SHENZHEN EXPRESSWAY COMPANY LIMITED

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

越

逾越 • 超越 • 卓越

The Chinese character “越” (pronounced as “yue”) has multiple meanings. It can mean “jump over” or “overcome” (逾越) – to jump over or overcome obstacles. The first level of significance of using the character “越” as the theme of this year’s annual report is to demonstrate the fact that the Company has come across a number of obstacles both externally and internally in 2008, but has managed to overcome them one after another through adopting a proactive, pragmatic approach and with persistent hard work in resolving the challenges that it faced.

“越” can also mean “surpass” (超越) – to surpass one’s limit, to surpass one’s current abilities. As such, the theme’s second-level significance is to reflect that the Company has been working increasingly hard to surpass itself. In 2008, Shenzhen Expressway has worked hard on its various new projects, of which the noteworthy one is Qinglian Project, a project involving such immense scale and construction difficulties that the Company’s works on the project were truly unprecedented in the industry. Meanwhile, the Company has initiated to enhance its internal management by introducing the excellent performance management model, and has passed the external certification of ISO 9000 Quality Management System, thereby completing a stage-wise achievement in enhancing its management standards.

“越” can also mean “excellence” (卓越) – to surpass the ordinary. A pursuit of excellence has always been the goal of the Company. Looking ahead, Shenzhen Expressway is confident that it will weather the current economic “winter”, making strides towards excellence through continuously enhancing its management and unfailingly exceeding its own limits. We are indeed stocking fuel of today’s hard efforts for tomorrow’s fast journey.

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(Prepared in accordance with HKFRS)

Results Highlights (For the year ended 31 December)

(RMB'000)	**2008**	2007 (Restated*)	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)
Revenue	**4,242,041**	3,845,511	1,805,983	1,057,368	793,874
Profit before interests, tax, depreciation and amortization	**1,026,942**	1,056,077	792,748	714,384	533,776
Profit before interests, tax and administrative expenses	**876,884**	923,677	718,050	666,541	490,623
Profit before interests and tax	**822,872**	873,445	672,694	616,345	447,556
Profit before tax	**560,785**	715,031	576,007	555,179	427,093
Profit for the year	**494,528**	616,937	544,334	506,139	356,496
Profit attributable to equity holders of the Company	**503,195**	622,392	532,651	496,552	348,648
Basic earnings per share for profit attributable to equity holders of the Company (RMB)	**0.231**	0.285	0.244	0.228	0.160
Dividends per share to equity holders of the Company (RMB)	**0.12**	0.16	0.13	0.12	0.11

Assets Highlights (As at 31 December)

(RMB'000)	**2008**	2007 (Restated*)	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)
Total Assets	**18,263,578**	14,711,393	9,400,124	9,134,375	6,805,290
Total Liabilities	**10,511,437**	7,104,868	3,100,670	3,020,362	930,834
Equity attributable to equity holders of the Company	**7,047,358**	6,893,075	6,299,454	6,070,875	5,824,389
Total equity	**7,752,141**	7,606,525	6,299,454	6,114,013	5,874,456
Net assets per share to equity holders of the Company (RMB)	**3.23**	3.16	2.89	2.78	2.67

Principal Financial Ratios**

(For the year ended 31 December)	**2008**	2007 (Restated*)	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)
Operating profit ratio	**12.59%**	17.93%	27.31%	43.46%	43.30%
Toll highway operating profit ratio	**55.25%**	61.49%	68.57%	68.60%	64.77%
Return on equity attributable to equity holders of the Company	**7.14%**	9.03%	8.46%	8.18%	5.99%
Interest covered multiple	**1.82**	3.16	6.34	5.88	21.83

(As at 31 December)	**2008**	2007 (Restated*)	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)
Gross liabilities-to-equity ratio	**135.59%**	93.40%	49.22%	49.40%	15.85%
Net borrowings-to-equity ratio	**96.75%**	69.29%	33.17%	21.97%	N/A

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

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

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads. The Company adheres to the development strategy of focusing on toll highway operations as its core business and the investment strategy of expanding towards the Pearl River Delta region as well as other economically developed regions in the PRC through establishing a foothold in Shenzhen. It aims at enhancing the ability of wealth creation by improving the quality of operation, obtaining reasonable returns through providing high-quality service to the society, and achieving satisfaction of customers, employees, shareholders and related parties by balancing their interests, so as to enable the Company's sustainable development.

The toll highway projects, which were operated and invested in by the Group, located in Shenzhen City, other areas of Guangdong Province and other provinces in the PRC. Apart from the operation, management and investment of toll highway projects, the Group also participates in the construction management and operation management of certain highway and road projects entrusted by the government and other enterprises. As at the date of this report, the principal business structure of the Company is as follows:

Events of the Year 2008

Nanguang Expressway was Completed and Opened to Traffic

The main route of Nanguang Expressway was completed and opened to traffic by the end of January 2008. As for the not-yet-opened sections located to the south of Xili Toll Gate on the mainline of Nanguang Expressway, the Tang'ao tunnel section and the elevated bridge section along Tongle Road were completed by October 2008, which linked the starting section and local municipal roads directly.

Pushing Forward Project Construction per Schedule

The main works of Yanba C was completed in November 2008. The Company will make appropriate plan for its operation according to the construction progress of the connected Renbai Expressway in Huizhou.

The road surface works for the 190kms' reconstruction of Qinglian Project into an expressway was completed by the end of December 2008 and the road has resumed full opening to traffic. Expressway closure works for such reconstruction are still underway, which is expected to be completed in 2009.

Continuing Expanding the Entrusted Management Business

In January 2008, the Company entered into an entrusted management agreement with a subsidiary of Shenzhen International, and was entrusted to manage 100% equity interest in Baotong Company and 89.93% equity interest in Longda Company owned by Baotong Company.

In July 2008, the Shenzhen Municipal Government agreed in principle to entrust the Company to take up the construction, operation, maintenance and management of Coastal Expressway (Shenzhen Section).

The resumed section of Hengping Project (entrusted construction project) was completed and opened to traffic in December 2008.

Enhancing the Level of Internal Management

In July 2008, the Company obtained the accreditation of ISO9000 Quality Management System, thereby laying a solid foundation for fully bringing in the excellent performance management system.

In December 2008, the Company engaged Deloitte Touche Tohmatsu CPA to re-organise and diagnose the detailed business procedures on corporate control, business procedure control and IT control to assist the Company to further optimise its internal control procedures. The relevant work is expected to be completed in the first half of 2009.

Market Assessment and Recognition

In January 2008, the Company won the second prize in Asia and the first prize in China for the transportation sector among Euromoney's awards of "Asia's Best Managed Companies"

In November 2008, the Company won a Citation for Corporate Governance of The Best Annual Reports Awards organised by the Hong Kong Management Association.

In November 2008, the Company won once again the top award - Diamond Award of the "H-share Category" in the "2008 Best Corporate Governance Disclosure Awards" by the Hong Kong Institute of Certified Public Accountants.

In November 2008, the Company was named once again among "China Top 100 of Best Investor Relations Management" based on being ranked 14th in the IR Composite Index in the "China Investor Relations Annual Conference 2008" organised by China Listed Company Investor Relations Management Research Centre and supervised by both Shanghai Stock Exchange and Shenzhen Stock Exchange. At the same time, the Company won the "Best Disclosure Award" by being ranked first in disclosure quality.

卓越

Excellence

To all shareholders,

In 2008, despite the increasing pressure to suppress economic growth, China's economy still rode on sound fundamentals and maintained a stable and rapid development momentum. Under such economic condition, the operating performances of the Group's major toll highways exhibited significant degrees of variations. However, generally speaking, traffic volumes and toll revenue continued to record growth. In the past year, the Group focused its work on laying a solid foundation. Remarkable achievements were reported in construction works, "export" of management expertise and management enhancement. Such work may not yield direct economic benefits in the short run, but from a strategic perspective, the results of such work will have a positive and far-reaching impact on the development of the Group.

2008 Results and Dividends

On behalf of the Board, I am pleased to report to the shareholders that in 2008, the Group realised a revenue of RMB4,242 million, representing an increase of 10.31% over 2007. Net profit amounted to RMB503 million with earnings per share being RMB0.231, representing a decrease of 19.15% over 2007. It has always been the Group's dividend policy to reward shareholders with a stable cash dividend and high payout ratio. The Board recommended the payment of a final dividend of RMB0.12 per share in cash for 2008, representing 52% of the distributable profit for the Year.

Business Review

The past year of 2008 was an extraordinary year for all Chinese people and it was also an exceptional year for the entire staff of Shenzhen Expressway. Year 2008 was the fourth year of the Group's "Development Strategies 2005-2009". The Group needed to allocate adequate, all-encompassing financial resources, management resources and projects reserves for its scale expansion. On the other hand, the increase in finance expenses, the macro-economic control measures and the financial tsunami increased the difficulties for the Group to achieve the objectives mentioned above. Lying in front of Shenzhen Expressway's staff was a deep groove that we had to jump over. Confronted with the difficulties, Shenzhen Expressway's staff did not grumble or fear. Instead, they tackled these obstacles wisely, energetically and diligently. Moving step by step in a practical manner, we kept surpassing our own limits and satisfactorily fulfilled the objectives pre-set in early 2008.

Toll revenue remained to be the primary source of profits and cash flows of the Group in 2008. During the Year, the operations department overcame various unfavourable factors and increased toll revenues through measures such as on-going analyses and specific studies on road networks and traffic flow compositions; launching targeted sales and marketing activities; and boosting the traffic capacity of road networks with appropriate traffic organisation plans. Meanwhile, the operations department managed to gain an effective control on operating costs by means of various measures such as improving the work efficiency of staff through enhancing their knowledge and skills; strengthening daily operation management and control; and reducing maintenance costs through applying advanced technologies and materials for road assets maintenance.

Quality, works schedules and costs underpin the three major objectives of **construction management** of Shenzhen Expressway. In 2008, the Group completed the construction works of Qinglian Project, Nanguang Expressway and Yanba C as scheduled stay, completely fulfilling the objectives pre-set in early 2008, thereby laying a solid foundation for the long-term development of the Group. Rising construction materials prices and transportation expenses, as well as traffic congestion and power black-out in certain areas in northern Guangdong caused by the snowstorms in early 2008, have brought negative impact to the construction of Qinglian Project, presenting great challenges to Shenzhen Expressway's staff. Nevertheless, we fully capitalised on the experience accumulated in over a decade to surmount these obstacles, finally completing the road surface works for the reconstruction of Qinglian into an expressway as scheduled. The expressway passed the acceptance examination and we gained a decisive victory.

Construction management and operation management of toll highways have always been the core business capabilities of Shenzhen Expressway, while **"exporting" management expertise** has been one of the Group's development directions in recent years. In 2008, apart from undertaking the construction management of Nanping (Phase II) and the operation management of Longda Expressway, the Group made another major breakthrough. For Coastal Expressway (Shenzhen Section), the Shenzhen Municipal Government agreed in principle to adopt the wholly state-owned enterprise investment model and to entrust the Company to take up the construction, operation, maintenance and management of the project. The government's trust and recognition have brought forth responsibility and pressure to Shenzhen Expressway, but also created new opportunities and room of development for Shenzhen Expressway.

Equipping itself with **management resources** has been one of the Group's work focuses in recent years. In view of its systematic reviews on internal management, the Company was awarded the accreditation of ISO9000 Quality Management System in 2008, reflecting that the Company has laid a solid foundation for its management. Meanwhile, the Group strengthened its efforts on recruiting and nurturing talents, as well as encouraging and guiding staff to realise career development and growth through continuous learning. Building our work on details such as labour insurance, leaves and insurance, we strove to realise the values of "enabling staff to enjoy work achievements together with health and joy". We strongly believe that through continuously raising management standards, building a high quality team, fostering a harmonious atmosphere and enhancing corporate cohesiveness, the Group will be able to meet its need for management resources, thereby realising its development objectives at a higher level.

Prospects and Strategies

China is in a stage of rapid industrialisation and urbanisation. With its huge domestic market size, enormous investment potential, healthy economic growth, sound financial system and the ever-improving macro economic control measures, China's economy has been impacted by the financial tsunami only in a limited manner. China's economic development is expected to remain rapid and steady. Accordingly, the short-term varied operating performances on certain highways will not undermine the Group's confidence in their long-term operating performances, nor will the short-term economic fluctuations weaken the Group's belief in the long-term development of the toll highway industry.

The Group's confidence does not come from blind optimism, but from the Group's extensive experience accumulated in the fields of construction management and operation management of toll highways as well as from the Group's analysis and evaluation on the new economic circumstances and industry trends. Under the prevailing situation where opportunities and challenges coexist, the Group will continue to adopt prudent, sound and pro-active strategies to enhance the quality of the Group's growth. **First of all, the Group will adopt a prudent investment strategy.** On the one hand, it will continue to consolidate existing highway assets and will timely withdraw from projects which are incompatible with its development strategies. On the other hand, it will capitalise on the opportunity arising from China's RMB4 trillion investments and will pay close attention to relatively mature and safe projects. **Secondly, the Group will adopt a sound financial strategy.** Following the State's adoption of pro-active monetary policies, the pressure from the tight capital market and rising finance costs have gradually been eased. However, the Group will continue to adopt a sound financial strategy to control financial risks, expand financing channels and reduce finance costs, so as to ensure that its debts will be supported by sufficient cash flows and its operations will be supported by sufficient financial resources. **Thirdly, the Group will adopt an proactive business strategy.** Apart from exploring the growth potential of existing toll highways and proceeding with preliminary work on current reserve projects, the Group will capitalise on its experience accumulated in over a decade in the field of construction management and operation management of toll highways. It will capitalise on the opportunities arising from increasing investments in roads and toll highways by the government and non-specialised companies, and will aggressively develop the business of "exporting" its management expertise. As we adopt the above coping strategies in response to the changes in the environment, we must also plough in more management resources to enhance our management standards and to meet the Group's needs: recruiting and training talents; introducing the excellent performance management model; enhancing corporate execution capabilities; and fostering a healthy corporate culture.

Year 2009 is the last year of the Group's "Development Strategies 2005-2009". In 2009, we will know whether we can achieve the pre-set stage-wise objectives and whether we are able to lay a solid foundation for the Group's advancement for the next stage. In front of us is a road fraught with thorns, on which Shenzhen Expressway's staff have yet many unavoidable obstacles to overcome. In front of us is a road leading to a bright future, on which Shenzhen Expressway's staff are faced with many opportunities to transcend our own limits. The present obstacles will be seen as relatively minor as we look into the long-term future, for which our vision always holds. We strongly believe that with the concerted efforts of the entire staff of Shenzhen Expressway, the Group will gradually achieve excellence and embrace a brilliant future.

Acknowledgements

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to all investors, customers, the government, the financial sector, the business and commercial sector, and the public for their support and trust. I also would like to express appreciation and thanks to all Directors, Supervisors, management, and the entire staff of the Company for their contribution and hard work.

Yang Hai
Chairman

Shenzhen, PRC, 2 April 2009

Management Discussion and Analysis

逾越

Overcome

Management Discussion and Analysis

Over the past few years, China's economy has maintained a healthy and rapid development as a whole, which provided a favourable environment for the development of the toll highway industry. In 2008, the macro economic environment began to change. The subprime credit crisis originating from the US rapidly evolved into the global financial tsunami and gradually impacted on the real economy of China.

Business Review and Analysis

1. Related Economic Indicators for 2008

In 2008, China's GDP increased by 9.0% over the previous year (preliminary findings published by the National Bureau of Statistics of China), while the national economy continued to grow but saw a remarkable declining growth rate. In particular, GDP in the fourth quarter increased by 6.8%, and such growth rate represented a decrease of 2.2 to 3.8 percentage-points over the previous three quarters and a decrease of 6.2 percentage-points over the previous year. In 2008, GDP in Guangdong Province and Shenzhen Municipality increased by 10.1% and 12.1% respectively (regional government work reports) over the previous year, and such growth rates represented decreases of 4.4 and 2.6 percentage-points respectively over the previous year.

In 2008, total imports and exports of Guangdong Province and Shenzhen Municipality amounted to US$683.3 billion and US$300 billion respectively, representing increases of 7.8% and 4.3% (released by the Statistics Bureaus of Guangdong Province and of Shenzhen Municipality) respectively while such growth rates represented declines of 12.4 and 16.9 percentage-points respectively. The 2008 cargo throughput at the Shenzhen Port totalled 211 million tonnes, representing an increase of 6.1%. Container throughput totalled 21.42 million TEUs, representing an increase of 1.5%, of which the container throughput at Yantian International Container Terminal amounted to 9.68 million TEUs, representing a decrease of 3.3% (statistics provided by the Shenzhen Communications Bureau). In 2008, the cargo turnover and passenger turnover for highways in Shenzhen Municipality amounted to 106 million tonnes and 118 million passenger trips respectively, representing increases of approximately 15.4% and 2.3% respectively while such growth rates represented declines of approximately 13 and 5 percentage-points respectively.

Economic development is a critical factor in determining growth of traffic demand. As the macro-economic growth slows, there will be considerable negative impact on the operating performance of the toll highway industry in the short run. However, in the long run, the overall trend of domestic economic development has not changed. Urbanisation and car ownership will continue to grow and therefore the development prospect for the highway industry remains optimistic as a whole. As at the end of 2008, the number of vehicles registered in Shenzhen was 1.288 million (White Paper on the integrated management work of traffic in Shenzhen in 2009), representing an increase of 143,000 vehicles or approximately 12.5% over the previous year.

2. Toll Highway Operations

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

Basic operating performance of each toll highway during the Reporting Period is as follows:

			Average daily mixed traffic volume (number of vehicles in thousands)		Average daily toll revenue (RMB'000)	
Toll highway	**Percentage of interests held by the Group**	**Percentage of revenue consolidated**	**During the Period**	Change as compared to 2007	**During the Period**	Change as compared to 2007
Shenzhen Region:						
Meiguan Expressway	100%	100%	**93**	-5.6%	**792**	-12.3%
Jihe West	100%	100%	**68**	2.9%	**937**	-0.8%
Yanpai Expressway	100%	100%	**32**	21.2%	**407**	10.0%
Yanba Expressway	100%	100%	**14**	11.1%	**196**	13.3%
Nanguang Expressway [Note1]	100%	100%	**16**	N/A	**176**	N/A
Jihe East	55%	—	**91**	2.6%	**1,227**	6.7%
Shuiguan Expressway	40%	—	**106**	2.9%	**1,006**	4.3%
Shuiguan Extension	40%	—	**28**	0.6%	**179**	-1.6%
Other Regions in Guangdong Province:						
Yangmao Expressway	25%	—	**18**	11.9%	**902**	-1.2%
Guangwu Project	30%	—	**9.8**	6.8%	**265**	-0.4%
Jiangzhong Project	25%	—	**45**	14.8%	**652**	12.0%
GZ W2 Expressway	25%	—	**9.6**	59.7%	**301**	66.8%
Qinglian Project [Note2]	76.37%	100%	**15**	-19.4%	**195**	-23.5%
Other Provinces in the PRC:						
Wuhuang Expressway	55%	—	**29**	4.7%	**1,017**	-3.3%
Changsha Ring Road	51%	—	**6**	4.0%	**61**	-1.7%
Nanjing Third Bridge	25%	—	**18**	9.2%	**640**	1.7%

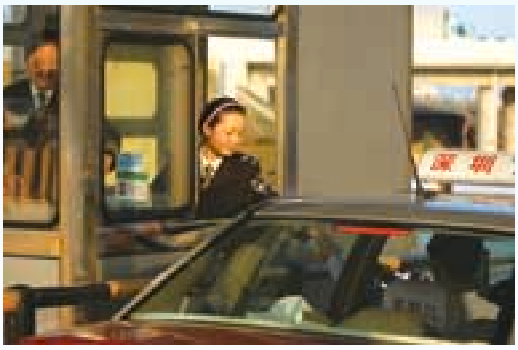
Notes:

1 The main route of Nanguang Expressway commenced operation on 26 January 2008.

2 During the Reporting Period, as Qinglian Class 1 Highway was under reconstruction into an expressway with limited opening to traffic. Accordingly, operational statistics of Qinglian Project (including Qinglian Class 1 Highway and Qinglian Class 2 Road) are for reference only.

During the Reporting Period, traffic volumes and toll revenues on most of the Group's toll highways maintained growth, but the growth saw a remarkable slowdown as compared to the rapid growth in the past two years. In 2008, the factors generally affecting the operating performance on the toll highways include mainly:

A slowdown in macro economic growth: As mentioned in the "Related Economic Indicators for 2008" above, the national economy continued to grow but saw a declining growth rate in 2008. A majority of economic indicators that reflect traffic demand such as cargo turnover, passenger turnover and port throughput showed marked declining growth rates, and certain indicators even showed decreases. Entering the second half of 2008, the impact of the financial tsunami on China's real economy gradually unfolded, which could be reflected in a significant decrease in the demand of processing trade and logistics in the Pearl River Delta Region. From August to December, cargo traffic on major roads in the Shenzhen region decreased by approximately 20% as compared to 2007. This put considerable pressure on the continuous growth of the Group's toll revenue in 2008. The negative impact on the Group's operating performance caused by the macro environment is expected to persist in 2009. Meanwhile, the Central Government and local governments have successively begun to implement measures to expand domestic demand and boost economic growth in response to the impact of the financial crisis, and such measures are beneficial to revitalising the economy and shortening the economic revival period. However, considerable uncertainties still exist as to whether the implementation of the relevant measures will soon realise their effect and whether the market's confidence will recover in the short run.



Implementation of the "Green Passage Toll Free Policy": The State had established the "Green Passage" for major transportation routes in the PRC since 2005 with a view to ensuring traffic smoothness for fresh agricultural product carrier vehicles and granting them considerable toll concessions. In order to cope with the natural disasters occurring in 2008 and to ensure social stability, the State and local governments activated provisionally the "Green Passage" emergency mechanism, and upgraded the policy from toll concessions to toll free and extended the implementation period to the end of 2008 (the "Green Passage Toll Free Policy"). Certain roads of the Group such as Jihe Expressway, Wuhuang Expressway, Yangmao Expressway and Nanjing Third Bridge adopted the "Green Passage Toll Free Policy" successively since early 2008. During the Reporting Period, the toll fees waived on these projects amounted to approximately RMB15,820,000, RMB29,130,000, RMB40,610,000 and RMB4,480,000 respectively. The adoption of such policy reduced revenue for the Reporting Period by approximately RMB7,750,000 and reduced profit for the Reporting Period by approximately RMB25,318,000. Pursuant to a notice issued by the Ministry of Communications at the end of 2008, prior to the implementation of a new policy, the above-mentioned roads shall continue to waive toll fees for carrier vehicles legally transporting fresh agricultural products. Such policy is expected to considerably affect the operating performance of the Group for a certain period of time in the future.

Devastating natural disasters: In 2008, there were frequent natural disasters in the PRC including rare snowstorms in southern China, serious earthquake in Sichuan and rainstorms in southern China. These natural disasters not only impeded the overall economic development, but also caused direct losses in assets and revenues to highways in the affected areas. The rainstorms and snowstorms in early 2008 caused road closure and traffic jam to Wuhuang Expressway, Changsha Ring Road and Nanjing Third Bridge during certain periods and therefore decreased toll revenues of approximately RMB6,300,000, RMB1,140,000 and RMB4,370,000 respectively. Continuous rainstorms in Guangdong region in June suppressed traffic demand to a certain degree on the relevant highways. In general, the impact of these disasters on the toll highway operation was temporary and the highway projects operated and invested in by the Group that were directly affected by the disasters were relatively few. As a result, the disasters had a slight effect on the operating results during the Reporting Period.

Changes in road networks: Operating performances of toll highways are affected by competitive or synergistic changes in neighbouring road networks as well as maintenance and repair works on neighbouring roads. During the Reporting Period, the following roads of the Group were positively or negatively affected to various degrees due to changes in their respective road networks:

- Meiguan Expressway: Fulong Road (a municipal road parallel to Meiguan Expressway) was opened to traffic at the end of 2007 and it caused certain traffic diversions from Meiguan Expressway. In addition, Guanshen Expressway (Dongguan-Shenzhen) which is connected with Meiguan Expressway was partly closed for large-scale road surface maintenance works from October 2007 to May 2008. During such period, Class 4 and Class 5 vehicles were prohibited from travelling on Guanshen Expressway. The maintenance works also affected the traffic efficiency of the neighbouring roads and led to decreases in traffic volume and toll revenue on Meiguan Expressway during such period. Together with the impact of a declining growth rate of the macro economy in the second half of the Year, average daily traffic volume and average daily toll revenue of Meiguan Expressway in 2008 decreased by 5.6% and 12.3% respectively as compared to 2007.

- Jihe West: The opening-to-traffic of Fulong Road had negative impact on the average daily toll revenue of Jihe West by approximately RMB33,000, accounting for approximately 3.5% of its revenue.

- Jihe East, Yanpai Expressway, Shuiguan Expressway: The construction of Shenzhen Metro Line 3 and the reconstruction of G205 (Shenzhen Section) affected the traffic capacity of roads nearby, which led to increases in vehicles travelling on Jihe East, Yanpai Expressway and Shuiguan Expressway, thereby resulting in a certain degree of increases in revenues of these expressways.

- Yanba Expressway: In the first half of 2008, the construction of Shenyan Pathway 2 reduced east-bound traffic of small vehicles, which affected the revenue of Yanba Expressway to a certain extent. After its completion and opening-to-traffic on 4 July 2008, Shenyan Pathway 2 improved the neighbouring road networks of Yanba Expressway, providing convenience for Shenzhen residents to travel to the east coast for leisure and vacation, and leading to significant increases in traffic volume and toll revenue of Yanba Expressway in the second half of 2008.

- Nanguang Expressway: During 2008, following the completion of remaining construction works and the gradual enhancement of neighbouring ancillary facilities, the average daily toll revenue of Nanguang Expressway increased from approximately RMB67,000 at the initial stage of its operation to approximately RMB220,000 at the end of the Reporting Period. As Nanping (Phase II) was still under construction, Nanguang Expressway's function as a traffic passageway from North to South in western Shenzhen has not materialised. In regard to this, apart from striving to push ahead with the construction progress on Nanping (Phase II), the Company has conducted specific research and analyses on the structure of neighbouring road networks and has proposed coping measures including improving the road's line position and enhancing existing travel conditions based on Nanguang Expressway's current function and characteristics.

- Guangwu Project: During the Reporting Period, as large-scale maintenance works were carried out on G324 which is connected with Guangwu Project, the vehicle category mix of Guangwu Project witnessed a material change with the proportion of large vehicles falling. Therefore, even though the average daily traffic volume of this project recorded an increase as compared to 2007, toll revenue decreased slightly.

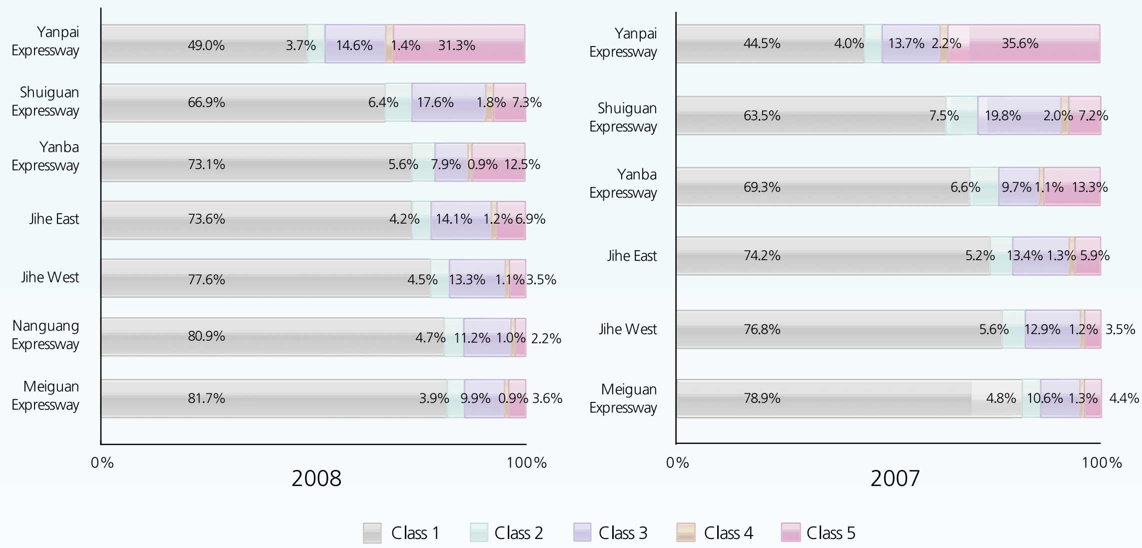
- Jiangzhong Project: Large-scale maintenance works were carried out from September 2008 to December 2008 on Fokai Expressway (Foshan - Kaiyang), which was connected with Jiangzhong Project, thereby negatively affecting the operating performance of Jiangzhong Project.

- GZ W2 Expressway: With the overline interchange connecting Guangsan Expressway (Guangzhou - Sanshui) and GZ W2 (Southern Section) opened to traffic successively in the second half of 2007, GZ W2 Expressway recorded rapid growth during the Year. In addition, Guangzhou North Ring has implemented traffic restriction measures for large vehicles on certain hours during the day since December 2008, which is expected to further boost the growth in traffic volume on GZ W2 Expressway.

- Wuhuang Expressway: In the second half of 2008, four expressways out of seven express passages in Wuhan Municipality were successively opened to traffic, which has further expanded the neighbouring road network, thereby enabling Wuhuang Expressway to maintain a moderate growth in traffic volume during the Reporting Period.

- Nanjing Third Bridge: Ninghang Expressway (Nanjing-Hangzhou) (Phase II) was opened to traffic in the third quarter of 2008, which diverted considerable traffic from Nanjing Third Bridge.

With respect to vehicle category mix, except for Yanpai Expressway which functions as a passage for Yantian Port to divert the port's traffic, vehicles on various highways in the Shenzhen region were mainly Class 1 vehicles. In general, the proportions of heavy lorries during the Reporting Period saw decreases as compared to 2007. The vehicle category mixes on various major highways in the Shenzhen region are as follows:



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

- We conducted a series of activities for Nanguang Expressway, including: improving road signs and guideposts and accurately directing vehicles to travel on Nanguang Expressway, in response to the fact that road signs and guideposts were not attractive enough at Nanguang Expressway's initial stage of operation and that there have been changes in road connections after the completion of remaining construction works; forming a marketing and sales team to organise visits to transportation enterprises as well as distributing door-to-door and on expressways 310,000 copies of travel guide; and extensively promoting Nanguang Expressway's advantages through media such as the press and transport radios in order to attract traffic.

- We adopted a flexible pricing strategy to adjust certain traffic volumes and to smoothen traffic, which has relieved pressure from traffic jam on certain highways, thereby enhancing traffic flows and the efficiency of road network usage.

- We timely formulated traffic control plans and strengthened the management of toll collection. We investigated and handled vehicles which were supposed to pay toll but either faked or did not meet the eligibility for "Green Passage", or vehicles which maliciously evaded toll payment, and pursued to collect toll fees, thereby effectively preventing the loss of toll fees.

- We took initiatives to conduct coordination work to complete the upgrade and conversion work on the original non-stop toll collection system, and proactively pushed ahead the progress on the toll collection inter-network between the Shenzhen region and the Pearl River Delta region, thereby enhancing the travel efficiency of the overall road networks and reducing operating costs.

- We strengthened the inspection and maintenance work for road surface and bridges in view of the aging of highways. Meanwhile, we changed the management model of road assets maintenance, capitalising on technologies including the GPS (Global Positioning System) for vehicles as a complementary tool for road assets management as well as using new materials and new technologies for road assets maintenance, with a view to realising the work objectives of ensuring travel safety and timely handling road damage with a more cost-efficient model.

- We strengthened the training and management supervision of dispatched management personnel in order to timely and comprehensively gain understanding of the situations of the invested enterprises and to enhance the management standards of the projects where the Group has minority interests, thereby facilitating the realisation of investment gains.

3. Project Construction and Management

During the Reporting Period, the Group's toll highway projects under construction or reconstruction included Nanguang Expressway, Yanba C and the reconstruction of Qinglian Class 1 Highway into an expressway. In early 2008, the surge in prices and the shortage of construction materials and labour supply posed pressure and challenge to the cost control of project construction. Meanwhile, the snowstorms and continuous rainstorms in the first half of 2008 had affected the progress of projects to a certain degree. The Group stepped up efforts in managing and motivating construction management staff and professionals; further enhanced on-site management; and integrated the methods of objective management and process management, thereby achieving the objectives pre-set in early 2008 and laying a foundation for the Group's development in the next stage.

As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB2.57 billion (end of 2007: RMB2.03 billion) had been utilised on Nanguang Expressway, accounting for approximately 85.4% of the Company's budget. The main route of Nanguang Expressway was completed and opened to traffic in January 2008. Along the not-yet-opened road section located at south of the toll station of the Xili main route, construction works on the Tang'ao tunnel section and the elevated bridge section of Tongle Road were completed at the end of October 2008, realising a direct connection of the starting point with local roads.

As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB610 million (end of 2007: RMB340 million) had been utilised on Yanba C, accounting for approximately 88.5% of the Company's budget. The main works of Yanba C were completed in November 2008 and the road section is scheduled to open to traffic concurrently with Huizhou Renbai Expressway (Renshan, Huizhou - Baisha, Shenzhen, also referred as Huishen Coastal Expressway).

As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB4.27 billion (end of 2007: RMB1.68 billion) had been utilised on Qinglian Project, accounting for approximately 69.8% of the Company's budget. The road surface works for the reconstruction of Qinglian Project into an expressway (approximately 190 km) were completed in December 2008 and Qinglian Project has resumed full opening to traffic. Currently, expressway closure works for such reconstruction are still underway. Qinglian Project is expected to adopt Class 1 highway toll rates in the coming three to six months. Under the original plan and design, the to-be-constructed Erguang Expressway would intersect with Qinglian Expressway, and accordingly, the Lianzhou-to-Fengbu Section of Qinglian Project ("Liannan Section") would not need to be reconstructed into an expressway. Nevertheless, the planning of Erguang Expressway has now been changed. The Board of the Company has approved the corresponding adjustment of the reconstruction scale of Qinglian Project, which means the reconstruction of the Liannan Section into an expressway. Such adjustment of the line position planning is expected to increase capital expenditure by approximately RMB980 million and the relevant construction works are scheduled to be completed within two years. The Group will strive to control costs through better design and strengthened construction management. It will also endeavour to enhance the traffic capacity of the Liannan Section during the construction period through measures such as construction schedules management and rational traffic arrangement. As the total length of Qinglian Expressway will increase by approximately 27 km on the original basis, and the reconstruction of the Liannan Section into an expressway has no impact on the time arrangement of the commencement of operation of the main route of Qinglian Expressway, the reconstruction works are not expected to have material impact on the overall operating performance and valuation of Qinglian Project.

4. Entrusted Management Business

In view of the continuously increasing in marketisation and continuously increasing number of participants in the PRC highway industry, the entrusted management model which embodies professional division of labour has gradually gained market recognition. This will offer more market opportunities for the Group to "export" its expertise and experience in construction management and operation management. Developing the entrusted management business and "exporting" its management experience will enable the Company to contribute its experience and skills to the society and economic development on the one hand, and will provide the Company with a new profit platform on the other hand.

Since 2004, the Company has successively undertaken five construction management projects entrusted by the government, including Nanping (Phase I), Nanping (Phase II), Hengping Project, Wutong Mountain Project and Shenyun Project. In particular, Nanping (Phase I) and Wutong Mountain Project were completed in mid-2006 and mid-2007 respectively. The relevant accounts settlement work is subject to the auditing and affirmation by the Shenzhen Municipality's Specialised Audit Bureau. As at the end of the Reporting Period, the settlement and auditing work for various contracted sections of Nanping (Phase I) was still proceeding; the settlement work for Wutong Mountain Project was basically completed; and the settlement information had been submitted to the audit authorities for auditing.

In November 2007, the Company was entrusted by the government as the project administrator of Nanping (Phase II) and Shenyun Project. The Company will be responsible for the management of the construction drawing design stage of the projects, as well as the construction management of the projects during the construction preparation stage, the construction stage and the defect liability stage (excluding land requisition, demolition and relocation). The confirmed total budget of the Shenyun Project amounted to approximately RMB120 million. The total investment in Nanping (Phase II) is expected to be RMB4 billion and will depend on the design budget upon final approval. As at the end of the Reporting Period, approximately 10% of the contracted works of Shenyun Project was completed. As some works of land requisition, demolition and relocation on Nanping (Phase II) have not been completed, construction works have not fully commenced yet.

In line with the government's proposal to include part of Hengping Class 1 Highway into the planning for Outer Ring Expressway, the Company suspended the construction of Hengping Project in accordance with the notice from the entrusting party in the first half of 2006. In February 2008, the Company resumed the construction of two of the contracted sections of Hengping Project as requested. The total budget for such part of construction amounted to approximately RMB280 million and these sections were completed and opened to traffic in the Year.

During the Reporting Period, the Company finished certain preliminary works on Coastal Expressway (Shenzhen Section), and actively communicated with the Shenzhen Municipal Government with reference to the results of the preliminary works for a decision on the detailed investment and construction plan. As the design standard is high and the project needs to take into account social development and public interests, it is estimated that the total investment of the project will exceed RMB10 billion. This project cannot satisfy the return-of-investment requirement for normal commercial investment. Currently, the Shenzhen Municipal Government has agreed in principle to undertake Coastal Expressway (Shenzhen Section) as a wholly-state-owned enterprise investment project, and to entrust the Company to take up the construction, operation, maintenance and management of the project. The Board of the Company has agreed in principle to be entrusted to take up the relevant management of this project. The details of entrustment and the rights and obligations of both parties are still in the process of negotiation and discussion and will be finalised upon the fulfillment of approval procedures by both parties as required. As at the end of the Reporting Period, the feasibility research report, the environment evaluation report and the project proposal work of Coastal Expressway (Shenzhen Section) have been approved by the relevant responsible departments. Approximately 88% of the land requisition, demolition and relocation work as well as the procedures regarding the use of land and sea for the project were completed.

During the Reporting Period, the Company accepted the entrustment of Shenzhen International to take up the operation and management of Longda Expressway by means of equity management. For details, please refer to the "Connected Transactions" in "Report of the Directors" of this annual report.

5. Project Investment and Development

To meet the needs caused by a rapidly increase in traffic flows on the roads in the Shenzhen region, the Group is now studying expansion plans for Meiguan Expressway and Shuiguan Expressway, and the construction plan for Coastal Expressway Airport Feeder. Meiguan Expressway is planned to be fully expanded to two-way eight lanes according to the feasibility research report of the project. Currently, the preliminary design of the expansion of Meiguan Expressway has been completed and the construction drawing design is proceeding. As for Shuiguan Expressway, Qinglong Company is responsible for its expansion and reconstruction. As at the end of the Reporting Period, the feasibility research report of the project has been assessed and the approval procedures of the project are underway. During the Reporting Period, the draft feasibility research report of Coastal Expressway Airport Feeder was finished. As there are considerable uncertainties in the planning of neighbouring road networks, the approval work for the report was temporarily halted. The Company will pay close attention to the planning of the road networks and maintain good communication with the government authorities and will timely push ahead the progress of the preliminary work of this project.

In addition, the Company is proactively pushing ahead various preliminary work for Outer Ring Expressway, including revising the feasibility research report of the project, obtaining approval on the environmental impact evaluation report and obtaining pre-approval on its land use. Currently, the focus and difficulties of the preliminary work of Outer Ring Expressway lie in the coordination work of location planning. This project has a total length of nearly 100 km and passes through significant infrastructures such as various transport trunks, power plants, natural gas supply stations, water protection areas and sewage treatment plants. It involves various authorities including those which oversee city planning, watercourse management, high-voltage cables, underground pipelines, railways and aviation, and consequently it requires a lot of coordination work. The Company will conduct reasonable arrangements to proceed on the project and will fulfill appropriate approval procedures with reference to the overall work arrangement and the actual circumstances of the Group's human resources and financial resources.

In recent years, the Group will appropriately build up highway project resources based on the Group's development strategy plan. It will also make investment decision in a prudent and practical manner based on various factors, including an adequate assessment on the impact of such investment on the Company's overall development, the compatibility with the Company's strategic objectives and the security level of the Company's financial resources.

6. Other Businesses

The Company invests in Advertising Company which is engaged in the businesses of billboard leasing, advertising agency, design production and related services, primarily utilising land-use rights alongside the Group's toll highways and toll stations. During 2008, Advertising Company recorded a revenue of RMB37,759,000 and a net profit of RMB12,076,000, representing increases of 31.0% and 8.9% respectively over 2007.

