

# 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.



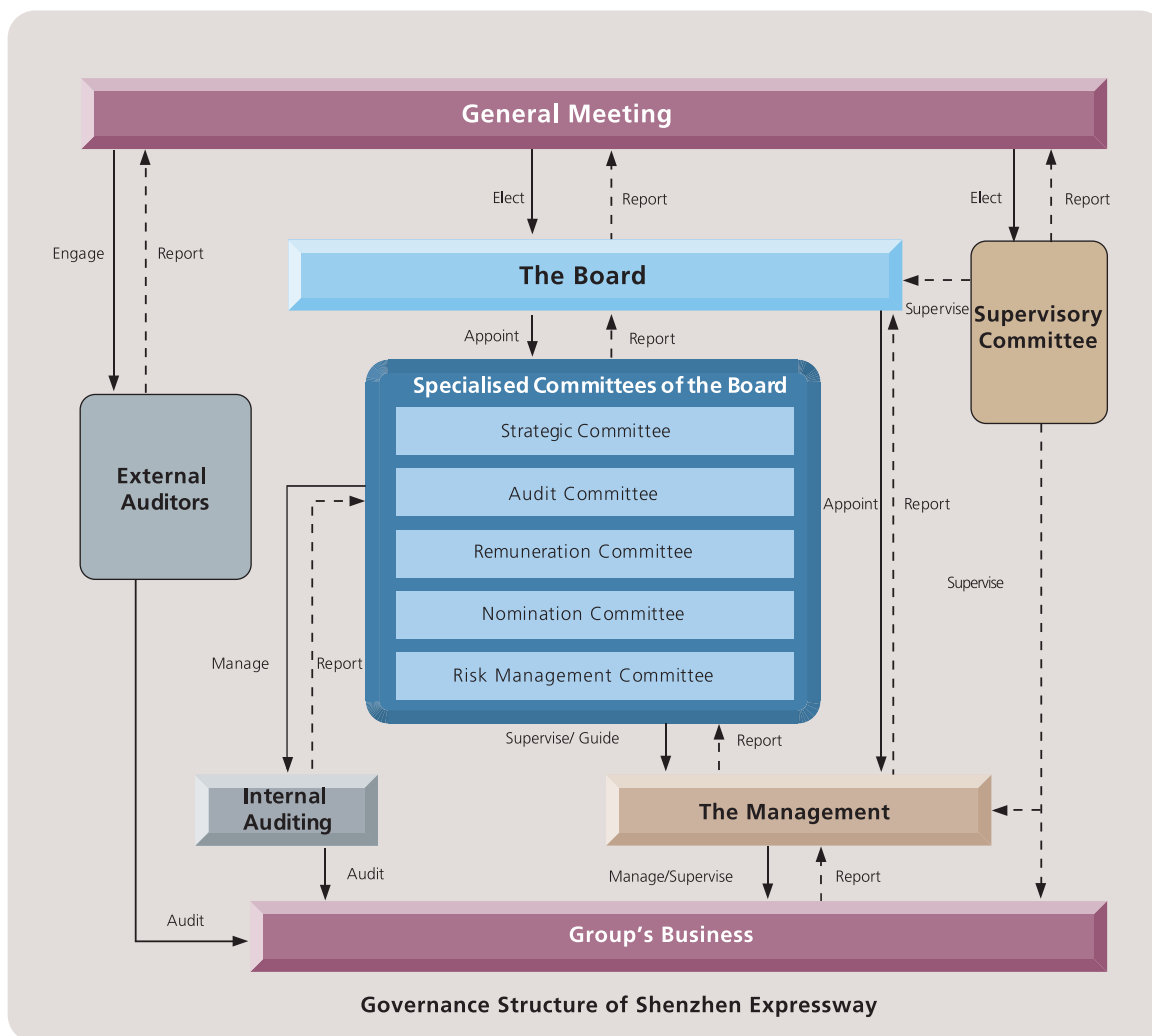
# Corporate Governance Practice Report

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:



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.

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## 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.

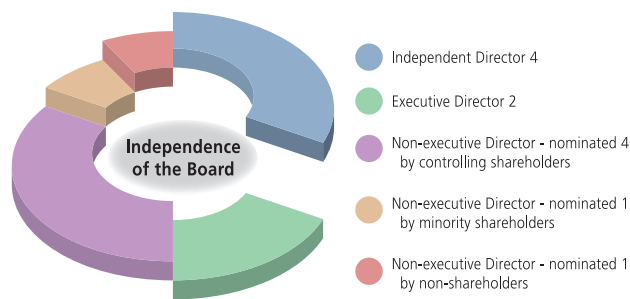


# Corporate Governance Practice Report

## 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.



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## 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:

Directors	Attendance in person/Total number of meeting						
	Board	Attendance in person at Board meetings	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
<b>Executive Directors:</b>							
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*
<b>Non-executive Directors:</b>							
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*	—
<b>Independent Directors:</b>							
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
<b>Chairman:</b>	Yang Hai	Lam Wai Hon, Ambrose <sup>Independent Director</sup>	Ting Fook Cheung, Fred <sup>Independent Director</sup>	Wang Hai Tao <sup>Independent Director</sup>	Zhang Li Min <sup>Independent Director</sup>
<b>Members:</b>	Wu Ya De  Li Jing Qi Chiu Chi Cheong, Clifton Lam Wai Hon, Ambrose <sup>Independent Director</sup>	Zhang Li Min <sup>Independent Director</sup>  Chiu Chi Cheong, Clifton	Wang Hai Tao <sup>Independent Director</sup>  Chiu Chi Cheong, Clifton	Ting Fook Cheung, Fred <sup>Independent Director</sup> Yang Hai	Lin Xiang Ke  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.

