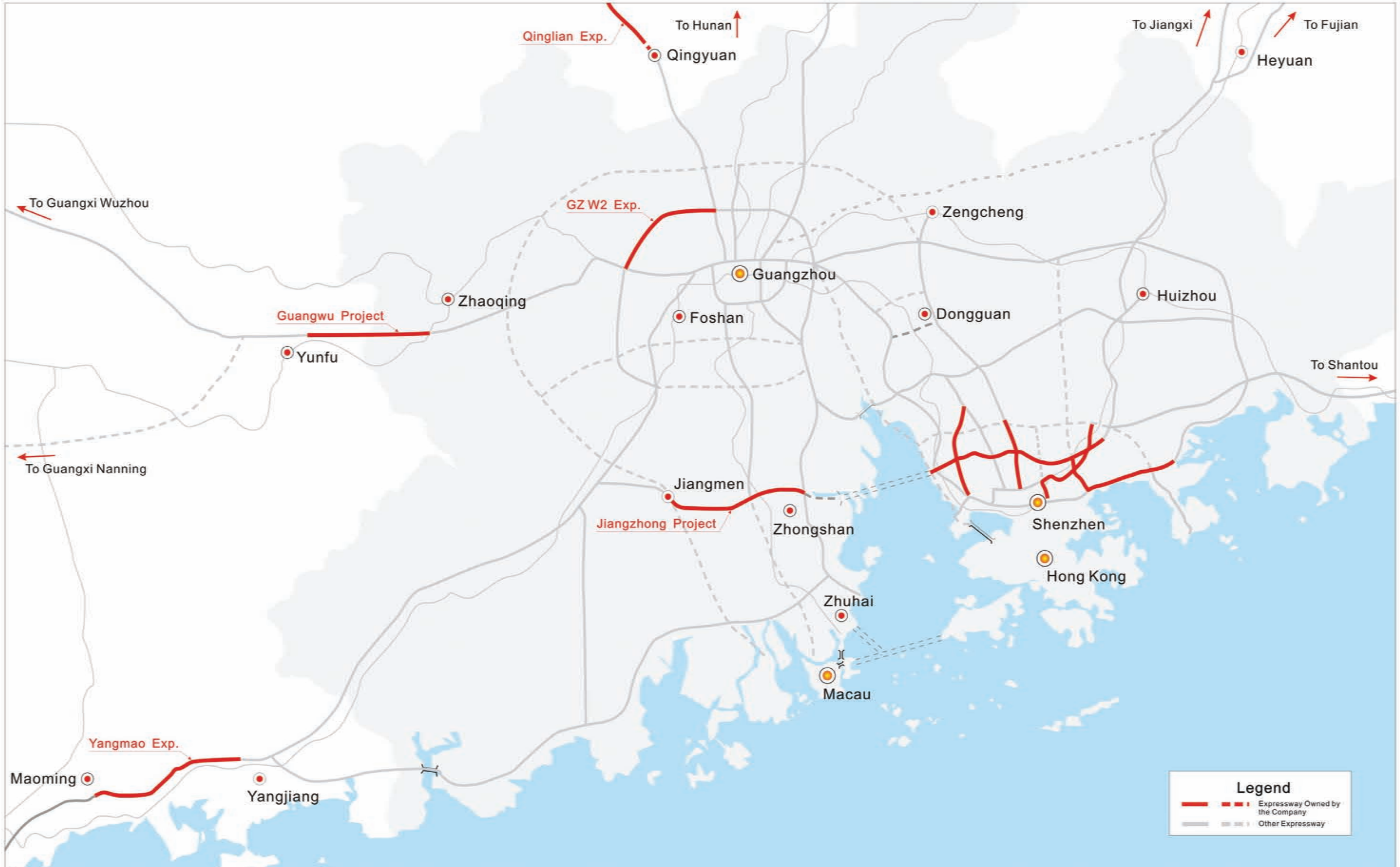
Coastal Expressway (Shenzhen Section), the section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of Coastal Expressway from Guangzhou to Shenzhen[S3]. **Coastal Project** refers to the entrusted management of Coastal Company undertaken by the Company, including 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.