The Company has established Consulting Company, with certain engineering and technical personnel as primary shareholders, to develop businesses such as project management consultancy, survey, design, engineering supervision, construction costs consultancy, tendering agency and test and inspection. Consulting Company recorded a revenue of RMB 67,231,000 and a net profit of RMB5,080,000 in 2008, representing increases of 47.5% and 57.0% respectively over 2007.

Financial Review and Analysis

During 2008, the Group's operating results basically met the Company's expectation. Profit attributable to equity holders of the Company ("Profit") amounted to RMB503,195,000 (2007 restated: RMB622,392,000) with earnings per share being RMB0.231, representing a decrease of 19.15% over 2007.

Since 1 January 2008, the Group has adopted IFRIC 12 in preparing the financial statements under HKFRS. The Group changed its accounting policies and made retrospective adjustments pursuant to IFRIC 12, which led to significant increases in revenue and operating costs of the Group for the Reporting Period and the previous years; a decrease of RMB357,138,000 in capital and reserves attributable to the Company's equity holders ("Shareholders' equity") as at 31 December 2007; and a decline of RMB76,441,000 in Profit for the Reporting Period. Such changes and adjustments had no material impact on the total assets, financial position and profitability of the Group as a whole. Please refer to the explanation in the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details. Excluding the impact of the downward adjustment to Profit of RMB15,290,000 in the Reporting Period due to a further payment of enterprise income tax and an upward adjustment to deferred income tax liabilities of RMB67,596,000 added as well as an asset impairment provision for Changsha Ring Road of RMB66,750,000 in 2007, Profit for the Reporting Period decreased by approximately 31.48% as compared to 2007.

During the Reporting Period, affected by factors including a declining growth rate of the macro economy, the adoption of the "Green Passage Toll Free Policy", maintenance and repairs on connecting highways and changes in the road network, as well as an increase in operating costs arising from inflation, toll revenue from toll highways operated and invested in by the Group showed a slowdown in growth as compared to 2007, and profit from toll highways decreased considerably. Profit from entrusted construction management services recognised during the Reporting Period decreased significantly over 2007. After Nanguang Expressway had commenced operation, capitalisation of relevant borrowing interests ceased, which caused a significant increase in the Group's finance costs over 2007. All of the above-mentioned factors led to a decrease in the Group's operating results for the Reporting Period as compared to 2007.

1. Analysis of Operating Results

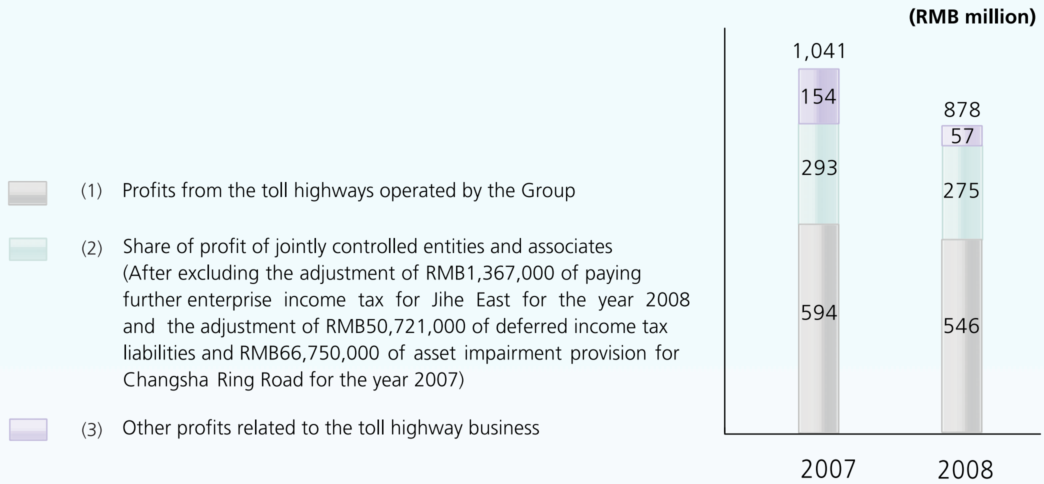
1) Revenue

During the Reporting Period, the Group recorded a revenue of RMB4,242,041,000, representing an increase of 10.31% over 2007. Revenue from construction services under concession arrangements and toll revenue are the two main sources of the Group's revenue upon the adoption of IFRIC 12. Out of this amount, revenue from construction services under concession arrangements recorded an increase of 15.93% over 2007 while toll revenue recorded a slight increase of 1.96%. A detailed analysis of revenue is as follows:

Revenue item	**2008 (RMB'000)**	Proportion of total	2007 (RMB'000) (Restated)	Proportion of total	Change
Revenue from construction services under service concession arrangements	**3,178,980**	74.94%	2,742,056	71.30%	15.93%
Toll revenue	**984,818**	23.22%	965,850	25.12%	1.96%
Income from entrusted management services	**34,548**	0.81%	102,250	2.66%	-66.21%
Other income (including income from advertising)	**43,695**	1.03%	35,355	0.92%	23.59%
Total	**4,242,041**	100.00%	3,845,511	100.00%	10.31%

2) Earnings before Interests, Tax and Administrative Expenses

During the Reporting Period, the Group's earnings before interests, tax and administrative expenses amounted to RMB876,884,000 (2007 restated: RMB923,677,000), representing a decrease of 5.07% over 2007. After excluding the impacts of the adjustment of RMB1,367,000 of paying further enterprise income tax for Jihe East for the year 2008 and the upward adjustment to deferred income tax liabilities of jointly controlled entities of RMB50,721,000 and the asset impairment provision for Changsha Ring Road of RMB66,750,000 for the year 2007, the Group's earnings before interests, tax and administrative expenses recorded a decrease of 15.65% over 2007. Profits contributed by principal operations are as follows:



a) Profits from Toll Highways Operated by the Group

		Toll revenue		Operating costs			Gross margin		Profit before interests, tax and administrative expenses	
Toll highway	Percentage of interests held	The Period (RMB'000)	Change	The Period (RMB'000)	Including: provision for maintenance/ resurfacing obligations** (RMB'000)	Change	The Period	Change in p. pt.	The Period (RMB'000)	Change
Meiguan Expressway	100%	289,795	-12.08%	70,022	—	0.26%	75.84%	-2.97	212,469	-17.09%
Jihe West	100%	343,056	-0.55%	87,138	21,609	8.99%	74.60%	-2.22	246,545	-5.17%
Yanba Expressway	100%	71,603	13.58%	59,701	8,403	11.10%	16.62%	1.86	9,881	62.34%
Yanpai Expressway	100%	148,950	10.26%	68,967	12,628	15.05%	53.70%	-1.93	75,594	6.05%
Nanguang Expressway	100%	59,927	N/A	49,384	—	N/A	17.59%	N/A	8,667	N/A
Qinglian Project	76.37%	71,487	-23.25%	75,919	—	-14.77%	-6.20%	N/A	-7,350	N/A
Total		**984,818**	1.96%	**411,132**	42,640	16.62%	**58.25%**	-5.25	**545,808**	-8.09%

* After adoption of IFRIC 12, the government grants obtained for Yanba Expressway and Yanpai Expressway were treated as payment commitments on partial investment given by grantors under the service concession arrangements, and were no longer included in subsidy income.

** Please refer to the explanation in the following section of "Operating Costs" for details on the provision for maintenance/ resurfacing obligations.

- **Toll revenue**

During the Reporting Period, the Group recorded a toll revenue of RMB984,818,000, representing an increase of 1.96% over 2007, of which Nanguang Expressway recorded a toll revenue of RMB59,927,000 for the Year after it commenced operation on 26 January 2008. As Qinglian Project is undergoing a period of reconstruction into an expressway, toll revenue decreased by 23.25% due to construction works. Revenue on other toll highways as a whole recorded a decrease of 2.21% over 2007, which was mainly due to a decrease of 12.08% in toll revenue on Meiguan Expressway caused by maintenance works on a connecting highway and changes in the road network, as well as overall decreases in toll revenues from other toll highways due to the impact of the macro economy.

The increase or decrease of the Group's toll revenue is principally determined by changes in traffic volumes and average toll revenues per vehicle. Traffic volumes of the Group's principal toll highways for the Reporting Period are set out in the section of "Business Review and Analysis" above. In the second half of 2008, impacted by a declining growth rate in China's economy and a decrease in export trade demand, traffic volumes of heavy lorries on various toll highways operated by the Group decreased significantly, thereby leading to considerable decreases in average toll revenues per vehicle on various road sections. Meanwhile, affected by diversions caused by Fulong Road, large-scale maintenance works on Guanshen Expressway and the fact that during such period heavy lorries were prohibited from travelling on Guanshen Expressway, the proportion of full-trip vehicles and heavy lorries travelling on Meiguan Expressway recorded a decrease, thereby leading to a drop in average toll revenue per vehicle on Meiguan Expressway. In addition, the construction works on the Shenzhen Metro Line 3 and the Shenyan Pathway 2 led to diversions of a portion of vehicles from local highways to Yanpai Expressway, and thus the growth of small vehicles was larger than that of heavy lorries on Yanpai Expressway, while the decrease in average toll revenue per vehicle was significant. Average toll revenues per vehicle of various principal toll highways are as follows:

	Average toll revenue per vehicle* (RMB)		
Principal toll highway	**2008**	2007	Change
Meiguan Expressway	**8.54**	9.19	-7.07%
Jihe West	**13.85**	14.38	-3.69%
Yanba (A&B) **	**12.32**	12.62	-2.38%
Yanpai Expressway	**12.76**	14.07	-9.31%
Nanguang Expressway***	**10.78**	N/A	N/A
Qinglian Class 1 Highway	**19.94**	21.74	-8.28%

* Average toll revenue per vehicle = Average daily toll revenue / Average daily mixed traffic volume

** The average toll revenue per vehicle of Yanba Expressway does not include the tolls collectively paid by the government under an agreement for all vehicles travelling between Yantian and Dameisha Interchange.

*** Nanguang Expressway commenced toll operation on 26 January 2008.

- **Operating costs**

During the Reporting Period, operating costs for the Group's toll highways rose 16.62% to RMB411,132,000 over 2007. Of such amount, an increase of RMB49,385,000 in operating costs was caused by the commencement of operation of Nanguang Expressway, while that of Qinglian Project, which is undergoing a period of reconstruction into an expressway, recorded a decrease of 14.77% in operating costs for the Reporting Period over 2007 with a decrease in traffic volumes. Operating costs for other toll highways rose 8.49% as compared to 2007, which was mainly attributable to the expansion in the scale of the maintenance works on highways and increases in costs fuelled by inflation. Besides, the Group made provisions for maintenance/resurfacing obligations for Jihe West, Yanba (A&B) and Yanpai Expressway during the Reporting Period in accordance with the relevant requirements of IFRIC 12 and the large-scale maintenance work plan for the Group's principal toll highways. A detailed analysis of operating costs is as follows:

Operating costs item	2008 (RMB'000)	Proportion of total	2007 (RMB'000) (Restated)	Proportion of total	Change
Employee expenses	**64,567**	15.70%	48,862	13.86%	32.14%
Road maintenance expenses	**103,794**	25.25%	88,375	25.07%	17.45%
Including: provision for maintenance/resurfacing obligations	***42,640***	*10.37%*	*38,763*	*11.00%*	*10.00%*
Depreciation and amortisation	**195,332**	47.51%	177,217	50.27%	10.22%
Other operating costs	**47,439**	11.54%	38,092	10.80%	24.54%
Total	**411,132**	100.00%	352,546	100.00%	16.62%

As the expansion works on Meiguan Expressway is scheduled to commence in 2009 while Nanguang Expressway is in the preliminary phase of operation and Qinglian Project is undergoing a period of reconstruction into an expressway, no provisions for maintenance/resurfacing obligations were made to these projects during the Reporting Period. Please refer to the explanation in the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" and notes 2.2, 2.19 and 4(c) to the Financial Statements for details on accounting policies and accounting estimates for provisions for maintenance/resurfacing obligations.

- **Profits and gross margin**

Affected by decreases or declining growth in toll revenues and rising operating costs, profits from toll highways operated by the Group for the Reporting Period decreased by 8.09% to RMB545,808,000 as compared to 2007. As Qinglian Project incurred a loss during the period of reconstruction into an expressway and the current gross margin of Nanguang Expressway, which is in its preliminary phase of operation, was relatively low, the overall gross margins of the toll highways operated by the Group were diluted to a certain extent, thereby leading to a drop of 5.25 percentage points in the overall gross margin during the Reporting Period. In future, with Qinglian Expressway's full commencement of operation, a gradual improvement of the relevant road network as well as growth in traffic volumes on the new projects, the overall profitability of the toll highways operated by the Group is expected to resume and increase.

b) Share of Profit/Loss of Jointly Controlled Entities and Associates

During the Reporting Period, the Group's share of profit of jointly controlled entities and associates amounted to RMB274,373,000 (2007 restated: RMB175,517,000), representing an increase of 56.32% as compared to 2007. Excluding the impact of the adjustment of RMB1,367,000 of paying further enterprise income tax for Jihe East for the Reporting Period and the upward adjustment to deferred income tax liabilities of jointly controlled entities of RMB50,721,000 and the asset impairment provision for Changsha Ring Road of RMB66,750,000 for the year 2007, the Group's share of profit of jointly controlled entities and associates decreased by 5.89% as compared to 2007. During the Reporting Period, affected by a declining growth of the macro economy and the implementation of the "Green Passage Toll Free Policy", toll revenues from the toll highways operated by the Group's invested enterprises saw a declining growth rate as compared to 2007. Meanwhile, impacted by the increases in operating and finance costs, the investment gain of the Group saw a slight decrease over 2007. The "Green Passage Toll Free Policy" has accounted for a negative impact on Group's share of profits from road sections including Yangmao Expressway, Wuhuang Expressway, Jihe East and Nanjing third Bridge amounting to RMB22,892,000. A detailed analysis of share of profit/loss of jointly controlled entities and associates is as follows:

		Toll revenue		Operating costs of toll highways		Gross margin of toll highways		Profit/loss attributable to the Group	
Principal toll highway	**Percentage of interests held**	**2008 (RMB'000)**	Change	**2008 (RMB'000)**	Change	**2008**	Change in p. pt.	**2008 (RMB'000)**	Change (RMB'000)
Jointly controlled entities:									
Jihe East	55%	**449,179**	6.96%	***130,990**	9.56%	**70.84%**	-0.69	**125,026**	-4,110
Wuhuang Expressway	55%	**372,265**	-3.05%	****169,765**	0.90%	**54.40%**	-1.78	****80,593**	-13,083
Changsha Ring Road	51%	**22,959**	2.09%	**23,027**	0.06%	**N/A**	N/A	**2,316**	676
Associates:									
Shuiguan Expressway	40%	**368,187**	4.55%	**80,765**	6.51%	**78.47%**	-0.40	**83,565**	1,544
Yangmao Expressway	25%	**330,246**	-0.91%	**138,063**	-3.27%	**57.17%**	1.02	**19,245**	1,195
Jiangzhong Project	25%	**238,555**	12.33%	**142,666**	11.45%	**40.20%**	0.47	**-6,199**	428
Nanjing Third Bridge	25%	**234,293**	2.01%	**105,398**	-2.22%	**55.01%**	1.95	**-6,768**	-2,728
Guangwu Project	30%	**96,983**	-0.13%	**49,151**	1.17%	**49.32%**	-0.65	**-3,418**	-1,296
GZ W2 Expressway	25%	**110,330**	67.28%	**68,117**	38.54%	**38.26%**	12.81	**-21,767**	1,212
Shuiguan Extension	40%	**65,478**	-1.38%	**30,572**	10.44%	**53.31%**	-5.00	**256**	-3,006
Total		**2,288,475**	4.82%	**938,514**	5.38%	**58.99%**	-0.22	*****272,849**	-19,169

* Operating costs for Jihe East include a provision of RMB35,239,000 (2007: RMB32,035,000) made for maintenance/resurfacing obligations pursuant to the relevant provision of IFRIC 12. As the expansion work on Shuiguan Expressway is scheduled to commence, expenses for large-scale maintenance works on Wuhuang Expressway have already been included in entrusted management fees, and other highways are still in the preliminary phase of operation or such amounts are immaterial, no provision of maintenance/resurfacing obligations were made for such highways.

** The operating costs for Wuhuang Expressway recorded a decrease of RMB19,229,000 (2007: RMB22,496,000) due to changes in the amortisation method of intangible assets under concession to align the accounting policy of the Group. Please refer to the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details of changes in the amortisation method. Meanwhile, pursuant to the requirements of the New Tax Law, income tax on foreign shareholder's dividend from Magerk Company calculated with reference to the Group's shareholding amounted to RMB4,699,000, thereby correspondingly reducing the Group's share of profit in 2008.

*** Profit from Consulting Company of RMB1,524,000 (2007: an adjustment to deferred income tax liabilities of RMB50,721,000, the asset impairment provision for Changsha Ring Road of RMB66,750,000, and a profit of RMB970,000 for Consulting Company were not included) is not included in profit/loss attributable to the Group for 2008.

c) Profits from Other Highway-related Businesses

- **Profit from construction services under concession arrangements**

The Group recognised revenues and costs from construction services under services concession arrangements for Yanpai Expressway, Nanguang Expressway, Qinglian Project, Yanba C, Outer Ring Expressway and the expansion of Meiguan Expressway within the construction periods, based on their completion percentages in accordance with the relevant requirements of IFRIC 12. The Group recognised profits from construction services based on the budgets of the projects and reasonable estimates of profitability of the construction services. During the Reporting Period, surges in construction material prices caused increases in construction costs of various projects and the Company did not recognise profits (2007:RMB23,450,000) from the construction services for the aforementioned projects during the Reporting Period. The details of recognisation principle of revenue from construction service and accounting estimates of profits are set out in notes 2.21(b) and 4(a) to the Financial Statements. A detailed analysis of profit from construction services is as follows:

	2008 (RMB'000)			2007 (RMB'000)			Percentage of completion	
Self-construction expressway	**Revenue**	**Costs**	**Profit before tax**	Revenue	Costs	Profit before tax	The Period	Cumulative
Yanpai Expressway	**56,443**	**56,443**	**—**	55,507	54,350	1,157	6.60%	100.00%
Nanguang Expressway	**449,716**	**449,716**	**—**	1,165,440	1,150,731	14,709	18.69%	85.39%
Yanba C	**245,111**	**245,111**	**—**	248,134	246,027	2,107	51.19%	88.53%
Qinglian Project	**2,406,657**	**2,406,657**	**—**	1,298,506	1,293,029	5,477	56.33%	67.47%
Jihe West	**—**	**—**	**—**	-25,531	-25,531	—	—	100.00%
Outer Ring Expressway	**14,994**	**14,994**	**—**	—	—	—	—	—
Expansion of Meiguan Expressway	**6,059**	**6,059**	**—**	—	—	—	6.08%	6.08%
Total	**3,178,980**	**3,178,980**	—	2,742,056	2,718,606	23,450		

- **Profit from entrusted construction management services**

During the Reporting Period, work on the resumed section of Hengping Project, which the Company was entrusted to construct, was basically completed. Based on the reasonable estimates on the budgets and total costs of construction of the project, the Company recognised profit of RMB10,928,000 from entrusted construction management services and profits of RMB5,288,000 after deducting the management fee and business tax of the Company ,in accordance with the completion progress of 90%. During the Reporting Period, the government's auditing work on the total costs for Nanping (Phase I) and the estimated budget for Wutong Mountain Project were not completed and thus the Company's original estimations for these projects remained unchanged and the Company did not recognise or predict any relevant gains during the Reporting Period. In addition, as the aggregated completion progress of Nanping (Phase II) was less than 50%, results of the relevant services could not be predicted reliably. Since the Directors of the Company are of the view that future reimbursements of management expenses incurred are probable, the Company recognised revenue and costs for the Reporting Period based on actually incurred management costs of RMB8,620,000. During the Reporting Period, the Group's profits from entrusted construction management services decreased by RMB89,206,000 (2007: RMB94,494,000) as compared to 2007. The details of recognisation principle of revenue from entrusted construction management services and accounting estimates of profits are set out in note 2.21(c) to the Financial Statements.

- **Profit from entrusted operation management services**

The Company had been entrusted to manage Baotong Company and the equity interests in Longda Company held by Baotong Company since 8 January 2008. Pursuant to the terms of the entrusted operation management agreement, the Company recognised a revenue of RMB15,000,000 from entrusted operation management services and a relevant profit of RMB14,220,000 after deducting relevant costs during the Reporting Period. The details are set out in note 36(f) to the Financial Statements.

3) Administrative Expenses and Finance Costs

The Group's administrative expenses for the Reporting Period increased by 7.53% to RMB54,012,000 (2007: RMB50,232,000) as compared to 2007. The Group's finance costs for the Reporting Period increased by 70.33% to RMB255,260,000 (2007 restated: RMB149,864,000) as compared to 2007. This was mainly attributable to the cessation of capitalisation of relevant borrowing interests of RMB103,597,000 upon the commencement of operation of Nanguang Expressway. Besides, as the rise in relevant interest expenses caused by provision made for maintenance/resurfacing obligations on adoption of IFRIC 12 during the Reporting Period, such expenses increased by 31.43% over 2007. A detailed analysis of finance costs is as follows:

Item	**2008 (RMB'000)**	2007 (RMB'000) (Restated)	Change
Interest expenses	**452,994**	262,940	72.28%
Including: interest expenses of provision			
for maintenance/resurfacing obligations	***23,772***	*18,087*	*31.43%*
Excluded: interest capitalised	**(190,907)**	(104,527)	82.64%
Exchange gains and others	**(6,827)**	(8,549)	-20.14%
Finance costs	**255,260**	149,864	70.33%

4) Income Tax and Impact of Implementation of New Tax Law

During the Reporting Period, the Group's income tax expenses amounted to RMB66,257,000 (2007: RMB98,093,000), representing a decrease of 32.45% as compared to 2007. Excluding the impacts of the upward adjustment to income tax expenses of RMB13,923,000 for 2008 and the upward adjustment to deferred income tax liabilities of RMB16,875,000 for 2007, the Group's income tax expenses decreased by 35.56% as compared to 2007, which was mainly due to the decrease in the Group's taxable income arising from the decrease in profits from the toll highways of the Group and profits from entrusted construction management services, as well as an increase in finance costs.

Pursuant to a notice received by the Company from Shenzhen tax authorities in February 2009, based on the results of special examination on the relevant local tax bureau in Shenzhen in 2008 conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance, the Group and one of its jointly controlled entities shall pay further enterprise income tax of approximately RMB60,472,000 incurred from local financial subsidy income obtained in previous years. The amount attributable to the Group is RMB57,986,000. According to the current written consultation document submitted to the tax bureau by the Company and the communication result with the tax authorities, the final amount of the further tax payment of the Company would most likely be deducted by approximately RMB18,750,000. Accordingly, the Company recognised income tax liabilities of RMB39,236,000 during the Year, recognised the relevant deferred income tax assets of RMB25,313,000 based on the implied temporary difference of the further tax payment, and made upward adjustment to income tax expenses of RMB13,923,000 according to the above-mentioned situation. During the years when the above-mentioned subsidy income was received, the Company had adopted the regulations relating to the exemption of enterprise income tax on local financial subsidy income as stipulated in local regulations; and so no enterprise income tax had been recognised or considered payable for the above-mentioned subsidy income. For details of payment of further enterprise income tax by the Group, please refer to the notes 4(e), 21(b), 29(c) and 34(b) to the Financial Statements.

Furthermore, pursuant to the requirements stipulated by the New Tax Law and pertaining to the gradual transition period for the original concessionary tax rate, the original enterprise income tax rate of 15% adopted by the Company and the enterprises in which the Company invests in the Shenzhen region, as well as by certain foreign-invested enterprises in which it invests in other regions of the PRC, will be adjusted to 18% for the Reporting Period. Other enterprises which had originally adopted an enterprise income tax rate of 33% adopted a tax rate of 25% since this year. The Group's profit decreased by approximately RMB21,786,000 after a consolidated offset of the above effects.

5) Profit

Due to the decreases in profits from the toll highways operated and invested in by the Group and profits from entrusted construction management services, as well as the rise in finance costs during the Reporting Period, the Group realised a profit of RMB503,195,000 in 2008, representing a 19.15% decrease over 2007. Excluding the impacts of the downward adjustment to Profit of RMB15,290,000 in the Reporting Period and the upward adjustment to deferred income tax liabilities of RMB67,596,000 added as well as the asset impairment provision for Changsha Ring Road of RMB66,750,000 in 2007, Profit for the Reporting Period decreased by approximately 31.48% as compared to 2007.

In recent years, since a higher proportion of highway assets among the Group's total assets were under construction or newly opened for operation, and such projects saw relatively low revenues or incurred losses in the short term, the Group's return on total assets, return on operating assets and return on shareholders' equity have been diluted. In furture, with the gradual enhancement of the relevant road network and the growth in traffic volumes of the Group's new projects, it is expected that such projects will become the main source of profit growth of the Group in the mid-term and long-term, thereby increasing the overall return on assets of the Company.

	As at 31 December 2008	As at 31 December 2007 (Restated)	As at 31 December 2006 (Restated)
Return on total assets ((profit+finance expenses)/total assets)	**4.19%**	5.31%	6.69%
Return on operating assets ((profit+finance expenses)/year-end operating assets)	**8.11%**	11.64%	9.54%
Return on shareholders' equity	**7.14%**	9.03%	8.46%

6) Amortisation Policies of Intangible Assets under Concession and the Differences under Different Amortisation Methods

The Group's intangible assets under concession recognised under IFRIC 12 are amortised based on the units-of-usage method, i.e. based on the units-of-usage method, where the amortisation amount is calculated by the percentage of the actual traffic volumes in respective periods to the total projected traffic volume during the toll operating period. The Group conducted regular reviews on the projected traffic volumes and made corresponding adjustments to ensure reliability and accuracy of the amortisation amount. Details of this accounting policy and estimates are set out in notes 2.2 and 4(b) to the Financial Statements.

As the toll highways operated and invested in by the Group had not reached their designated saturated traffic volumes and certain toll highways were at preliminary stages of operation, the amortisation amount calculated by the units-of-usage method was lower than that calculated by the straight-line method for the Reporting Period. The amortisation difference under different amortisation methods attributable to the Group based on its equity interests was RMB194,368,000. With the growth in traffic volumes on the various toll highways in future, the above difference will gradually decrease. The adoption of different amortisation methods had no impact on the cash flows generated from various toll highway projects and thus had no impact on the valuations of various projects. Data for reference calculated for various toll highways for the Reporting Period are as follows:

		Amortisation amount of operating rights (RMB million)			**Amortisation difference attributable to the Company based on equity interests percentage (RMB million)**	
Toll highway	**Percentage of interests held**	**Units-of-usage method 2008**	Units-of-usage method 2007	Straight-line method **	**2008**	2007
The Company and subsidiaries:*						
Meiguan Expressway	100%	**31**	35	36	**-5**	-1
Jihe West	100%	**30**	30	28	**2**	2
Yanba (A&B)	100%	**22**	19	41	**-19**	-22
Yanpai Expressway	100%	**29**	27	47	**-18**	-20
Nanguang Expressway	100%	**10**	0	85	**-75**	0
Jointly controlled entities and associates:						
Jihe East	55%	**36**	34	31	**3**	2
Shuiguan Expressway	40%	**42**	40	41	**0**	0
Wuhuang Expressway	55%	**70**	66	89	**-10**	-12
Changsha Ring Road	51%	**12**	12	18	**-3**	-3
Yangmao Expressway	25%	**63**	63	90	**-7**	-7
Jiangzhong Project	25%	**80**	71	128	**-12**	-14
Nanjing Third Bridge	25%	**54**	54	111	**-14**	-14
Guangwu Project	30%	**20**	20	57	**-11**	-11
GZ W2 Expressway	25%	**25**	17	111	**-22**	-24
Shuiguan Extension	40%	**17**	17	24	**-3**	-3
Total					**-194**	-128

* Qinglian Project is undergoing a period of reconstruction into an expressway and the differences due to this project are not included herein.

** Assuming the book values of the intangible assets be amortised evenly over the allowed operating periods granted by the concession grantors.

2. Analysis of Financial Position

1) Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly intangible assets under concession in high-grade toll highways, as well as jointly controlled entities and associates investments. As at 31 December 2008, the Group's total assets amounted to RMB18,263,578,000, representing an increase of 24.15% as compared to the end of 2007. The increase was primarily owing to increased investments in the reconstruction of Qinglian Class 1 Highway into an expressway and the construction of Nanguang Expressway and Yanba C. During the Reporting Period, the main route of Nanguang Expressway and main works of Yanba C were completed and such assets were treated as operating highway assets. It is expected that such projects will become new sources of profit for the Group in the future.

During the Reporting Period, the Group adopted IFRIC 12 and made retrospective adjustments, treating relevant operating rights of highway assets obtained under service concession arrangements as "intangible assets under concession"; treating government grants obtained for Yanba Expressway and Yanpai Expressway as consideration for construction; and making provisions for maintenance/resurfacing obligations on principal toll highways. Such accounting treatment reduced shareholders' equity and caused certain changes in classification of assets while having no material effect on the scale of total assets. Please refer to the explanation in the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details.

	As at 31 December 2008 (RMB million)		As at 31 December 2007 (RMB million) (Restated)		
Item	**The Group (consolidated)**	***Including: the impact of IFRIC 12***	The Group (consolidated)	*Including: the impact of IFRIC 12*	Change
Asset					
Total assets	**18,264**	**-498**	14,711	-488	24.15%
Property, plant and equipment	**697**	**-9,884**	345	-7,066	102.14%
Construction in progress	**268**	**-4,078**	349	-3,859	-23.42%
Intangible assets under concession	**13,777**	**13,777**	10,742	10,742	28.26%
Investments in jointly controlled entities and associates	**2,478**	**-110**	2,566	-90	-3.43%
Equity and Liabilities					
Shareholder's equity	**7,047**	**-434**	6,893	-357	2.24%
Minority interest	**705**	**1**	713	1	-1.21%
Borrowings*	**8,023**	**—**	5,643	—	42.17%
Deferred income tax liabilities	**390**	**-49**	442	-32	-11.65%
Provision for maintenance/resurfacing obligations	**304**	**304**	238	238	27.94%
Government grants	**—**	**-321**	—	-337	—
Other liabilities	**1,794**	**—**	782	—	129.32%

* The borrowings stated in the table include bank loans and bonds payable, but does not include bills payable.

As at the end of the Period, the Group's total equity amounted to RMB7,752,141,000, representing an increase of 1.91% over the end of 2007 (End of 2007 restated: RMB7,606,525,000). This was mainly attributable to the net increase of RMB154,283,000 of the profit for the Reporting Period after the deduction of dividends distributed for 2007, as well as a decrease in minority interests of RMB8,667,000 due to a loss incurred in Qinglian Company.

As at the end of the period, outstanding bills payable, bonds payable and bank loans of the Group amounted to RMB8,036,698,000, representing an increase of RMB2,299,428,000 over the end of 2007 (End of 2007: RMB5,737,270,000), of which Qingling Project used borrowings of RMB4.056 billion. During the Reporting Period, the Company continued to maintain a reasonable and sound borrowing structure through various financing activities. Details of the financing activities are set out in "Capital / Financing" of this section.

2) Capital Structure and Debt Repayment Capability

	As at 31 December 2008	As at 31 December 2007 (Restated)	As at 31 December 2006 (Restated)
Debt-to-asset ratio (Total liabilities / Total assets)	**57.55%**	48.30%	32.99%
Net borrowings-to-equity ratio ((Total amount of borrowings-cash and cash equivalents) / Total equity)	**96.75%**	69.29%	33.17%

	Jan~Dec 2008	Jan~Dec 2007 (Restated)	Jan~Dec 2006 (Restated)
Interest covered multiple (profit before interests and tax / interest expenses)	**1.82**	3.16	6.34
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	**2.27**	3.82	7.47
Annual average borrowings / Earnings before interests, tax, depreciation and amortisation	**6.71**	3.86	1.53

The Company is always committed to maintaining a rational capital structure to maintain the Company's good credit ratings and solid financial position, so as to enhance shareholders' value. In recent years, the Group's various financial leverage ratios have increased significantly, mainly due to additional borrowings for investments in new projects. Given the Group's steady growths in operating results and cash flows, expected profit growth after the operation of new projects and the existing borrowing structure arrangement, the Directors of the Company are of the view that the leverage ratios remained at safe levels as at the end of the Reporting Period.

3) Liquidity and Cash Management

During the Reporting Period, amid the complex and ever-changing financial environment and monetary policies, the Company maintained the balance of current liabilities and cash reserves at safe levels. While the Company may cut its capital expenditure in the future, it still maintained sufficient banking facilities so as to strengthen the capital liquidity. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks as current or short-term fixed deposits, with no deposit in non-bank institutions or any amount applied to securities investments. Given the fact that the Group possesses a steady and abundant operating cash flow and enjoys adequate banking facilities, and that appropriate financing arrangements have been made to satisfy the needs of debt repayment and capital expenditures, the Board of the Company is of the view that there are no concerns over the Group's ongoing operation.

	As at 31 December 2008 (RMB million)	As at 31 December 2007 (RMB million)	Change
Net current liabilities	**1,903**	464	310.13%
Cash and cash equivalents	**536**	467	14.78%
Banking facilities available	**6,610**	8,300	-20.36%

4) Foreign-Currency Denominated Assets and Liabilities

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB10,180,000 and RMB207,329,000 worth of foreign currency-denominated liabilities in US$ and HK$, respectively, while RMB2,906,000 worth of foreign currency-denominated assets were in HK$, and foreign currency-denominated items netted off to be net liabilities. In June 2008, the Company applied to the bank for a loan of HK$133 million with a term of 1 year and arranged forward transaction of foreign exchange for the principal and interests upon maturity, with a view to locking the risks related to the exchange rate. It is expected that the trend of exchange rate fluctuations of RMB under the current market conditions will have no substantial impact on the Group's results.

5) Contingencies

For details of the Group's contingencies during the Reporting Period, please refer to note 34 to the Financial Statements.

6) Pledge of Assets

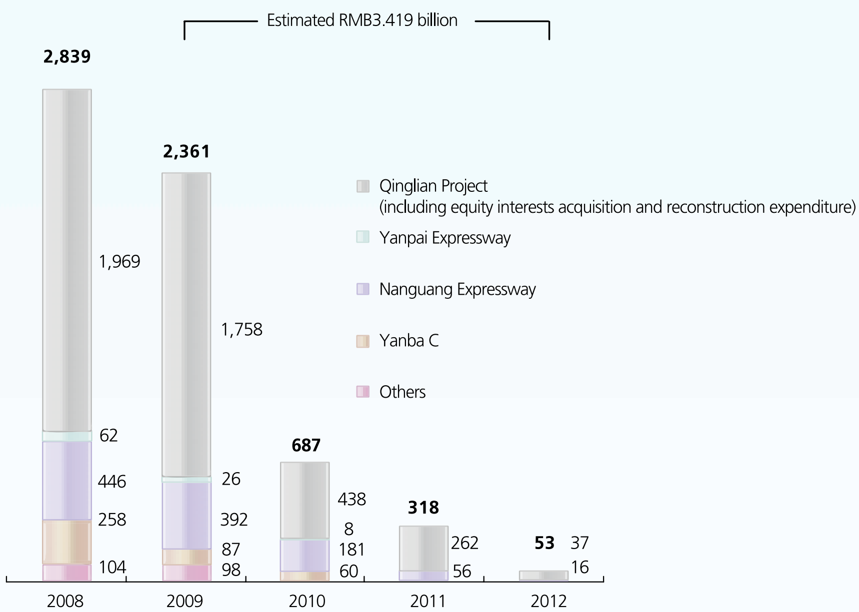
For details of the Group's pledge of assets during the Reporting Period, please refer to note 20 to the Financial Statements and relvevant content in the section "Report of the Directors".

3. Capital / Financing

1) Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly construction investments in the reconstruction of Qinglian Class 1 Highway into an expressway, Nanguang Expressway and Yanba C, totalling approximately RMB2.839 billion. As at 31 December 2008, the Group's capital expenditure plan comprised mainly construction investments in the reconstruction of Qinglian Class 1 Highway into an expressway, Nanguang Expressway and Yanba C. It is expected that the Group's total capital expenditures will amount to approximately RMB3.419 billion by the end of 2012. The Company plans to satisfy such capital needs with its own capital reserves and through bank borrowings. According to the Directors' estimate, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan (RMB million)



Apart from the aforementioned capital expenditures of the Group, in case the authorities of the Company finally approve the investment proposal on the expansion of Meiguan Expressway, the Group's planned total capital expenditures will increase considerably. The Company intends to resolve the capital needs by a mix of borrowings and own capital reserves.

2) Operating Cash Flow

The toll revenues of the Group's principal toll highway operations are collected in cash, thereby giving a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totalled RMB1,345,737,000 (2007: RMB1,211,276,000), representing an increase of 11.1%. After deducting the net amount of receivables and payables of RMB200,421,000 for Coastal Expressway (Shenzhen Section), the Group's net cash inflow from operating activities and cash return on investments decreased by 5.45% over 2007, which was mainly due to the impacts of the declining growth rate of toll revenues from toll highways operated and invested in by the Group and an increase in operating costs. In future, with the enhancement of relevant road networks and increases in traffic volumes and toll revenues from new projects such as Qinglian Project, it is expected that the Company's operating cash flow will further increase, thereby safeguarding the development of the Company and the maintenance of sound financial liquidity.

3) Financial Strategies and Financing Arrangements

The Company's capital expenditures have been peaking in recent years and the borrowing scale, gearing ratio and finance expenses have risen to quite high levels. As a characteristic of the toll highway industry, gains from new projects and growth in cash flow require a certain maturity period. Accordingly, the current focus of the Company's financial strategies is to maintain a reasonable and solid capital structure and ensure a safe and abundant liquidity. On this basis, the Company will appropriately reduce financing costs, thereby increasing return on equity attributable to equity holders and preventing financial risks.

With the relevant financing arrangements made in previous years, the Company increased the proportions and the scale of direct financing, fixed interest rates and medium-long term borrowings, which led to an effective control on the Company's financing and financial risks. In 2008, the debt level of the Company rose further. Affected by the global financial crisis and a slowdown in China's economic growth, the external financing environment has changed significantly. The Chinese Government has changed its monetary policy from tight to appropriately loose since the end of the third quarter of 2008 and repeatedly cut RMB basis rates; while the sentiment in the stock market continued to be sluggish, thereby increasing the difficulties in equity financing for the Company. Based on the Company's financial position and the current and predicted future circumstances of the external environment, the Company timely adjusted and replaced the current loans and their structure, and reduced financing costs in order to safeguard financial security.

During the Reporting Period, backed by its steady and sufficient operating cash flows and good reputation, the Company continued to attain the highest ratings among various credit ratings and continued to enjoy the most favourable rates under the interest rate policy of the People's Bank of China. Affected by the rise in market interest rates, the Company's composite borrowing costs amounted to 5.7% during the Reporting Period, slightly higher than the 5.307% of 2007.

Credit Rating Status

Time of rating	Rating category	Rating firm	Rating result
June 2008	Track rating for the Bonds with Warrants	中誠信國際信用評級公司(China Chengxin International Credit Rating Co.)	AAA
June 2008	Track rating for corporate bonds	中誠信國際信用評級公司(China Chengxin International Credit Rating Co.)	AAA
June 2008	Credit rating for borrowing enterprises	鵬元資信評估有限公司(Pengyuan Credit Rating Co., Ltd.)	AAA

As at 31 December 2008, the Group has obtained a total of RMB12.2 billion of banking facilities, of which RMB6.6 billion was facilities specifically for projects under construction and RMB5.6 billion was general credit facilities. At the end of the Reporting Period, unutilised banking facilities available amounted to RMB6.6 billion, of which RMB2.3 billion was facilities specifically for projects under construction and RMB4.3 billion was general credit facilities.

4) Use of Proceeds

The Company raised RMB604 million from the issue of A Shares in 2001. During the Reporting Period, the Company applied such proceeds in the construction of Yanba B in strict compliance with the representations made in the prospectus. An amount of RMB41,538,000 was applied during the Reporting Period and the cumulative amount of proceeds applied was RMB604,128,000. As at 31 December 2008, all proceeds were used.