# Corporate Governance Practice Report

## 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:

(Unit: RMB'000)	Audit fees <sup>(1)</sup>		Other fees <sup>(1)</sup>	
	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).



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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](mailto: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.

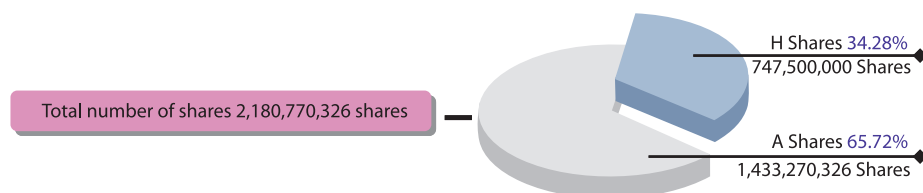
*Company's website: <http://www.sz-expressway.com>*

## 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
<b>Non-restricted circulating shares</b>									
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%
<b>Total number of shares</b>	<b>2,180,770,326</b>	<b>100%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,180,770,326</b>	<b>100%</b>

### 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 <sup>(Note)</sup>	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:

	<sup>(1)</sup> Number of domestic shares	Approximate percentage of total issued domestic share capital	Approximate percentage of total issued share capital
SIHCL	<sup>(3)</sup> 1,066,239,887	74.39%	48.89%
<sup>(2)</sup> Shenzhen International	<sup>(3)</sup> 1,066,239,887	74.39%	48.89%

# Investor Relations

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

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

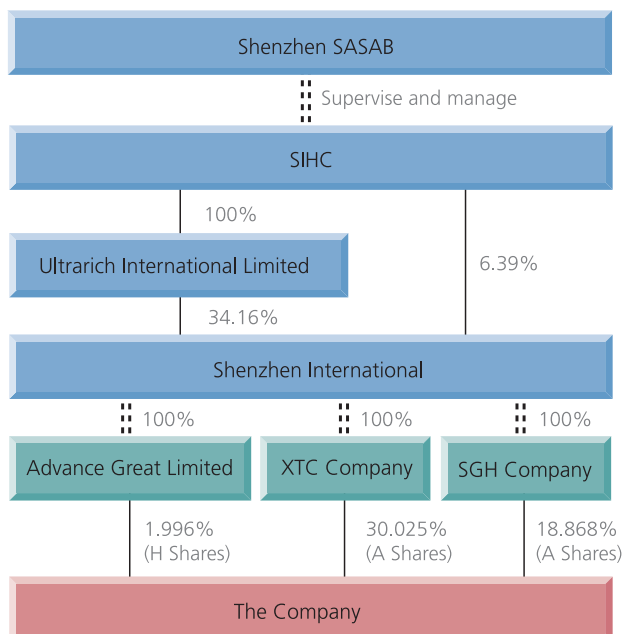
At the end of the Reporting Period, Shenzhen International held indirectly a total of 50.889% of the Company's shares, of which 654,780,000 A Shares held were through XTC Company, representing approximately 30.025% of the total share capital of the Company; 411,459,887 A Shares were held through SGH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

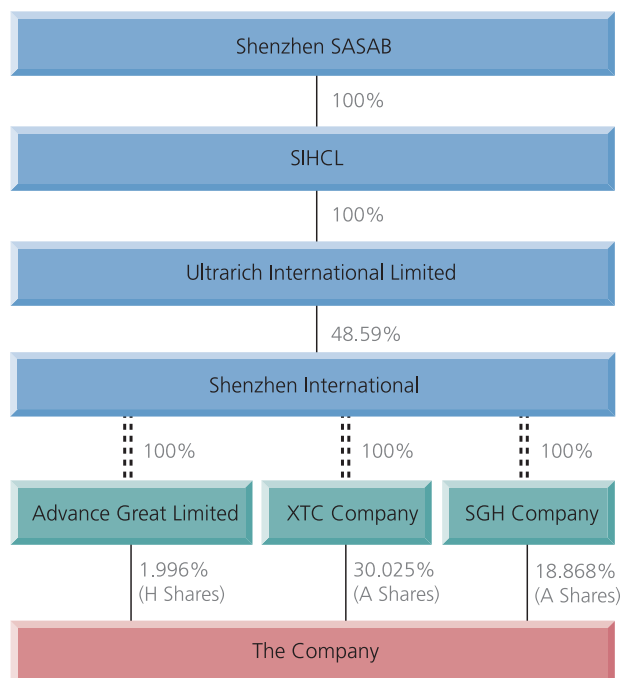
SIHC, an entity supervised and managed by Shenzhen SASAB, originally held 40.55% interests in Shenzhen International directly and indirectly. During the Reporting Period, for the purpose of implementing the corporate mergers and re-organisation arrangement of Shenzhen Municipal Government, SIHC transferred 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 waiver 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:

# Investor Relations

Before the completion of the transfer:



After the completion of the transfer:



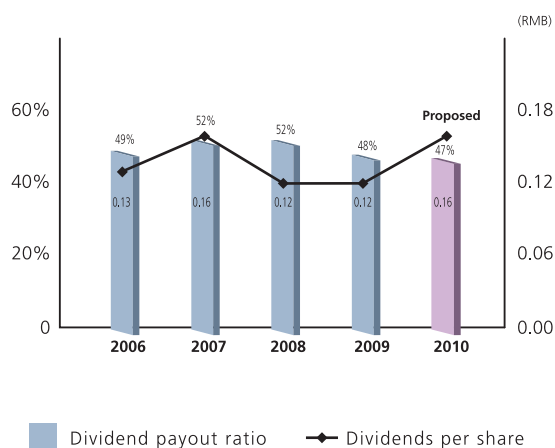
Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company, the Company has not found any other individual shareholder beneficially holding issued 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.



# Self-assessment Report on Internal Control

## 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 (《内部控制管理手冊》) 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.

# Self-assessment Report on Internal Control

## 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 from 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 (《收費公路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 (《資產減值準備的內部控制制度》), 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.

# Self-assessment Report on Internal Control

**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.

# Self-assessment Report on Internal Control

## 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.



# Report of the Audit Committee

- ◆ 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

# Report of the Remuneration Committee

According to the Terms of Reference of the Remuneration Committee approved by the Board, the Remuneration Committee is mainly responsible for studying and devising the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Company's Directors and 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.

# Report of the Remuneration 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)

Name	Title	Remuneration received from the Company during the Reporting Period				Whether receive remuneration from shareholder or other connected entities
		Emolument	Meeting subsidies	<sup>(2)</sup> Remuneration	Total	
<b>Director:</b>						
Yang Hai	Chairman of the Board	N/A	<sup>(1)</sup> —	958	958	No
Wu Ya De	Executive Director and the President	N/A	<sup>(1)</sup> —	958	958	No
Li Jing Qi	Non-executive Director	N/A	<sup>(1)</sup> —	N/A	—	Yes
Zhao Jun Rong	Non-executive Director	N/A	<sup>(1)</sup> —	N/A	—	Yes
Tse Yat Hong	Non-executive Director	N/A	<sup>(1)</sup> —	N/A	—	Yes
Lin Xiang Ke	Non-executive Director	N/A	<sup>(1)</sup> —	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
<b>Supervisor:</b>						
Zhong Shan Qun	Chairman of the Supervisory Committee	N/A	<sup>(1)</sup> —	N/A	—	Yes
He Sen	Shareholders' Representative Supervisor	N/A	6	N/A	6	Yes
Fang Jie <sup>(3)</sup>	Staff Representative Supervisor	N/A	8	539	547	No
<b>Senior Management<sup>(3)</sup>:</b>						
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
<b>Total</b>					<b>8,992</b>	

# Report of the Remuneration Committee

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.



# Report of the Supervisory Committee

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
<b>Director</b>			
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
<b>Supervisor</b>			
Zhong Shan Qun	Chairman of the Supervisory Committee	Aug 2009-Dec 2011	<ul style="list-style-type: none"> <li>as a Director from January 1997 to April 2005</li> <li>as the Chairman of the Supervisory Committee from January 2006 to September 2007</li> </ul>
He Sen	Supervisor	Jan 2010-Dec 2011	Jan 2010
Fang Jie	Supervisor	Jan 2009-Dec 2011	Aug 2008
<b>Senior Management</b>			
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.

# Directors, Supervisors and Senior Management

**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 manager 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.

# Directors, Supervisors and Senior 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

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



# Directors, Supervisors and Senior Management

Name	Name of the shareholder entity	Title	Term	
Zhao Jun Rong	XTC Company <sup>Note 2</sup>	Director	Jun 2009-Now	
	SGH Company <sup>Note 2</sup>	Director	Jun 2009-Now	
	Shenzhen International group <sup>Note 1</sup>	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 <sup>Note 1</sup>	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 <sup>Note 2</sup>	General manager	May 2004-Now	
	Shenzhen International group <sup>Note 1</sup>	Shenzhen International Huatongyuan Logistics Co., Ltd.	Chairman	Jan 2009-Now
Zhang Yang	Huajian Centre group <sup>Note 1</sup>	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 <sup>Note 2</sup>	Chairman	Sep 2005-Now	
		General manager	Mar 2003-Now	
	Shenzhen International group <sup>Note 1</sup>	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 <sup>Note 1</sup>	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 <sup>Note 1</sup>	Sichuan New Road and Bridge Mechanism Co., Ltd.

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.

# Directors, Supervisors and Senior Management

## 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.