Map of Projects

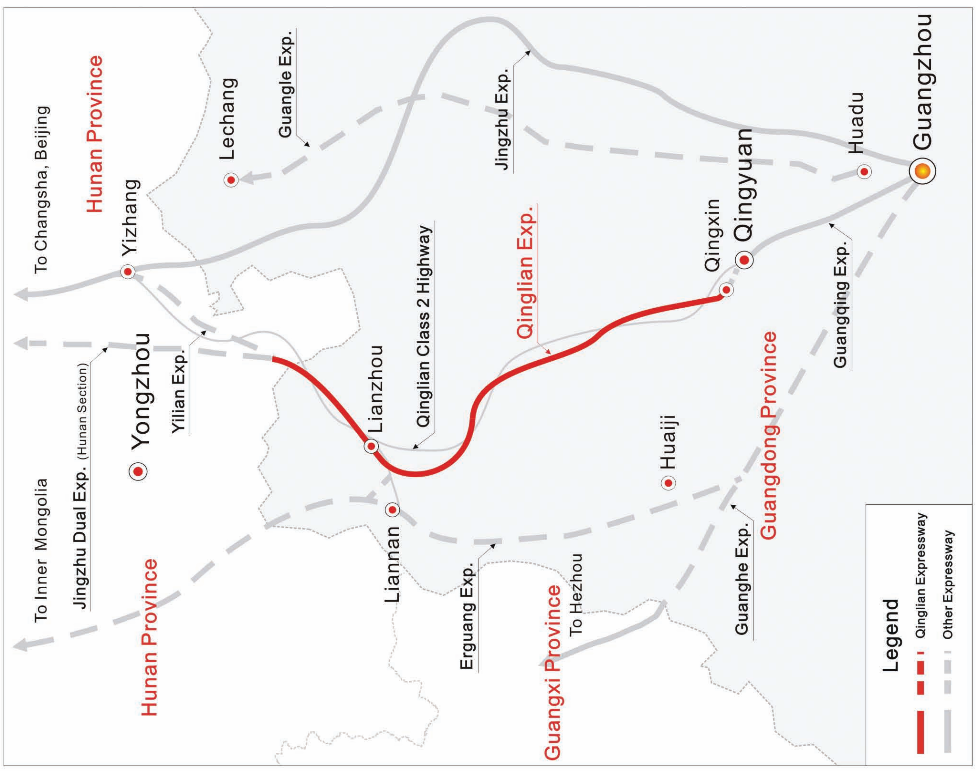
Road Network of Shenzhen



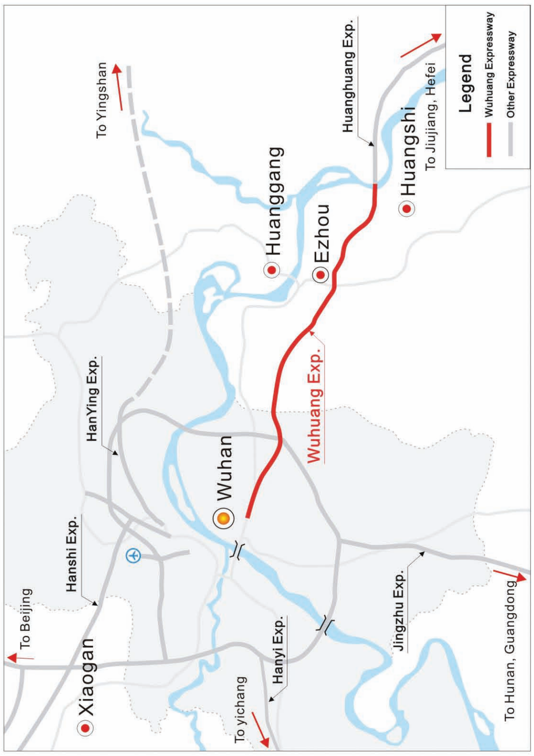
Road Network of Pearl River Delta



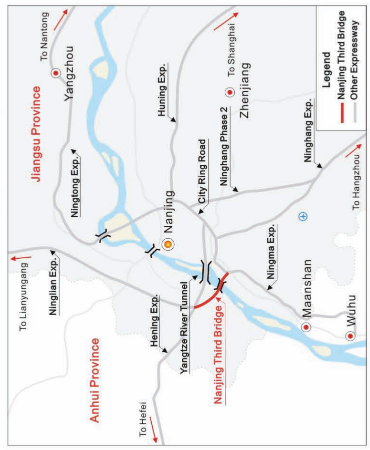
Road Network of Qinglian Expressway



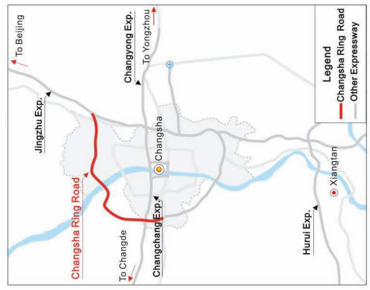
Road Network of Wuhuang Expressway



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	01	02	03	04	05	06	07	08	09	10
Shenzhen Region:										
Meiguan Expressway	33,634	37,566	46,397	64,199	76,343	89,909	98,285	92,744	98,318	**117,244**
Jihe East	25,103	26,547	33,308	44,446	56,468	70,278	88,675	90,991	93,019	**111,530**
Jihe West	16,134	21,809	28,284	35,257	46,462	53,765	65,741	67,661	72,800	**91,111**
Yanba Expressway	5,762	5,343	7,423	9,427	11,572	14,179	12,492	13,879	16,509	**24,313**
Shuiguan Expressway		22,762	30,397	39,842	54,747	75,281	103,236	106,241	118,064	**134,561**
Shuiguan Extension					31,739	25,477	28,086	28,181	32,294	**40,485**
Yanpai Expressway						15,915	26,313	31,898	33,763	**39,734**
Nanguang Expressway								16,336	32,212	**50,612**
Other Regions in Guangdong Province:										
Yangmao Expressway (Note)				8,179	10,362	13,099	16,205	18,119	17,795	**20,066**
Guangwu Project				1,926	6,120	7,695	9,185	9,806	11,190	**17,475**
Jiangzhong Project					15,472	26,114	39,492	45,344	50,899	**68,471**
GZ W2 Expressway						2,186	6,165	9,574	14,883	**28,866**
Qinglian Expressway									16,011	**18,292**
Other Provinces in the PRC:										
Changsha Ring Road	1,373	2,576	3,454	4,636	5,393	5,439	5,791	6,020	7,342	**8,558**
Wuhuang Expressway					22,895	23,530	27,846	29,140	32,412	**38,034**
Nanjing Third Bridge					8,276	12,184	16,788	18,334	20,029	**22,057**

Note: The scope of statistics on the traffic volume of Yangmao Expressway had been adjusted to excluding free vehicles since 2009 instead of including free vehicles.