The construction of Yanba B started in June 2001 and the major works were completed in June 2003. After its commencement of operation, it formed a local traffic network with Yanba A and steadily increased the traffic volume and toll revenue of Yanba Expressway. As the construction of Yanba C was delayed and the relevant road network is not yet formed, the overall road network efficiency is not fully realised for the time being. Accordingly, there are certain discrepancies between Yanba Expressway's operating gains at this stage and the estimates disclosed in the prospectus. According to the government's planning, Yanba Expressway would connect with Renbai Expressway in Huizhou City and Shenshan Expressway through Yanba C, thereby achieving full inter-connection with Guangdong Province's expressway networks. As the construction of Renbai Expressway was delayed to 2006 and after considering the operation characteristics of road network effect of expressways, the Company had postponed the construction of Yanba C (including the remaining 2-km section of Yanba B) to align with the construction schedule of Renbai Expressway so as to ensure economic and social benefits of the investment. The construction of Yanba C commenced in October 2006 and the major works were completed in November 2008. Yanba C is scheduled to commence operation concurrently with Renbai Expressway. It is estimated that following the gradual enhancement of the neighbouring road network of Yanba Expressway, the investment return of Yanba Expressway will grow further.

4. Adoption of IFRIC 12 and Changes in Major Accounting Policies

Since 1 January 2008, the Group has adopted IFRIC 12 in preparing financial statements under HKFRS and has made comprehensive retrospective adjustments for the previous years. According to IFRIC 12, the Group accounted for the investment, construction and operation businesses as "service concession arrangements". Changes in major accounting policies and their effects include:

The Group accounted for the operating rights of relevant highway assets obtained under service concession arrangements, i.e. the rights to charge public service users, as "intangible assets under concession" in the financial statements, and measured at the fair value of the considerations received or receivable for providing concession service and amortising such considerations based on the units-of-usage method during the operation period. As for the year 2007 and previous years, they were treated as property, plant and equipment, construction in progress and land use rights, which were booked basing on actual construction expenses of toll highway projects. This accounting policy change mainly resulted in a reclassification of non-current assets and amortisation method to be adopted at the units-of usage method and led to the increases of RMB54,078,000 and RMB53,347,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, as well as an increase of RMB731,000 in profit for the Reporting Period. This had no impact on the profit for 2007.

In accordance with HKFRS 11 "Construction Contracts", the Group recognised revenues and costs for construction services or reconstruction services provided under service concession arrangements by adopting the percentage-of-completion method. The revenues incurred in construction services provided by the Group were recognised based on the fair values of considerations received or receivable. As for the year 2007 and previous years, no revenues or costs were recognised for such construction services carried out on toll highways. This accounting policy change led to a significant increase in revenues and operating costs of the Group, as well as increases of RMB42,464,000 and RMB42,464,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively. This had no impact on the profit for the Reporting Period but led to an increase of RMB16,053,000 in profit for 2007.

The Group recognised the government grants obtained under service concession arrangements for Yanba Expressway and Yanpai Expressway as financial assets, which were given by the concession grantor as payment commitments for a portion of investment, and resulted in reducing the amortisation amount for the operating period. As for the year 2007 and previous years, such amounts were treated as deferred income liabilities and recognised as subsidy income during the operating period. Such accounting policy change led to decreases of RMB176,187,000 and RMB168,863,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, as well as decreases of RMB7,324,000 and RMB10,422,000 in profits for the Reporting Period and for 2007 respectively.

In accordance with HKFRS 37 "Provisions, contingent liabilities and contingent assets", the Group made "provision for maintenance/resurfacing obligations" for the obligations of highway maintenance and road surface repaving under service concession arrangements, except for those under reconstruction service. Such provisions recognised made based on the Group's reasonable estimates of the extent of maintenance required and the expected expenses, and the provisions were made at discounted present values thereof. Incremental provisions due to passage of time were recognised as interest expenses. As for the year 2007 and previous years, toll highways were deemed as dividable fixed assets, while reconstruction and large-scale maintenance expenses were treated as asset costs which would be amortised in future usage period. The book value of assets replaced would be expensed in the income statement. Such accounting policy change led to decreases of RMB390,418,000 and RMB312,638,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, and decreases of RMB77,780,000 and RMB66,864,000 in profits for the Reporting Period and for 2007, respectively.

For the intangible assets under concession owned by Magerk Company, the Group's jointly controlled entity - the operating rights of Wuhuang Expressway, the Group had their amortisation changed to the units-of-usage method in order to be consistent with the Group's unified accounting policies. As for the year 2007 and the previous years, such assets were amortised by the straight-line method. Such accounting policy change led to increases of RMB36,484,000 and RMB28,552,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, and increases of RMB7,932,000 and RMB9,280,000 in profits for the Reporting Period and for 2007, respectively.

To conclude, the Group's changes in certain accounting policies corresponding to the adoption of IFRIC 12 resulted in decreases of RMB433,579,000 and RMB357,138,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, and decreases of RMB76,441,000 and RMB51,953,000 in profits for the Reporting Period and for 2007, respectively. Such changes had no material impact on the Group's financial position and operating results as a whole.

Please refer to notes 2.2 and 4 to the Financial Statements for the details of the Group's adoption of IFRIC 12 and changes in accounting policies.

Save as the contents discussed in this section, for details of the Group's major accounting policies and significant accounting estimates such as the recognition and amortisation of intangible assets under concession, the recognition of revenue of construction management services, the recognition of provision for maintenance/resurfacing obligations and the selection of important parameters such as discount rates, the recognisation and amortisation of investment properties, and income tax expenses for the Period and deferred income tax, please refer to notes 2 and 4 to the Financial Statements.

Risk Analysis and Management

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

Policy and Market Risks	Financial Risks	Operation Risks
■ Macroeconomic changes	■ Financing and liquidity risks	■ Results fluctuation and decline risks
■ Toll policy changes	■ Interest rate risk	■ Project investment decision-making risks
■ Fuel price volatility and levy of fuel tax		■ Project construction risks
■ Road network changes		■ Entrusted management risks
■ Taxation policy changes		■ Highway maintenance and repair risks
		■ Human resources risks

1. Policy and Market Risks

• Macroeconomic changes

The toll highway industry exhibits a certain degree of sensitivity towards changes in the economic cycle. Since the third quarter of 2008, although the slowdown of China's economic growth and the eruption of the global financial crisis have relieved the pressure of inflation, the continuous drop in demand for commodities and export trade brought forth considerable negative impact on the Company's operating results and future profitability. Meanwhile, the resultant sluggish capital market and escalating volatilities in exchange rates have cut down financing channels and therefore increased the difficulties in financing for the Company. To cope with the negative impact of the financial crisis on the economy, the government will increase investment in infrastructure including highways. This will increase investment opportunities in the highway market on the one hand, but will create pressure by drawing certain traffic diversions on existing highways on the other hand.

The Company will continue to pay close attention to the effect of macroeconomic environment changes on the Company's operating objectives. It will also strive to achieve a higher-than-market-average return for shareholders through enhancing the management quality of existing assets, controlling costs and expenses, and timely adjusting investment and financing strategies.

In financing, the Chinese government has proactively adopted various measures to maintain growth such as lowering the bank deposit reserve ratio, lowering the interest rates for deposits and loans and relieving the enterprise tax burden, with a view to increasing and boosting domestic demand and maintaining a sound financial environment. Meanwhile, the Chinese government has planned to increase financial investments in construction including infrastructure. The transportation industry, as a core industry supported by the State in the "Eleventh Five-year Plan", will continue to enjoy support from the government and banks. For the Company's coping measures towards its financing risks, please refer to the details of the following section of "Financial Risks".

- **Toll policy changes**

The major income source of the Group is toll income from vehicles. The formulation and adjustments of toll rate standards are mainly determined by the relevant State policies and approvals of government authorities. Accordingly, changes in toll policies have a direct impact on the income of Company's principal businesses and the realisation of its operating objectives. In 2008, the "Green Passage Toll Free Policy" implemented by the government had considerable negative impact on the toll revenues generated from part of the toll highways operated and invested in by the Group. This policy is expected to continue in the future. In addition, the fact that toll fees for operating Class 2 highways have been gradually cancelled since 2009 and that local governments are considering policies including "Reduction of Toll Rates for Expressways during Large-scale Maintenance" may have certain impact on the future operation of the Company.

The work we did in response to the uncertainties arising from toll rate adjustments and toll policy changes include:

- Adopting prudent assumptions for price adjustments and sensitivity analysis when analysing project investments, so as to equip new projects with stronger risk-aversive capability;
- Applying the Company's management experience in operation and construction to reduce operating costs and to control project construction costs, so as to achieve a higher return for shareholders even when toll rates remain at the same level;
- Continuing to strengthen the active communication and close cooperative relations with various government authorities and industry peers to promote understanding by the government and the public regarding the actual situation of the sector and its function on social development, so as to facilitate our pursuit for more reasonable toll rates or government subsidies; and
- Conducting strict inspection procedures on the implementation of toll- free or toll-cut policies, in order to avoid loss of toll fees.

- **Fuel price volatility and levy of fuel tax**

During 2008, oil price fluctuations and its peaking at high levels followed by a decline, together with the fuel tax levied by the government since 2009, may lead to changes in total costs and costs mix for vehicle usage, which affects vehicle consumption and the demand for highway transportation, thereby ultimately affecting the traffic volume, traffic mix and operating performance on expressways.

- A fuel tax replaces administrative charges, such as road maintenance charge, rather than expressway toll fees. Accordingly, the imposition of a fuel tax will have no impact on the collection of toll fees in the short to medium term.
- After the imposition of the fuel tax, international oil prices continued to drop. Accordingly, the Chinese government has lowered domestic petroleum product prices. The decrease in fuel prices led to a decrease in costs for vehicle usage and a rebound of vehicle consumption and demand for highway transportation, thereby promoting the growth in traffic volumes.
- Even though fuel costs are in a surging cycle, unit oil consumption on expressway travel is relatively low compared to ordinary highway travel and therefore this gives expressways a competitive edge. Accordingly, the long-term growth trend of expressways' traffic volumes is not expected to change despite the volatility of fuel prices.

The Company will closely monitor, analyse and study the impact of the relevant factors on the Company's existing projects in operation and will adopt appropriate coping measures when necessary. The Company will also make adequate estimates on the impact of relevant factors when making investment valuations on new projects.

- **Road network changes**

Based on the needs of economic growth and urban planning, the government will keep on changing and improving the planning of regional road networks, such as building new expressways or free express passages and implementing traffic control measures in certain areas. Changes in road networks of highways and the network effect may facilitate the rapid growth of traffic volume, but may also create diversion effects on existing highways. If a smooth connection with neighbouring roads is not achieved or that neighbouring roads are undergoing maintenance works, the operating performance of a toll highway may be unable to meet expectations. Since 2009, the government has increased investment in the construction of infrastructure including highways, which may speed up the changes in road networks and create both positive and negative impacts on the traffic volumes of existing highways.

The work we did in response to the above-mentioned risks include the following:

- Strengthening the analysis and research of road networks and tracking investigation of traffic volumes, pushing ahead sales and marketing and improving road guideposts, so as to enhance the overall operating performance;
- Providing quality services and strengthening road maintenance, so as to ensure service quality and smooth traffic flow; and
- Continuously maintaining good communication and cooperative relations with various government authorities and industry peers and urging the government to carry out rationalised distribution and connections of highway networks in the region, so as to achieve harmony and a win-win situation among all parties.

Renbai Expressway connecting with Yanba C of the Company and Yilian Expressway (Yizhang, Hunan-Lianzhou, Guandong) connecting with Qinglian Expressway failed to commence operation in 2008. It is estimated that there will be certain negative impact on the operating performance of the two above-mentioned projects in their preliminary phase of operation. However, it is estimated that the government's measure of increasing its infrastructure investment will benefit the completion of construction and opening-to-traffic of the above-mentioned connecting expressways. The Company has been closely monitoring the construction progress of the relevant projects and will adopt appropriate coping measures when necessary in consideration of the actual affecting factors.

- **Taxation policy changes**

Taxation policy changes may lead to an increase in tax burden for enterprises. Due to problems in coordination or inconsistent understandings about certain taxation policies between local governments and the Central Government, there are risks of back-paying taxes or even being subjected to penalties for previous years for an enterprise. In 2008, the implementation of the New Enterprise Income Tax Law increased the tax burden for the enterprises in which the Group invested in the Shenzhen region and the foreign-invested enterprises in which it invested in the country or other countries. The Company had to back-pay income tax for the financial subsidies received from local governments in previous years pursuant to the comments of the relevant State authorities. These have increased tax expenses for the Company.

Our coping measures for the above-mentioned risks include:

- Adopting the tax concession assumption with prudence when evaluating the investment for new projects; analysing potential taxation risks in an in-depth manner;
- Comprehensively reviewing the possible tax concessions enjoyed by the Group and the potential taxation risks that it is facing in case the Group applies the local regulations, and proactively adopting measures to eliminate risks; and
- Maintaining active communication with tax authorities so as to accurately understand the requirements of the laws and regulations; timely grasping the trend of tax policy changes; and studying the Group's overall tax structure of the future and the tax concession policies that it may enjoy under the New Enterprise Income Tax Law.

2. Financial Risks

• Financing and liquidity risks

The toll highway industry is characterised by a capital-intensive nature and the Group is currently at the stage of incurring high capital expenditures. The main sources of capital of the Group are its own capital reserve and loans, which caused certain pressure on financing and capital liquidity for the Group at this stage. In 2008, with the gradual completion of the new projects invested in by the Group such as Nanguang Expressway and the reconstruction of Qinglian into an expressway, the debt ratio of the Group reached a high level. Given the fact that the returns and cash flows of newly opened toll highways projects are faced with significant uncertainties in their preliminary phase of operation, these projects are not expected to help alleviate the capital pressure on the Group in the short term. Amid the global financial crisis and the uncertain macroeconomic environment, although the Company has not encountered any actual problems in securing loans from banks to date, the banks have proposed more demanding requirements for the Group's financing and capital management.

In 2008, the Group made relevant financing arrangements based on changes in the internal and external environment. It succeeded in maintaining a sound financial structure and safeguarding financial security:

- The Group rationally arranged its debt maturity structure based on its predicted change in cash flow. During a time of tight credit, the Group maintained a safe scale of short-term loans and cash reserves. During a time of relaxed credit and falling interest rates, the Group timely replaced original loan contracts so as to improve the loan's terms and reduce the cost of capital.

- The Group will maintain sufficient banking facilities in the future when capital expenditures decrease. Unutilised banking facilities of the Group amounted to RMB6.6 billion at the end of the Reporting Period.

In 2009, the Group will strengthen control and management on the scale and progress of capital expenditures. It will continue to maintain good cooperative relationships with banks and pay close attention to the changes in the financial environment and the capital market and to step up efforts to obtain more financing in the capital market when appropriate, striking a good balance between capitalising on development opportunities and maintaining a solid financial structure.

• Interest rate risks

In view of an increase in the borrowing scale of the Group, the proportion of finance costs to the operating profit of the Group has been increasing every year. This has increased the influence of the Group towards fluctuations in interest rates, especially fluctuations in medium to long-term interest rates. In 2008, impacted by the global financial crisis, the monetary policy adopted by the government was frequently changed and adjusted. Since the third quarter, the interest rate of RMB decreased on several occasions and by a substantial amount, instead of increasing as it had been expected, which has considerably relieved the pressure of finance costs for the Group. However, the financial environment and the government's policies will continue to witness volatilities in the future, thereby exerting pressure on the Group's management of medium to long-term finance costs.

Through methods such as maintaining an appropriate proportion of fixed-rate loans, timely replacing existing loans, using commercial bills and strengthening the planning and management of capital use, the Group effectively controlled its mid to long-term borrowing costs in 2008, with the actually paid borrowing cost being 4.9% and the booked borrowing cost being 5.7%.

- As at the end of the Reporting Period, the proportion of the Group's fixed-rate loans was 80%, of which loans with a term of more than 3 years accounted for 64.5%.

- Amid relaxed credit policies and falling interest rates, the Group timely replaced original loan contracts, thereby improving the loans' terms and reducing the cost of capital.

- The Group settled certain construction works payments with commercial bills, with an average interest rate of approximately 5.46%.

The Group will continue to reduce finance costs through various effective methods with reference to the changes in the internal and external environment and the changes in government policies. (Please also refer to the relevant details in the section of "Financial Review and Analysis".)

3. Operation Risks

• Results fluctuation and decline risks

In recent years, the new projects invested in by the Group were successively opened to traffic. These projects accounted for nearly 50% of the Group's total assets and are expected to become the main source of results growth for the Group in the future. However, as new projects will be affected in the short term by factors such as the progress of opening-to-traffic of the relevant road networks and the public's awareness of the roads, their profits are expected to be highly uncertain. Meanwhile, the borrowing interests of the relevant projects ceased to be capitalised, which led to a significant increase in the Group's finance costs. In addition, certain toll highways operated and invested in by the Group have gradually entered a mature period and are facing the pressure of maintenance and reconstruction, which will not only require more investment funds but will also affect normal toll operations. This may bring volatility or even a decline on the operating results of the Group.

The work we did in response to the above-mentioned risks include:

- Proactively adopting measures to step up efforts on sales and marketing and publicity for new projects and paying close attention to and pushing ahead the enhancement of relevant road networks, with a view to boosting growth in traffic volumes and toll revenues of the new projects;
- Arranging rational reconstruction or large-scale maintenance plans for highways in operation, taking into account various factors such as implementation schedules, rehabilition plans and construction plans in order to reduce the impact on toll operations during the construction period, as well as to avoid substantial fluctuations of the Group's results for a certain period due to concentrated construction;
- Adopting a prudent approach in investing in new projects, especially newly constructed projects; stepping up efforts in consolidating existing assets, unearthing the potential of quality assets, and reducing assets with low return and no growth potential, so as to enhance the overall return on assets; and
- Strengthening standardised management and cost management of the Group, thereby enhancing the efficiency of large-scale management of the Group.

• Project investment decision-making risks

In accordance with the requirements of risk analysis of project investment and decision-making procedures established by the Company, the Company compiles project investment proposals on the basis of professional reports such as feasibilities studies and traffic flow estimates, and conducts investment projections, sensitivity analysis and risk analysis. If major assumed conditions change, basic data deviate, or project assessment procedures are not effectively enforced or undergo material deviations, the investment decision concerned may fault. In addition, an inaccurate understanding about the investment policies of the relevant industry may pose risks to the investment decision of the Company.

With reference to the actual business developments, the Company amended and implemented the new version of the Management Rules on Highway Project Investments, formulated the Risk Management Manual on Highway Project Investments and carried out effective implementation thereof, with a view to further improving the organisation and decision-making mechanism, the approval procedures and the risk management regime for project investment.

On the basis of establishing a standardised investment proposal and a financial analysis model, the Company focused on conducting post-investment evaluations on newly opened-to-traffic projects, projects with revenues not yet reaching the expected targets and projects with changes in the investment plans. It will conduct evaluations on a continuous basis as planned so as to grasp the actual operating status of the investment projects, thereby providing an important decision-making basis for consolidating and enhancing the Company's resources.

The Company has formulated an investment strategic plan, proactively embarking on analyses of the industry's policies and the operating environment, as well as studying in-depth the impact of the promulgation of policies including "Measures for Transfer of Interests in Toll Highways" on the Company's equity investments, with a view to providing a policy reference basis for the Company's investment decision-making.

- **Project construction risks**

As for highway construction, whether crucial targets such as work schedules, quality, cost, safety and environmental can meet expectations will have direct or indirect impact on the current construction costs, future operating costs and the Company's reputation. In recent years, as a result of factors such as price fluctuations in construction materials; higher compensation standards for and increasing difficulties in land requisition, demolition and relocation; changes in planning or design and increasing technical difficulties; promulgation of new policies and technical regulations by the government; and the State's increasingly stringent requirements in environmental protection of construction, the difficulties in the Group's control of project construction costs and its management of work schedules, quality, safety and environmental protection have increased.

The Company has accumulated rich experience in highway construction management throughout the years and maintained a good track record. The Company is equipped with adequate expertise and management staff for the highway projects it constructs, and will strengthen the management on aspects such as operating procedures, management mode, incentive regimes, insurance arrangement and construction safety:

- Conducting sufficient research in the preliminary phase of projects and strengthening communication with design entities so as to enhance design plans and construction plans, to surpass technical difficulties, to reduce construction changes and to save construction budgets;

- Formulating the Project Management Manual (《項目管理工作手冊》) and related regimes which offer detailed regulations on the management requirement and control procedures of various aspects of a construction project including progress, quality, costs and supervision; and continuously reviewing and improving such regimes;

- Strengthening the management of tendering and contracting; enhancing the management of sites and progress; and strictly enforcing the punishing and rewarding measures, so as to form an all-encompassing management and supervision regime on construction budget, progress and quality;

- Preventing and appropriately transferring risks through entering construction contracting agreements, insurance contracts, and centralised procurement contracts for major materials;

- Reducing the environmental problems and related costs through selecting and enhancing the design of the route, and on such basis, meeting the requirements of the environmental protection policies through increasing the greenery along major highways, improving materials of road surface, and improving the soil and water conservation program; and

- Adopting a regime to motivate construction management staff and professional staff; boosting staff's morale and exploiting their potentials through work competition between projects.

- ### Entrusted management risks

Given escalating competition in the toll highway market and limited resources for self-constructed projects, the government's reform on its investment regime and the proliferation of the "entrusted construction system" for highways have provided the Company with new opportunities for business development and much room for growth. In recent years, the scale of projects constructed and operated on entrusted management by the Group continued to grow. As there are no standardised regulations and mature models for "entrusted construction" or "entrusted management", the rationality of the agreement on "entrusted construction" or "entrusted management" and the risk prevention of construction cost overrun have become key factors for the Company to expand the business.

Our coping measures in response to the above-mentioned risks include:

- Consolidating and strengthening the Company's competitive edge in the entrusted construction and entrusted management businesses through its extensive experience in highway construction and operation management, so as to maintain its leadership position in the regional market;

- Determining the operation mode, clearly specifying the Company's resources allocation and expected investment and gain, refraining from shouldering investment risks and construction budget risks, and fully reflecting the above in the "entrusted construction" and "entrusted management" contracts;

- Proactively guiding the government to optimise the design of the "entrusted construction" and "entrusted management" modes, including defining a principle for recognising the remuneration on construction management and operation management service, a bilateral principle on the rights and obligations of the contract parties, and a management mode of construction changes, with a view to ensuring the realisation of profits for the Company; and

- Equipping with sufficient professional and management teams to strengthen construction and operation management on "entrusted construction" and "entrusted management" projects, and controlling various costs and expenses in order to minimise the risks of costs overrun.

- ### Highway maintenance and repair risks

The cycle of major maintanence is 10 to 15 years. Commensurate with the increases in years of operation, traffic volume and wear-and-tear, the scale of a highway's maintenance work and related costs may also increase. In the next few years, the major operating highways of the Group will successively enter the large-scale repair period. Large-scale maintenance and reconstruction of a highway will enhance the medium to long-term competitiveness of the operating project, but will also decrease toll revenues and profits in the short term and cause pressure on the Group's capital and cash flow. In addition, the accuracy in determining a highway's large-scale maintenance plan may directly affect the realisation of the Company's profits.

Apart from adopting a prevention-oriented highway maintenance policy, the Company also controls highway maintenance costs and minimises the impact of implementing large-scale and medium-scale maintenance on its highways through the following measures:

- Enhancing the effectiveness of maintenance through improving the maintenance management model, striving to reach the objective of "Assuring safety, Extending the life of roads";

- Setting up a floating mechanism in sub-contracting maintenance contracts and adopting high examination acceptance standards, thereby realising an effective control on highway maintenance costs and enhancing the quality of daily highway maintenance;

- Apart from daily maintenance, adopting methods of specific experimentation, reporting and implementation on maintenance projects that involve heavy works and require higher technicality, appointing specialised institutions for supervision if necessary, in order to ensure the practicality, quality and cost control standards of such special projects;

- Devising and regularly reviewing the medium to long term highway maintenance plan of the Group based on the analysis of the current status of operating highways and reasonable estimates on their future usage conditions, so as to determine the reasonable time and capital budget for medium-scale to large-scale maintenance works; and

- While implementing the maintenance and repair plan, the Company will strive to maintain a balance between the works schedule and smooth traffic on the highway through rationalising construction works arrangements, such as arranging works in the dry season, arranging works on a section-by-section or lane-by-lane basis and arranging works during night time.

The Group's plan to proceed with the expansion and surface renovation projects for Meiguan Expressway and Shuiguan Expressway will affect the Group's operations to a certain degree. The Group will closely monitor the changes in the neighbouring road networks, with reference to the detailed implementation plan, in devising its rational renovation and repair works plans, with a view to minimising the short-term impact and enhancing the long-term benefits for the Company and the community.

- **Human resources risks**

With its rapid development and continuously expanding business scale, the Group's demand for quality staff is rising. Following the accelerating pace of marketisation of the highway industry, the competition for senior level talents in the industry is becoming increasingly fierce. This does not only lead to a continuous increase in the Group's staff costs, but also poses a higher demand on the management and planning of human resources.

The Company adopts the following concrete measures to enhance internal management standards of human resources in order to cope with the possible risks of lacking or losing quality human resources:

- Expanding the effort on recruiting talents to strengthen our management and professional staff team;

- Improving the selection of talents, the cultivation mechanism and the training system in order to build up a talent pool and to enhance employee quality;

- Continuously reviewing and improving organisational design and the job position regime and providing a platform for utilising talents to the full; and

- Raising the competitiveness of the remuneration and benefits system and implementing the incentive scheme and the performance control scheme anchored with performance targets.

The Company's objective is to ensure that its human resources will provide all-encompassing support to its business development needs and to achieve a win-win situation between the interests of the staff and the Company.

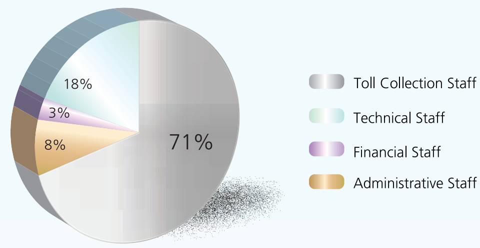
Human Resources Management

1. Management Principles

"Enabling staff to develop a sense of achievement and to work healthily and happily" is one of the values of the Company. The Company regards staff as valuable resources and wealth, and promoting the added value of human resources is fundamental for making the Company energetic. The Company values the work contributed and the value created by staff. It strives to cultivate a safe and healthy work environment for staff and to provide comprehensive benefits and protections such as medical and retirement benefits, as well as valuing and safeguarding staff's legal rights and interests. Meanwhile, by adopting and enhancing the incentive and disciplinary mechanisms and the talents training and selection system, the Company fully stimulates staff's enthusiasm and creativity towards work and creates a good development platform for staff, thereby realising a harmonious win-win condition between the interests of the staff and the Company.

2. Employee Status

As at 31 December 2008, the Company and its wholly-owned subsidiaries had 1,526 employees, of whom 386 were management and professional staff while 1,140 were toll collection staff. 25% of the Company's staff held tertiary or above qualifications, and 87% of the management and professional staff held tertiary or above qualifications, among whom 14% held master degrees and 45% held bachelor degrees.



During the Reporting Period, the Company recruited 47 management and professional staff, among whom 26 were operation management staff, 6 were engineering or technical staff, 6 were financial staff and 9 were administrative management staff.

3. Employee Remuneration and Incentive System

The remuneration and benefits policy of the Group is enforced pursuant to the statutory requirements and the Management Rules for Employee Remunerations and Benefits (《員工薪酬福利管理辦法》) of the Company. An employee's remuneration and benefits comprise monthly salary, annual performance bonus and statutory and company benefits which are based on the principle of "salary is based on the individual position and changes with the position" and are determined according to the market value of the position and the overall performance of staff.

Pursuant to statutory requirements, the Company has participated in an employee retirement scheme which is organised by the local government authorities (social pension insurance), and has applied various protection plans such as basic medical insurance package, industrial injury insurance, unemployment insurance and child-bearing insurance for its employees. According to the relevant regulations, the Group should pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to a maximum cap) to the labour and social security authorities as social insurance contributions for items such as pension and medical insurance. As at 31 December 2008, the Company has three retired staff. The registration procedures in relation to their retirement have been completed with Shenzhen social security authorities. For other details of the employee remuneration and benefits scheme, please refer to notes 27 and 36(g) to the Financial Statements and the relevant content in the "Corporate Social Responsibility Report 2008" attached to this annual report.

Appraisals and Incentives for Senior Management

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

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 2008, the key performance targets determined by the Company included return on shareholders' equity, annual operating revenue, expenses and profit indicators, completion rate of acquisitions of equity and investment, important tasks for operations, construction and financing, internal management, and so forth.

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

The Company has not adopted any share option incentive scheme for the time being. On the premise of seriously studying and complying with the relevant regulatory regulations and guidelines which have been promulgated, the Company will proactively explore a long-term incentive regime of share options to be implemented in due course.

4. Staff Training

The Company values staff training. At the beginning of each year, the Company formulates a training plan based on actual needs as the direction of training of the year and conducts sum-up and review at the end of the year. In 2008, the Company provided various kinds of themed training sessions targeting the needs of the management and professional technical staff for over a hundred times, with 959 enrollments. It also held six operational training sessions for rank-and-file staff, with over 600 enrollments. The internal network institute established by the Company provides over 30 types of network training courses, covering areas such as personal development, overall quality nurturing, the Company's strategy, human resources and standardised systems for staff to choose and apply on their own.

5. Staff Satisfaction

During the Reporting Period, the Company conducted the Staff Satisfaction Survey for 2008. The survey results revealed that staff has a high degree of satisfaction and identification with the Company's development trend, improvement in remunerations and benefits, enhancement and transparency of regulations and rules, personal career development, establishment of corporate culture and training.

For details of staff development and staff rights and interests, please refer to the relevant content in the "Corporate Social Responsibility Report 2008" attached to this annual report.

Outlook and Plans

In the long term, the overall trend of continued growth for China's economy will not change. However, in the short term, especially in 2009, China's economy will continue to be impacted by the financial tsunami, and there is a risk that the impact may escalate further. Meanwhile, during the implementation of the first five-year strategic plan, the Company has adopted proactive expansion strategies, and so its assets scale has expanded rapidly while its gearing ratio has risen significantly. As its neighbouring road networks could not be enhanced concurrently and new projects were still in their cultivation stage, the Company is facing downward pressure on its return on net assets and net profits.

Although the macro economy will still face significant uncertainties in the short term, the Central Government and local governments at various levels have successively initiated measures to increase domestic demand and boost economic growth in response to the impact of the financial tsunami, and these measures are beneficial for revitalising the economy and shortening the economic revival period. Since 2009, the State has adopted a fuel tax policy removing six charges including road maintenance charges, while oil prices have been decreasing gradually. The decrease in vehicle usage costs and the increase in traffic efficiency of expressways are beneficial for attracting more vehicles to travel on expressways. In addition, the relatively relaxed credit environment at present, the increase in financing products and a recent relaxation of restrained conditions bring forth opportunities for the Company to optimise its capital and debt structure and to reduce its financing costs.

Opportunities and challenges coexist while integration synchronizes with the development. To realise a sustainable and healthy development of the Company, the Group's focus of work in 2009 includes:

- **To enhance the development strategy plan.** Year 2009 is the last year of the Five-year Development Strategies of the Company. The Company will timely sum up the effect of the implementation of the strategies and the experience and lessons learnt therefrom, and will thoroughly study the changes in the internal and external environments so as to lay down the Company's development strategy plan for the next stage as soon as possible, and thoroughly execute work through measures including formulating sub-strategies, defining and quantifying work objectives and strengthening plan management.

- **To enhance operations management standards and achieve operating profit targets.** Based on the reasonable expectation that no substantial changes will take place in the operating environment, the Group has set the total toll revenue target for 2009 at RMB1,200 million (2008 actual amount: RMB985 million). The growth will mainly come from an increase in toll revenue after the completion of road reconstruction on Qinglian Project. Our main tasks for 2009 include: 1) to push ahead the transformation in the toll collection mode of Qinglian Company and to strengthen marketing and related ancillary work of the project; 2) to dedicate efforts in the preparation for the toll collection inter-network between the Shenzhen region and the Pearl River Delta region, to enhance the toll collection system and network supervision and control so as to enhance toll collection efficiency; 3) to regulate the sub-contracted management mode for electrical repairs and for road assets maintenance in order to enhance road traffic efficiency and capacity; and 4) to organise and arrange large-scale maintenance plans, and through adopting measures including pre-maintenance management to effectively reduce general costs during the operating period.

- **To fully complete the management tasks for the construction projects.** In 2009, the construction tasks of the Company remain formidable. On the one hand, the Company has to effectively push ahead the construction management work of self-constructed projects including Qinglian Project and the expansion of Meiguan Expressway, as well as entrusted construction projects including Nanping (Phase II) and Shenyun Project, striving to achieve pre-set objectives for work schedule, quality, budget and safety. On the other hand, the Company needs to complete various settlements and related follow-up work for completed projects according to the plan, and to timely launch new entrusted construction management projects as well as further enhancing the management standards of entrusted construction projects.

- **To strengthen efforts in financing, maintain a sound financial position and continuously enhance financial management standards.** On the basis of its work in 2008, the Company has proposed to the shareholders at the general meeting to grant the Board a general mandate to issue debentures denominated in Renminbi. The issuance will facilitate a broadening of financing channels, a reduction in finance costs and an improvement in debt structure. In addition, the Group will launch the following work in 2009: 1) to strengthen the plan management of capital expenditures and to increase operating cash flow and its forecast accuracy in order to ensure that capitals are timely paid and capital efficiency is enhanced; 2) to arrange loan structure in a reasonable manner in order to maintain sufficient banking facilities and high credit ratings; 3) to strengthen the warning system for relevant risks and to contain the relevant financial risk indicators at a reasonable level; 4) to enhance the efficiency and standards of financial management and accounting in order to achieve the annual objective as well as mid-term and long-term objectives.

- **To strengthen the management of assets pool in order to increase return on net assets.** Based on the current development status of the Company, the Group will step up efforts to integrate its assets, enhance the potential of quality assets, and reduce the number of projects which have lower returns and limited growth potential or weak control capability. Through calculation, assessment, unearthing and integration of existing assets as well as developing and reserving quality assets and new businesses, the Group will gradually enhance the overall return on assets and return on net assets of the Group.

- **To enhance the integral management capabilities so as to satisfy the Group's development needs.** After being awarded an accreditation of ISO9000 Quality Management System in 2008, the Company will further comply with the customer-oriented excellent performance management model, strengthen the organisation's awareness of customer satisfaction and innovation activities, with a view to pursuing excellent operating performance. In accordance with "Internal Control of Enterprises – Basic Principles"(《企業內部控制基本規範》) jointly issued by the five ministries of the Central Government and in accordance with the requirements set out in various internal control application guidelines, the Group will further organise and enhance its internal control regime. In addition, the Group will step up efforts in recruitment and training of talents and foster a harmonious and positive culture to effectively enhance management standards, thereby satisfying the needs of the Group's ongoing development.

Corporate Governance

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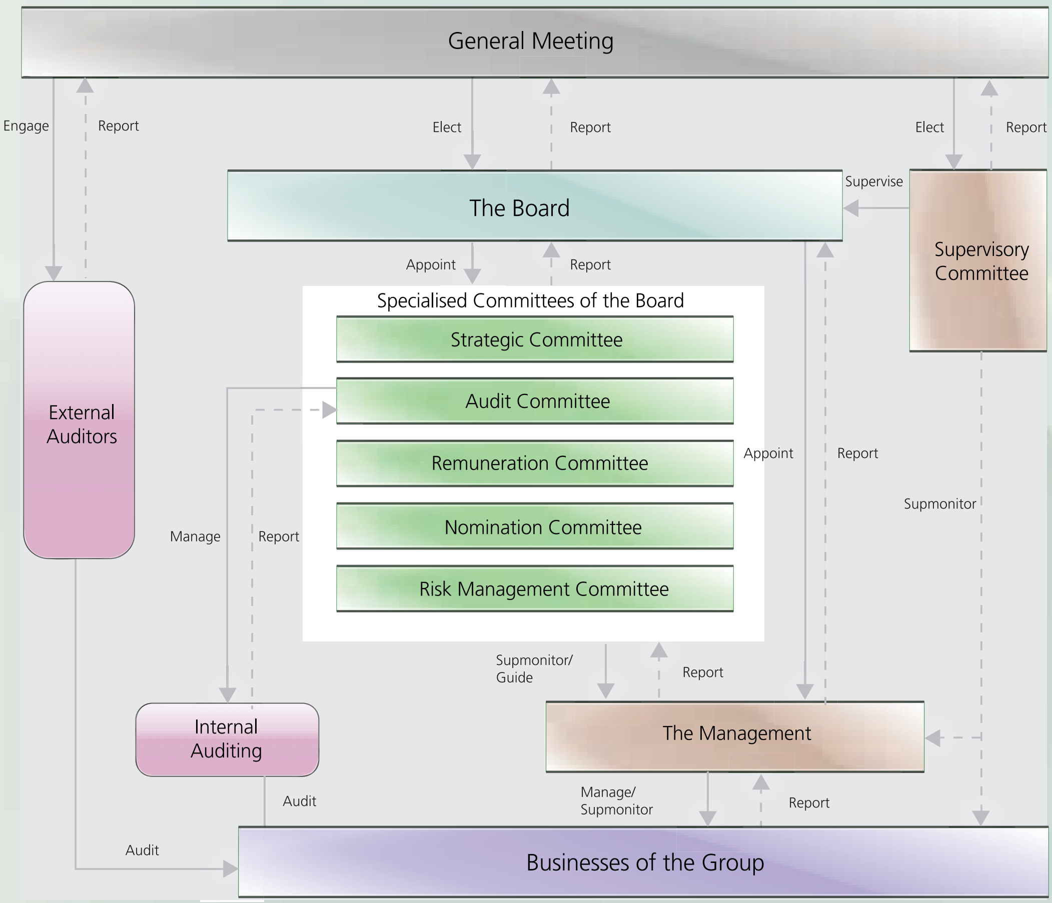
Corporate Governance Report

The Company is listed on both HKEx and SSE. Besides complying with the applicable laws and regulations, we have to comply with the requirements of the Code on Corporate Governance Practices of HKEx and the Code of Corporate Governance for Listed Companies of CSRC regarding the practice of corporate governance. During the Reporting Period, the Company has fully adopted and complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules of the HKEx. 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.

Sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operations. More importantly, it fulfils the Company's internal development needs. A scientific and regulated decision-making system, a supervisory system with check and balance and effective execution capabilities constitute the foundation for the Company's healthy and sustained development. Since its establishment, the Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management, and has continued to review and enhance such structure by means of practice. To date, the Company has realised a separation in positions between the Chairman and the President. It sets up five specialised committees under the Board and these committees practically perform their tasks, including implementing an independent internal audit regime, establishing a comprehensive internal control regime as well as formulating multi-tier governance rules based on the Articles of Association of the Company. These rules aim to clearly define the duties, limit of authority and conduct standards. Based on the laws and regulations and the governance rules, shareholders of the Company, the Board, the Supervisory Committee and the management discharge their own duties, coordinate with each other, effectively counter-regulate each other, and continuously enhance corporate governance standards, thereby laying a good foundation for driving the Company's development and maximising value for the shareholders. The current governance structure of the Company is shown as follows:



Corporate Governance Report

The following contents marked with the symbol† can be found on the website of the Company.

The current corporate governance practices of the Company have gone beyond the requirements of the Code on Corporate Governance Practices of HKEx 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 total of 10 non-executive directors (including Independent Directors) exceeds 2/3 of the Board membership;

√ The stipulation on the terms of office for Independent Directors of no more than 6 years;

√ The establishment of the Nomination Committee, the Risk Management Committee and the Strategic Committee under the Board, in addition to the Audit Committee and the Remuneration Committee;

√ Purchase of insurance on directors' and senior management's liabilities for Directors, Supervisors and the senior management;

√ The provision of independent channel† for the Audit Committee to obtain information about fraudulence risks, whereby informants may report alleged fraudulence directly to the chairman of the Audit Committee;

√ Disclosure of senior management remunerations on a named basis in the annual report;

√ Preparing and publishing quarterly results announcements in accordance with CAS;

√ Maintaining active and effective communication with shareholders and setting up channels for conveying small and medium shareholders' important opinions and recommendations to the Board and the management;

√ Disclosing a large part of information on its website that the public may be interested in, including monthly operational statistics of each toll highway†, main governance guideline of the Company† as well as the profiles of the Directors, Supervisors and members of the senior management†;

√ Disclosing the Self-assessment Report on Internal Control and Corporate Social Responsibility Report of the Company since 2008;

This "Corporate Governance Report" mainly sets out the structure of the Board of the Company, the governance principles, the detailed operation and practice of corporate governance. For a full understanding of the practice of corporate governance of the Company, please read in conjunction with the following chapters or content in this annual report.

- Shareholders and Investor Relations
- Report of the Supervisory Committee
- Corporate Social Responsibility Report 2008†

A. Board of Directors

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 authorities according to the shareholders at the general meeting in respect of the Company's development strategies, management structures, investment and financing, planning, financial control, human resources, and so forth. The Articles and the attachments to the Articles (Rules of Procedures for the Board of Directors Meeting)[†] have already spelt out the Board's duties and authorities in respect of the Company's development strategies and management as well as its duties and authorities to supervise and inspect the Company's development and operation.

The Chairman of the Board of the Company (the "Chairman") is Mr. Yang Hai, while the President (the "President") is Mr. Wu Ya De. The Articles 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. Meanwhile, the Board also reviewed again and listed out the duties of the Chairman and the President in 2008, which clearly defined the respective responsibilities of the two roles.

Main duties of the **Chairman** include:

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

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

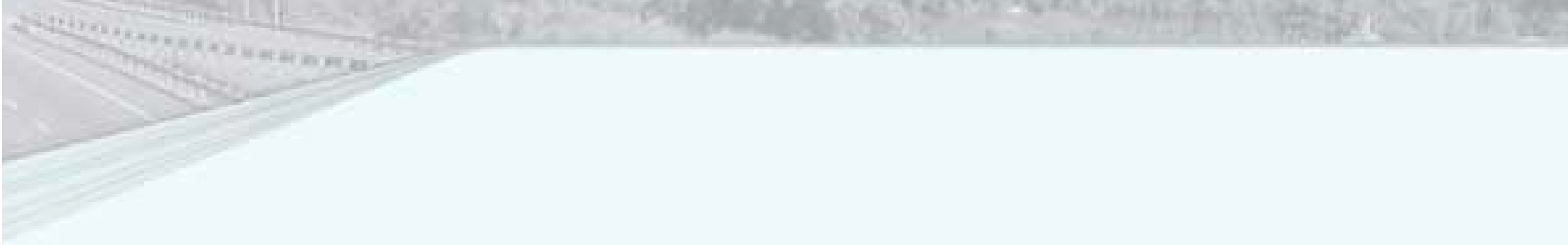
- Being responsible for, and taking charge of, the Group's daily operation and appropriately utilising the Group's resources to enhance overall profits;
- Implementing the Company's development strategies, organising the execution of the Board's resolutions and timely reporting to the Board as well as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

2. Composition of the Board

The Board comprises 12 directors. As at 31 December 2008, members of the Board include:

- Executive Directors: Mr.Yang Hai and Mr. Wu Ya De
- Non-Executive Directors: Mr. Li Jing Qi, Mr. Wang Ji Zhong, Mr. Liu Jun, Mr. Lin Xiang Ke, Ms. Zhang Yang and Mr. Chiu Chi Cheong, Clifton
- Independent Directors: Mr. Li Zhi Zheng, Mr. Zhang Zhi Xue, Mr. Poon Kai Leung, James and Mr Wong Kam Ling.

The above-mentioned directors came from various industry backgrounds and have professional expertise in highway industry, construction, investment, accounting, finance and securities, human resources or corporate management. Among the directors, two of the Independent Directors possess professional accounting qualifications or appropriate expertise in accounting or related financial management as required by the regulatory organisations. Four Independent Directors and one External Director holding no office at any shareholding institutions represent one third of the total membership of the Board. There are only two Executive Directors, representing one-sixth of the total membership of the Board. Such a structure helps the Board to analyse and discuss issues from various perspectives. It also helps the Board to maintain its independence and to review and monitor the Company's management procedures in a strict manner, thereby providing sound supervision and balance to safeguard the overall interests of the Company and the shareholders.



The term of the fourth session of the Board of the Company expired on 31 December 2008. The members of the fifth session of the Board of the Company were elected at the general meeting and all of them performed duties on 1 January 2009 and elected Mr. Yang Hai once again as the Chairman of the fifth session of the Board of the Company. The new 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 Independent Directors) possess professional accounting qualifications or expertise in financial management. A majority of the members have experience in working with listed companies. A summary of the members of the fifth session of the Board is as follows:

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

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

3. Procedures

The Board holds one regular meeting each quarter and holds ad hoc meetings when necessary. Notices of all regular meetings shall be despatched to all directors at least 14 days before the meeting is held, while notices of ad hoc meetings shall be despatched at least 5 days before the meeting is held. The Company's Chairman, President and Supervisory Committee have the right to call for an ad hoc meeting. Meanwhile, over 1/3 of the directors, over 1/2 of the independent directors or shareholders representing 10% of the voting rights may also propose to hold an ad hoc Board meeting when necessary, so as to ensure that all significant matters of the Company can be considered and discussed appropriately.

On the basis of ensuring the Board's duties and authorities on the Company's management, the Board issued the Letter of Authorisation to the Executive Directors in 2008 to grant Executive Directors certain authorities on aspects such as external investment, acquisition and disposal of assets, pledge of assets and internal management so as to enhance the overall quality and efficiency of decision-making of the Board. The Board has formulated the Rules of Procedures for the Executive Directors Meeting which requires the Executive Directors to resolve matters through Executive Directors meetings, report the details of the resolutions to the Board and the Supervisory Committee for record and make timely external disclosure in accordance with requirements. The Board conducts annual review and assessment on the implementation of authorised matters and the scope of authorisation and make timely amendments and adjustments when necessary. Through an appropriate degree of authorisation, establishing a regime on procedural management, documentation and regular reviews, the Board's management of the authorised matters can be strengthened. The Company is of the view that enhancing quality and efficiency of decision-making through an appropriate degree of authorisation can improve the existing accountability regime, thereby enhancing the governance standards of the Company.

The Company's management is responsible for supplying the Board with the relevant information and data necessary within a reasonable time for the consideration of various resolutions, as well as arranging managers to report on various businesses especially the progress of the Group's substantial matters, so that the Board can make rational and scientific decisions on the basis of adequate understanding of the required information. When necessary, directors may individually and independently contact the Secretary to the Board and other senior management members directly to obtain more detailed information and opinions. Directors and the specialised committees of the Board may engage independent professional institutions for services with reference to the needs of duty and business, and reasonable fees incurred shall be borne by the Company.

On a connected transaction which is subject to external disclosure requirements, or on a matter on which any of the Executive Directors will have to abstain from voting or which involves conflicts of economic interests of major shareholders or directors, the matter shall be considered and approved at a Board meeting held by the Company, and no resolutions shall be made by means of written resolutions or resolutions by proxy. Whenever a transaction is considered at a Board meeting, the Directors are required to report their respective interests involved, and abstain when appropriate. According to the Company's Rules of Procedures for the Board of Directors Meeting[†], a Director should abstain from a meeting and be given no voting rights in case an item considered by the Board is relevant to his/her personal economic interests. In addition, a Director who also holds office in a connected company is not allowed to vote in case the Board is considering a transaction between the connected company and the listed company.

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

4. Decision-making for the Year

Details of the four Board meetings held by the Board of the Company during the Reporting Period are as follows:

Session of the meeting	Date convened	Major newspapers and websites on which the information is disclosed	Date of disclosure on newspapers
The sixteenth meeting of the fourth session of the Board	14 March 2008	Shanghai Securities News Securities Times http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com	17 March 2008
The seventeenth meeting of the fourth session of the Board	25 April 2008		28 April 2008
The eighteenth meeting of the fourth session of the Board	29 August 2008		30 August 2008
The nineteenth meeting of the fourth session of the Board	30 October 2008		31 October 2008

During the Year, through appropriate means including holding all-members meetings, executing written resolutions or resolutions by proxy, the Board conducted discussion, made decisions and passed 39 resolutions on issues covering the Group's operating and financial performance, financing plans, management structure and elections of directors:

- Consideration of the annual final accounts and budgets, work reports of the Board and internal control assessment reports;
- Consideration of the annual, interim and quarterly reports;
- Consideration of the proposed annual profit distribution;
- Evaluating the operating performance of 2007 and determining the operating performance targets for 2008;
- Studying and determining matters on changes in accounting policies, significant accounting matters and re-appointment of auditors;
- Applying for bank loans, banking facilities and arranging financing guarantees;
- Expansion of the entrusted management business;
- Purchase of insurance on Director's liabilities;
- Reviewing and enhancing the authorisation system of the Board;
- Enhancing corporate governance rules and the relevant management regimes;
- Approving the Company's self-inspection reports on specific activities on corporate governance and on appropriation of funds by connected parties;
- Nomination of candidates for the fifth session of the Board and proposing the Directors' remuneration scheme.

B. Directors

1. Appointment

Directors are elected or replaced at shareholders' general meetings. Shareholders of the Company, the Board and the Supervisory Committee are eligible to nominate candidates for directorship in writing. Directors serve for a term of 3 years and, upon expiry of the term, their appointment is subject to further consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years.

The Company's Rules of Procedures for the Board of Directors Meeting† have listed the Company's requirements on the qualifications and basic qualities of Directors, the nomination format and the proposing procedures: that is, the Nomination Committee is responsible for qualification inspection and quality assessment on the candidates for directorship, as well as making proposals to the Board and providing explanations to the general meetings.

The term of the fourth session of the Board of the Company expired at the end of 2008. In this regard, the Company issued a voluntary announcement on 8 September 2008 explaining to all shareholders the work arrangement for the new Board and matters related to nominations, including the election procedures for the new Board, qualifications of the nominees, basic requirements for the positions of Directors and the required submission documents and information for nominators and nominees, in order to ensure that shareholders have the opportunities to exercise their nomination rights. Meanwhile, an open nomination process can expand the contact channels between the Company and high quality candidates in the society, thereby facilitating an enhancement of the overall quality of the decision-making body of the Company.

The Company's election of Directors adopts the cumulative voting system whereby, on election of Directors, the number of votes that each shareholder is entitled to cast is equal to the number of shares that he/she holds multiplied by the number of Directors whom he/she has the right to elect. Each shareholder may elect a Director by using all the votes held or may allocate the votes to all the candidates whom he/she has the right to elect at discretion. The candidates with more votes will be elected. The voting on the election of Independent Directors shall be conducted separately from that of non-independent Directors. On 16 December 2008, the Company convened the extraordinary general meeting and successfully elected the members of the fifth session of the Board.

2. Information Support

The Company strives to enhance its internal information support systems and communication regimes to adequately ensure an effective operation of the Board. 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, as well as other information such as relevant industry policies, market opinions and the Company's operations. In 2008, the Company compiled 6 editions of reference document summaries and 5 editions of market news briefings for the Directors, so as to provide them with the most updated regulatory policy documents and relevant reports and analyses on the securities market and the news media. During the Year, the Company also arranged reporting sessions for the Board on strategies review and risks management which aimed at reporting to the Directors on the Company's work and thoughts on the implementation of strategies, analyses of the internal and external environment and risks management. It also organised site visits to Nanguang Expressway, Yanba Expressway and Qinglian Project for the Directors, enabling the Directors to have an in-depth and comprehensive understanding of the operating status and construction progress of the above-mentioned projects. In addition, each Director is provided with channels to independently contact and communicate with the Company's senior management members and specialised committee secretaries when necessary.

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

Considering that there is a relatively large number of new members in the fifth session of the Board, during the nomination period, the Company arranged meetings between the candidates and the management of the Company as well as site visits to the Company's projects, and also arranged Independent Directors candidates to participate in the qualification training organised by the Shanghai Stock Exchange, so as to facilitate a deeper understanding by the candidates towards the Company and the responsibilities as a Director. These efforts, on the one hand, enhance their willingness to accept the nominations and to undertake corresponding responsibilities for the Company, and on the other hand facilitate them to commence their work and discharge their duties as soon as possible upon being elected. In January 2009, after the new Directors had reported duties, the Company immediately provided them with Director's Manual and arranged orientation activities for them to enable them to develop a comprehensive and systematic understanding of the basic operations of the Company and the domestic and overseas requirements and principles related to governance.

3. Performance of Duties in the Year

During the Reporting Period, the Company's Directors attended Board meetings in a prudent, responsible, proactive and serious manner, adequately capitalising on their respective professional experience and expertise. They provided independent judgment, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work to the best interests of the Company as its objective. Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2008 was 100% while attendance in person was 95.8%. Attendance of members in person at the meetings of the specialised committees of the Board was 100%. Details of attendance of each Director at the Board meetings are as follows:

Directors		**Attendance in person/ Total number of Board meetings**	**Attendance**
Yang Hai	(Chairman)	4 / 4	100%
Wu Ya De	(Executive Director)	4 / 4	100%
Li Jing Qi	(Non-Executive Director)	4 / 4	100%
Wang Ji Zhong	(Non-Executive Director)	4 / 4	100%
Liu Jun	(Non-Executive Director)	4 / 4	100%
Lin Xiang Ke	(Non-Executive Director)	4 / 4	100%
Zhang Yang	(Non-Executive Director)	4 / 4	100%
Chiu Chi Cheong, Clifton	(Non-Executive Director)	4 / 4	100%
Li Zhi Zheng	(Independent Director)	4 / 4	100%
Zhang Zhi Xue	(Independent Director)	3 / 4[#]	75%
Poon Kai Leung, James	(Independent Director)	3 / 4[#]	75%
Wong Kam Ling	(Independent Director)	4 / 4	100%

#: 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.

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. Four Independent Directors of the Company assumed crucial duties and tasks in the five specialised committees of the Board respectively. Chairmen of the specialised committees other than the Strategic Committee were taken up by Independent Directors who possess relevant experience or qualifications. Meanwhile, the Independent Directors held meetings with the external auditors according to the requirements and directions of the relevant regulations to discuss the annual auditing work. They also provided independent opinions and proposals on nominations of Directors, Directors' remunerations, external guarantees and connected transactions of the Company, thereby providing sound check-and-balance for safeguarding the overall interests of the Company and shareholders. In 2008, the Independent Directors gave no dissent to matters discussed by the Board and did not propose to hold any Board meeting and general meeting or publicly collect voting rights from shareholders. Since 2005, the Independent Directors have been submitting their annual work reports† at the general meeting each year for shareholders' review.

4. Remunerations of Directors

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

5. Independence of Directors

The Company has appointed a sufficient number of Independent Directors. In accordance with the requirements of the Articles of Association, re-elected Independent Directors are subject to a maximum term of six years. As the terms of the four Independent Directors of the fourth session of the Board have reached six years or nearly six years, upon the expiry of their terms of the fourth session of the Board, these Independent Directors did not offer themselves for re-election. The Board has obtained written confirmations from all Independent Directors of the fourth session of the Board concerning their independence in accordance with rule 3.13 of the Listing Rules of HKEx. The Company believes that, for the year ended 31 December 2008, these Directors have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent. Four Independent Directors of the fifth session of the Board submitted statements to the Board concerning their independence when they were nominated and on the date of the approval of this 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" as a written guide to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The standards set under Appendix 10 to the Listing Rules of HKEx have been incorporated into the Securities Transaction Code of the Company. After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that all of the Directors, Supervisors or senior management have complied with the standards on securities transactions by Directors as stipulated by the aforementioned code during the Reporting Period.

7. Insurance on Directors' Liabilities

In accordance with the approval and authorisation of the generating meeting, the Company has purchased the Directors and senior management's liability insurance for the Directors, Supervisors and senior management staff of the Company. 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.

C. Specialised Committees of the Board

In order to help the Board to discharge their duties and promote effective operation, five specialised committees have been set up under the Board. These committees have their designated duties and terms of reference. They are required to review and monitor matters in specific areas of the Company and make corresponding recommendations to the Board while the right to make decision for all matters hinges on the Board. Each of the committees has formulated its terms of reference[†] and such terms of reference have been approved by the Board.

The Company's policy is to ensure each of the committees to receive sufficient resources to discharge their duties. Each of the committees holds meetings each year to discuss matters within their terms of reference according to the actual situation and report to their Board on a regular basis. All items passed at the meetings of the committees are recorded and kept for filing. The respective minutes are also timely submitted to the Board for documentation.

1. Strategic Committee

The Strategic Committee was established in November 2001. It is responsible for examining and reviewing the directions of the Company's strategic development, formulating 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.

As at 31 December 2008, members of the committee include Mr. Yang Hai (Chairman), Mr. Wu Ya De, Mr. Chiu Chi Cheong, Clifton and Mr. Li Zhi Zheng [Independent Director]. Upon the establishment of the fifth session of the Board, the name of the Strategic Development and Investment Committee has been changed to the Strategic Committee. The new session of the committee has been formed and it comprises Mr. Yang Hai (Chairman), Mr. Wu Ya De, Mr. Li Jing Qi, Mr. Chiu Chi Cheong, Clifton and Mr.Lam Wai Hon, Ambrose [Independent Director].

In 2008, the Strategic Committee held one meeting and all members attended the meeting. The committee reviewed the terms of reference and proposed recommendations for amendments. In addition, it studied the development strategies and direction of the Company for the next stage and proposed an overall principle of "adherence to enhancing the return on net assets as the objective of the Company while taking a development path characterised by high quality."

2. Audit Committee

The Audit Committee was established in August 1999 and mainly comprises Independent Directors. It is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting; evaluating whether the Company's internal control regimes are sound and effective; appointing the independent auditors, coordinating their work and reviewing the efficiency and quality of their work; and reviewing all written reports furnished by internal audit officers as well as the management's feedback to such reports.

As at 31 December 2008, members of the committee include Mr. Wong Kam Ling [Independent Director] (Chairman), Mr. Poon Kai Leung, James [Independent Director] and Mr. Chiu Chi Cheong, Clifton. Upon the establishment of the fifth session of the Board, the new session of the committee has been formed and it comprises Mr. Lam Wai Hon, Ambrose [Independent Director] (Chairman), Mr. Zhang Li Min [Independent Director] and Mr. Chiu Chi Cheong, Clifton. The committee hereby submits the Annual Work Report as follows:

Annual Work Report of the Audit Committee

The fourth session of the Audit Committee has held totally five meetings in 2008, and all members attended the meetings. As at the date of this annual report, two meetings of the fifth session of the Audit Committee of the Board were held, and all members attended the meetings. Among the aforementioned meetings, external auditors were invited to six meetings to discuss relevant issues. 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 will, after each meeting, submit a report to the Board on major items discussed and brief the Board at least every six months on its work and progress. The Audit Committee hereby reports the major tasks in the said period as follows:

(1) Review of Periodic Financial Statements

The Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. Pursuant to the relevant procedures, the management is responsible for the preparation of the Group's financial statements, including the selection of the appropriate accounting policies therefor; the external auditors are responsible for auditing and verifying the Group's financial statements and evaluating the Group's internal control regimes about the compilation 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 unaudited financial statements for the first and third quarters of 2008 (prepared under CAS) and the unaudited financial statements for the first six months of 2008 have been reviewed by the fourth session of the Audit Committee of the Board and submitted to the Board for approval prior to their publication.

Upon its establishment, the fifth session of the Audit Committee of the Board mainly reviewed the 2008 financial statements. Its relevant work includes:

- Pursuant to the relevant requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange, the Audit Committee proposed to amend the "Rules for Reviewing the Annual Financial Report by the Audit Committee" and the amendments were approved by the Board, thereby further enhancing the procedures for reviewing the annual report and defining clearly the scope of the relevant work.

- Before the annual audit began, members of the Audit Committee and the Independent Directors of the Company had obtained the "Work Plan on the Annual Financial Report and Annual Audit for 2008" from the Company's Financial Controller and the "Annual Audit Plan for 2008" from the certified public accountants for the annual audit. It also met with the certified public accountants for the annual audit and discussed the composition of the audit team, the audit plan, risks evaluations, methods for testing and assessment of risks and fraudulence, the focus of the annual audit, and the detailed schedule of the audit work for the annual financial report.

- Before the certified public accountants for the annual audit began the audit, the Audit Committee preliminarily reviewed the Group's 2008 financial statements with special attention paid to the handling of the Year's significant financial and accounting matters. The Audit Committee gave preliminary approval to the management's handling of the significant financial and accounting matters for 2008 and believed that significant accounting estimates adopted by the management were basically reasonable. It suggested further improvement on the annual financial statement and the content of the notes, so as to ensure the compliance, completeness and accuracy of disclosure and the consistency between the overall data in the financial statements and the notes.

- Before the certified public accountants for the annual audit had finished the preliminary auditing opinion, members of the Audit Committee communicated and exchanged ideas for a number of times with the auditors through methods such as teleconference and email to ensure consistency between the two parties in understanding the significant matters and that relevant accounting treatments were appropriate.

- On 23 March 2009, after the certified public accountants for the annual audit issued the preliminary auditing opinion, the Company held a joint meeting attended by the Audit Committee, the Independent Directors and the certified public accountants for the annual audit, with the Chairman of the Supervisory Committee invited to participate as well. The Audit Committee again reviewed the 2008 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 2008 satisfied the requirements of the domestic and overseas accounting standards, while the significant accounting estimates adopted and the handling of significant financial and accounting matters were reasonable.

- Through adequate communication in advance and timely supervision during the process, the certified public accountants for the annual audit submitted as scheduled the annual auditing report on 2 April 2009.

Based on the aforementioned work and the certified public accountants' auditing report for the annual audit, the Audit Committee believes that the Group's 2008 financial statements truthfully and reasonably reflect the Group's 2008 operating results and the financial position as at 31 December 2008, and hereby suggests the Board to approve the same.

(2) Internal Control and Risk Management

To gradually enhance the Group's internal control and risk management regimes, the Audit Committee furnished the management promptly with professional advice on the Group's significant matters or reminded the management of any risks associated with such matters, as well as furnishing the management with professional advice on the enhancement of internal control and risk management standards on an ongoing basis.

In early 2007, the Audit Committee 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 to strengthen the communication and cooperation between both sides. Meanwhile, the Audit Committee regularly exchanged opinion with the certified public accountants for the annual audit on risks of fraud and their management and control measures. The committee and Independent Directors believe that the management and control adopted by the Company on the prevention of risks of fraud are effective.

The Audit Committee is also responsible for monitoring and appraising the Company's internal audit. It reviewed all auditing reports and annual and interim internal control inspection reports submitted by the Audit Department of the Company and issued independent evaluations on the effectiveness of the Group's internal control regime, so as to ensure that the Group sets up and executes the appropriate internal control regime and procedures.

(3) Work Evaluation and Re-appointment of Auditors

The Audit Committee considered and approved the Management Regime for the Selection and Appointment of Certified Public Accountants for the Annual Audit. After discussion and evaluation with the management, the Audit Committee summarised the auditing work of the certified public accountants for the annual audit in 2008 in accordance with the requirements of the regime. The committee believes that PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. performed well in terms of independence and objectivity, professional skills, quality and efficiency of financial information disclosure auditing, and communicating with the management and the Audit Committee. The committee proposes the Board to re-appoint the aforementioned institutions as the Company's international auditors and statutory auditors for 2009, respectively.

Members of the Audit Committee: Lam Wai Hon, Ambrose; Chiu Chi Cheong, Clifton and Zhang Li Min
2 April 2009

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 members of the senior management, and conducting appraisals thereof. As at 31 December 2008, members of the committee include Mr. Li Zhi Zheng [Independent Director] (Chairman), Mr. Zhang Zhi Xue [Independent Director] and Ms. Zhang Yang. Upon the establishment of the fifth session the Board, the new session of the committee has been formed and it comprises Mr. Ting Fook Cheung, Fred [Independent Director] (Chairman), Mr. Wang Hai Tao [Independent Director] and Mr. Chiu Chi Cheong, Clifton. The committee hereby submits the Annual Work Report as follows:

Annual Work Report of the Remuneration Committee

The Remuneration Committee has held three meetings in 2008, and all members attended the meetings. The work completed by the committee during this period includes:

1. Appraising and evaluating the Company's management operating performance for 2007;

2. 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 2007;

3. Reviewing the Company's operating results targets for 2008 and the adjustment plan of operating targets due to changes in the external environment and in policies and regulations in the first half of 2008;

4. Reviewing the remuneration plan for the Directors of the fifth session of the Board of the Company based on a full consideration of the situations in China with reference to the remuneration levels in the market, coupled with the actual situation of the Company and the candidates, and submitting the plan to the Board and the general meeting for consideration.

As at the date of this annual report, the Remuneration Committee of the fifth session of the Board held its first meeting for 2009 and all members attended the meeting. The following matters were discussed and studied by the committee:

1. In accordance with the methods for appraising operating performance as approved by the Board, the committee inspected one-by-one various indicators and key tasks. It appraised and evaluated the operating performance of the Company's management in 2008 and reported to the Board on the appraisal opinions;

2. The committee discussed the key performance indicators and key tasks for 2009 proposed by the Company's management according to the annual work arrangements and budget, set out the Company's operating performance targets for 2009 and submitted to the Board for consideration;

3. The committee inspected the 2008 remuneration disclosure proposal for the Directors, Supervisors and senior management and believed that the content and format of the remuneration disclosure proposal satisfied the requirements of relevant regulations.

Members of the Remuneration Committee: Ting Fook Cheung, Fred; Wang Hai Tao and Chiu Chi Cheong, Clifton
2 April 2009

4. Nomination Committee

The Nomination Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for examining and 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 members of the senior management. As at 31 December 2008, the members of the committee include Mr. Li Zhi Zheng Independent Director (Chairman), Mr. Zhang Zhi Xue Independent Director and Mr. Yang Hai. Upon the establishment of the fifth session of the Board, the new session of the committee has been formed and it comprises Mr. Wang Hai Tao Independent Director (Chairman), Mr. Ting Fook Cheung, Fred Independent Director, and Mr. Yang Hai.

The Nomination Committee has held two meetings in 2008, and all members attended the meetings. During the Year, the committee inspected the qualifications, professional qualities and nomination procedures of the candidates for Directors who were nominated by shareholders in accordance with the relevant requirements of the Company Law and the Company's governance rules. After preliminary selection, the committee proposed to the Board a candidate list comprising one Non-Executive Director and four Independent Directors, and inspected the qualifications and professional qualities of such candidates, especially those for Independent Directors. It proposed recommendations to the Board regarding the latter's work on electing the new session of the Board and matters related to the selection of Independent Directors.

5. Risk Management Committee

The Risk Management Committee (the "RMC") was established in August 2004 and is responsible for improving and enhancing the Company's procedures and systems for managing its investment activities, and providing support to the Company's business decision-making and operations by performing risk analysis and controls in relation to individual investment projects. As at 31 December 2008, members of the committee include Mr. Poon Kai Leung, James Independent Director (Chairman), Ms. Zhang Yang and Mr. Li Jing Qi. Upon the establishment of the fifth session of the Board, the new session of the committee has been formed and it comprises Mr. Zhang Li Min Independent Director (Chairman), Ms. Zhang Yang and Mr. Lin Xiang Ke.

Two meetings of the RMC were held in 2008 and all members attended the meetings. Major tasks of the committee include:

- Reviewing the progress tracking report on Qinglian Project, obtaining timely updates on the latest progress of the budget control and progress management on Qinglian Project, as well as exchanging ideas and investigating major risks related to the project with the management;

- Reviewing the Company's Procedures for Risk Control Management and proposing relevant recommendations;

- Discussing with the management major risks that would be faced by the Company in the future and the coping measures;

- Clarifying the committee's work to be commenced with reference to the implementation of the Company's risk management for the next stage; facilitating an effective execution of the Company's risk management system through guidance and supervision; and preliminarily determining the committee's work focuses for 2009.

D. Accountability and Audit Supervision

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

This statement intends to clarify for our shareholders the responsibilities to be assumed respectively by the Directors and the auditors of the Company towards the financial statements. It should be read together with the statement of responsibilities by the auditors set out in the Independent Auditor's Report on page 107 of this annual report.

It is the Board's opinion that the financial statements were prepared on the basis of ongoing operations given that the resources available to the Company are sufficient enough for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements on pages 109 to 188. These policies have been applied throughout the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and in accordance with all accounting standards which the Board deems appropriate.

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

2. Auditors

The financial statements contained in the Company's 2008 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 5 consecutive years and has changed one of its endorsing certified public accountants during the Year. PwC as the Company's international auditors has been providing audit services to the Company for 13 consecutive years since 1996. Its partners in charge of the Company's audit were changed in 2003.

The remunerations of the auditors in the year 2008 are set out as follows:

	Audit fees (Note 1)		Other fees (Note1)	
(Unit: RMB '000)	**2008**	2007	**2008**	2007
PwC	**2,170**	1,950	**—**	—
PwC Zhong Tian	**1,180**	990	**—**	—

Note 1: Pursuant to the requirements of CSRC's "Q&A No.6 on Information Disclosure Regulations for Companies with Publicly Issued Securities", audit fees are fees paid by a listed company for appointing auditors to conduct audit, verification and review services for financial reports 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.

Note 2: The auditors have submitted a written confirmation in respect of the aforementioned remuneration issues.

Note 3: The Company's subsidiaries Qinglian Company and Advertising Company engaged Carea Schinda Certified Public Accountants to perform audit services. The audit fees paid during the Reporting Period amounted to RMB65,000 (2007:RMB43,000).

The Audit Committee is responsible for conducting a comprehensive and objective assessment on the completion of the audit work for the Year and the practice quality of the auditors, and submitting a summary report on the audit work carried out by the auditors for the Year. It also reviewed the appointment, resignation or replacement of auditors, as well as assessing the quality of the auditors' services and the reasonableness of their audit fees and making recommendations to the Board in this regard. The appointment and replacement of auditors as well as the audit fees are proposed by the Board to the general meeting for approval or authorisation. The Audit Committee has conducted a summary evaluation on the 2008 auditing work by PwC Zhong Tian and PwC, and has made proposals to the Board on the appointment of the Company's auditors for 2009. For details, please refer to the content of "Annual Work Report of the Audit Committee" above.

E. Internal Control

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

In 2008, on the basis of ongoing reviews of the Company's internal control system, the Board issued a Self-assessment Report on the Internal Control of the Company which illustrated and explained the objectives of internal control of the Company, the basic elements of the internal control regime and its implementation, and the overall assessment results. The main content of the report is as follows:

Self-assessment Report on the Internal Control of the Company

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

Given that internal control has its inherent limitations, it can only provide a reasonable assurance for achieving the aforesaid objectives. Also, whether internal control is effective or not may also vary with changes in the Company's internal and external environment as well as in its operating conditions. A check and supervision mechanism has been established for the Company's internal control, under which rectification measures will be taken immediately once a defect in internal control is identified.

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 2008, the Board's self-assessments on each element of the Company's internal control system are as follows:

1. The Control Environment

- The Company has established general meetings, the Board and the Supervisory Committee with clear governance structure and normative functioning.
- The Board is composed of Directors with adequate knowledge, skills and qualities, with a generally sound overall structure and division of duties.
- The management of the Company has set forth the value on integrity and stable development, whilst at the same time promoting integrity and ethical standards to staff by setting examples of their own deeds. Corresponding appraisal and reward and punishment systems are established.
- The Company has set medium/long-term strategic objectives with rational dissection to various levels, and established a strategic objective-based performance incentive regime.
- The Company has a rational organisational structure with corresponding authorisation documents. Allocation of authorities and responsibilities is basically rational.
- The Company has established work processes to identify the laws and regulations that must be complied with, and has recorded such compliance requirements in the know-how inventory of its communication platform with continuous updates.
- The Company has set up a relevant human resources management system. It timely adjusted position establishments and staff arrangements of various departments according to business development needs, enabling the Company to recruit and maintain an adequate number of competent staff.

- A long-term incentive regime is yet to be established by the Company. The Company will timely supplement and improve its human resources management and incentive systems and procedures according to changes in the regulatory environment and the Company's own development needs.

At the end of 2006, the Board decided to introduce in full scale an **Excellent Performance Management Model** to the Company in a three-year timeframe in order to enhance the Company's management standards across-the-board. In the first half of 2008, the Company entered in full scale the trial implementation stage of ISO 9000 Quality Management System. After half a year's system maintenance and continued improvement, the Company made significant progress in defining departmental duties, organising operations procedures and delegating management authorities. During the trial implementation, two internal audits were carried out and immediate rectifications were made to unqualified aspects. The Company was successfully awarded an external accreditation of ISO 9000 in July. On this basis, the Company continues to reinforce the implementation of the Excellent Performance Management Model, pursuing excellent performance in operation and management.

Excellent Performance Management Model

The Company established a quality assurance system in accordance with the management principle under the ISO 9000 Quality Management System. Based on this, the Company fully introduced an Excellent Performance Management Model. In accordance with the assessment standards and core values of the model, the Company established a management operation system with its own characteristics. Highlights of the system included: **with the core value system as its orientation; with standardised and regulated work procedures as its basis; with management by knowledge and continued improvement as the driving force for the Company's sustainable and innovative development.**

2. **Risk Assessments**

In accordance with the needs of risk management, the Company officially released the "Procedures for Risk Control Management"(《風險管理控制程序》) on the basis of enhancing the risk management system. Details of the duties and work procedures on risk management for various departments were laid down. In 2008, various departments and units of the Company prepared their annual risk management plans; identified and evaluated various risk items affecting the realisation of their respective annual targets; set up relevant coping measures on such risk items; and reviewed and evaluated the status of the implementation of their respective risk management plans at the end of the year. In addition, the Company conducted analyses of its internal operations and collection of external information on a regular basis in order to timely discover new changes and make adjustments and continued improvement to the risk management. The formulation and implementation of the Procedures for Risk Control Management is beneficial for the further rolling out and enhancement of the Company's risk management work.

3. **Control Activities**

The Company's control activities cover every aspect of the Company's value creation chain. As at August 2008, with reference to the 11 core values under the Excellent Performance Management Model as well as the requirements stipulated in the ISO_9000 Quality Management System, the Company established and enhanced the corporate management documentation system including the "Rules on Corporate Governance"(《公司治理規則》), the "Employee Manual"(《員工手冊》), the "Quality Manual" (《質量手冊》), the "Procedures Document"(《程序文件》) and the "Work Document"(《工作文件》). Meanwhile, it designed and re-recognised 43 internal procedures control documents and work documents, covering essential management aspects of various operations, including investment management, project construction, maintenance and repair, toll collection management, know-how and communication management, financial management, human resources management, information disclosure management, subsidiaries management and internal audit. The audit department undertook specific audits on the scientific rationality and operational effectiveness of the designs of certain control activities, and no substantial shortcomings were discovered.

In the second half of 2008, in accordance with "Internal Control of Enterprises – Basic Principles"(《企業內部控制基本規範》) jointly issued by the five ministries of the Central Government and in accordance with the requirements set out in various internal control application guidelines, the Company appointed an intermediate company, Deloitte Touche Tohmatsu, to re-examine and reorganise in detail the operations procedures relating to controls on the corporate level, the operational level and the information technology level, with a view to facilitating the Company to further improve the control documents relating to internal control procedures and internal control scheme design. At the moment, such work is proceeding according to schedule and is expected to be completed in the first half of 2009.

4. Information and Communication

(1) Internal information and communication

- The management managed to report timely to the Board on important or sensitive information or extraordinary matters regarding the Company.

- The Company convened regular weekly and monthly meetings for management members and convened President Working Meetings when necessary. Various regular reports and specific analysis reports of the Company regarding operations, project construction and financial management were submitted timely to the management and the relevant functional departments.

- In 2008, the Company upgraded its internal integrated information management platform, realising an electronic work place and enabling the sharing of organisational knowledge and information.

- In order to continue to enhance the level of staff satisfaction, the Human Resources Department conducted a staff satisfaction survey in 2008 to understand the needs of staff from different perspectives. Such survey provided first-hand information for enhancing staff cohesiveness.

(2) External information and communication

- The Company has devised the relevant systems and work guidelines regulating the Company's work on information disclosure, information flow and confidentiality. During the Reporting Period, the "Rules Governing Information Disclosure Matters" was effectively executed to ensure openness, fairness and impartiality of information disclosure. Meanwhile, the Company has enriched the content for voluntary information disclosure while promoting a full understanding of the operations and development prospects of the Company by investors and the public through the Company's website and the conduct of a wide variety of investor relations activities.

- The Company assigned specific staff to collect, process and analyse external information in order to compile reports for internal circulation. Meanwhile, the Company established an investor hotline and customer enquiry and complaint hotlines to conscientiously handle opinions and suggestions offered by investors and customers, and to indentify possible management shortcomings therefrom.

- To fully align with the customer-oriented quality principle, the Company appointed Shenzhen Quality Assurance Centre (《深圳市質量保證中心》) to conduct a third-party customer satisfaction survey for the Company in 2008 with a survey report issued. Through a collection, collation and analysis of feedbacks from external customers, the report provided a strong basis for improving the Company's internal management and raising the level of customer satisfaction.

5. **Supervision**

(1) **Day-to-day management supervision**

The Company has established a documentation system for management supervision. Specific chapters in the "Quality Manual" (《質量手冊》) 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 management supervision was regulated through documents including "Control Procedures for Internal Audit" (《內部審核控制程序》), the "Control Procedures for Management Assessment" (《管理評審控制程序》), the "Quality Control Procedures for Specific Projects" (《專項計劃的質量控制程序》), the "Control Procedures for Financial Assessment and Management" (《財務評審管理控制程序》) and the "Supervision System for the General Office" (《督辦管理制度》). The establishment of these documents has greatly facilitated the management's continuous supervision and assessment of the Company's production and operation processes.

As the Company's internal quality control department, the Standards Management Department of the Company is responsible for establishing and maintaining the Company's quality management regime, and it exercises real-time supervision on operation processes. The Standards Management Department completed two internal audits on the operational effectiveness of the management system in 2008 and carried out the interim and annual management assessments. The areas diagnosed in the two internal audits as "unqualified" have already been rectified. In addition, the Administrative Office of the Company conducted regular inspections on the follow-up and implementation of matters decided upon at meetings and on the progress of annual plans achievement in accordance with the Supervision System for the General Office.

(2) **Independent Supervision of the Audit Department**

The Company's Audit Department under the Audit Committee of the Board has been established since August 2000 for the purpose of independently reviewing the effectiveness of the Group's operating management activities and the internal control system, and for the purpose of assuring the Company's transparency as well as its compliance with the regulations when disclosing information to the public. Depending on the materiality and the potential risks existing in the internal control systems of various businesses and processes of the Company, the Audit Department carries out evaluation and inspection of key operation aspects such as the Company's operation, construction, investment, corporate governance and financial management on a regular or as-needed basis, and provides monitoring and evaluation of the Company's internal control system and management efficiency. Internal audit staff are authorised to gain access to any information relating to the Company and to make enquiries to staff concerned, and the General Manager of the Audit Department will directly report to the Audit Committee on the work findings and views. After a consideration of such findings and views, the Audit Committee will make recommendations to the management of the Company and will submit periodic reports to the Board.

In early 2008, based on its own operational characteristics, management status and risks analysis results, the Company devised the annual internal control inspection and supervision plan. In accordance with the annual plan, the Audit Department of the Company carried out specific audits on certain control activities and selectively checked the scientific rationality and operational effectiveness of the control activities design. Audited items in 2008 included: post-project audit on Qinglian Project; specific audit on management of invested enterprises; specific audit on management fees; specific audits on toll income and financial management at toll stations; specific audit on management of project funds; and specific audit on financial statements and internal control of Advertising Company. The respective specific audit reports and relevant management recommendations were submitted to the Audit Committee for consideration and were furnished to the Board in the form of the Audit Committee's meeting memoranda. The evaluation and inspection results were effectively communicated to the parties being inspected and timely rectifications were made. Meanwhile, the Audit Department has reviewed all the periodic reports compiled by the Company in 2008. 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 audit reports to the Audit Committee. The Audit Department also conducted selective checks on the Company's implementation of the Rules Governing Information Disclosure Matters during 2008.

The Audit Department conducted comprehensive evaluation on the internal control system on a periodic basis by filling in the assessment checklist (the design of which was based on the COSO internal control framework) and combining the supervision and inspection results of the aforementioned financial information disclosures and internal control activities. The Audit Department then submitted the conclusion report on internal control inspection to the Audit Committee and the Board after the annual and interim periods.

The Board of the Company has conducted self-assessment of all the aforesaid aspects of internal control in 2008. No material shortcomings were discovered in the design or implementation of the internal control of the Company. Through a basic assessment on the various key elements in the internal control system and through various internal audit and assessment work conducted in 2008, as well as the ongoing reviews carried out over the years, the Board of the Company is of the view that from 1 January 2008 to the end of the Reporting Period, the Company's internal control system and its implementation were basically sound and effective; were able to cater for the needs of the Company's corporate governance, operation, construction, investment, finance and administrative personnel management; and were able to provide reasonable assurance on compiling accurate and fair financial statements as well as thorough compliance with the relevant laws and regulations.

This report was considered and approved at the Company's third meeting of the fifth session of the Board on 2 April 2009. The Company and all members of the Board severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of the report. The Company did not engage any accountants to conduct verification and evaluation of the internal control situation of the Company for the year ended 31 December 2008.