Unit: RMB'000

Average daily toll revenue	01	02	03	04	05	06	07	08	09	10
Shenzhen Region:										
Meiguan Expressway	476.7	501.7	560.5	707.7	795.3	878.3	903.0	791.8	814.0	**951.4**
Jihe East	420.4	430.1	499.5	631.1	786.6	904.5	1,150.6	1,227.3	1,242.0	**1,414.7**
Jihe West	287.0	385.0	484.5	593.9	739.9	775.8	945.1	937.3	951.4	**1,169.2**
Yanba Expressway	36.1	35.5	61.2	89.2	115.1	153.0	172.7	195.6	213.4	**335.4**
Shuiguan Expressway		234.7	300.1	382.3	504.1	682.8	964.8	1,006.0	1,072.4	**1,229.9**
Shuiguan Extension					229.5	162.7	181.9	178.9	202.5	**250.6**
Yanpai Expressway						252.0	370.1	407.0	382.6	**428.6**
Nanguang Expressway								176.0	302.9	**523.5**
Other Regions in Guangdong Province:										
Yangmao Expressway				394.3	546.9	719.0	913.1	902.3	967.5	**1,094.9**
Guangwu Project				75.3	164.8	224.1	266.0	265.0	305.7	**471.9**
Jiangzhong Project					200.8	386.3	581.8	651.8	707.2	**870.2**
GZ W2 Expressway						68.6	180.7	301.5	471.0	**672.3**
Qinglian Expressway									829.9	**1,036.8**
Other Provinces in the PRC:										
Changsha Ring Road	18.4	36.2	46.8	55.2	58.3	54.1	61.6	60.5	63.6	**72.8**
Wuhuang Expressway					728.0	887.5	1,052.0	1,017.1	1,090.0	**1,271.9**
Nanjing Third Bridge					324.9	472.5	629.3	640.1	672.1	**782.9**

Confirmation to the Annual Report 2010 of the Company by Directors and Senior Management

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 2010 of the Company, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of the report.

25 March 2011

Directors who signed this Confirmation:

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*	*Wang Hai Tao*	*Zhang Li Min*

Senior Management who signed this Confirmation:

Li Jian	*Zhou Qing Ming*	*Ge Fei*	*Liao Xiang Wen*
Gong Tao Tao	*Wu Xian*	*Wu Qian*	