The Board of Directors
Shenzhen Expressway Company Limited
2 April 2009

F. Conclusion

Since its inception, the Company has established multi-tier governance rules based on the Articles of Association of the Company, including the Rules of Procedures for the Shareholders' General Meeting, the Rules of Procedures for the Board of Directors Meeting and the Rules of Procedures for the Supervisory Committee Meeting; Work Guidelines for Independent Directors, President and Secretary to the Board; terms of reference and work codes for each of the specialised committees; and management regulations for dealings in securities, information disclosure and investor relations. All the above rules and regimes aim to clearly define the duties, authorities and conduct standards of various parties, and they are being reviewed and amended on a continuous basis through practice. During the Reporting Period, the Company further enhanced the corporate governance rules and relevant management regimes, including formulating or amending the Internal Control Regime on Making Provisions for Impairment of Assets, the Code for Dealing in the Company's Securities, Work Guidelines for Independent Directors, the Regime for Independent Directors' Work on Annual Report, the Work Code on Audit Work of Annual Financial Report for the Audit Committee, and Work Guidelines for the President.

The Company is committed to enhancing the effectiveness of the Board's operation based on a regulated operation so as to promote the stable and sustainable development of the Company. Meanwhile, the Company strives to enhance shareholder value, maintain exchanges of ideas and communication with investors as well as emphasising and respecting the interests of stakeholders. For further understanding of the principles followed by, and the detailed practice of, the Company when dealing with the relations with creditors, service providers, customers, staff, the government and the communities, please refer to the following sections of this annual report:

Shareholders and Investor Relations

Content includes:

- Information on Share Capital
- Information on Shareholders
- General Meeting
- Information Disclosure and Investor Relations Activities
- Shareholder Return

Corporate Social Responsibility Report 2008

Content includes:

- Corporate Values
- Basic Social Responsibilities
- Stakeholders
- Environmental Protection
- Pursuit of Innovation and Excellence

Report of the Supervisory Committee

The Supervisory Committee, comprising shareholders and staff representatives, independently exercises its rights of supervision on the Company required by laws so as to protect the legal interests of shareholders, the Company and staff from being violated.

Content of the report includes:

- Duties and responsibilities
- Composition
- Annual Work Report

1. Profiles of Share Capital

(1) Basic Information of Share Capital

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

(2) Issue and Listing of the Securities

1) The Company had not issued staff shares. During the three years before the end of the Reporting Period, the Company has not issued new shares.

2) Pursuant to the approval by CSRC through Document 證監發行字[2007]315號 (Zheng Jian Fa Xing Zi (2007) No.315), the Company issued Bonds with Warrants of RMB1,500 million on 9 October 2007. Proceeds were used for the construction of Nanguang Expressway. Pursuant to the approval by the SSE through Document 上證上字[2007]194號 (Shang Zheng Shang Zi (2007) No.194) and Document 上證權字[2007]21號 (Shang Zheng Quan Zi (2007) No.21), the bonds and warrants after separation were listed respectively on SSE on 30 October 2007.

Category	Issuing date	Issuing price	Issuing size	Listing date	Tradable numbers approved	Expiration of Trading
Bonds with Warrants						
— Bonds	2007-10-9	RMB100/ certificate	15,000,000	2007-10-30	15,000,000	2013-10-9
— Warrants	2007-10-9	—	108,000,000	2007-10-30	108,000,000	2009-10-29

The term of the bonds is 6 years with the nominal interest rate being 1.0%. The interests of the bonds are paid once a year, and the principal will be repaid after the expiry. The subscriber of each Bonds with Warrants has received 7.2 warrants from the Company and a total of 108 million warrants were issued. The primary conversion price of the warrants is RMB13.85 per share (during the Reporting Period, the Company distributed dividend for the year 2007, on the ex-dividend basis of A Shares, the conversion price of the warrants was adjusted from RMB13.85 to RMB13.48) and the conversion ratio is 1:1. The warrants should be exercised in the trading days from 23 October 2009 to 29 October 2009, during which time trading in the warrants will be suspended.

In June 2008, 中誠信國際信用評級有限責任公司 (China Chengxin International Credit Rating Co.,Ltd.) gave a follow-up to the Bonds with Warrants, whose credit rating was remained AAA. In October 2008, the Company paid the annual interest of the Bonds with Warrants on schedule as agreed. Holders of the bonds, were paid an interest of RMB10 (tax included) for each hand of the bonds, with the par value of RMB1,000 each.

3) During the Reporting Period, there was no change in the total of the shares or share structure of the Company.

(3) Public Float

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

(4) Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Period, the circulating market capitalisation of H Shares of the Company (circulating H Share capital x closing price of H Shares(HK$2.71)) was HK$2.026 billion and the circulating market capitalisation of A Shares of the Company (circulating A Share capital including restricted circulating shares x closing price of A Shares(RMB4.41)) was RMB6.320 billion.

2. Profiles of Shareholders

(1) General Information of Shareholders

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, the Company had 49,819 shareholders in total, including 49,525 holders of domestic shares and 294 holders of H Shares. The information of the holders of restricted circulating shares and the top ten holders of non-restricted circulating shares of the Company were as follows:

Unit: Share

Information of the holders of restricted circulating shares

Name of shareholder	Number of restricted circulating shares held (Note 1)	Type of shares
XTC Company	654,780,000	A Share
SGH Company (Note 2)	411,459,887	A Share
Huajian Centre	87,211,323	A Share
GDRB Company	61,948,790	A Share

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

Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC Nominees Limited (Note 3)	687,387,098	H Share
Kingboard Investments limited	30,982,000	H Share
BOC - China AMC Sector Selected Securities Investment Fund (LOF)	12,133,698	A Share
Au Siu Kwok	11,000,000	H Share
Kingboard Chemical Holdings limited	6,936,000	H Share
CCB - Penghua Value Advantage Securities Investment Fund	6,001,272	A Share
Social Insurance Fund Portfolio 102	5,500,000	A Share
Arsenton Nominees Limited	3,000,000	H Share
CMB - SSE Dividend ETF	2,260,720	A Share
ICBC - China Universal Balanced Growth Securities Investment Fund	2,238,716	A Share

Notes:

1 These restricted circulating shares was released restriction to circulate on 2 March 2009.

2 SGH Company pledged 200,000,000 shares among its domestic shares of the Company to China Merchants Bank, Shenzhen Xingheshiji Branch as security of a bank loan, and relevant registration procedures related to the pledge was completed on 27 June 2008. As at the end of the Period, the above-mentioned shares were still in pledge. On 18 February 2009, the procedures relating to the registration of the release of pledge of above-mentioned shares was completed.

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

(2) Disclosure of Interests

As at 31 December 2008, 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:

		Number of domestic shares (Note 1)		Approximate percentage of total issued domestic share capital	Approximate percentage of total issued share capital
深圳市投資管理公司 (Shenzhen Investment Holding Corporation)	(Note 2)	1,066,239,887	(Note 5)	74.40%	48.89%
Shenzhen International	(Note 3)	1,066,239,887	(Note 6)	74.40%	48.89%
XTC Company	(Note 4)	654,780,000	(Note 7)	45.69%	30.03%
SGH Company	(Note 4)	411,459,887	(Note 7)	28.71%	18.86%
Huajian Centre	(Note 4)	87,211,323	(Note 7)	6.09%	4.00%

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

	Number of H shares (Note 8)		Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital
Hallgain Management Limited	59,838,000	(Note 9)	8.00%	2.74%
Kingboard Chemical Holdings Limited	59,838,000	(Note 9)	8.00%	2.74%
Jamplan (BVI) Limited	50,496,000	(Note 9)	6.76%	2.32%
Kingboard Investments Limited	50,496,000	(Note 9)	6.76%	2.32%
JPMorgan Chase & Co.	50,854,870	(Note 10)	6.80%	2.33%
JPMorgan Chase Bank, N.A.	50,168,000	(Note 10)	6.71%	2.30%
Deutsche Bank Aktiengesellschaft	50,783,160	(Note 11)	6.79%	2.33%
Capital Research and Management Company	42,916,000	(Note 12)	5.74%	1.97%

Notes:

1 Restricted circulating shares.

2 Shenzhen Investment Holding Corporation is an investment holding institution subordinate to the Shenzhen Municipal Government, and is under the supervision of Shenzhen SASAC.

3 Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.

4 Limited company incorporated under the laws of the PRC.

5 Interests of controlled corporations owned through Shenzhen International. As at 31 December 2008, Shenzhen Investment Holding Corporation held 40.92% of shares of Shenzhen International. Pursuant to the SFO, Shenzhen Investment Holding Corporation was deemed to be interested in shares of the Company owned by Shenzhen International.

6 Interests of controlled corporations, including 654,780,000 domestic shares held through XTC Company, a wholly-owned subsidiary, as beneficial owner, and 411,459,887 domestic shares held through SGH Company, a wholly-owned subsidiary, as beneficial owner. In addition to the interests in the above-mentioned domestic shares, Shenzhen International, through its wholly-owned subsidiary, Advance Great Limited, held 24,568,000 H Shares of the Company.

7 Long positions held directly as beneficial owner.

8 Share listed on the main board of HKEx.

9 These 59,838,000 H Shares were interests of controlled corporations of Hallgain Management Limited, including 50,496,000 shares of interests held directly by Kingboard Investments Limited, an associated corporation, and interests of controlled corporations held by Jamplan (BVI) Limited and Kingboard Chemical Holdings Limited, both associated corporations, and 9,342,000 shares of long position held directly by Kingboard Chemical Holdings Limited, an associated corporation, as beneficial owner.

10 These 50,854,870 H Shares were held by the associates of JPMorgan Chase & Co., including 50,168,000 shares of lending pool held directly by JPMorgan Chase Bank, N.A., an associated corporation, as custodian, and 686,870 shares of long position held directly by J.P. Morgan Whitefriars Inc., an associated corporation, as beneficial owner.

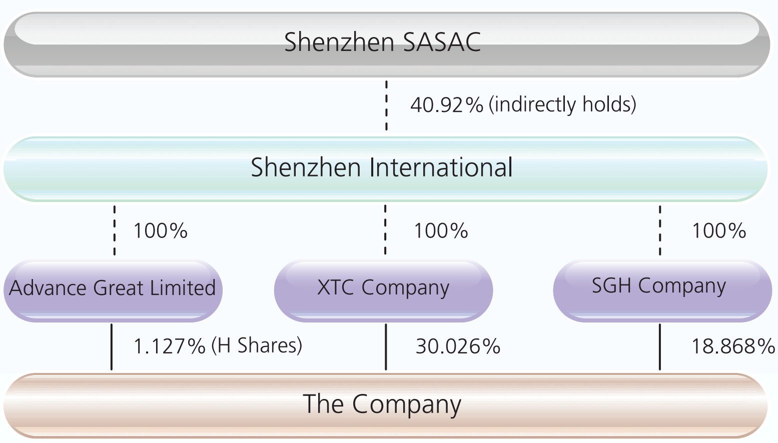
11 These 50,783,160 H Shares were held by Deutsche Bank Aktiengesellschaft, including 50,762,000 shares of long position held directly as person having a security interest in shares, and 21,160 shares of long position held directly as beneficial owner. In addition to above-mentioned interests, Deutsche Bank Aktiengesellschaft held 4,712,000 H Shares of short position directly as person having a security interest in shares.

12 These 42,916,000 H Shares were long position held directly by Capital Research and Management Company as investment manager.

Save as disclosed above, the register required to be kept under Section 336 of Part XV of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2008.

(3) Information of Substantial Shareholders

As at the end of the Period, the equity relationship between the Company and the de-facto controller (as defined in the relevant PRC regulatory rules) is as the chart on the right:



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$1,402,741,947.50 as at 31 December 2008. 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 SASAC, holds approximately 40.92% issued share capital of Shenzhen International through its authorized institution, Shenzhen Investment Holding Corporation. Shenzhen Investment Holding Corporation is a public-owned enterprise under Shenzhen Municipal Government. Shenzhen SASAC is the capital contribution and is responsible for its supervision and management. Pursuant to Document 深國資委[2004]223號(Shen Guo Zi Wei [2004] No.223), Shenzhen Investment Holding Corporation, 深圳市建設投資控股公司(Shenzhen Construction Investment Holding Corporation) and 深圳市商貿投資控股公司(Shenzhen Commercial and Trading Investment Holding Corporation) will be merged to form SIHC. Currently, Shenzhen Investment Holding Corporation is now undergoing the account settlement process for the merger.

Shenzhen International had indirectly held approximately 31.151% share capital of the Company through XTC Company and Advance Great Limited. On 16 October 2007, Yiwan Industry, a wholly-owned subsidiary of Shenzhen International, entered into an agreement for the acquisition of 100% interests in SGH Company from Shenzhen SASAC, and relevant industry and commerce registration in connection with the acquisition was completed on 30 December 2008. Shenzhen International has indirectly held 50.021% share capital of the Company, including 654,780,000 domestic shares of the Company (representing approximately 30.026% of the total share capital of the Company) holding through XTC Company, its wholly-owned subsidiary, 411,459,887 domestic shares of the Company (representing approximately 18.868% of the total share capital of the Company) holding through SGH Company, its wholly-owned subsidiary, and 24,568,000 H Shares of the Company (representing approximately 1.127% of the total share capital of the Company) holding through Advance Great Limited, its wholly-owned subsidiary.

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

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

(4) Dissemination of Undisclosed Information to the Controlling Shareholder

As mentioned above, as at 30 December 2008, Shenzhen International indirectly held over 50% of shares of the Company. Pursuant to the relevant accounting policies, the financial statements of the Company will be consolidated into these of Shenzhen International. In this regard, since 2009, the Company has to submit the consolidated financial statements prepared under the HKFRS prior to the publishing of annual results and interim results to Shenzhen International for the latter's preparation of the consolidated financial statements and periodic reports. In accordance with the requirements of the documents including《關於對上市公司向大股東、實際控制人提供未公開信息行為加強監管的通知》(深證局公司字 [2007]11 號 ("Notice on Strengthening the Regulation on Provision of Undisclosed Information to Substantial Shareholder or De Facto Controller of Listed Companies") (Shen Zheng Ju Gong Si Zi [2007] No.11) issued by CSRC Shenzhen Bureau, the fifth session of the Board of the Company considered and approved the above-mentioned matter at the second meeting, agreeing that under the premise of receiving the《加強未公開信息管理承諾函》("Undertaking Letter on Strengthening Management of Undisclosed Information") and the list of persons having access to the insider information submitted by Shenzhen International in accordance with the relevant requirements, the Company will submit the relevant information to Shenzhen International prior to the publishing of annual and interim results so as to help the latter to complete the preparation of its consolidated financial statements and periodic reports as required by laws. In addition, while the Company releases information to its shareholders, it shall submit to the SSE for documentation at the same time, as well as timely submitting the list of insiders and the relevant information to the CSRC Shenzhen Bureau for documentation.

3. General Meetings

The Company strives to ensure that all shareholders, especially minority shareholders, are able to fully exercise their rights and on an equal basis. According to the regulations of the Articles and the attachments to the Articles, subject to the stipulated procedures and requirements, shareholders individually or collectively holding 10% or more of the voting shares are entitled to request the Board to convene an extraordinary general meeting or a class shareholder meeting, while shareholders individually or collectively holding 5% or more of the voting shares are entitled to propose new motions at the annual general meeting.

The general meeting is the institution vested with the supreme authority of the Company, where duties and powers are exercised in accordance with the law to make decisions on significant matters of the Company. Each annual or extraordinary general meeting provides a channel of direct communication between the Board and the shareholders of the Company. Therefore, the Company puts high regard to the general meeting and all the Directors and the senior management are requested to make their best effort to attend. At the general meetings, all shareholders are entitled to provide recommendations or conduct inquiries to Directors, Supervisors and the senior management regarding issues about the Group's business and operating activities. Except for issues involving commercial secrets which cannot be disclosed publicly at the general meetings, Directors, Supervisors and the senior management shall explain and illustrate on the shareholders' inquiries and recommendations. During the Reporting Period, the Chairman of the Company attended the annual general meeting, and arranged the chairmen or their appointed representing committee members of the Audit Committee, the Remuneration Committee and the Nomination Committee to attend the annual general meeting to answer shareholders' questions.

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

Details of the general meetings convened by the Company in the year 2008 are as follows:

Session number	Date convened	Major newspapers and websites on which the information disclosed	Date of disclosure on newspapers
The 2007 Annual General Meeting	7 May 2008	Shanghai Securities News Securities Times http://www.sse.com.cn	8 May 2008
The First Extraordinary General Meeting 2008	16 December 2008	http://www.hkex.com.hk http://www.sz-expressway.com	17 December 2008

The above-mentioned meetings were held at the conference room of the Company and the following matters were considered and approved as ordinary resolutions:

- The report of the Directors, the report of the Supervisory Committee, the audited financial report and the profit distribution scheme for the year 2007;
- The budget plan for the year 2008;
- Re-appointment of international auditors and statutory auditors;
- Purchase of directors' liabilities insurance;
- Provision of counter-guarantee to the guarantee bank for the Bonds with Warrants within its scope of guarantee;
- Elections of members of the fifth session of the Board and shareholders' representative Supervisors of the fifth session of the Supervisory Committee; and the approval of the remuneration of the fifth session of the Board and the Supervisory Committee.

For details of the relevant resolutions and the consideration and approval thereof, please refer to the relevant disclosure of information.

4. Investor Relations

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

(1) Information Disclosure

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

In 2008, the "Rules Governing Information Disclosure Matters" of the Company was effectively enforced. During the Reporting Period, the Company timely announced its annual and interim results, and released over 40 ad hoc announcements disclosing, in an objective and detailed manner, the following information of the Company: opreating results, financial information, dividend distribution, daily operation, progress of new projects, connected transactions, material pledge of assets, changes and re-elections of Directors and Supervisors, shareholding changes and pledges in de-facto controller, adjustment of conversion price of warrants, ratings and interests payments of bonds, the Board and the Supervisory Committee's operations, convening of general meetings, and so forth. In the annual report, the Company conducted comprehensive analyses on the Company's operating and financial status as well as the major factors affecting the Company's businesses. It also provided information on various risks faced by the Company in its operating activities and its coping measures. Meanwhile, ad hoc announcements with respect to the Company's monthly operational statistics, and re-elections and procedure of nomination of candidates for the Board and the Supervisory Committee are disclosed by the Company voluntarily, 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 to 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 about the Company's operating status. In 2008, the Company replied to over 600 investors' enquiries through telephone or email.

Investor hotline:	(86)-755-82853330
IR email box:	ir@sz-expressway.com

- Regular meetings with investors and analysts. In 2008, the Company received 66 investor visits involving about 100 visitors.

- Regularly despatching press releases and investors newsletters on the operations and developments of the Group. In 2008, the Company despatched a total of 7 issues of "Letters to the Investors" and 1 issue of "E-newsletter". Since the second half of 2008, the Company has replaced the original "Letter to the Investors" by "E-newsletter". Despatching investor newsletters in the form of email enables the content of communication between the Company and investors to be richer and more detailed, on a broader scope of distribution and with appropriately reduced distribution costs.

- Conducting various presentation activities: In 2008, the Company organised annual and interim results presentations and press conferences in Shenzhen and Hong Kong, as well as two online exchange meetings. The Company also participated in nine different investor forums, and organised an annual reverse roadshow and a media relations activity inviting analysts, funds managers and media reporters to site visit Qinglian Project. Details of various presentation activities during the Year are as follows:

March	• Held annual results presentations and press conferences in Hong Kong and Shenzhen, and organised roadshows in Hong Kong.
April	• Participated in the "Nomura Asia Day" organised by Nomura International (Hong Kong) Ltd. in Japan. • Held online reception day for investors.

May	•	Participated in the "HK/China Mini Conference 2008" organised by Citigroup in Hong Kong.
	•	Participated in the "13rd CLSA China Forum 2008" organised by CLSA Limited in Shanghai.
June	•	Participated in the "Medium-term Strategy Conference 2008" organised by Citic Securities Co., Ltd. in Beijing.
	•	Participated in the "Medium-term Investment Strategy Seminar 2008 - Transportation Section" organised by Ping An Securities Company Limited in Shenzhen.
	•	Participated in the "A-Share Honh Konh Access Days" organised by J.P. Morgan in Hong Kong.
September	•	Held interim results presentations and press conferences in Hong Kong and Shenzhen, and organised roadshows in Hong Kong.
	•	Participated in the "Infrastructure Workshop" organised by Research-Works in Shenzhen.
October	•	Participated in the "China Investment Summit" organised by Merrill Lynch (Asia Pacific) Limited in Beijing.
	•	Held online reception day for investors.
November	•	Participated in the "Hong Kong & China Access Day" organised by CLSA Limited in Hong Kong.
	•	Organised 2008 media relations activity.
December	•	Organised 2008 reverse roadshow.

- Investors and the public may check out information such as the Group's basic information, rules for corporate governance, information disclosure documents, profiles of Directors, Supervisors and the senior management and monthly operating performance at any time on the Company's website. In 2008, the Company added a section "Download" on its website, providing download functions on for the Company's road network map and presentation materials. The Company's website provides a fair, environmental-friendly and low-cost communication channel, and as such the Company will further strengthen the management and development of its content, with a view to providing richer and more timely information to investors.

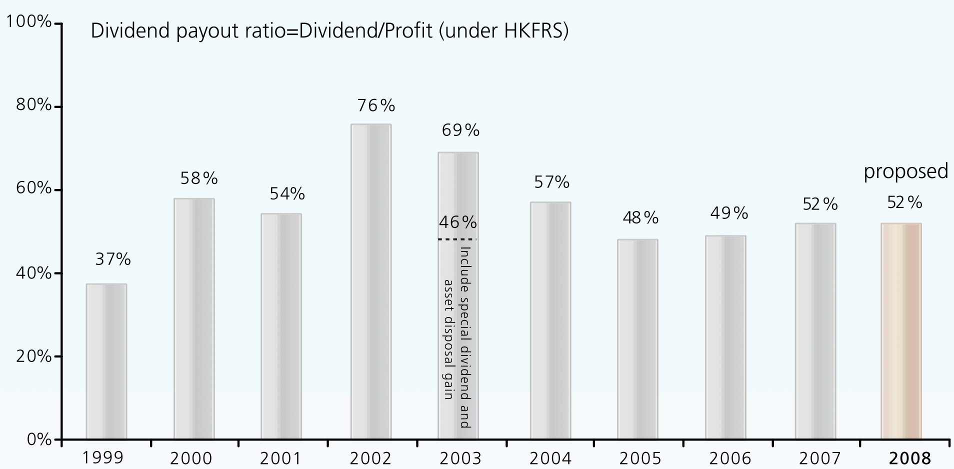
  Company's website: http://www.sz-expressway.com

- During the Year, the Company collected opinions and recommendations on the operating conditions and the development strategies of the Company from industry analysts through its investor relations consultants. It also despatched survey questionnaires regarding investor relations management to public investors and industry analysts, so as to understand the market's evaluations and recommendations on the Company's investor relations management work, its communication mode, quality of information disclosure as well as their concerns about the Company. Such work laid a foundation for formulating an effective work plan for investor relations management and for organising various investor relations activities in a targeted manner for the next stage.

5. Shareholder Return

The Company insists in rewarding its shareholders with high return ever since its flotation, underpinned by the payment of cash dividends for 11 consecutive years with an aggregate dividend payment of approximately RMB2.55 billion.

Historical Dividend Payout Ratio



The Board recommended the payment of a cash dividend of RMB0.12 per share for the year 2008, representing 52% of the profit distributable for the Year. 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.

Report of the Supervisory Committee

The Supervisory Committee 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 shall be accountable to the shareholders' general meeting. Its main duty includes examining the financial situation of the Company, supervising the Company's decisions on material operational activities and connected transactions and their implementation, supervising the acts of the directors and senior management discharging their duty to ensure its lawfulness and compliance. The Articles and its appendix (the "Rules of Procedure for the Supervisory Committee") have set out the powers and authorities of the Supervisory Committee in detail.

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 of the Company are in compliance with the requirements of the relevant laws and regulations. As at 31 December 2008, the members of the Supervisory Committee included Mr. Jiang Lu Ming (Chairman of the Supervisory Committee), Mr. Zhang Yi Ping and Mr. Fang Jie. During the Reporting Period, the staff representative Supervisor Mr. Yi Ai Guo resigned as the staff representative Supervisor of the Company with effect from 4 August 2008, as he ceased to be an employee of the Company due to change in his employment. On the same date, Mr Fang Jie was elected by the staff representatives' meeting as the staff representative Supervisor. Furthermore, the term of office of the forth session of the Supervisory Committee of the Company has expired on 31 December 2008. Shareholders' general meeting and the staff representatives' meeting have elected the shareholders' representative Supervisors and staff representative Supervisor of the fifth session of the Supervisory Committee respectively. The term of office of the new session of the Supervisory Committee commenced on 1 January 2009 and shall end on 31 December 2011. Please refer to the contents in "Report of the Directors" and "Directors, Supervisors and Senior Management" of this annual report for election and changes in Supervisors, as well as the biographies, including professional experiences and principal positions held in shareholding institutions of the Supervisors.

Complying with the Company Law of the PRC, the Listing Rules, the Articles and requirements of other relevant laws and regulations, the Supervisory Committee of the Company faithfully discharged their duties during the year of 2008 for the purpose of safeguarding the interests of the Company, its shareholders and its employees.

During the Reporting Period, the Supervisory Committee convened four meetings and signed one written resolution. These meetings, with proper service of notice and quorum, were held and resolved in accordance with the relevant laws, regulations and the Articles. The matters considered and reviewed by the Supervisory Committee during the Year include:

- The report of the Supervisory Committee for 2007 and the work plan for 2008;
- The resolutions relating to the resignation of a Supervisor, the nomination of the candidate for Supervisors and the remuneration of a Supervisor;
- Review of the final accounts and audited financial report for 2007, the profit distribution scheme for 2007, and the budget plan for 2008;
- Review of the annual report 2007, the first quarterly report, interim report and third quarterly report of 2008;
- The resolution relating to adjustments to related accounting treatment concerning Qinglian Company and impairment provision for assets;
- Reviewing the self-evaluation conclusive report of substantial shareholders and their related parties' funds occupancy.

During the year 2008, 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 executive Directors' meeting and signing of the written resolutions of the Board; and monitored the Company's decision making procedures, as well as the legality and the implementation of such decisions. The Supervisory Committee promptly informed the Board and the Company's management regarding any potential risks in relation thereto. During the Reporting Period, the Supervisors of the Company inspected Nanguang Expressway, Wuhuang Expressway, Qinglian Project, Shuiguan Expressway and Longda Expressway, etc. with the purpose of obtaining an in-depth understanding of the operation management of invested companies and the project the Company is entrusted to manage and the development of the under-construction projects. 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 2008:

1. In 2008, 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, which were wellreputed in domestic and foreign securities market and commended by securities regulatory body in Shenzhen. 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. The Supervisory Committee was not aware of any incident that violated the rules and regulations or the Articles of the Company or damaged the Company's interests.

2. Upon reviewing the unqualified auditors' reports which are issued by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. and PricewaterhouseCoopers on the financial statements of the Company for the year 2008 prepared in accordance with the PRC GAAP and the HKFRS respectively, the Supervisory Committee considered that the financial statements for the year 2008 have objectively, truthfully and fairly reflected the financial status, operating results and cash flows of the Company and the Group.

3. The Company issued 165 million A Shares in December 2001 and the net proceeds amounted to RMB604 million. Such proceeds were used to the investment and construction of Yanba B. A total of RMB42 million out of the raised proceeds was utilised during the Reporting Period. As at the end of the Reporting Period, all the raised proceeds were utilised. The Company raised a net amount of RMB1,459 million by issuing the Bonds with Warrants of RMB1,500 million in October 2007. Such proceeds were used to the investment and construction of Nanguang Expressway. All the raised proceeds were utilised in 2007. The actual projects in which the proceeds were applied are consistent with the projects represented in the prospectus.

4. On 7 January 2008, the Company entered into an entrusted management agreement with Yibin Company, a wholly-owned subsidiary of Shenzhen International. The Company was entrusted by Yibin Company to manage its 100% equity interest in Baotong Company and 89.93% equity interest in Longda Company owned by Baotong Company. The term of the entrusted management is two years. According to the Listing Rules, the transaction constituted a continuing connected transaction. The Supervisory Committee had reviewed the transaction and made the opinion in December 2007. During the Reporting Period, this connected transaction had no effect on the independence of the Company, and the entrusted management agreement was in normal execution. Save as the above transaction, there was no other connected transaction made by the Company during the Reporting Period.

5. 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 Rules Governing Information Disclosure Matters. During the Period, relevant rules and regulations of the Company are 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 2008 or violation of rules in information disclosure of the Company.

By Order of the Supervisory Committee
Jiang Lu Ming
Chairman of the Supervisory Committee

Shenzhen, PRC, 2 April 2009

Directors, Supervisors and Senior Management

Mr. YANG Hai

Mr. WU Ya De

Mr. LI Jing Qi

Members of the Fifth Session of the Board

Mr. YANG Hai, Chairman of the Board of the Company, Chairman of the Strategic Committee and a member of the Nominations Committee of the Company, born in 1961, senior engineer, graduated from the Department of Roads and Bridges of Chongqing University (formerly Chongqing Institute of Architecture and Engineering) in 1982. Mr. Yang had been the assistant to the head of the Second Road Engineering Bureau of Ministry of Communications. He had been a deputy general manager of the Company from 1997 to 2000. He joined Shenzhen International (a Hong Kong listed company) in March 2000. He had been a vice president of Shenzhen International from June 2004 to July 2006 and has been an executive director of Shenzhen International since August 2007. 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. Yang is also a director of XTC Company, Shen Ke Industry and Development (Shenzhen) Co., Ltd., which are subsidiaries of Shenzhen International, and the chairman of the supervisory committee of CSG Holding Co., Ltd. (a PRC listed company).

Mr. WU Ya De, Executive Director and President of the Company, a member of the Strategic Committee of the Company, born in 1964, graduated from the Administration Institute of Guangdong Province and obtained a postgraduate degree from Guangdong Province Social Science Institute. Mr. Wu had served as the chief of the administration department of Shenzhen Roads Bureau, manager of a toll road company, etc. Since November 1996, he has been successively the general manager and the chairman of SGH Company and the vice chairman of the Labour Union of Shenzhen Roads Bureau. Mr. Wu has been a Director of the Company since January 1997. From January 2002 to October 2002, he had been the acting general manager of the Company and has been the general manager of the Company since November 2002. Currently he is the Executive Director and President of the Company, and also the chairman of Qinglian Company, a company invested by the Company.

Mr. LI Jing Qi, Non-Executive Director of the Company, a member of the Strategic Committee of the Company, born in 1956, graduated from Shanghai Foreign Language University. Mr. Li has over twenty years experience in international banking, foreign exchange business and risks management. He had been the assistant to the president of Shenzhen Investment Holding Corporation, the controlling shareholder of Shenzhen International. Mr. Li had been an executive director and vice president of Shenzhen International (a Hong Kong listed company) from March 2000 to August 2006, and has been an executive director and the president of Shenzhen International since August 2006. Since April 2005, Mr. Li has been a Director of the Company. He is currently also a director of CSG Holding Co., Ltd. (a PRC listed company), Ultrarich International Limited (a wholly owned subsidiary of Shenzhen Investment Holding Corporation) and various subsidiaries of Shenzhen International including XTC Company.

Directors, Supervisors and Senior Management

Mr. ZHAO Jun Rong

Mr. TSE Yat Hong

Mr. LIN Xiang Ke

Mr. ZHAO Jun Rong, Non-Executive Director of the Company, born in 1964, economist, lawyer, graduated from Xiamen University with a master degree majoring in international economic law. Mr. Zhao had been legal consultant in China Ping'an Insurance Company and Shenzhen Investment Holding Corporation, and chief legal consultant of Total Logistics (Shenzhen) Co., Ltd. In October 2001, Mr. Zhao joined Shenzhen International (a Hong Kong listed Company) 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 and chief legal consultant of Shenzhen International. Currently he is also a director of Shenzhen Airlines Company Limited and Shenzhen Western Logistics Co., Ltd., a subsidiary of Shenzhen International. He had also been an independent non-executive director of Shenzhen Huafa Electronic Company Limited (a PRC listed company).

Mr. TSE Yat Hong, Non-Executive Director of the Company, born in 1969, Fellow of the Hong Kong Institute of Certified Public Accountants and a certified public accountant of CPA Australia, graduated from Monash University in Australia majoring in accounting and computer science. Mr. Tse joined Shenzhen International (a Hong Kong listed Company) as chief financial officer in June 2000. He had also been the company secretary of Shenzhen International from August 2000 to March 2008 and a Joint Company Secretary of the Company from September 2004 to September 2007. He had also worked in the audit profession in one of the international accounting firms for years. Mr. Tse has extensive experience in accounting, finance and corporate governance matters of listed companies and has broad knowledge in accounting and financial rules and regulations in Hong Kong and PRC. Currently he is also a director of Shenzhen South-China International Logistics Co., Ltd., Nanjing Xiba Wharf Co., Ltd. and XTC Company, all of which are subsidiaries of Shenzhen International.

Mr. LIN Xiang Ke, Non-Executive Director of the Company, a member of the Risk Management Committee of the Company, born in 1956, senior political officer, senior accountant, obtained bachelor degree from Guangdong University of Technology majoring in communication management. Mr. Lin had worked in various enterprises in the PRC for more than thirty years and has extensive experience in finance and management. Mr. Lin had been the deputy director of the finance department and deputy director of the audit department of Shenzhen Roads Bureau. He has been the chairman of SGH Company since 1999 and the general manager of SGH Company since April 2004. Since June 1998, Mr. Lin has been a Director of the Company. Currently he is also the Chairman of Huatongyuan Logistics Co., Ltd., a subsidiary of Shenzhen International.


Ms. ZHANG Yang


Mr. CHIU Chi Cheong, Clifton


Mr. LAM Wai Hon, Ambrose

Ms. ZHANG Yang, Non-Executive Director of the Company and a member of the Risk Management Committee of the Company, born in 1964, political officer, graduated from Lanzhou University majoring in political economy and obtained a postgraduate degree in economics from Central Party School majoring in economic management. Ms. Zhang had worked in the Ministry of Aviation and joined Huajian Centre in 1994. She is currently a deputy general manager of the Huajian Centre. Since March 2001, Ms. Zhang has been a Director of the Company. She is currently also the vice chairman of Sichuan Expressway Co., Ltd. (a Hong Kong listed company), a director of Xiamen Port Development Co., Ltd. (a PRC listed company), Zhejiang Expressway Co., Ltd. (a Hong Kong listed company) and Jiangsu Expressway Co., Ltd.(a company listed both in PRC and in Hong Kong).

Mr. CHIU Chi Cheong, Clifton, Non-Executive Director of the Company and a member of the Strategic Committee, the Audit Committee and the Remuneration Committee of the Company, born in 1954, a certified accountant in USA, graduated from University of Southern California with a MBA degree. Mr. Chiu has accumulated extensive experience in international finance, securities and accounting. Mr. Chiu has been a managing director of Harvester (Holdings) Company Limited since January 1994, and had been a member of Shenzhen Political Consultative Committee, a vice chairman of the Takeovers and Mergers Panel of the SFC, a vice chairman of the Listing Committee of the Main Board and the Growth Enterprises Market of HKEx, an independent non-executive director of Chongqing Iron & Steel Co., Ltd. (a Hong Kong listed company), Aluminum Corporation of China Limited (a Hong Kong listed company) and Mitsumaru East Kit (Holdings) Limited (a Hong Kong listed company), etc. Mr. Chiu had been an independent non-executive Director of the Company from December 1996 to December 2002. Since 2003, he has been a Director of the Company. He is currently also a member of Process Review Panel for the SFC.

Mr. LAM Wai Hon, Ambrose, Independent Director of the Company, Chairman of the Audit Committee and a member of the Strategic Committee of the Company, born in 1953, Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants, holding bachelor of arts (honours) degree from University of Newcastle Upon Tyne in England. Mr. Lam has over twenty years of experience in corporate finance and financial advise. He had worked in Standard Chartered Asia Limited in Hong Kong, Yuanta Securities (Hong Kong) Company Limited, Bankers Trust and Deutsche Bank. He established Access Capital Limited with its co-founder in 2000 and is currently a director of the company. Mr. Lam is currently also an independent director of the China Agri-Industries Holdings Limited (a Hong Kong listed Company).

Mr. TING Fook Cheung, Fred

Mr. WANG Hai Tao

Mr. ZHANG Li Min

Mr. TING Fook Cheung, Fred, Independent Director of the Company, Chairman of the Remuneration Committee and a member of the Nominations Committee of the Company, born in 1947, holding bachelor of arts (honours) degree from Chinese University of Hong Kong. Mr. Ting had been an administrative officer of the Hong Kong Government since 1971, working in various government departments. From 2000 to 2007, he had been a deputy commissioner of Labour Department of the Hong Kong Government. During his tenure at the Hong Kong Government, Mr. Ting had been in directorate posts for over twenty-five years, responsible for financial and human resources management. He had been commissioned by the government to be a vice president of the Hong Kong Administrative Officer Selection Committee and vice president of Hong Kong Open University. Mr. Ting had retired in October 2007.

Mr. WANG Hai Tao, Independent Director of the Company, Chairman of the Nominations Committee and a member of the Remuneration Committee of the Company, born in 1945, senior economist, graduated from the Department of Chinese of Hebei Normal University (formerly Hebei and Beijing Institute of Normal) with a bachelor's degree. He had studied in Central Party School majoring in economic management and had been a postgraduate student of Southwestern University of Finance and Economics majoring in finance. After graduated form the college, Mr. Wang had worked in the army force. Since 1978, he had worked in the governments for sixrteen years, having been successively a cadre of Remuneration Office of Remuneration Bureau, deputy officer of Policy Study Office, secretary of minister of Minister's Office of Ministry of Communications and assistant to general manager of China Highway Engineering Supervision Company. In April 1994, he joined China Merchants Bank and had since held positions such as executing deputy officer of administrative office of headquarter, officer of training centre, general manager of administrative department and concurrently vice chairman of the labour union of headquarter. Mr. Wang had also been the chairman of Shenzhen Diligent Property Management Company Limited and Shenzhen Hui He Investment Development Co., Ltd. Mr. Wang had retired in February 2006.

Mr. ZHANG Li Min, Independent Director of the Company, Chairman of the Risk Management Committee and a member of the Audit Committee of the Company, born in 1945, professor, tutor of doctorship, certified public accountant of PRC, graduated from Tianjin Institute of Finance & Economics with a doctor degree in economics. Mr. Zhang had worked as lecturer and professor in Tianjin Institute of Finance & Economics. Since 1999, he 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 and Guangdong Audit Society, etc. Mr. Zhang is also an independent director of Shenzhen Changcheng Investment Holding Co., Ltd. (a PRC listed Company), Shenzhen Airport Co., Ltd. (a PRC listed Company) and Shenzhen Chiwan Petroleum Supply Base Co., Ltd. (a PRC listed Company). He had also been an independent director of China International Marine Containers (Group) Co., Ltd. (a PRC listed company) and Shenzhen Chiwan Wharf Holdings Limited (a PRC listed Company).

Mr. JIANG Lu Ming

Mr. YANG Qin Hua

Mr. FANG Jie

Members of the Fifth Session of the Supervisory Committee

Mr. JIANG Lu Ming, Chairman of the Supervisory Committee of the Company, born in 1954, senior economist, graduated from Liaoning University majoring in industrial economics. Mr. Jiang had worked in various enterprises and government departments in Liaoning Province and Shenzhen City, accumulating substantial working experience in finance and economics. Mr. Jiang had been the chairman of Shenzhen Guozi Investment and Consulting Co., Ltd. from April 2004 to Octsober 2005. He had been a deputy general manager of XTC Company from October 2005 to August 2007. Since September 2007, Mr. Jiang has been the Chairman of the Supervisory Committee of the Company.

Mr. YANG Qin Hua, Supervisor of the Company, born in 1968, senior accountant, graduated from the Department of Accounting of School of Tourism and Management of Sun Yat-sen University. He has extensive experience in operational and financial management of highways. Mr. Yang had worked in the Guangdong Roads Bureau. Since July 2000, he has been a deputy chief accountant and manager of audit department of GDRB Company. From January 2003 to December 2005, Mr. Yang had been a Supervisor of the Company. He is currently also a director of Guangdong Luda Expressway Co., Ltd. as well as a supervisor of Heyuan Helong Expressway Co., Ltd., Guangyun Company and Guangdong Yuzhan Expressway Co., Ltd.

Mr. FANG Jie, Supervisor of the Company, born in 1960, senior engineer, graduated from Chongqing University (formerly Chongqing Institute of Architecture and Engineering) majoring in bridge and tunnel. Mr. Fang had worked in units such as CCCC Second Highway Consultants. From January 2001 to March 2007, he had worked in XTC Company as the administrative officer, head of human resources department and secretary of the board of directors, etc. Since April 2007, he has been the general manger of Project Development Department of the Company. Since August 2008, Mr. Fang has been a Supervisor of the Company. Currently, he is also a director of Sichuan New Road and Bridge Mechanism Co., Ltd. and a director of Advertising Company, which is invested in by the Company.

Other Directors and Supervisors in Service at the End of the Period

Mr. WANG Ji Zhong, Non-Executive Director of the fourth session of the Board of the Company, born in 1947, senior accountant. After the graduation from the institute, Mr. Wang had worked in different sizable enterprises in the fields of architecture, construction materials, instruments and tobacco, responsible for accounting and corporate management for more than thirty years, and has accumulated extensive experience. He had been the division head of the finance department of Shenzhen Investment Holding Corporation and joined XTC Company as deputy general manager in October 1997. Mr. Wang had been the Chairman of the Supervisory Committee of the Company from June 1998 to April 2005 and a Director of the Company from April 2005 to 31 December 2008. As at the end of the Period, he is also the vice chairman of Total Logistics (Shenzhen) Co., Ltd., and a director of XTC Company, Shenzhen Dasheng Advanced Science & Technique Engineering Co., Ltd. and Man Tai Cheng Utilities Construction Co., Ltd.

Mr. LIU Jun, Non-Executive Director of the fourth session of the Board of the Company, born in 1963, graduated from Nanjing Polytechnic University, obtained a bachelor's degree in computer software and a master's degree in management system engineering. Mr. Liu has over fifteen years experience in corporate development, financial management and foreign enterprise investment management. Mr. Liu joined Shenzhen International (a Hong Kong listed company) as vice president in April 2000, and was appointed an executive director of Shenzhen International in May 2004. Mr. Liu had been a Director of the Company from January 2006 to 31 December 2008. As at the end of the Period, he is also the chairman of Total Logistics (Shenzhen) Co., Ltd., a director of XTC Company, Shenzhen Airlines Company Limited., Ultrarich International Limited and various subsidiaries of Shenzhen International.

Mr. LI Zhi Zheng, Independent Director of the fourth session of the Board of the Company, Chairman of the Remuneration Committee and the Nomination Committee and a member of the Strategic Development & Investment Committee of the fourth session of the Board of the Company, born in 1942, senior research engineer. Mr. Li has more than thirty-five years experience in technology, administration and operations management. He held senior administrative posts in the former Ministry of Aero-Space Industry. Since 1988, he had been the the president of CATIC Shenzhen Group, the chairman of several PRC listed companies and the chairman of Shenzhen Catic Investment Management Co., Ltd. He is currently a director and the executive president of Laimengpengyuan Company. Mr. Li had been an Independent Director of the Company from January 2003 to 31 December 2008.

Mr. ZHANG Zhi Xue, Independent Director of the fourth session of the Board of the Company, a member of the Remuneration Committee and the Nomination Committee of the fourth session of the Board of the Company, born in 1969, graduated from the Institute of Labour and Personnel of Renmin University of China and obtained a master's degree in economics from Jinan University. He has more than ten years professional experience in human resources management and consultation. He had worked in Nanshan District Government of Shenzhen City and human resources department of Shenzhen Huawei Technologies Co., Ltd. He has been the general manager of Zuo You Management Consultants Co., Ltd. since March 1999 and the chairman of Zuo You Management Consultants Co., Ltd. since February 2006. Mr. Zhang had been an Independent Director of the Company from January 2003 to 31 December 2008.

Mr. POON Kai Leung, James, Independent Director of the fourth session of the Board of the Company, Chairman of the Risk Management Committee and a member of the Audit Committee of the fourth session of the Board of the Company, born in 1965, obtained a master's degree in business administration and a Ph.D. degree in finance from the Chinese University of Hong Kong and is also a fellow member of The Society of Registered Financial Planner (FRFP) in Hong Kong. Mr. Poon joined ING Bank Hong Kong in 1993, serving successively as the head of corporate financial services of Shanghai branch and the general manager of Shenzhen branch. Mr. Poon has extensive experience in managing international and Chinese client relationships and has successfully concluded numerous capital market transactions. He is currently the managing director, China & Hong Kong ING Bank. Mr. Poon had been an Independent Director of the Company from May 2003 to 31 December 2008.

Mr. WONG Kam Ling, Independent Director of the fourth session of the Board of the Company, Chairman of the Audit Committee of the fourth session of the Board of the Company, born in 1949, graduated from The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic), a fellow member of the Chartered Association of Certified Accountants (FCCA), a fellow member of the CPA Australia (FCPA (Aust.)), a certified public accountant of the Hong Kong Institute of Certified Public Accountants (CPA) and an associate member of the Institute of Chartered Secretaries & Administrators (ACIS). Mr. Wong had been the chief accountant of the group of China Dyeing Holdings Ltd. (a formerly Hong Kong listed company), the chief accountant of the group of Captronic Group Ltd. (a formerly Hong Kong listed company) and the financial controller and consultant of Bel Fuse Ltd. (a subsidiary of Bel Fuse Inc., a company listed on NASDAQ). He has extensive experience in financial management, accounting and corporate governance. Mr. Wong retired in December 2004. He had been an Independent Director of the Company from June 2005 to 31 December 2008.

Mr. ZHANG Yi Ping, Supervisor of the fourth session of the Supervisory Committee of the Company, born in 1965, auditor, registered property valuer, graduated from the Institute of Accounting of Hunan University. Mr. Zhang has over ten years of experience in auditing, and had worked in the Audit Bureau of Hengyang City, Hunan Province, Shenzhen Special Economy Zone Auditor Firm, the audit department and the office of enterprises' reform and development of Shenzhen Roads Bureau. He has been a deputy general manager of SGH Company since May 2004, and a director of SGH Company since September 2004. Mr. Zhang had been a Supervisor of the Company form January 2006 to 31 December 2008.

Mr. LI Jian

Mr. GE Fei

Mr. ZHOU Qing Ming

Senior Management

Mr. LI Jian, Vice President of the Company, born in 1958, lecturer, graduated from Changsha Institute of Communications. Mr. Li joined XTC Company in 1994 as the administrative officer. Upon establishment of the Company, He served successively as the manager of the Operations Department and the manager of the Investment and Development Department. He had also been the staff representative Supervisor of the second session of the Supervisory Committee of the Company. Mr. Li had been the Operations Controller of the Company from August 2005 to August 2007. Since August 2007, he has been a Vice President of the Company. He is mainly responsible for the operations management of toll highways and the related matters. Currently Mr. Li is the chairman of Meiguan Company and Jihe East Company, the vice chairman of Jiangzhong Company and Nanjing Company, a director of GZ W2 Company, which are invested by the Company. He is also the chairman of Longda Company and a director of Baotong Company, which the Company are entrusted to manage.

Mr. GE Fei, Vice President of the Company, born in 1968, engineer, graduated from Northern Transportation University. Mr. Ge had worked in No.5 Engineering Authority of the Railway Department and Guangzhou-Shenzhen-Zhuhai Highway Co., Ltd. He joined XTC Company in January 1994, and had been in charge of the contract matters of Meiguan Expressway and manager of the road surface department and engineering department of Jihe East. He 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. He also had been a director and deputy general manager of Consulting Company. He had been the Engineering Controller of the Company from August 2005 to August 2007. Since August 2007, Mr. Ge has been a Vice President of the Company. He is mainly responsible for the management of construction of highways projects and entrusted construction business. He is also the vice chairman of Qinglong Company and a director of Huayu Company, which are invested by the Company, and a director of Shenzhen Expressway Engineering Detection Co., Ltd. and Shenzhen Expressway Engineering Supervision Co., Ltd..

Mr. ZHOU Qing Ming, Vice President of the Company, born in 1956, senior engineer, registered safety officer. Mr. Zhou joined the Company in March 1998, serving successively as the administrative officer and the assistant to general manager of the Company. He had been the Administrative Controller of the Company from October 2004 to August 2007. Since August 2007, Mr. Zhou has been a Vice President of the Company. He is mainly responsible for the development of the standardization and information system and the corporate culture, public relations and crisis management as well as the administrative duties of the Company. He is also a director of Consulting Company, a company invested by the Company.

Directors, Supervisors and Senior Management


Ms. GONG Tao Tao


Mr. WU Xian


Ms. WU Qian

Ms. GONG Tao Tao, Financial Controller of the Company, born in 1973, certified public accountant and certified public valuer of PRC, graduated from Shanghai University of Finance & Economics majoring in accounting and obtained a master's degree in business administration from Fudan University. Ms. Gong had worked in Shenzhen Dahua Certified Public Accountants. She joined the Company in 1999, serving successively as deputy manager of the Finance Department and the manager of the Internal Audit Department. Since November 2002, Ms. Gong has been the Financial Controller of the Company. She is responsible for overall fincinal operation of the Company, including formulating fincinal strategy and plans, financing and fund management, compiling annual budget and accounts, monitoring the implementation of the financial and operational plans, and relevant decision-making surpport etc. She is also the chairman of Advertising Company and a director of Qinglian Company, which are invested by the Company.

Mr. WU Xian, Chief Engineer of the Company, born in 1958, registered supervising engineer, graduated from Xi'an Institute of Highways majoring in the Bridge and Tunnel. Mr. Wu had worked in the Changsha Institute of Communications. He joined XTC Company in 1995 and had been a deputy general manager of XTC Company and a deputy controller of Jihe East. Upon establishment of the Company, Mr. Wu served successively as deputy general manager of the Company, deputy general manager and general manager of the Project Management Office of Jihe West, and Technical Controller of the Company. He had been the chief engineer of the Consulting Company. Since August 2007, Mr. Wu has been the Chief Engineer of the Company, and is currently also a director and the general manager of Qinglian Company and the general manager of the Project Management Office of the Reconstruction of Qinglian project. He is mainly responsible for the operation management of Qinglian Company and the construction management of the reconstruction of Qinglian project.

Ms. WU Qian, Secretary of the Board and Company Secretary of the Company, born in 1971, certified public accountant of PRC, economist, graduated from Shenzhen University. Ms. Wu had worked in several foreign banks and enterprises and had been the Assistant to the Secretary of the Board of the Company from October 1998 to September 2000. From October 2000 to March 2003, she had worked in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. She had been the manager of the Internal Audit Department of the Company from March 2003 to September 2004. Ms. Wu has been the Secretary of the Board of the Company since September 2004, and is currently also the Company Secretary of the Company. She is mainly responsible for the information disclosure, the management of investor relations, corporate governance of the Company and coordinating the work of the Board, etc.

Report of the Directors and Accounts

Report of the Directors

The Board is pleased to present herewith the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

Details of the Company

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

Summary of the Report of the Board

During year 2008, four board meetings were held, of which details are set out in the section "Corporate Governance Report" of this annual report.

Principal Activities

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

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

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

Major Customers and Suppliers

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

Financial Results

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement of the Financial Statements attached in this annual report on page 113.

The financial positions of the Group and the Company as at 31 December 2008 are set out in the balance sheets of the Financial Statements attached in this annual report on pages 109 to 112.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2 of this annual report.

Dividends

1. Proposed final dividend for the year 2008

   The Board recommended the payment of a final dividend of RMB0.12 per share (tax included) to all shareholders, totalling RMB261,684,000, for the year ended 31 December 2008. Such dividend shall be subject to the approval by shareholders at the 2008 Annual General Meeting.

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

   According to 《中華人民共和國企業所得稅法》("Enterprise Income Tax of the People's Republic of China") and《中華人民共和國企業所得稅法實施條例》("Implementation Rules of Enterprise Income Tax Law of the People's Republic of China"), from 1 January 2008 onwards, any PRC domestic enterprise shall withhold and pay enterprise income tax upon distribution of dividends for the accounting period since 1 January 2008 to non-resident enterprise shareholders and the payer is treated as the withholding agent. Accordingly, the Company shall be obligated to withhold and pay a 10% enterprise income tax when distributing final dividends to non-resident enterprise shareholders whose names appear in the register of holders of H shares; but the Company has no obligation to withhold and pay such enterprise income tax when distributing final dividends to the resident enterprise shareholders whose names appear in the register of holders of H shares. For details, please refer to the notice of the 2008 annual general meeting of the Company.

2. Dividend scheme of the year 2007 and its implementation

   Pursuant to the approval at the 2007 Annual General Meeting, the Company paid a final dividend of RMB0.16 per share for the year 2007 to all shareholders on the basis of the total share capital comprising 2,180,700,000 shares as at the year end of 2007, totalling RMB348,912,000. Such dividend distributions had been completed before 4 July 2008.

Directors and Supervisors

1. The details of the Directors and the Supervisors are set out in the section "Directors, Supervisors and Senior Management" of this annual report.

2. Directors' service contracts

   Each of the Directors has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are effective from 1 January 2006 to 31 December 2008. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

3. Directors' and Supervisors' interests in contracts

   As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance to which the Company or its subsidiaries was a party and in which the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

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

Elections and Changes of Directors, Supervisors and Appointment of Senior Managerment

1. Mr. Yi Ai Guo had resigned as the staff representative Supervisor of the fourth session of the Supervisory Committee of the Company with effect from 4 August 2008, as he ceased to be an employee of the Company due to change in his employment. Mr. Fang Jie was elected as staff representative Supervisor of the fourth session of the Supervisory Committee of the Company by the staff representatives' meeting hold on 4 August 2008, and the term of office of Mr. Fang commences on 4 August 2008 and ends on 31 December 2008.

2. The term of office of the member of the fourth session of the Board and the Supervisory Committee of the Company expired on 31 December 2008. At the First Extraordinary General Meeting 2008 of the Company hold on 16 December 2008, Mr. Yang Hai, Mr. Wu Ya De, Mr. Li Jing Qi, Mr. Zhao Jun Rong, Mr. Tse Yat Hong, Mr. Lin Xiang Ke, Ms. Zhang Yang and Mr. Chiu Chi Cheong, Clifton were appointed as Directors of the fifth session of the Board, Mr. Lam Wai Hon, Ambrose, Mr. Ting Fook Cheung, Fred, Mr. Wang Hai Tao and Mr. Zhang Li Min were appointed as independent Directors of the fifth session of the Board, and Mr. Jiang Lu Ming and Mr. Yang Qin Hua were appointed as shareholders' representative Supervisors of the fifth session of the Supervisory Committee. Besides, Mr. Fang Jie has been elected as staff representative supervisor of the fifth session of the Supervisory Committee by the staff representatives' meeting. The term of office of the member of the fifth session of the Board and the Supervisory Committee commence on 1 January 2009 and end on 31 December 2011. Mr. Yang Hai and Mr. Jiang Lu Ming have been elected as the Chairman of the Board at the Directors' meeting hold on 7 January 2009 and the Chairman of the Supervisory Committee at the Supervisors' meeting hold on 7 January 2009, respectively.

Emoluments of the Directors, the Supervisors and Senior Management

The emoluments of the Directors and Supervisors of the Company are determined in accordance with relevant PRC policies and regulations with reference to the Company's actual situation and prevailing market conditions, subject to approval at the general meeting after separate deliberations by the Board and the Supervisory Committee. During the Reporting Period, the Remuneration Committee of the Board was responsible for formulating the proposal for the Directors' remunerations to the Board.

In the year 2008, four Independent Directors and Mr. Chiu Chi Cheong, Clifton, a Director not nominated by shareholders, received Directors' emoluments. Mr. Jiang Lu Ming, Chairman of the Supervisory Committee, received Supervisors' emoluments while other Directors and Supervisors did not obtain any Director's emoluments or Supervisor's emoluments. All Directors and Supervisors may receive meeting subsidies in accordance with the relevant rules. Executive Directors and the staff representative Supervisor received management remuneration in accordance with their specific management positions in the Company. Information relating to the remuneration policy of the Company and the performance appraisal and incentive scheme for senior management is set out in "Human Resources Management" of "Management Discussion and Analysis" of this annual report.

Details of the remuneration received by the Directors, Supervisors and senior management holding a post as at the end of the Period of the Company in the year 2008 are as follows:

Unit: RMB'000(before tax)

		Total remuneration received from the Company during the Period				
Name	**Title**	**Director's/ Supervisor's emolument**	**Meeting subsidies** Note 1	**Management remuneration** Note 2	**Total**	**Whether receive remuneration from shareholder or other connected entities**
Director:						
Yang Hai	Chairman of the Board		—	883	883	No
Wu Ya De	Executive Director and the President		—	931	931	No
Li Jing Qi	Non-executive Director		—		—	Yes
Wang Ji Zhong	Non-executive Director		5		5	Yes
Liu Jun	Non-executive Director		—		—	Yes
Lin Xiang Ke	Non-executive Director		5		5	Yes
Zhang Yang	Non-executive Director		9.6		9.6	Yes
Chiu Chi Cheong, Clifton Note 3	Non-executive Director	264	11.5		275.5	No
Li Zhi Zheng	Independent Director	150	8.5		158.5	No
Zhang Zhi Xue	Independent Director	150	6.5		156.5	No
Poon Kai Leung, James Note 3	Independent Director	132	11.5		143.5	No
Wong Kam Ling Note 3	Independent Director	132	11		143	No
Supervisor:						
Jiang Lu Ming	Chairman of the Supervisory Committee	613	9.7		622.7	No
Zhang Yi Ping	Supervisor		5		5	Yes
Fang Jie Note 4, 5	Staff Representative Supervisor		1.7	195	196.7	No
Senior management: Note 5						
Li Jian	Vice President			639	639	No
Ge Fei	Vice President			700	700	No
Zhou Qing Ming	Vice President			693	693	No
Gong Tao Tao	Financial Controller			673	673	No
Wu Xian	Chief Engineer			1,065	1,065	No
Wu Qian	Secretary of the Board			686	686	No
Total					**7,991**	

Notes:

1 Yang Hai, Wu Ya De, Li Jing Qi and Liu Jun, Directors, declined the meeting subsidies receivable of RMB10,500, RMB9,000, RMB6,500 and RMB5,000 respectively for the Year.

2 The employee's remuneration of the Company comprises the monthly salary and annual performance bonus. In addition, pursuant to statutory requirements and the Company's regulations, the employee enjoyed the statutory and company fringe benefits, including the contributions to social retirement insurance, other kinds of social insurance and the supplemental retirement scheme. During the Reporting Period, Directors Yang Hai and Wu Ya De, Supervisors Jiang Lu Ming and Fang Jie, former Supervisor Yi Ai Guo and senior management members namely, Li Jian, Ge Fei, Zhou Qing Ming, Gong Tao Tao, Wu Xian and Wu Qian enjoyed benefits of RMB68,000, RMB66,000, RMB68,000, RMB23,000, RMB13,000, RMB66,000, RMB69,000, RMB66,000, RMB68,000, RMB69,000 and RMB66,000 respectively.

3 As approved at the general meeting, the emoluments of Chiu Chi Cheong, Clifton; Poon Kai Leung, James and Wong Kam Ling, Directors, are HK$300,000, HK$150,000 and HK$150,000 respectively. For the purpose of conversion, amounts in HK$ have been converted into RMB using an exchange rate of HK$1 = RMB0.88.

4 The appointment of Mr. Fang Jie as a Supervisor was effective from 4 August 2008. The amount represents the management remuneration received after the appointment. Mr. Yi Ai Guo, former Supervisor, received management remuneration of RMB59,000 totally from the Company during the Period.

5 According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For the management staff who participate in the plan, the Company will pay certain monthly vehicle subsidies in lieu of providing or arranging business vehicles for them. During the Reporting Period, Supervisor Fang Jie, former Supervisor Yi Ai Guo and senior management members namely, Li Jian, Ge Fei, Zhou Qing Ming, Gong Tao Tao, Wu Xian and Wu Qian participated in the above plan. During the Reporting Period, the aforesaid person received vehicle subsidies of RMB18,000, RMB7,200, RMB60,000, RMB38,400, RMB60,000, RMB60,000, RMB38,400 and RMB45,000 respectively.

Disclosure of Interests

1. As at 31 December 2008, the interests or short positions of the Directors, Supervisors or senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held	Approximate percentage of issued share capital of Shenzhen International	Nature of Interests	Capacity
Li Jing Qi	20,000,000	0.14%	personal	Beneficial owner
Liu Jun	19,000,000	0.14%	personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Number of share option unexercised as at 1 January 2008	Number of share option granted during 2008	Number of share option exercised during 2008	Number of share option unexercised as at 31 December 2008	Nature of Interests	Capacity
Yang Hai	10,000,000	nil	nil	10,000,000	personal	Beneficial owner
Li Jing Qi	27,210,000	nil	nil	27,210,000	personal	Beneficial owner
Liu Jun	30,000,000	nil	nil	30,000,000	personal	Beneficial owner

Note: The above share option were all granted on 19 January 2005 and could be exercised during the period from 19 January 2005 to 11 January 2010 with the exercise price HK$ 0.282 per share.

Saved as disclosed above, as at 31 December 2008, none of the Directors, Supervisors or senior management had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers".

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

Share Capital

The total share capital of the Company was RMB2,180,700,000 with details set out in note 18 to the Financial Statements and the section "Shareholders and Investor Relations" of this annual report.

Purchase, Sale or Redemption of Securities

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

Pre-emptive Rights

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

Reserves

The amounts and particulars of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in note 19 to the Financial Statements.

Fixed Assets

The movements in fixed assets of the Group and the Company during the Reporting Period are set out in note 6 to the Financial Statements.

Bank Loans and other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in note 20 to the Financial Statements.

Interest Capitalized

The amount of interest capitalized by the Group and the Company during the Reporting Period are set out in note 28 to the Financial Statements.

Income Tax and Business Tax

Details of income tax and business tax of the Group during the Reporting Period are set out in notes 29 and 26(b) to the Financial Statements respectively.

Trust Deposits and Overdue Time Deposits

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

Subsidiaries and Jointly Controlled Entities

Details of the Company's subsidiaries are set out in notes 11 and 12 to the Financial Statements, details of the Company's jointly controlled entities are set out in notes 13 to the Financial Statements.

Material Litigation and Arbitration

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

Investments and Acquisitions

Please refer to "Business Review and Analysis" of "Management Discussion and Analysis" of the annual report for details of the investments and acquisitions of the Company in the Reporting Period.

Connected Transactions

1. Connected transactions in usual course

On 7 January 2008, the Company entered into an entrusted management agreement with Yibin Company. Pursuant to the entrusted management agreement, Yibin Company entrusted the Company to manage the operation of its 100% equity interest in Baotong Company and the 89.93% equity interest in Longda Company owned by Baotong Company. Longda Company is principally engaged in toll collection, maintenance, management and development of Longda Expressway. Yibin Company is a wholly-owned subsidiary of Shenzhen International. As at the date of the agreement, XTC Company and Advance Great Limited, both of which are wholly-owned subsidiaries of Shenzhen International, hold in aggregate approximately 31.153% share capital of the Company. Pursuant to the Listing Rules, Yibin Company is a connected person of the Company and the transaction constitutes a continuing connected transaction of the Company. The term of aforesaid entrusted management commenced on 8 January 2008 and will expire on 31 December 2009. The entrusted management fees are calculated on an annual basis at RMB15 million or 8% of the audited net profit of Longda Company (but in any event shall not exceed RMB25 million), whichever is the higher. The fees will be paid in cash by Yibin Company by installments to the Company as follows: (1) entrusted management fees of RMB7.5 million are payable on or before 30 June and 31 December each year, respectively; (2) if the annual entrusted management fees determined is over RMB15 million after the annual audit of Longda Company, the balance is payable to the Company on or before 30 April in the following year. The above entrusted management fees were determined after arm's length negotiation between both parties with reference to the Company's experiences in operation and management of toll highways. Operation and management of toll highways is an ordinary and usual course of business of the Company. By the transaction, the Company will timely seize the opportunities in development of operation management of toll highway business and leverage ten years of professional experience and strength of the Company in operation and management of toll highways, export the management experience and gain reasonable income and returns. In addition, the Company will enhance the traffic efficiency of the transportation network in Shenzhen area through strengthening the operation and management of Longda Expressway and reduce operating risk and enhance the operating efficiency by consolidating Longda Expressway into one unified toll network, which in turn will result in mutual benefits of both parties. Details related is available in the announcement of the Company dated 8 January 2008. During the Reporting Period, this connected transactions had no effect on the independence of the Company and the entrusted management agreement was normally performed. The independent Directors of the Company had taken annual review on this connected transaction and confirmed that the transaction was on normal commercial terms in the ordinary and usual course of business of the Company, and during the Reporting Period, the transaction was in accordance with the entrusted management agreement and the terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

2. Advances and liabilities or guarantees related to the connected parties (as defined in the relevant PRC regulatory rules)

Unit: RMB'000

	Fund provided to the connected parties		Fund provided to the Company by the connected parties	
Connected party	**Amount accrued**	**Balance**	**Amount accrued**	**Balance**
Baotong Company	-30,041	—	—	—
Nanjing Company	—	—	—	46,500
SIHC	—	—	300,000	300,000
Total	**-30,041**	**—**	**300,000**	**346,500**

Notes:

1 The Company had made an advanced payment in an amount of RMB30,040,710 for Baotong Company as construction costs and relevant interests in respect of the construction part of the connecting roads between Longda Expressway and Jihe Expressway. In June 2007, the Company entered into a written agreement with Baotong Company and confirmed such payment, thereby forming other receivables of RMB30,040,710 for the Company. In October 2007, Shenzhen International entered into an agreement for the acquisition of 100% interests in Baotong Company and relevant industry and commerce registration was completed on 29 December 2007. Therefore, the aforesaid payment became credit/liabilities between the Company and connected parties. In order to settle the balance of funds transaction between connected parties, which is caused by the debtor being acquired by a connected party, the Company recovered in full the aforesaid payment on 9 January 2008 after active coordination by the relevant parties.

2 Other payables for Nanjing Company is the pre-dristributted dividends from Nanjing Company.

3 Other payables for SIHC is the fund provided by SIHC to the Company. Such fund was provided to the Company by means of interest free, to guarantee timely payment for preliminary expenditure of Coastal Expressway (Shenzhen Section) before the related entrusted management agreement was signed.

Besides, the loan in a sum of US$1,303,283.35 from the Spanish Government on-lent by China Construction Bank was secured by a substantial shareholder of the Company, XTC Company.

Other Material Contracts

In addition to those contracts related to the acquisitions as stated in this annual report, other material contracts of the group during the Reporting Period were as follows:

1. Management contract:

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

For the year 2008, investment income of the Group from Wuhuang Expressway amounted to RMB80,592,000, representing 16.02% of the profit attributable to equity holders of the Company. The amount of entrusted management fees accounted for by Magerk Company during the Reporting Period was RMB93,997,000. This aforesaid management contract has no material impact on the financial status and operating results of the Group.

2. Mortgage and Pledge of Assets and Guarantees

As at the end of the Reporting Period, the Group had the following assets mortgaged or pledged and guarantees:

Asset	Type	Bank	Scope of security	Terms
154,000,000 shares of JEL Company (Note 1)	Mortgage	Industrial and Commercial Bank of China (Asia) Limited	Principal and interests of a HK$680 million bank loan	Until repayment of all liabilities by Mei Wah Company under the load agreement
Toll collection rights of Qinglian project (Note 2)	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB4.66 billion	Until repayment of all liabilities by Qinglian Company under the load agreement
100% interests in Meiguan Company (Note 3)	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
RMB116 million fixed deposit (Note 4)	Pledge	Bank of China Shenzhen Longhua Branch	Principal and interests of a HK$133 million bank loan	Until 24 June 2009

Notes:

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

2 Pledged by Qinglian Company, a subsidiary of the Company. On 19 May 2006, Qinglian Company entered into agreements with lending banks, and pledged the following interests in favour of lending bank as security of loans of an aggregate amount of RMB4.66 billion: (a) toll collection rights of Qinglian Class 1 Highway and Qinglian Class 2 Road during the reconstruction period of Qinglian Class 1 Highway into an expressway; (b) toll collecton rights of Qinglian Expressway and Qinglian Class 2 Road after completion of the reconstruction of Qinglian Class 1 Highway into an expressway. As at the end of the Reporting Period, the balance of such loans used by Qinglian Company is RMB3,265 million.

3 As approved at the 2007 annual general meeting, the Company entered into an agreement with China Construction Bank Corporation Shenzhen Branch on 20 April 2007. The Company provided a pledge of its 100% interests in Meiguan Company in favor of the bank, as a counter-guarantee to it for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds issued by the Company with an amount of RMB800 million upon maturity. As stipulated by the agreement, the pledging procedure for the aforesaid interest was completed in August 2007.

4 The Company entered into an agreement with Bank of China Limited Shenzhen Longhua Branch on 24 June 2008. The Company pledged its RMB116 million fixed deposit with the maturity of one year in favor of the bank as security of the principal and interests of a HK$133 million bank loan provided to the Company. As stipulated by the agreement, the pledging procedure for the aforesaid fixed deposit was completed in June 2008.

Save as the aforesaid mortgage and pledge of assets as at the end of the Reporting Period, the Company entered into an agreement with Agricultural Bank of China Shenzhen Branch on 11 July 2008, according to the approval and authorisation of the general meeting and the Board. The Company pledged its 47.3% toll collection rights of Nanguang Expressway in favor of Agricultural Bank of China as a counter-guarantee to it for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the Bonds with Warrants issued by the Company with an amount of RMB1.5 billion upon maturity. This pledge was approved by the Communications Department of Guangdong Province in February 2009, and the term of pledge ends on 9 April 2014.

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

Save as disclosed above, during the Reporting Period, neither had the Group entered into any contract of significance with any controlling shareholder or its subsidiaries, nor entered into any contract of significance for the provision of services to the Group by any controlling shareholder or any of its subsidiaries.

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

Undertaking

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

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

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

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

Results Review

The Audit Committee of the Company has reviewed and confirmed the annual results announcement and the annual report for the twelve months ended 31 December 2008.

Auditors

The details of the appointment and remuneration of the auditors are stated in the section "Corporate Governance Report" of this annual report.

Name of Directors

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

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 2 April 2009

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TO THE SHAREHOLDERS OF
SHENZHEN EXPRESSWAY COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 109 to 188, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 2 April 2009

Consolidated Balance Sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated) (Note 2.2)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**696,976**	344,800
Investment properties	7	**18,132**	—
Construction in progress	8	**267,562**	349,410
Concession intangible assets	9	**13,777,469**	10,741,681
Prepaid lease payments	10	**15,912**	—
Investments in jointly controlled entities	13	**1,212,980**	1,423,810
Investments in associates	14	**1,264,681**	1,141,828
		17,253,712	14,001,529
Current assets			
Inventories		**3,075**	2,956
Trade and other receivables	15	**323,626**	223,886
Restricted cash	16	**140,580**	16,032
Cash and cash equivalents	17	**536,293**	466,990
Derivatives financial instruments	25	**6,292**	—
		1,009,866	709,864
Total assets		**18,263,578**	14,711,393
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	**2,180,700**	2,180,700
Other reserves	19	**3,594,861**	3,541,124
Retained earnings			
– Proposed final dividend	32	**261,684**	348,912
– Others		**1,010,113**	822,339
		7,047,358	6,893,075
Minority interest in equity		**704,783**	713,450
Total equity		**7,752,141**	7,606,525

Consolidated Balance Sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated) (Note 2.2)
LIABILITIES			
Non-current liabilities			
Borrowings	20	**6,903,730**	5,251,963
Deferred income tax liabilities	21	**390,279**	441,741
Provision for maintenance/resurfacing obligations	22	**304,133**	237,720
		7,598,142	5,931,424
Current liabilities			
Other payables and accrued expenses	23	**1,735,603**	754,895
Current income tax liabilities		**58,716**	27,565
Borrowings	20	**1,118,976**	390,984
		2,913,295	1,173,444
Total liabilities		**10,511,437**	7,104,868
Total equity and liabilities		**18,263,578**	14,711,393
Net current liabilities		**(1,903,429)**	(463,580)
Total assets less current liabilities		**15,350,283**	13,537,949

YANG HAI
Director

WU YA DE
Director

The notes on pages 117 to 188 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated) (Note 2.2)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**646,785**	292,890
Investment properties	7	**18,132**	—
Construction in progress	8	**19,836**	311,587
Concession intangible assets	9	**5,128,213**	4,443,762
Investments in subsidiaries	11	**3,484,365**	3,518,193
Investments in jointly controlled entities	13	**601,296**	723,088
Investments in associates	14	**1,342,050**	1,242,424
Loan to a subsidiary	12	**818,700**	807,837
		12,059,377	11,339,781
Current assets			
Inventories		**2,071**	1,971
Trade and other receivables	15	**306,318**	206,115
Restricted cash	16	**140,580**	16,032
Cash and cash equivalents	17	**441,915**	307,783
Derivatives financial instruments		**6,292**	—
		897,176	531,901
Total assets		**12,956,553**	11,871,682

Balance Sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated) (Note 2.2)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**2,180,700**	2,180,700
Other reserves	19	**3,636,097**	3,582,360
Retained earnings			
– Proposed final dividend	32	**261,684**	348,912
– Others		**877,931**	605,821
Total equity		**6,956,412**	6,717,793
LIABILITIES			
Non-current liabilities			
Borrowings	20	**3,557,613**	3,929,292
Deferred income tax liabilities	21	**16,981**	68,493
Provision for maintenance/resurfacing obligations	22	**304,133**	237,720
		3,878,727	4,235,505
Current liabilities			
Other payables and accrued expenses	23	**956,594**	508,863
Current income tax liabilities		**45,844**	18,537
Borrowings	20	**1,118,976**	390,984
		2,121,414	918,384
Total liabilities		**6,000,141**	5,153,889
Total equity and liabilities		**12,956,553**	11,871,682
Net current liabilities		**(1,224,238)**	(386,483)
Total assets less current liabilities		**10,835,139**	10,953,298

YANG HAI
Director

WU YA DE
Director

The notes on pages 117 to 188 are an integral part of these consolidated financial statements.

Consolidated Income Statement

	Note	As at 31 December 2008 RMB'000	 2007 RMB'000 (Restated) (Note 2.2)
Revenue	5	**4,242,041**	3,845,511
Business tax and surcharges	26	**(36,699)**	(37,427)
Cost of services	26	**(3,624,357)**	(3,089,012)
Gross profit		**580,985**	719,072
Other income	24	**1,619**	11,103
Other gains - net	25	**5,690**	349
Administrative expenses	26	**(54,012)**	(50,232)
Operating profit		**534,282**	680,292
Finance income	28	**7,390**	9,085
Finance costs	28	**(255,260)**	(149,864)
Share of profit of jointly controlled entities	13	**291,500**	189,003
Share of loss of associates	14	**(17,127)**	(13,486)
Profit before income tax		**560,785**	715,030
Income tax expenses	29	**(66,257)**	(98,093)
Profit for the year from continuing operations		**494,528**	616,937
Attributable to:			
Equity holders of the Company		**503,195**	622,392
Minority interest		**(8,667)**	(5,455)
		494,528	616,937
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
Basic and diluted	31	**0.231**	0.285
Dividends	32	**261,684**	348,912

The notes on pages 117 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of changes in Equity

	Note	Attributable to equity holders of the Company					
		Share capital RMB'000 (Note 18)	Other reserves RMB'000 (Note 19)	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total RMB'000
Balance at 1 January 2007, as previously stated		2,180,700	3,264,104	1,159,834	6,604,638	—	6,604,638
Adjustment for changes in accounting policies	2.2	—	(38,109)	(267,074)	(305,183)	—	(305,183)
Balance at 1 January 2007, as restated		2,180,700	3,225,995	892,760	6,299,455	—	6,299,455
Equity component of convertible bonds, net of transaction costs		—	327,914	—	327,914	—	327,914
Deferred tax for convertible bonds		—	(73,195)	—	(73,195)	—	(73,195)
Acquisition of a subsidiary		—	—	—	—	718,905	718,905
Profit for the year		—	—	622,392	622,392	(5,455)	616,937
Transfer to reserve fund		—	60,410	(60,410)	—	—	—
Dividend relating to 2006		—	—	(283,491)	(283,491)	—	(283,491)
Balance at 31 December 2007		2,180,700	3,541,124	1,171,251	6,893,075	713,450	7,606,525
Balance at 1 January 2008, as previously stated		2,180,700	3,586,887	1,482,626	7,250,213	712,480	7,962,693
Adjustment for changes in accounting policies	2.2	—	(45,763)	(311,375)	(357,138)	970	(356,168)
Balance at 1 January 2008, as restated		2,180,700	3,541,124	1,171,251	6,893,075	713,450	7,606,525
Profit for the year		—	—	503,195	503,195	(8,667)	494,528
Transfer to reserve fund		—	53,737	(53,737)	—	—	—
Dividends related to 2007		—	—	(348,912)	(348,912)	—	(348,912)
Balance at 31 December 2008		**2,180,700**	**3,594,861**	**1,271,797**	**7,047,358**	**704,783**	**7,752,141**

The notes on pages 117 to 188 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statements

	Note	2008	2007
		Year ended 31 December	
		RMB'000	RMB'000
			(Restated)
			(Note 38)
Cash flows from operating activities			
Cash received from toll income		**1,030,160**	998,447
Cash paid to suppliers		**(111,290)**	(66,662)
Cash paid to employees		**(93,237)**	(72,490)
Other cash received		**206,806**	25,052
Cash generated from operations	33	**1,032,439**	884,347
Income tax paid		**(86,568)**	(83,726)
Government subsidies received		**—**	11,103
Net cash generated from operating activities		**945,871**	811,724
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE), investment in construction in progress and concession intangible assets		**(2,697,265)**	(3,373,383)
Deposits returned to contractors for road construction projects		**(46,456)**	(59,236)
Proceeds from sales of PPE		**10**	30
Proceeds from disposal of non-current assets classified as held for sale		**—**	10,800
Acquisition of a subsidiary, net of cash acquired		**—**	(451,089)
Profit distribution and appropriation from jointly controlled entities		**378,116**	375,502
Advance from an associate		**—**	26,250
Profit distribution and appropriation from associates		**21,750**	24,050
Interest received		**3,164**	8,917
Settlement of consideration payable for acquisition of a jointly controlled entity		**—**	(18,459)
Increase in investments in associates		**(37,500)**	—
Net cash used in investing activities		**(2,378,181)**	(3,456,618)

Consolidated Cash Flow Statements

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated) (Note 38)
Cash flows from financing activities			
Proceeds from borrowings		**4,876,835**	5,195,472
Proceeds from issuance of convertible bonds		**—**	1,458,885
Proceeds from issuance of corporate bonds		**—**	790,283
Government grant received		**—**	5,000
Repayments of borrowings		**(2,545,236)**	(4,173,339)
Interest paid		**(364,084)**	(204,748)
Payments for other borrowing costs		**(119,273)**	(326)
Dividends paid to the Company's shareholders		**(348,912)**	(283,491)
Net cash generated from financing activities		**1,499,330**	2,787,736
Net increase in cash and cash equivalents		**67,020**	142,842
Cash and cash equivalents at beginning of the year		**466,990**	328,494
Exchange differences on cash and cash equivalents		**2,283**	(4,346)
Cash and cash equivalents at end of the year		**536,293**	466,990

The notes on pages 117 to 188 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

The address of the registered office of the Company is 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the PRC.

The H shares and A shares of the Company are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 2 April 2009.

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Group reported net current liabilities of approximately RMB1,903,429,000 as at 31 December 2008. The directors of the Company had made an assessment and concluded that there is no going concern issue of the Group based on the facts that the Group has been generating positive and increasing operating cash flows. It has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilized banking facilities of approximately RMB6.61 billion at 31 December 2008, within the amount, facilities expiring beyond one year amounted to approximately RMB4.02 billion, in order to meet its obligations and commitments. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) The following amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2008:

- HK(IFRIC) - Int 11, 'HKFRS 2 - Group and Treasury Share Transactions'. This interpretation is not currently relevant to the Group.

- HK(IFRIC) - Int 12, 'Service Concession Arrangements'. Adoption of the interpretation resulted in changes in accounting policies on accounting for the service concession arrangements of the Group. The details and impact on the financial statements are described in Note 2.2 below.

- HK(IFRIC) - Int 14, 'HKAS 19 - The Limit On a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction'. This interpretation is not currently relevant to the Group.

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted or are not relevant to the Group's operations:

- HK(IFRIC) - Int 13, 'Customer Loyalty Programmes', effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Group.

- HKFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Management is currently assessing the impact of HKFRS 8.

- HKAS 1 (Revised), HKAS 1 (Amendment), 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2009. The revised disclosure requirements of the standard will be followed by the Group from 1 January 2009.

- HKFRS 2 (Amendment), 'Share-based Payment', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group.

- HKAS 32 (Amendment), 'Financial Instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.

- HKAS 23 (Revised), HKAS 23 (Amendment), 'Borrowing Costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs which is similar to the requirements under the amendments.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted or are not relevant to the Group's operations: (continued)

- HKFRS 3 (Revised), 'Business Combinations' and HKAS 27 (Revised) 'Consolidated and Separate Financial Statements', effective from 1 July 2009. Management is going to adopt the e new requirements for the future acquisitions of the Group.

- Amendments to HKAS 27, 'Consolidated and Separate Financial Statements', HKAS 28, 'Investments in Associates' and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures' and HKAS 31, 'Interests in Joint Ventures' and consequential amendments to HKAS 32 and HKFRS 7, effective from 1 January 2009. Management is assessing the impact of the new requirements regarding subsidiaries, jointly controlled entities and associates of the Group.

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). This amendment is not relevant to the Group, as the Group is not a first-time adopter of HKFRS.

- HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008) and HKAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' - 'Eligible hedged items' (effective from 1 July 2009). Both requirements are not relevant to the Group as the Group does not have any hedges.

- HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

  – The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  – The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  – The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  – HKAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

  The Group will apply the HKAS 19 (Amendment) from 1 January 2009.

- HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009 onwards.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted or are not relevant to the Group's operations: (continued)

- HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the HKAS 38 (Amendment) from 1 January 2009 onwards.

- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement', effective for an annual period beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any derivatives qualified as a hedging instrument or financial assets and liabilities held for trading.

- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010 onwards.

- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009), supercedes HK Int-3, 'Revenue - Pre-completion contracts for the sale of development properties'. HK(IFRIC) - Int 15 clarifies whether HKAS 18, 'Revenue' or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. HK(IFRIC) - Int 15 is not relevant to the Group's operations.

- HK(IFRIC) - Int 17 - 'Distributions of non-cash assets to owners' (effective from 1 July 2009).This interpretation applies to non-reciprocal distributions of non-cash assets (or with a cash alternative) except for common control transactions and clarifies that:

  – a dividend payable shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.

  – the dividend payable shall be measured at the fair value of the assets to be distributed.

  – the difference between the dividend paid and the carrying amount of the assets distributed shall be recognised in profit or loss.

  The Group will apply HK(IFRIC) - Int 17 from 1 July 2009 onwards.

- HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to HKAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have any impact on the Group's operations because none of the group companies' ordinary activities comprise renting and subsequently selling assets.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted or are not relevant to the Group's operations: (continued)

- HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight line method. The expected impact is still being assessed in detail by management.

- The minor amendments to HKAS 20 'Accounting for government grants and disclosure of government assistance', HKFRS 7 'Financial instruments: Disclosures', HKAS 8 'Accounting policies, changes in accounting estimates and errors', HKAS 10 'Events after the balance sheet date', HKAS 18 'Revenue', HKAS 34 'Interim financial reporting' and HKAS 40, 'Investment property' which are not addressed above. Management is assessing the impact of these new requirements.

- There are a number of minor amendments to HKAS 29, 'Financial reporting in hyperinflationary economies' and HKAS 41, 'Agriculture', which are not addressed above. These amendments will not have an impact on the Group's operations as described above.

2.2 Changes in accounting policies

In previous years, the costs incurred for constructing the related infrastructures for toll roads, under the service concession arrangements ("Service Concessions") of the Group made with relevant local governments, were accounted for as property, plant and equipment of the Group. These expenditures were depreciated based on a units-of-usage basis, making reference to the proportion of actual traffic volume achieved for a particular period out of the total projected traffic volume throughout the periods within which the Group is granted the rights to operate the related toll roads (the "Traffic Flow Amortisation Method"). HK(IFRIC) - Int 12 ("IFRIC 12") requires the Group to account for these Service Concessions under this interpretation from 1 January 2008 onwards. The application of the interpretation results in changes in accounting policies of the Group, which have been applied retrospectively and the comparative figures have been restated accordingly.

The accounting policies changed arising from the adoption of IFRIC 12 include the following:

Concession arrangements

The Group has entered into contractual service arrangements with local government authorities for its participation in the development, financing, operation and maintenance of various toll road infrastructures. Under the arrangements, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange for the right to operate the toll roads concerned; and the entitlement to toll fees collected from users of the toll road services. In accordance with IFRIC 12, the assets under the Service Concessions are classified as intangible assets or financial assets. The assets are classified as intangible assets if the Group receives a right to charge users of the respective toll roads or as financial assets if it is paid by the grantor.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Construction contracts

The Group recognises income and expenses associated with construction services and upgrade services provided under the Service Concessions in accordance with HKAS 11, "Construction Contracts".

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

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

Intangible asset model

The Group applies the intangible asset model to account for the Service Concessions where the Group is paid by the users of the toll roads, and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The intangible asset corresponds to the right granted by the respective concession grantors to the Group to charge users of the toll road services.

Intangible assets resulting from the application of IFRIC 12 are recorded in the balance sheet as 'Concession intangible assets'. Once the underlying infrastructure of the Service Concessions is completed, the intangible assets are amortised, on the Traffic Flow Amortisation Method, as allowed under HK-Int 1, 'The Appropriate Policies for Infrastructure Facilities', over the operating periods granted.

For certain Service Concessions contracts, the Group receives from the concession grantors certain monetary grants (the "Grants") in addition to the entitlements and rights to receive the toll fees from users of the toll road services. The consideration receivable is divided into two components, financial assets recognised based on the amount of Grants payable by the concession grantors, and the residual balance is recognised as intangible assets. The Grants were previously recognised as deferred income or advances from government, where deferred income was credited to the income statement of the Group based on the actual traffic volume of a period and the basis as determined based on the Grants and the total projected traffic volume throughout the whole approved operating period of the relevant toll roads, over the operating periods of the respective toll roads before the adoption of IFRIC 12.

Financial assets resulting from the application of IFRIC 12 are recorded in the balance sheet as financial assets.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Provisions

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. The resulting maintenance and resurfacing costs, except for upgrade services, are recognised as provisions according to the requirements of HKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

Land use rights

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions. They were previously separately presented as long-term assets of the Group before the adoption of IFRIC 12.

These changes in accounting policies have been applied retrospectively and resulted in the following financial impact (including the retrospective adjustment made to statutory surplus reserve):

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Increase in concession intangible assets	**13,777,469**	10,741,681
Decrease in property, plant and equipment	**9,883,979**	7,065,518
Decrease in construction in progress	**4,077,923**	3,859,022
Decrease in land use rights	**204,182**	215,526
Decrease in investments in jointly controlled entities	**109,859**	89,820
Decrease in deferred income tax liabilities	**48,853**	32,494
Increase in provision for maintenance/resurfacing obligations	**304,133**	237,720
Decrease in government grants	**321,145**	337,263
Decrease in other reserve	**45,763**	45,763
Decrease in retained earnings	**387,816**	311,375
Increase in minority interest	**970**	970

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Increase in revenue	**3,178,980**	2,742,056
Increase in cost of services	**3,211,851**	2,750,344
Increase in finance costs	**23,772**	18,087
Decrease in other income	**16,118**	18,199
Decrease in share of profit of jointly controlled entities	**20,039**	14,947
Decrease in income tax expenses	**16,359**	8,538
Increase in minority interest	**—**	970
Decrease in basic and diluted earnings per share (in RMB per share)	**0.035**	0.024

The opening retained earnings at 1 January 2007 has been decreased by RMB267,074,000 as a result of these changes in accounting policies.

The above changes reflect the impact of application of IFRIC 12 to the Group, including its share of net assets and operating results in associates and jointly controlled entities engaged in Service Concessions accounted for under the equity method of accounting, to the extent that they are significant to the Group.

2.3 Consolidation

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

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

(a) Subsidiaries

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.10). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

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

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment losses) identified on acquisition, net of any accumulated impairment loss. See note 2.10 for the impairment of non-financial assets including goodwill.

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

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

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

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (2.10). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(d) Joint ventures

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

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

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

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.10). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

2.7 Investment properties

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Construction in progress

Construction in progress is stated at cost which includes development expenditure and other direct costs, including borrowing costs on the related borrowed funds during the construction period, attributable to the development of the qualifying assets (Note 2.20). Costs are transferred to property, plant and equipment upon completion.

2.9 Concession intangible assets

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.11 Financial assets

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

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

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.14.

2.12 Derivative financial instruments

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

2.13 Inventories

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

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'other gains/(losses)'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other gains/(losses)' in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.15 Cash and cash equivalents

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

2.16 Borrowings

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

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

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of income tax effects.

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

2.17 Current and deferred income tax

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.18 Employee benefits

(a) Pension obligations

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

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

(b) Bonus plans

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

2.19 Provisions

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

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

2.20 Borrowing costs

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

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition

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

(a) Toll revenue

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

(b) Construction revenue under Service Concessions

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

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

(c) Construction management services income

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

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

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

(d) Income from other services

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

(e) Interest income

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

(f) Dividend income

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

2.22 Share capital

Ordinary shares are classified as equity.

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

2.23 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. It did not have significant exposure to foreign exchange risk in the PRC, except for certain cash at bank balances of RMB2,906,000 (2007: RMB12,210,000) and bank borrowings of RMB207,329,000 (2007: RMB95,511,000) which were denominated in Hong Kong dollars ("HKD"); and other borrowings of RMB10,180,000 (2007: RMB16,864,000) which were denominated in United States dollars ("USD"), respectively as at 31 December 2008. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2008, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB3,569,000 (2007: RMB4,179,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash in banks and borrowings. As at 31 December 2008, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the year would have been RMB413,000 (2007: RMB711,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated borrowings.

During 2008, the Company had executed a foreign exchange forward contract for buying HKD138,867,000 by selling RMB in one year's time in order to control the exposure to foreign exchange fluctuations between Hong Kong dollars and RMB related to a one-year term loan of principal amount of HKD133 million.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from long-term borrowings and bonds. Borrowings and bonds issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain approximately 50% of its borrowings in fixed rate instruments. During 2008 and 2007, the Group's borrowings at variable rates were denominated in RMB and HKD.

The Company's long-term borrowings, bonds and loan to a subsidiary were issued at fixed rates, and expose the Company to fair value interest rate risk.

The Group's borrowings to the extent of RMB1,600 million (2007: RMB1,612 million) were issued at variable rates. As at 31 December 2008, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB8 million (2007: RMB5 million) higher or lower.

During the year ended 31 December 2008, the Group adopted a floating-to-fixed interest rate swap instrument to manage its cash flow interest rate risk for a long-term borrowing. This interest rate swap has the economic effect of converting borrowings form floating rates to fixed rates. Under the interest rate swap arrangement, the Company agreed with other party to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk

The Group has no significant concentration of credit risk, except for the amount due from the Shenzhen Communications Bureau amounting to approximately RMB137,585,000 for management services income recognised (Note 15(a)). The carrying amounts of cash and cash equivalents and trade and other receivables represent the Group's maximum exposure in relation to financial assets.

The table below shows the bank deposits balance of the major counterparties of the Group as at 31 December 2008 and 2007:

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Counterparty		
State-owned banks	**323,064**	274,207
Other banks	**353,273**	208,471
	676,337	482,678

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by arranging banking facilities and other external financing.

Management monitors the liquidity of the Group through performing rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities (Note 20 (i)) and cash and cash equivalents (Note 17)) based on expected future cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2008				
Borrowings	**1,145,873**	**703,681**	**1,875,082**	**5,964,169**
Bonds	**59,000**	**59,000**	**1,677,000**	**1,196,000**
Other payables	**1,734,393**	**—**	**—**	**—**
At 31 December 2007				
Borrowings	390,984	425,984	1,415,807	3,410,172
Bonds	59,000	59,000	177,000	2,755,000
Other payables	750,185	—	4,710	—
Company				
At 31 December 2008				
Borrowings	**1,145,873**	**294,341**	**826,752**	**802,591**
Bonds	**59,000**	**59,000**	**1,677,000**	**1,196,000**
Other payables	**955,386**	**—**	**—**	
At 31 December 2007				
Borrowings	390,984	425,984	1,034,896	2,300,535
Bonds	59,000	59,000	177,000	2,755,000
Other payables	508,863	—	—	—

3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The Group's strategy is to maintain a gearing ratio within 50% to 60% and an AAA credit rating. The gearing ratio of the Group at 31 December 2008 and 2007 were as follows:

	2008 **RMB'000**	2007 RMB'000 (Restated)
Total borrowings (Note 20)	**8,022,706**	5,642,947
Less: Cash and cash equivalents (Note 17)	**(536,293)**	(466,990)
Net debt	**7,486,413**	5,175,957
Total equity	**7,752,141**	7,606,525
Total capital	**15,238,554**	12,782,482
Gearing ratio	**49.13%**	40.49%

The increase in the gearing ratio during 2008 resulted primarily from the increase of borrowings to finance certain toll road construction projects.

3.3 Fair value estimation

The carrying value less impairment provision, if any, for financial assets and liabilities with a maturity of less than one year, is a reasonably approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

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

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

(a) Construction revenue recognition relating to concession contracts

As described in Note 2.2, income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised in accordance with HKAS 11 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

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

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

The construction revenue recognised by the Group under the percentage of completion method for the Service Concessions amounted to approximately RMB3,178,980,000 (2007: RMB2,742,056,000) for 2008. Due to the significant rise in construction and related costs during 2008, the actual costs were higher than the budget and the gross profit derived from the construction activities was insignificant and it had not been recognised in the income statement of 2008 (2007: RMB23,450,000). The directors of the Company consider that these are their current best estimates on the magnitude of construction revenue and related profits. Were the magnitudes of the final construction costs and the management fee applied as a percentage of the construction costs were to be differed from management’s current estimates, the Group would account for the change prospectively.

4 Critical accounting estimates and judgements (continued)

(b) Amortisation of concession intangible assets

As mentioned in Note 2.2, the Group applied IFRIC 12 and recognised concession intangible assets under the service concession arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the Traffic Flow Amortisation Method, which resembles the method of depreciation of toll roads previously recorded as property, plant and equipment before the adoption of IFRIC 12. Consequently, the estimate and assumptions in relation to depreciation of toll roads recognised under property, plant and equipment as disclosed in the 2007 annual financial statements are applicable to the amortisation of concession intangible assets in 2008.

Material adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results. The directors had performed an assessment and concluded that there was no significant change in the directors' estimate of the total projected traffic volume throughout the approved operating rights period of respective toll roads during the year.

(c) Provisions for maintenance/resurfacing obligations

As described in Note 2.2, the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision. Provision for resurfacing obligations at 31 December 2008 of RMB304,133,000 had been provided at the present value of expenditures expected to be incurred by the Group to settle the obligations at the balance sheet date.

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group under the Service Concessions and the expected costs to be incurred for each event. The costs are then discounted to the prevent value based on a pre-tax discount rate of 10%.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the directors of the Company, which were developed based on the Group's resurfacing plan and historical costs incurred for similar activities.

In addition, the directors are of the view that the discount rate currently used in the current estimate reflects the time value of money and the risks specific to the obligations.

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

4 Critical accounting estimates and judgements (continued)

(d) Impairment provision of investment in a jointly control entity

In accordance with the accounting policy stated in Note 2.10, the Group performs impairment tests on its investments in jointly controlled entities whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In prior years, there was indication that the toll road assets of Changsha Shenchang Expressway Company Limited ("Shenchang Company"), a jointly controlled entity of the Company, were subject to impairment losses. In order to assess the recoverable amount of the investment in Shenchang Company, management reassessed the recoverable amount of the relevant assets of Shenchang Company. According to the assessment results, impairment losses on fixed assets had been further provided for by the Shenchang Company in 2007. The Group shared such impairment loss in 2007 according to its equity interest held in the Shenchang Company amounting to RMB89,000,000. The amount has been reflected as the Group's share of results of this jointly controlled entity in the consolidated income statement.

The directors had reassessed the situation during 2008, which include a review of the update government plans about development of the toll road infrastructure in the region as well as the actual traffic flow derived. As a result of such reassessment, the directors concluded that no additional impairment provision or reversal of previously made provision against the concession intangible assets of Shenchang Company was required.

(e) Current and deferred income tax

As described in more details in Note 29 (c), the Group and one of its jointly controlled entities were collectively demanded by the Administration of Local Taxation of Shenzhen Municipality Futian Branch (the "Futian Tax Bureau") in a notice (the "Notice") issued on 4 February 2009 to pay PRC enterprise income tax back taxes on certain local subsidies and incentives granted by the local government authorities in prior years, amounting to approximately RMB60,472,000. The amount attributable to the Group is RMB57,986,000 (the "Back Taxes").

The Company had lodged an application to the Futian Tax Bureau for a reassessment of the computation basis of the Back Taxes, waiver of the related penalty, as well as a deferral of the payment. Subsequently, several rounds of discussion were held between the Company and the Futian Tax Bureau. According to these communications, the directors of the Company consider that the final amount of the Back Taxes would highly probable be reduced by RMB18,750,000. As of the date of approval of these financial statements, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised.

Accordingly, the Group had recognised additional income tax liabilities attributable to the Group in the amount of RMB39,236,000 in the current year. Deferred tax assets of RMB25,313,000 had also been recognized on deductible temporary differences originating from the levy of such Back Taxes. The net profit of the Group for the year ended 31 December 2008 was reduced by RMB13,923,000.

The directors of the Company consider that these accounting treatments reflect their best estimates made based on the current circumstances and conditions.

Were the amount finally approved by the Futian Tax Bureau and other relevant authorities be more than RMB39,236,000, the income tax liabilities and deferred tax assets of the Group would be increased and the change would be reflected in the reported net profit of the year when these Back Taxes are finalised.

5 Segment information

Due to the adoption of IFRIC 12 during the year, as at 31 December 2008, the Group reassessed its operations to be organised in two main business segments:

– Toll roads operations; and

– Construction under Service Concession

Other operations mainly comprise provision of advertising services and other services. None of these operations constitutes a separately reportable segment.

The segment results for the year ended 31 December 2008 are as follows:

Business segment	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	**984,818**	**3,178,980**	**78,243**	**—**	**4,242,041**
Segment results	**541,365**	**—**	**39,620**	**—**	**580,985**
Other income	—	—	—	**1,619**	**1,619**
Other gains - net	—	—	—	**5,690**	**5,690**
Administrative expenses	—	—	—	**(54,012)**	**(54,012)**
Operating profit	—	—	—	—	**534,282**
Finance income	—	—	—	**7,390**	**7,390**
Finance costs	**(262,087)**	—	—	**6,827**	**(255,260)**
Share of post-tax profit of jointly controlled entities	**291,500**	—	—	—	**291,500**
Share of post-tax loss of associates	**(18,651)**	—	**1,524**	—	**(17,127)**
Profit before income tax	—	—	—	—	**560,785**
Income tax expenses	—	—	—	—	**(66,257)**
Profit for the year	—	—	—	—	**494,528**

5 Segment information (continued)

The segment results for the year ended 31 December 2007 (restated, note (a)) are as follows:

Business segment	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	965,850	2,742,056	137,605	—	3,845,511
Segment results	583,167	23,450	112,455	—	719,072
Other income	—	—	—	11,103	11,103
Other gains - net	—	—	—	349	349
Administrative expenses	—	—	—	(50,232)	(50,232)
Operating profit	—	—	—	—	680,292
Finance income	—	—	—	9,085	9,085
Finance costs	(158,413)	—	—	8,549	(149,864)
Share of post-tax profit of jointly controlled entities	189,003	—	—	—	189,003
Share of post-tax loss of associates	(14,457)	—	971	—	(13,486)
Profit before income tax	—	—	—	—	715,030
Income tax expenses	—	—	—	—	(98,093)
Profit for the year	—	—	—	—	616,937

Other segment items included in the income statement are as follows:

Year ended 31 December 2008

	Toll roads operations RMB'000	**Construction under Service Concessions RMB'000**	**Others RMB'000**	**Unallocated RMB'000**	**Group RMB'000**
Depreciation	50,786	—	1,214	4,681	56,681
Amortisation	144,546	—	2,843	—	147,389

Year ended 31 December 2007 (restated, note (a))

	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Depreciation	33,239	—	1,262	4,153	38,654
Amortisation	143,978	—	—	—	143,978

Note (a): During 2007, construction management services qualified as a disclosable segment. However, the segment does not qualify as a separate segment for disclosure purposes in 2008 and comparative figures for 2007 have been restated accordingly.

5 Segment information (continued)

Segment assets consist primarily of property, plant and equipment, construction in progress, concession intangible assets, prepaid lease payments, inventories, trade and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise investments in jointly controlled entities and investments in associates.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 6), construction in progress (Note 8) and concession intangible assets (Note 9) and prepaid lease payments (Note 10) including those additions resulting from acquisitions through business combination.

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Assets	**10,671,147**	**4,083,400**	**143,344**	**3,365,687**	**18,263,578**
Liabilities	**798,991**	**1,036,801**	**41,979**	**8,633,666**	**10,511,437**
Capital expenditure (Notes 6, 8, 9 and 10)	**392,884**	**3,178,980**	**3,408**	**43,524**	**3,618,796**

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

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities	**14,897,891**	**1,877,771**
Unallocated:		
Property, plant and equipment	**364,102**	—
Investment properties	**18,132**	—
Construction in progress	**68,378**	—
Investments in jointly controlled entities	**1,212,980**	—
Investments in associates	**1,264,681**	—
Cash and cash equivalents	**271,632**	—
Trade and other receivables	**159,490**	—
Derivatives financial instruments	**6,292**	—
Other payables	—	**161,965**
Current income tax liabilities	—	**58,716**
Deferred income tax liabilities	—	**390,279**
Current borrowings	—	**1,118,976**
Non-current borrowings	—	**6,903,730**
Total	**18,263,578**	**10,511,437**

5 Segment information (continued)

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year ended are as follows:

	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Assets	7,785,614	3,889,961	172,177	2,863,641	14,711,393
Liabilities	391,260	432,585	30,602	6,250,421	7,104,868
Capital expenditure (Notes 6, 8, 9 and 10)	232,993	6,991,717	3,574	123,064	7,351,348

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2007 as follows:

	Assets RMB'000	**Liabilities** RMB'000
Segment assets/liabilities	11,847,752	854,447
Unallocated:		
Property, plant and equipment	36,642	—
Construction in progress	134,204	—
Investments in jointly controlled entities	1,423,810	—
Investments in associates	1,141,828	—
Cash and cash equivalents	88,781	—
Trade and other receivables	38,376	—
Other payables	—	138,168
Current income tax liabilities	—	27,565
Deferred income tax liabilities	—	441,741
Current borrowings	—	390,984
Non-current borrowings	—	5,251,963
Total	14,711,393	7,104,868

No geographical segment information is presented as substantially all the Group's business activities were carried out and substantially all the Group's assets are located in the PRC.

6 Property, plant and equipment

Group

	Toll roads RMB'000	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2007, as previously stated	3,300,304	169,457	160,035	4,859	3,634,655
Adjustment for changes in accounting policies (Note 2.2)	(3,300,304)	—	—	—	(3,300,304)
At 1 January 2007, as restated	—	169,457	160,035	4,859	334,351
At 1 January 2007, as restated					
Cost	—	217,049	274,507	14,932	506,488
Accumulated depreciation	—	(47,592)	(114,472)	(10,073)	(172,137)
Net book amount	—	169,457	160,035	4,859	334,351
Year ended 31 December 2007, as restated					
Opening net book amount	—	169,457	160,035	4,859	334,351
Transfer from construction in progress (Note 8)	—	8,207	27,662	—	35,869
Acquisition of a subsidiary	—	286	5,920	1,445	7,651
Additions	—	200	3,710	3,935	7,845
Disposals	—	—	(2,253)	(9)	(2,262)
Depreciation	—	(8,560)	(28,097)	(1,997)	(38,654)
Closing net book amount	—	169,590	166,977	8,233	344,800
At 31 December 2007, as restated					
Cost	—	225,742	306,354	20,224	552,320
Accumulated depreciation	—	(56,152)	(139,377)	(11,991)	(207,520)
Net book amount	—	169,590	166,977	8,233	344,800
Year ended 31 December 2008					
Opening net book amount, as restated	**—**	**169,590**	**166,977**	**8,233**	**344,800**
Transfer from construction in progress (Note 8)	**—**	**195,639**	**199,147**	**—**	**394,786**
Additions	**—**	**200**	**9,176**	**4,829**	**14,205**
Disposals	**—**	**—**	**(80)**	**(102)**	**(182)**
Depreciation	**—**	**(11,589)**	**(42,444)**	**(2,600)**	**(56,633)**
Closing net book amount	**—**	**353,840**	**332,776**	**10,360**	**696,976**
At 31 December 2008					
Cost	**—**	**421,581**	**513,842**	**23,003**	**958,426**
Accumulated depreciation	**—**	**(67,741)**	**(181,066)**	**(12,643)**	**(261,450)**
Net book amount	**—**	**353,840**	**332,776**	**10,360**	**696,976**

6 Property, plant and equipment (continued)

Company

	Toll roads RMB'000	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2007, as previously stated	2,655,873	146,445	136,745	2,652	2,941,715
Adjustment for changes in accounting policies (Note 2.2)	(2,655,873)	—	—	—	(2,655,873)
At 1 January 2007, as restated	—	146,445	136,745	2,652	285,842
At 1 January 2007, as restated					
Cost	—	173,218	216,565	5,442	395,225
Accumulated depreciation	—	(26,773)	(79,820)	(2,790)	(109,383)
Net book amount	—	146,445	136,745	2,652	285,842
Year ended 31 December 2007, as restated					
Opening net book amount	—	146,445	136,745	2,652	285,842
Transfer from construction in progress (Note 8)	—	8,207	27,662	—	35,869
Additions	—	—	1,337	3,495	4,832
Disposals	—	—	(1,564)	—	(1,564)
Depreciation	—	(6,354)	(24,163)	(1,572)	(32,089)
Closing net book amount	—	148,298	140,017	4,575	292,890
At 31 December 2007, as restated					
Cost	—	181,425	242,372	8,937	432,734
Accumulated depreciation	—	(33,127)	(102,355)	(4,362)	(139,844)
Net book amount	—	148,298	140,017	4,575	292,890
Year ended 31 December 2008					
Opening net book amount, as restated	**—**	**148,298**	**140,017**	**4,575**	**292,890**
Transfer from construction in progress (Note 8)	**—**	**194,915**	**199,147**	**—**	**394,062**
Additions	**—**	**2,408**	**10,016**	**8,462**	**20,886**
Disposals	**—**	**—**	**(59)**	**(51)**	**(110)**
Depreciation	**—**	**(13,060)**	**(41,468)**	**(6,415)**	**(60,943)**
Closing net book amount	**—**	**332,561**	**307,653**	**6,571**	**646,785**
At 31 December 2008					
Cost	**—**	**378,748**	**451,073**	**16,376**	**846,197**
Accumulated depreciation	**—**	**(46,187)**	**(143,420)**	**(9,805)**	**(199,412)**
Net book amount	**—**	**332,561**	**307,653**	**6,571**	**646,785**

The buildings of the Group are all located in the PRC.

7 Investment properties

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

	Group and Company	
	2008	2007
	RMB'000	RMB'000
At 1 January	**—**	—
Transfer from construction in progress (Note 8)	**18,180**	—
Depreciation	**(48)**	—
At 31 December	**18,132**	—

8 Construction in progress

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January, as previously stated	**4,208,432**	857,525	**2,524,507**	857,308
Adjustment for changes in accounting policies (Note 2.2)	**(3,859,022)**	(816,159)	**(2,212,920)**	(816,159)
At 1 January, as restated	**349,410**	41,366	**311,587**	41,149
Additions	**405,502**	344,135	**194,273**	306,453
Transfer to property, plant and equipment and investment properties (Notes 6 and 7)	**(412,966)**	(35,869)	**(412,242)**	(35,869)
Other transfers	**(74,384)**	(222)	**(73,782)**	(146)
At 31 December	**267,562**	349,410	**19,836**	311,587

Construction in progress at 31 December 2008 mainly represents construction costs incurred for toll road equipment of the Group not yet completed.

9 Concession intangible assets

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January, as previously stated	**—**	—	**—**	—
Adjustments for changes in accounting policies (Note 2.2)	**10,741,681**	3,919,473	**4,443,762**	3,074,592
At 1 January, as restated	**10,741,681**	3,919,473	**4,443,762**	3,074,592
Additions	**3,180,334**	2,762,588	**766,264**	1,463,978
Acquisition of a subsidiary	**—**	4,229,129	**—**	—
Disposals	**—**	(25,531)	**—**	(25,531)
Amortisation	**(144,546)**	(143,978)	**(81,813)**	(69,277)
At 31 December	**13,777,469**	10,741,681	**5,128,213**	4,443,762

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

10 Prepaid lease payments

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**—**	—	**—**	—
Addition	**18,755**	—	**—**	—
Amortisation	**(2,843)**	—	**—**	—
At 31 December	**15,912**	—	**—**	—

11 Investments in subsidiaries

	Company 2008 RMB'000	Company 2007 RMB'000
Unlisted investments, at cost	**3,484,365**	3,518,193

The following is a list of the principal subsidiaries of the Company at 31 December 2008:

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

12 Loan to a subsidiary

The balance represent a loan granted to Qinglian Company, which is unsecured, bearing interest at 5.5% per annum and is repayable out of the funds to be generated from the operations of the Qinglian Expressway (upon completion of construction) of Qinglian Company. The loan and interest should be fully repaid by 2022. The fair value of the loan to Qinglian Company at 31 December 2008 is approximately RMB790,924,000 (2007: RMB709,283,000), which is determined based on expected cash flows discounted using a rate based on the borrowing rate of 5.65% per annum.

13 Investments in jointly controlled entities

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January, as previously stated		**1,513,630**	1,685,182	**723,088**	958,859
Adjustments for changes in accounting policies (Note 2.2)		**(89,820)**	(74,873)	**—**	(94,146)
At 1 January, as restated		**1,423,810**	1,610,309	**723,088**	864,713
Share of profit		**291,500**	189,003	**—**	—
Dividends declared and appropriation made by jointly controlled entities		**(378,100)**	(375,502)	**(57,161)**	(74,875)
Provision for impairment		**—**	—	**—**	(66,750)
Transfer to an associate	(b)	**(124,230)**	—	**(64,631)**	—
At 31 December		**1,212,980**	1,423,810	**601,296**	723,088

The year end balance comprises the following:

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost, as restated		**—**	—	**360,107**	424,738
Share of net assets other than goodwill		**810,701**	962,734	**—**	—
Goodwill on acquisition		**—**	1,636	**—**	—
Provision for impairment	(c)	**—**	—	**(161,090)**	(161,090)
		810,701	964,370	**199,017**	263,648
Advances to jointly controlled entities	(d)	**402,279**	459,440	**402,279**	459,440
		1,212,980	1,423,810	**601,296**	723,088

13 Investments in jointly controlled entities

(a) The following is a list of all jointly controlled entities of the Company at 31 December 2008:

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

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

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

(b) During the year, the equity owners of a jointly controlled entity, Shenzhen Qinglong Expressway Company Limited ("Qinglong Company"), jointly resolved to revise the articles of association of Qinglong Company. As a result, Qinglong Company is no longer subject to joint control of the Group and the Group can only exercise significant influence on Qinglong Company. Consequently, Qinglong Company became an associate of the Group and the investment in Qinglong Company was transferred to investments in associates accordingly. There was no gain or loss arising from such conversion.

(c) As described in Note 4(d), the amount represents the provision for impairment loss made against the Company's investment in Shenchang Company arising from impairment of the underlying toll road assets operated by Shenchang Company. During the year ended 31 December 2007, the directors had made an assessment on the recoverable amount of the toll road of Shenchang Company with reference to the valuation report from a professional valuer in the PRC and as a result, an impairment provision of RMB66,750,000 was recognized, leading to a cumulative impairment provision of RMB161,090,000 as of 31 December 2007. During the year ended 31 December 2008, the directors made a reassessment and the result indicated no additional impairment provision or reversal of previously made provision was required to be recognised for the Company's investment in Shenchang Company.

13 Investments in jointly controlled entities (continued)

(d) Amounts represent advances made to Airport-Heao Eastern Company of RMB141,229,000 (2007: RMB192,150,000) and Shenchang Company of RMB261,050,000 (2007: RMB267,290,000) respectively. The advances were made by the Company as part of its investment commitments in these jointly controlled entities as stipulated in the provisions under the relevant investment agreements. In the opinion of the directors, these advances are investment in nature and are therefore stated at cost.

The advances are unsecured, non-interest bearing and are repayable out of the funds to be generated from the operations of the respective toll road projects of Airport-Heao Eastern Company and Shenchang Company. The directors consider that there was no recoverability problem associated with these amounts as at 31 December 2008.

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

	Airport-Heao Eastern Company		**Shenchang Company**		**JEL (consolidated with Magerk Company)**		**Total**	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Non-current assets	**604,189**	621,847	**197,417**	201,780	**731,515**	771,196	**1,533,121**	1,594,823
Current assets	**49,652**	40,014	**2,782**	2,601	**36,889**	20,376	**89,323**	62,991
Total assets	**653,841**	661,861	**200,199**	204,381	**768,404**	791,572	**1,622,444**	1,657,814
Non-current liabilities	**240,940**	204,090	**—**	40	**130,092**	135,160	**371,032**	339,290
Current liabilities	**29,066**	23,015	**3,662**	3,880	**5,704**	8,156	**38,432**	35,051
Total liabilities	**270,006**	227,105	**3,662**	3,920	**135,796**	143,316	**409,464**	374,341
Revenue	**247,550**	231,347	**12,088**	12,350	**204,747**	211,184	**464,385**	454,881
Cost and expenses	**(122,524)**	(109,818)	**(9,772)**	(77,459)	**(124,154)**	(163,958)	**(256,450)**	(351,235)
Profit/(loss) after income tax	**125,026**	121,529	**2,316**	(65,109)	**80,593**	47,226	**207,935**	103,646

Other than the commitment in respect of handing over the underlying toll roads assets to the respective local government authorities upon expiration of the operating periods under the service concession grants, as mentioned in Note 9, there were no other material contingent liabilities and commitments arising from the Group's investments in these jointly controlled entities, and there were no material outstanding contingent liabilities and commitments in the jointly controlled entities as at 31 December 2008.

14 Investments in associates

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January		**1,141,828**	3,006,665	**1,242,424**	2,691,624
Increase in investments in associates	(b)	**37,500**	11,899	**37,500**	—
Share of loss		**(17,127)**	(13,486)	**—**	—
Dividends declared and appropriation made by associates		**(21,750)**	(24,050)	**(2,505)**	—
Transfer from investment in a jointly controlled entities	13(b)	**124,230**	—	**64,631**	—
Transfer to investment in a subsidiary as a result of business combination		**—**	(1,839,200)	**—**	(1,449,200)
At 31 December		**1,264,681**	1,141,828	**1,342,050**	1,242,424

The year end balance comprises the following:

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost		**—**	—	**1,342,050**	1,242,424
Share of net assets other than goodwill		**1,187,745**	1,066,528	**—**	—
Goodwill on acquisition	(c)	**76,936**	75,300	**—**	—
		1,264,681	1,141,828	**1,342,050**	1,242,424

14 Investments in associates (continued)

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

Name	Nature of legal entity and paid-in capital	Principal activities	Assets		Liabilities		Revenue		Profit/(loss)		'Interest held	
			2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 %**	2007 %
Shenzhen Qinglong Company Limited ("Qinglong Company")	PRC, Sino-foreign cooperative enterprise RMB 100,000,000	Construction, operation and management of an expressway in the PRC	**391,498**	404,726	**268,904**	264,389	**148,372**	141,556	**83,565**	85,357	**40%**	40%
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company") (Note (b))	Limited liability company, RMB 1,015,000,000	Development, operation and management of expressways and related facilities	**704,162**	763,527	**475,130**	505,661	**59,639**	53,092	**(6,199)**	(6,627)	**25%**	25%
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company") (Note (b))	Limited liability company, RMB820,000,000	Development, operation and management of expressway	**714,304**	714,071	**556,746**	564,745	**28,466**	16,490	**(21,767)**	(22,979)	**25%**	25%
Shenzhen Huayu Expressway Investment Company Limited	Limited liability company, RMB150,000,000	Development, nvestment, operation and management of expressway	**229,670**	232,775	**164,803**	168,165	**26,442**	26,670	**256**	3,262	**40%**	40%
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	Limited liability company, RMB7,000,000	Project management consulting, construction consulting and sales of construction materials	**15,218**	13,239	**8,412**	7,957	**20,169**	13,672	**1,524**	971	**30%**	30%
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	Limited liability company, RMB1,080,000,000	Development, operation and management of bridges	**851,012**	868,674	**608,136**	619,032	**58,572**	574,420	**(6,768)**	(4,040)	**25%**	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Limited liability company, RMB200,000,000	Development, operation and management of expressway	**562,727**	637,829	**364,869**	392,300	**83,445**	83,317	**19,245**	18,049	**25%**	25%
Yunfu Guangyun Expressway Company	Limited liability company, RMB10,000,000	Development, operation and management of expressway	**428,036**	435,032	**261,882**	265,459	**29,095**	29,114	**(3,418)**	(2,122)	**30%**	30%
			3,896,627	4,069,873	**2,708,882**	2,787,708	**454,200**	938,331	**66,438**	71,871		

14 Investments in associates (continued)

* There were no material contingent liabilities arising form the Group's interests in associates, and there were no material contingent liabilities and commitments in the associates as at 31 December 2008.

(b) According to the provisions of the investment agreements of GZ W2 Company, the Company is required to make further capital contributions amounting to RMB45,000,000 (2007: RMB75,000,000), in aggregate, to the associate based on the funding requirements determined according to the progress of construction of the toll road projects undertaken by the associate.

(c) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company and Qinglong company amounting to RMB30,135,000, RMB45,165,000 and RMB1,636,000 respectively. After the assessment made by the directors, there was no impairment loss to be recognised as at 31 December 2008.

15 Trade and other receivables

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	(a)	**166,883**	152,560	**153,234**	145,481
Other receivables	(c)	**150,084**	54,213	**146,948**	53,540
Prepayments		**4,252**	17,113	**3,729**	7,094
Interest receivables		**2,407**	—	**2,407**	—
		323,626	223,886	**306,318**	206,115

(a) Trade receivables mainly represent amounts due from the Shenzhen Communications Bureau of RMB137,585,000 (2007: RMB131,337,000) for management services income recognised.

The Company was engaged by the local government authorities to manage the construction of four main toll road construction projects, namely the Nanping Freeway (Phase I) Project ("Nanping (Phase I) Project"), Nanping Freeway (Phase II) Project ("Nanping (Phase II) Project") , the Western section of Hengping Highway Project ("Hengping Project") and the Wutong Mountain Avenue (Supplementary Road) and Airport-Heao Expressway Yantian Subsidiary Road Checkpoint Station Project ("Wutong Mountain Project"). In return, the Company is entitled to management services income which is determined based on the Savings achieved in managing these construction management projects according to the provisions of the relevant contracts.

The construction management services income of the Nanping (Phase II) Project and Hengping Project recognised during the year, using the percentage of completion method in accordance with the accounting policies of the Group, amounted to approximately RMB8,619,000 (2007: Nil) and RMB10,928,000 (2007: Nil), respectively.

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

15 Trade and other receivables (continued)

(b) Trade receivables are neither past due nor impaired at 31 December 2008 and 2007 and are analysed as below:

	2008	2007
	RMB'000	RMB'000
Unbilled	**148,698**	131,337
Billed	**18,185**	21,223
	166,883	152,560

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

	2008	2007
	RMB'000	RMB'000
Counterparty		
– Government authorities in the PRC	**145,585**	134,337
– Existing customers with no defaults in the past	**14,717**	17,776
– New customers	**6,581**	447
	166,883	152,560

At 31 December 2008 and 2007, the ageing analysis of trade receivables was as follows:

	Group		**Company**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**33,144**	121,140	**19,495**	114,088
Over 1 year	**133,739**	31,420	**133,739**	31,393
	166,883	152,560	**153,234**	145,481

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

(c) Due to the fact that the Group is mainly engaged in toll road operations, its income is mainly received in cash and it usually does not maintain any accounts receivable balances. Accordingly, the Group does not have any specified credit period for its customers.

(d) Other receivables at 31 December 2008 mainly included payments of RMB120,928,000 for the Shenzhen Section of Yanjiang Highway ("Yanjiang Project") (see details in Note 23(d)).

16 Restricted cash

		Group and Company	
	Note	**2008**	2006
		RMB'000	RMB'000
Bank fixed deposit denominated in RMB with a maturity of one year	29(e)	**116,272**	—
Project funds retained for construction management contracts	23(b)	**24,308**	16,032
		140,580	16,032

17 Cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**533,668**	461,469	**441,915**	307,783
Short-term bank deposits	**2,625**	5,521	**—**	—
	536,293	466,990	**441,915**	307,783

The effective interest rate on short-term bank deposits denominated in HKD was 0.05% (2007: 3.03%) per annum. The deposits have a maturity of 14 days (2007: 7 days).

18 Share capital and premium

	2008	2007
	RMB'000	RMB'000
Registered, issued and fully paid 2,180,700,000 shares of RMB1 each		
Liquid shares subject to sale restrictions		
- Shares held by the State	**654,780**	654,780
- Shares held by legal persons	**560,620**	560,620
	1,215,400	1,215,400
Listed shares		
- Ordinary shares, listed in the Mainland ("A shares")	**217,800**	217,800
- Foreign invested shares, listed in Hong Kong ("H shares")	**747,500**	747,500
	965,300	965,300
Total	**2,180,700**	2,180,700

After implementation of the Shareholding Structure Reallocating Scheme in February 2006, the formerly non-liquid shares of the Company were converted into shares with liquidity but subject to certain restrictions in their sales. These shares cannot be traded until 2 March 2009 according to the relevant restriction provisions.

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

19 Other reserves

(a) The Group

	Share premium RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January, as previously stated	2,060,009	791,940	453,391	(41,236)	3,264,104
Adjustments for changes in accounting policies (Note 2.2)	—	(38,109)	—	—	(38,109)
At 1 January, as restated	2,060,009	753,831	453,391	(41,236)	3,225,995
Equity component of convertible bonds, net of transaction costs	—	—	—	327,914	327,914
Deferred tax arising on initially stating the convertible bonds at fair value	—	—	—	(73,195)	(73,195)
Transfer from retained earnings	—	60,410	—	—	60,410
At 31 December 2007	2,060,009	814,241	453,391	213,483	3,541,124
Transfer from retained earnings	—	53,737	—	—	53,737
At 31 December 2008	**2,060,009**	**867,978**	**453,391**	**213,483**	**3,594,861**

(b) Company

	Share premium RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January, as previously stated	2,060,009	791,940	453,391	—	3,305,340
Adjustments for changes in accounting policies (Note 2.2)	—	(38,109)	—	—	(38,109)
At 1 January, as restated	2,060,009	753,831	453,391	—	3,267,231
Equity component of convertible bonds, net of transaction costs	—	—	—	327,914	327,914
Deferred tax arising on initially stating the convertible bonds at fair value	—	—	—	(73,195)	(73,195)
Transfer from retained earnings	—	60,410	—	—	60,410
At 31 December 2007	2,060,009	814,241	453,391	254,719	3,582,360
Transfer from retained earnings	—	53,737	—	—	53,737
At 31 December 2008	**2,060,009**	**867,978**	**453,391**	**254,719**	**3,636,097**

19 Other reserves (continued)

(a) Pursuant to relevant PRC regulations and the articles of association of the Company, profit after tax shall be appropriated according to the following sequence from 2006 onwards:

— make up any accumulated losses;

— transfer 10% of the profit after tax to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the share capital, such transfer need not be made;

— transfer to the discretionary surplus reserve an amount as approved by the shareholders in the Annual General Meeting; and

— distribute as dividends to shareholders.

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

(b) Share premium

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

(c) Statutory surplus reserve and discretionary surplus reserve

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

According to the relevant PRC regulations, the Company is not required to provide statutory public welfare fund for profit appropriation effective from 1 January 2006, accordingly, the balance of statutory public welfare fund as at 31 December 2005 was transferred to the statutory surplus reserve.

(d) Profit distributable to shareholders

Pursuant to the relevant PRC regulations and the articles of association of the Company, profit distributable to shareholders shall be the lower of the accumulated distributable profits determined according to the CAS as stated in the PRC statutory financial statements and the accumulated distributable profits adjusted based on HKFRS. The profit attributable to shareholders at 31 December 2008 amounted to RMB 1,001,991,000.

20 Borrowings

		Group		Company	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current					
Bank borrowings					
– Secured	(a)	**3,355,193**	1,322,671	**—**	—
– Unsecured		**1,885,000**	1,985,000	**1,885,000**	1,985,000
		5,240,193	3,307,671	**1,885,000**	**1,985,000**
Other borrowings - guaranteed	(b)	**10,180**	16,864	**10,180**	16,864
Convertible bonds	(c)	**1,198,032**	1,143,129	**1,198,032**	1,143,129
Corporate bonds	(d)	**790,924**	790,283	**800,000**	790,283
		7,239,329	5,257,947	**3,893,212**	3,935,276
Less: Current portion of long-term borrowings – guaranteed		**(335,599)**	(5,984)	**(335,599)**	(5,984)
		6,903,730	5,251,963	**3,557,613**	3,929,292
Current					
Bank borrowings					
– Secured	(e)	**117,377**	—	**117,377**	—
– Unsecured		**666,000**	385,000	**666,000**	385,000
		783,377	385,000	**783,377**	385,000
Current portion of long-term borrowings		**335,599**	5,984	**335,599**	5,984
		1,118,976	390,984	**1,118,976**	390,984
Total borrowings		**8,022,706**	5,642,947	**4,676,589**	4,320,276

(a) For the secured bank borrowings, RMB89,953,0000 (HKD102,000,000) is secured by a pledge of the 55% equity interest of JEL held by Mei Wah and RMB3,265,240,000 is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Qinglian Company, a subsidiary of the Company.

(b) Other borrowings totaling USD1,489,000 (equivalent to RMB10,180,000) were extended by the Spanish Government through the China Construction Bank Corporation. The loans comprise two portions, USD 1,117,000 bearing interest at 1.8% per annum and another portion of USD372,000 which is interest-bearing at 7.17% per annum. The borrowings are guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan"), a shareholder of the Company.

20 Borrowings (continued)

(c) The Company issued 15,000,000 1% convertible bonds with attached warrants subscription rights at a par value of RMB1,500,000,000 on 9 October 2007. The bonds will mature 6 years from the issue date at their nominal value of RMB1,500,000,000. The holders of the bonds have warrants subscription rights to subscribe newly issued A shares of the Company at the rate of 7.2 shares per bond. The fair values of the liability component and the equity conversion component embedded in the bond offer were determined at the date of issuance of the bonds.

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

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

	2008	2007
	RMB'000	RMB'000
Face value of convertible bonds on 9 October 2007	**1,500,000**	1,500,000
Fair value of liability component	**(1,162,802)**	(1,162,802)
Equity component	**337,198**	337,198
Fair value of liability component on 9 October 2007	**1,162,802**	1,162,802
Transaction costs attributable to liability component	**(32,018)**	(32,018)
Liability component on initial recognition on 9 October 2007	**1,130,784**	1,130,784
From issuing date to 31 December		
Interest expenses	**67,248**	12,345
Liability component at 31 December	**1,198,032**	1,143,129

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

(e) The bank loan was secured by a fixed deposit of RMB116,272,000 with a maturity of one year (note 16)

20 Borrowings (continued)

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

	2008 RMB'000	2007 RMB'000
Unsecure bank borrowings		
– non-current	**4.86%-6.12%**	5.67% - 6.723%
– current	**4.536%-5.508%**	5.265% - 5.832%
Secured bank borrowings - non-current	**1.30%-7.047%**	4.64% -6.48%
Convertible bonds	**5.5%**	5.5%
Corporate bonds	**5.5%**	5.5%

(g) At 31 December 2008, the Group's borrowings are repayable as follows:

	Bank borrowings		Other borrowings and bonds	
Group	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Within 1 year	**1,113,377**	385,000	**5,599**	5,984
Between 1 and 2 years	**382,012**	420,000	**3,055**	5,984
Between 2 and 5 years	**1,040,080**	1,410,911	**1,199,559**	4,896
Wholly repayable within 5 years	**2,535,469**	2,215,911	**1,208,213**	16,864
Over 5 years	**3,488,100**	1,476,760	**790,924**	1,933,412
	6,023,569	3,692,671	**1,999,137**	1,950,276

	Bank borrowings		Other borrowings and bonds	
Company	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Within 1 year	**1,113,377**	385,000	**5,599**	5,984
Between 1 and 2 years	**209,999**	420,000	**3,055**	5,984
Between 2 and 5 years	**655,000**	1,030,000	**1,199,559**	4,896
Wholly repayable within 5 years	**1,978,376**	1,835,000	**1,208,213**	16,864
Over 5 years	**690,000**	535,000	**800,000**	1,933,412
	2,668,376	2,370,000	**2,008,213**	1,950,276

20 Borrowings (continued)

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

	Carrying amounts		Fair values	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings	**4,910,196**	3,307,671	**4,986,357**	3,142,586
Other borrowings	**4,578**	10,880	**4,406**	9,764
Convertible bonds	**1,198,032**	1,143,129	**1,198,032**	1,143,129
Corporate bonds	**790,924**	790,283	**790,924**	790,283
	6,903,730	5,251,963	**6,979,719**	5,085,762

The fair values of bank borrowings and other borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 5.4% to 5.94% (2007: 7.56% to 7.83%) per annum.

The fair values of the convertible bonds and corporate bonds are calculated using cash flows discounted at a rate based on a market interest rate for an equivalent non-convertible bond at 6.01% per annum and that of a comparable corporate bond at 5.65% per annum respectively.

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

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**7,805,197**	5,530,572	**4,549,033**	4,303,412
USD	**10,180**	16,864	**10,180**	16,864
HKD	**207,329**	95,511	**117,376**	—
	8,022,706	5,642,947	**4,676,589**	4,320,276

20 Borrowings (continued)

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

	2008 RMB'000	2007 RMB'000
Floating rate		
– Expiring within one year	**2,591,000**	2,972,000
– Expiring beyond one year	**3,759,000**	3,123,000
	6,350,000	6,095,000
Fixed rate		
– Expiring beyond one year	**260,000**	2,205,000
	6,610,000	8,300,000

21 Deferred income tax

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

	Group		Company	
	2008 RMB'000	2007 RMB'000 (Restated)	2008 RMB'000	2007 RMB'000 (Restated)
Deferred tax assets				
– to be recovered after more than 12 months	**99,749**	57,552	**99,749**	57,552
– to be recovered within 12 months	**1,597**	1,878	**1,597**	1,878
	101,346	59,430	**101,346**	59,430
Deferred tax liabilities				
– to be settled after more than 12 months	**480,369**	491,382	**107,198**	118,238
– to be settled within 12 months	**11,256**	9,789	**11,129**	9,685
	491,625	501,171	**118,327**	127,923
Deferred tax liabilities (net)	**390,279**	441,741	**16,981**	68,493

21 Deferred income tax (continued)

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January, as previous stated	**474,235**	24,989	**112,539**	22,611
Adjustment for changes in accounting policies (Note 2.2)	**(32,494)**	(23,957)	**(44,046)**	(34,139)
At 1 January, as restated	**441,741**	1,032	**68,493**	(11,528)
Acquisition of a subsidiary	**—**	357,997	**—**	—
Deferred tax liability arising on initially stating convertible bonds at fair value charged directly to equity (Note 19)	**—**	73,195	**—**	73,195
Adjustment to the enacted tax rate	**—**	16,875	**—**	15,455
Deferred tax assets arising from taxable financial subsidies (Note 29(c))	**(25,313)**	—	**(25,313)**	—
Recognised in the income statement	**(26,149)**	(7,358)	**(26,199)**	(8,629)
At 31 December	**390,279**	441,741	**16,981**	68,493

21 Deferred income tax (continued)

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

Group

	Deferred tax assets			
	Provision for impairment losses of assets RMB'000	**Provision for resurfacing obligations** RMB'000	**Taxable financial subsidies** RMB'000 (Note b)	**Total** RMB'000
At 1 January 2007, as previously stated	1,878	—	—	1,878
Adjustment for changes in accounting policies (Note 2.2)	—	45,218	—	45,218
At 1 January 2007, as restated	1,878	45,218	—	47,096
Recognised in the income statement	(1,878)	14,212	—	12,334
At 31 December 2007	—	59,430	—	59,430
At 1 January 2008, as previously stated	**—**	**—**	**—**	**—**
Adjustment for changes in accounting policies (Note 2.2)	**—**	**59,430**	**—**	**59,430**
At 1 January 2008, as restated	**—**	**59,430**	**—**	**59,430**
Recognised in the income statement	**—**	**16,603**	**25,313**	**41,916**
At 31 December 2008	**—**	**76,033**	**25,313**	**101,346**

21 Deferred income tax (continued)

Group (continued)

	Deferred tax liabilities				
	Depreciation of property, plant and equipment	**Toll road assets resulted from acquisition of a subsidiary**	**Concession intangible assets**	**Convertible bonds**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007, as previously stated	26,867	—	—	—	26,867
Adjustment for changes in accounting policies (Note 2.2)	—	—	21,261	—	21,261
Reclassifications (Note (a))	(26,867)	—	26,867	—	—
At 1 January 2007, as restated	—	—	48,128	—	48,128
Acquisition of a subsidiary	—	—	357,997	—	357,997
Recognised in the income statement	—	—	4,976	—	4,976
Adjustment to the enacted tax rate	—	—	16,875	—	16,875
Deferred tax on convertible bonds	—	—	—	73,195	73,195
At 31 December 2007	—	—	427,976	73,195	501,171
At 1 January 2008, as previously stated	**43,043**	**357,997**	**—**	**73,195**	**474,235**
Adjustment for changes in accounting policies (Note 2.2)	**—**	**—**	**26,936**	**—**	**26,936**
Reclassifications (Note (a))	**(43,043)**	**(357,997)**	**401,040**	**—**	**—**
At 1 January 2008, as restated	**—**	**—**	**427,976**	**73,195**	**501,171**
Recognised in the income statement	**—**	**—**	**(624)**	**(8,922)**	**(9,546)**
At 31 December 2008	**—**	**—**	**427,352**	**64,273**	**491,625**

21 Deferred income tax (continued)

Company

	Deferred tax assets			
	Provision for impairment losses of assets	**Provision for resurfacing obligations**	**Taxable financial subsidies**	**Total**
	RMB'000	RMB'000	RMB'000 (Note b)	RMB'000
At 1 January 2007, as previously stated	1,878	—	—	1,878
Adjustment for changes in accounting policies	—	45,218	—	45,218
At 1 January 2007, as restated	1,878	45,218	—	47,096
Recognised in the income statement	(1,878)	14,212	—	12,334
At 31 December 2007	—	59,430	—	59,430
At 1 January 2008, as previously stated	**—**	**—**	**—**	**—**
Adjustment for changes in accounting policies (Note 2.2)	**—**	**59,430**	**—**	**59,430**
At 1 January 2008, as restated	**—**	**59,430**	**—**	**59,430**
Recognised in the income statement	**—**	**16,603**	**25,313**	**41,916**
At 31 December 2008	**—**	**76,033**	**25,313**	**101,346**

21 Deferred income tax (continued)

Company (continued)

	Deferred tax liabilities				
	Depreciation of property, plant and equipment	**Toll road assets resulted from acquisition of a subsidiary**	**Concession intangible assets**	**Convertible bonds**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007, as previously stated	24,489	—	—	—	24,489
Adjustment for changes in accounting policies	—	—	11,079	—	11,079
Reclassifications (Note (a))	(24,489)	—	24,489	—	—
At 1 January 2007, as restated	—	—	35,568	—	35,568
Acquisition of a subsidiary	—	—	—	—	—
Recognised in the income statement	—	—	3,705	—	3,705
Adjustment to the enacted tax rate	—	—	15,455	—	15,455
Deferred tax on convertible bonds	—	—	—	73,195	73,195
At 31 December 2007	—	—	54,728	73,195	127,923
At 1 January 2008, as previously stated	**39,344**	**—**	**—**	**73,195**	**112,539**
Adjustment for changes in accounting policies (Note 2.2)	**—**	**—**	**15,384**	**—**	**15,384**
Reclassifications (Note (a))	**(39,344)**	**—**	**39,344**	**—**	**—**
At 1 January 2008, as restated	**—**	**—**	**54,728**	**73,195**	**127,923**
Recognised in the income statement	**—**	**—**	**(674)**	**(8,922)**	**(9,596)**
At 31 December 2008	**—**	**—**	**54,054**	**64,273**	**118,327**

(a) Due to the adoption of IFRIC 12 as explained in Note 2.2, the toll road related assets previously recorded as property, plant and equipment were captured under intangible assets. Accordingly, the related deferred taxation associated with temporary differences derived from these assets were also reclassified.

(b) As explained in further details in Note 29 (c), the Group became liable to pay PRC enterprise income tax of RMB39,236,000 during the year for certain past financial subsidies and incentives granted by local governments and received by the Group in prior years. They were initially exempt from taxation according to the provisions of certain policies promulgated by the local government authorities. The Company was advised by the relevant local tax authorities that after settlement of these tax charges, any future amortization of the related financial subsidies, which have been deferred on the balance sheet of the Group, would be allowed to claim tax deductions for income tax reporting purposes in the future.

Accordingly, deferred tax assets of RMB25,313,000 had been recognized on such deductible temporary differences originating from the accounting base and tax base of these subsidies based on a tax rate of 25%, which is the tax rate expected to enact when a substantial portion of such temporary differences reverse. The amount was recorded as a credit to income tax expenses for the year ended 31 December 2008.

22 Provision for maintenance/resurfacing obligations

	Group and Company	
	31 December 2008 RMB'000	31 December 2007 RMB'000
Opening net book amount, recognised as a result of adoption of IFRIC 12	**237,720**	180,870
Charged to the income statement:		
– Additions	**42,641**	38,763
– Increase due to passage of time (Note 28)	**23,772**	18,087
Closing net book amount	**304,133**	237,720

23 Other payables and accrued expenses

		Group		Company	
	Note	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Payables for construction projects and quality deposits	(a)	**977,127**	237,509	**282,519**	173,738
Guaranteed deposits for construction projects contracts	(a)	**203,060**	187,118	**145,395**	187,118
Project funds retained for construction management contracts	(b)	**24,308**	16,032	**24,308**	16,032
Notes payable	(a)	**13,992**	94,323	**13,992**	20,993
Advance from an associate	(c)	**46,500**	46,500	**46,500**	46,500
Advance from a jointly controlled entity	(c)	**—**	21,300	**—**	—
Loan from local government for the Yanjiang Project	(d)	**300,000**	—	**300,000**	—
Interest payable		**42,711**	33,922	**36,322**	31,422
Salary payable		**39,189**	43,454	**31,797**	30,257
Others		**88,716**	74,737	**75,761**	2,803
		1,735,603	754,895	**956,594**	508,863

23 Other payables and accrued expenses (continued)

At 31 December 2008 and 2007, the ageing analysis of trade and other payables were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,560,410**	413,572	**906,914**	168,035
Over 1 year	**175,193**	341,323	**49,680**	340,828
	1,735,603	754,895	**956,594**	508,863

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

(a) These represent liabilities and quality deposits arising from progress project payments payable for the construction of certain toll roads projects of the Group amounting to approximately RMB977,127,000 (2007: RMB237,509,000); deposits received from the contractors as guarantees for bidding the projects and their performance commitment for the construction of these projects amounting to RMB203,060,000 (2007: RMB187,118,000); and bills payable of RMB13,992,000 (2007: RMB94,323,000) for projects construction, respectively. Bills payable are bearing interest at 4.08% to 4.8% (2007: 4.56% to 6.48%) per annum and are required to be settled within one year.

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

(c) These represent the advances from Nanjing Third Bridge Company Limited, an associate of the Group, and Magerk Company, a jointly controlled entity of the Group, amounting to approximately RMB46,500,000 and RMB21,300,000, respectively. The advance from Magerk Company had been fully repaid during the year.

(d) This represents a loan from Shenzhen Investment Holding Company Limited ("Shenzhen Investment Holding Company"), concerning the Yanjiang Project managed by the Company under a management service contract. Under this contract, the Company provides project management services for construction, operation and maintenance of the Yanjiang Project for the government authority. The Company received the 6-month loan of RMB300 million from Shenzhen Investment Holding Company, which acts on behalf of the government authority.

24 Other income

	Note	**2008**	2006
		RMB'000	RMB'000
Investment income		**1,619**	—
Subsidies from local government		**—**	11,103
		1,619	11,103

25 Other gains - net

	Note	**2008** **RMB'000**	2006 RMB'000
Change in fair value of derivative financial instruments	(a)	**6,292**	614
Excess of fair value of net identifiable assets acquired in a business combination over the cost of acquisition	(b)	**—**	127,206
Adjustment on fair value of the equity interest previously held in the acquiree at the effective date of the acquisition	(b)	**—**	(127,206)
Gain on disposals of non-current assets classified as held for sale		**—**	1,902
Others		**(602)**	(2,167)
		5,690	349

(a) This represents the change in fair value of RMB1,210,000 and RMB5,082,000 (2007: RMB614,000 and nil) arising from a RMB interest SWAP agreement and a foreign exchange forward contract, respectively. The RMB interest SWAP agreement was to swap for fixed rates with floating rates for a 2-year loan extended by the Shanghai branch of ABN-AMRO at a principal balance of RMB300 million. The foreign currency forward contract was intended to control the foreign exchange exposure associated with a one-year term loan with principal amount at HKD133 million.

(b) These relate to the acquisition of 20.09% additional equity interest in Qinglian Company by the Company at a cash consideration of RMB484,000,000 in 2007. After the Group determined the respective fair values of the identifiable assets acquired and liabilities assumed in the transaction, the difference between the cost of acquisition and the fair value of the Group's share of net assets acquired amounted to RMB127,206,000. The amount was recognised as other gain in the income statement for the year ended 31 December 2007. The change in fair value of the 56.28% equity interest previously held by the Group up to the effective date of the acquisition amounting to approximately RMB127 million (a revaluation loss) was charged to the income statement against other gain.

26 Expenses by nature

	Note	2008 RMB'000	2006 RMB'000
Construction costs under Service Concessions	(a)	**3,178,980**	2,718,607
Business tax and surcharges	(b)	**36,699**	37,427
Employee benefit expenses	27	**100,907**	80,733
Road maintenance expenses		**60,942**	49,611
Depreciation and amortization		**204,070**	182,632
Provision for maintenance resurfacing obligations		**42,640**	38,763
International auditor's remuneration			
– Annual audit		**1,970**	1,950
– Other audit/review services		**200**	—
Statutory auditor's remuneration			
– Annual audit		**880**	990
– Other audit/review services		**300**	—
Rental expenses		**2,713**	1,678
Agency fee		**5,367**	3,989
Utility expenses		**16,387**	11,137
Management fee of toll road network		**10,765**	9,807
Material consumption		**5,667**	4,017
Transportation expenses		**6,037**	1,676
Other expenses		**40,544**	33,654
Total cost of services and administrative expenses		**3,715,068**	3,176,671

(a) This represents the construction costs recognised for the year associated with the construction and upgrade services provided under the Service Concessions using the percentage of completion method.

(b) The amount represents PRC business tax and surcharges levied on the Group's toll road income at RMB32,320,000 (2007: RMB30,135,000); on service income derived from the provision of construction management services income at RMB513,000 (2007: RMB3,190,000); as well as on income arising from the provision of other services at RMB3,866,000 (2007: RMB4,102,000).

Toll income of the Group is subject to the following taxes and surcharges:

— PRC business tax at 3% or 5% of toll income;
— City development tax at 1% of the PRC business tax; and
— Education supplementary fee at 3% of the PRC business tax.

27 Employee benefit expenses

	Note	2008 RMB'000	2006 RMB'000
Wages salaries and bonus		**76,934**	64,594
Pension costs - defined contribution plans	(a)	**3,981**	4,085
Other staff welfare benefits		**19,992**	12,054
		100,907	80,733

(a) The Group participates in the municipal retirement schemes managed by the local social security administration bureaus. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 10% to11% (2007: 10% to 11%) of the monthly salary of the employees during the year. The bureaus are responsible for making the pension payments to the retired employees of the Group and the Group has no further obligations. There was no forfeited contribution utilised during the year to reduce future contribution. Contributions totalling RMB125,000 (2007: RMB39,000) were payable to the fund at 31 December 2008.

(b) Directors' and senior management's emoluments

An analysis of the directors' fees, salary and discretionary bonuses paid and payable to each of the director of the Company for the year ended 31 December 2008 is set out below:

Name of director/supervisor	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Mr. Yang Hai	—	**705**	**178**	**883**
Mr. Wu Ya De	—	**542**	**389**	**931**
Mr. Li Jing Qi	—	—	—	
Mr. Wang Ji Zhong	—	—	—	
Mr. Liu Jun	—	—	—	
Mr. Lin Xiang Ke	—	—	—	
Ms. Zhang Yang	—	—	—	
Mr. Chiu Chi Cheong, Clifton	**264**	—	—	**264**
Mr. Li Zhi Zheng	**150**	—	—	**150**
Mr. Zhang Zhi Xue	**150**	—	—	**150**
Mr. Poon Kai Leung, James	**132**	—	—	**132**
Mr. Wong Kam Ling	**132**	—	—	**132**
Mr. Jiang Lu Ming (ii)	—	**502**	**111**	**613**
Mr. Zhang Yi Ping	—	—	—	—
Mr. Yi Ai Guo	—	**49**	**10**	**59**
Mr. Zhong Shan Qun (i)	—	—	—	—
Mr. Fong Kit (iii)	—	**121**	**74**	**195**

27 Employee benefit expenses (continued)

An analysis of the directors' fees, salary and discretionary bonuses paid and payable to each of the director of the Company for the year ended 31 December 2007 is set out below:

Name of director/supervisor	Fees	Salary	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Yang Hai	—	705	190	895
Mr. Wu Ya De	—	542	446	988
Mr. Li Jing Qi	—	—	—	—
Mr. Wang Ji Zhong	—	—	—	—
Mr. Liu Jun	—	—	—	—
Mr. Lin Xiang Ke	—	—	—	—
Ms. Zhang Yang	—	—	—	—
Mr. Chiu Chi Cheong, Clifton	282	—	—	282
Mr. Li Zhi Zheng	150	—	—	150
Mr. Zhang Zhi Xue	150	—	—	150
Mr. Poon Kai Leung, James	141	—	—	141
Mr. Wong Kam Ling	141	—	—	141
Mr. Jiang Lu Ming (ii)	—	167	47	214
Mr. Zhang Yi Ping	—	—	—	—
Mr. Yi Ai Guo	—	276	163	439
Mr. Zhong Shan Qun (i)	—	—	—	—

(i) Resigned on 3 September 2007.

(ii) Appointed on 3 September 2007.

(iii) Appointed on 4 August 2008.

27 Employee benefit expenses (continued)

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

In addition, the directors are also entitled to other benefits and allowances including employer's contributions made to medical schemes, allowance paid to the directors and supervisors for their attendance in board or directors' meetings.

During the year ended 31 December 2008, Mr. Yang Hai, Mr. Wu Ya De, Mr. Li Jing Qi, Mr. Wang Ji Zhong, Mr. Liu Jun, Mr. Lin Xiang Ke, Ms. Zhang Yang, Mr. Chiu Chi Cheong, Mr. Li Zhi Zheng, Clifton, Mr. Zhang Zhi Xue, Mr. Poon Kai Leung, James, Mr. Wong Kam Ling, Mr. Jiang Lu Ming, Mr. Zhang Yi Ping, Mr. Yi Ai Guo, Mr. Zhong Shan Qun and Mr. Fong Kit were entitled to these benefits and the respective amounts were RMB24,000 (2007: RMB20,000), RMB22,000 (2007: RMB18,000), Nil (2007: Nil), RMB5,000 (2007: RMB10,000), Nil (2007: Nil), RMB5,000 (2007: RMB10,000), RMB9,600 (2007: RMB13,000), RMB11,500 (2007: RMB11,000) , RMB8,500 (2007: RMB13,000), RMB6,500 (2007: RMB11,000), RMB11,500 (2007: RMB15,000), RMB11,000 (2007: RMB14,000), RMB33,700 (2007: RMB15,000), RMB5,000 (2007: RMB9,000), RMB13,000 (2007: RMB71,000), Nil (2007: RMB4,000) and RMB28,700 (2007: Nil), respectively.

In 2008, Mr. Yang Hai, Mr. Wu Ya De, Mr. Jiang Lu Ming, Mr. Yi Ai Guo and Mr. Fong Kit were entitled to the employer's contribution to pension schemes of RMB44,000 (2007: RMB43,000), RMB44,000 (2007: RMB43,000), RMB44,000 (2007: RMB22,000), RMB7,000 (2007: RMB31,000) and RMB14,000 (2007: Nil), respectively.

During the year ended 31 December, 2008, Mr. Yang Hai, Mr. Wu Ya De, Mr. Li Jing Qi and Mr. Liu Jun waived their entitlement to allowance granted for their attendance in the board of directors' meetings at RMB10,500 (2007: RMB 13,000), RMB9,000 (2007: RMB 13,000), RMB6,500 (2007: RMB 8,000) and RMB5,000 (2007: RMB 7,000), respectively. No other directors and supervisors waived any emoluments during the years ended 31 December 2008 and 2007.

During the years ended 31 December 2008 and 2007, no emoluments had been paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office.

27 Employee benefit expenses (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) individuals during the year are as follows:

	2008	2007
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,308**	1,241
Bonuses	**1,150**	922
Contributions to the retirement scheme	**130**	123
Other benefits and allowances	**211**	156
	2,799	2,442

The emoluments for all the above senior management fell within the band of nil to RMB880,000 (HKD1,000,000) during the years ended 31 December 2008 and 2007.

28 Finance income and costs

	2008	2007
	RMB'000	RMB'000
		(Restated)
Finance income		
Interest income from bank deposits	**7,390**	9,085
Finance costs		
Interest on bank and other borrowings	**315,441**	229,097
Interest on convertible bonds and corporate bonds	**113,781**	15,756
Less: interest expenses capitalised in construction in progress	**(190,907)**	(104,527)
	238,315	140,326
Other interest expense (Note 22)	**23,772**	18,087
Other borrowing costs	**2,836**	326
Net foreign exchange gains	**(9,663)**	(8,875)
	255,260	149,864

Borrowing costs of RMB190,907,000 (2007: RMB104,527,000) arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised during the year and had been included in additions to construction in progress. Capitalisation rates ranged from 5.93% to 7.05% (2007: 4.86% to 6.48%) per annum were used, representing the borrowing costs of the loans used to finance the projects.

29 Income tax expenses

	2008 RMB'000	2007 RMB'000
Current income tax		
– Tax on financial subsides and incentives received by the Group in prior years (Note (c))	**39,236**	—
– Current income tax	**78,483**	88,576
	117,719	88,576
Deferred income tax		
– Deferred tax assets arising from taxable financial subsidies (Note 21)	**(25,313)**	—
– Origination and reversal of temporary differences	**(26,149)**	(7,358)
– Adjustment to enacted tax rate	**—**	16,875
	(51,462)	9,517
Income tax expense	**66,257**	98,093

(a) The Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") is effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to the Company and all of its subsidiaries established in the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012. The rates are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012.

The PRC enterprise income tax charged to the consolidated income statement had been calculated based on the assessable profits of the Company and its subsidiaries located in the PRC of the year at a rate of tax applicable to the respective companies at 18% (2007: 15%).

(b) The applicable tax rate to Mei Wah, a subsidiary of the Company incorporated in Hong Kong, is 17.5% (2007: 17.5%). No provision for Hong Kong profits tax has been made in the financial statements since the subsidiary has no income assessable under Hong Kong profits tax. Maxprofit is incorporated in the British Virgin Islands, which is not subject to profits tax.

(c) Pursuant to the results of a special examination performed on the local tax bureau of Shenzhen, which was conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance in 2008, the Group and one of its jointly controlled entity were collectively demanded by the Futian Tax Bureau in the Notice to pay PRC enterprise income tax back taxes amounting to approximately RMB60,472,000. The amount attributable to the Group is RMB57,986,000 (the "Back Taxes"). The Back Taxes were levied on certain local financial subsidies and incentives granted by local government authorities, obtained and received by the Group in previous years, which were initially exempt from income taxes according to the provisions of certain policies promulgated by the local government authorities. Such exemptions were revoked by the authorities as a result of the examination.

29 Income tax expenses (continued)

(c) The Company had lodged an application to the Futian Tax Bureau for a reassessment of the computation basis of the Back Taxes, waiver of the related penalty, as well as a deferral of the payment. Subsequently, several rounds of discussion were held between the Company and the Futian Tax Bureau. According to these communications, the directors of the Company consider that the final amount of the Back Taxes would highly probable be reduced by RMB18,750,000. As of the date of approval of these financial statements, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised.

Accordingly, the Group had recognised a provision for the Back Taxes amounting to RMB39,236,000 as current year income tax expense in the consolidated income statement for the year ended 31 December 2008, based on the best estimate made by the directors of the Company.

In addition, as of the date of approval of these financial statements, no formal notice of such waiver of the related penalty had been issued by the Futian Tax Bureau and other relevant authorities. The amount of the related penalty could not be reasonably ascertained and had not been provided as a liability on the consolidated balance sheet of the Group as of the same date, and was disclosed as contingent liability (see also Note 34).

29 Income tax expenses (continued)

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2008 **RMB'000**	2007 RMB'000
Profit before tax	**560,785**	715,030
Tax calculated at domestic tax rate of 18% applicable to profits (2007: 15%)	**100,941**	107,255
Tax effects of:		
Adjustment to the enacted tax rate	**—**	16,875
Effects on deferred income tax as a result of IFRIC 12	**(4,581)**	(5,685)
Amortisation of transaction costs of convertible bonds	**(279)**	—
Income not subject to tax	**(1,987)**	(18,117)
Expenses not deductible for tax purpose	**1,233**	20,062
Tax losses of which no deferred income tax was recognised	**6,394**	4,078
Share of profit of jointly controlled entities and associates	**(56,254)**	(41,507)
Share of losses of jointly controlled entities and associates of which no deferred income tax was recognised	**6,867**	15,132
Tax Levies on certain local financial subsidies received in previous years (Note (c))	**39,236**	—
Deferred income tax asset arising from PRC enterprise income tax paid on local financial subsidies received in previous years (Note 21 (b))	**(25,313)**	—
Income tax expenses	**66,257**	98,093

30 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB587,531,000 (2007: RMB637,477,000).

The movement of retained earnings of the Company during the year is as follows:

	Company	
	2008	2007
	RMB'000	RMB'000
At 1 January, as previously stated	**1,328,346**	970,210
Adjustment for changes in accounting policies (Note 2.2)	**(373,613)**	(309,053)
At 1 January, as restated	**954,733**	661,157
Profit for the year	**587,531**	637,477
Transfer to reserve fund	**(53,737)**	(60,410)
Dividend relating to 2007 (2007: relating to 2006)	**(348,912)**	(283,491)
At 31 December	**1,139,615**	954,733

31 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**503,195**	622,392
Number of ordinary shares in issue (thousands)	**2,180,700**	2,180,700
Basic earnings per share (RMB per share)	**0.231**	0.285

The Company had no dilutive potential shares in both 2008 and 2007 and the diluted earnings per share presented is the same with basic earnings per share.

As mentioned in Note 20(c), the Company issued convertible bonds with attached warrants subscription rights in 2007. Though the contingently issuable shares of the Company due to the exercise of the warrants subscription rights by the bonds holders may potentially dilute basic earnings per share in the future, the exercise price of those rights is higher than the prevailing share price of the Company as at 31 December 2008 and therefore, they had not been included in the calculation of diluted earnings per share for the year.

32 Dividends

The dividends paid in 2008 and 2007 were RMB348,912,000 (RMB0.16 per share) and RMB283,491,000 (RMB0.13 per share), respectively. The directors recommend the payment of a final dividend of RMB 261,684,000 per ordinary share, totalling RMB 0.12. Such dividend is to be approved by the shareholders at the 2008 Annual General Meeting. This proposed dividends was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

	2008 **RMB'000**	2007 RMB'000
Proposed final dividend of RMB 0.12 (2007: RMB0.16) per ordinary share	**261,684**	348,912

33 Cash generated from operations

	2008 **RMB'000**	2007 RMB'000
Profit for the year from continuing operations	**494,528**	616,937
Adjustments for:		
– Income tax	**66,257**	98,093
– Depreciation	**56,681**	38,654
– Amortisation	**147,389**	143,978
– Profit from construction services under Service Concessions	**—**	(23,450)
– Gain on disposal of non-current assets classified as held for sale	**—**	(1,902)
– Gain on disposal of property, plant and equipment	**145**	2,126
– Fair value gains on derivative financial instruments	**(6,292)**	(614)
– Investment income	**(1,619)**	
– Interest income	**(7,390)**	(9,085)
– Subsidies from local government	**—**	(11,103)
– Interest expense	**238,315**	140,326
– Other interest expenses	**23,772**	18,087
– Other borrowing costs	**2,836**	326
– Share of loss of associates	**17,127**	13,486
– Share of profit of jointly controlled entities	**(291,500)**	(189,003)
– Exchange gains	**(9,663)**	(8,875)
– Changes in provision for maintenance/resurfacing obligations	**42,641**	38,763
Changes in working capital (excluding the effects of acquisition):		
– Inventories	**(119)**	(333)
– Trade and other receivables	**(106,032)**	(91,324)
– Other payables	**365,363**	109,260
Cash generated from operations	**1,032,439**	884,347

34 Contingencies

(a) Project Construction Management Contracts

The Company has entered into certain project construction management contracts with government authorities. For Hengping Project, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to the Shenzhen Longgang Highway Bureau amounting to RMB15,000,000. The Company also paid a guarantee deposit of RMB9,425,000 to the authority for assuring the progress, quality and safety standards for the construction of the Hengping Project.

For Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, the Company had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

On 8 December 2004, the Company signed a construction contract ("the Contract") with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping (Phase I) Project. As disputes concerning the unit prices of some items under the Contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against the Company in 2008. As of the date of approval of these financial statements, the arbitration process was still in progress. The directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Company's operating results.

(b) Penalty on Back Taxes

As explained in Note 29 (c), the Group had been demanded by the Futian Tax Bureau to pay certain Back Taxes. The Group had lodged an application for a reassessment of the amount of the Back Taxes and a wavier of the related penalty. As of the date of approval of these financial statements, no formal notice of such reassessment/waiver had been issued by the Futian Tax Bureau and other relevant authorities. The directors of the Company had made a provision for the Back Taxes liabilities as of 31 December 2008 in the amount of RMB39,236,000 based on their best estimate. However, the amount of any related penalty could not be ascertained with reasonably certainty.

35 Commitments

Capital expenditure and investment commitments at the balance sheet date not yet incurred are as follows:

	2008 **RMB'000**	2007 RMB'000
Capital commitments		
– Expenditure of Concession intangible assets		
– contracted but not provided for	**218,892**	3,458,803
– authorised but not contracted for	**2,218,195**	787,374
	2,437,087	4,246,177
Investment commitments		
– contracted but not provided for	**45,000**	83,750
	2,482,087	4,329,927

In the opinion of the directors, the above commitments could be fulfilled by internal financial resources, banking facilities and external financing arrangement made available to the Group.

36 Related party transactions

Shenzhen International Holdings Limited ("Shenzhen International") used to indirectly hold 31.153% interests in the Company. Upon completion of additional 18.868% equity interests in the Company held by Shenzhen Shen Guang Hui Highway Development Company ("Shen Guang Hui"), a shareholder of the Company, on 30 Dec 2008, Shenzhen International began to hold, in aggregate, 50.021% of indirect interests in the Company and it became the ultimate holding company of the Company. Shenzhen International is de facto controlled by Shenzhen Investment Holding Company, which is supervised and managed by the Shenzhen Municipal State-owned Assets Supervision and Administration Commission, which is a state-owned authority.

Apart from the related party transactions and balances in relation to construction management services, payments made for the Yanjiang Project, guarantee for borrowings, and advance and loan received, which have already been disclosed in Notes 15(a), 15(c), 20(b), 23(c) and 23(d) respectively to these financial statements, the following material transactions were carried out with related parties on a normal commercial basis during the year:

(a) Bank deposits and interest income

	2008	2007
	RMB'000	RMB'000
Bank deposits balance		
State-owned banks	**323,064**	274,207
Interest income from bank deposits		
State-owned banks	**5,379**	2,505

(b) Borrowings and interest expenses

	2008	2007
	RMB'000	RMB'000
Loans from state-owned banks		
Beginning of the year	**2,494,755**	1,745,162
Acquisition of a subsidiary	**—**	584,235
New borrowings	**2,923,830**	3,270,660
Repayments	**(677,130)**	(3,107,246)
Interest expense	**233,726**	149,496
Interest paid	**(244,984)**	(147,552)
End of the year	**4,730,197**	2,494,755

The loans from state-owned banks are mainly bearing interest rates ranging from 4.27% to 7.047% (2007: 4.86% to 6.723%).

As at 31 December 2008, the secured loans from state-owned banks amounted to RMB3,218,949,000 (2007: RMB1,322,671,000).

36 Related party transactions (continued)

(c) Capital expenditure and payable balances for construction in progress

	2008	2007
	RMB'000	RMB'000
Capital expenditure incurred for service concession projects and construction in progress		
State-owned contractors	**1,847,732**	2,199,018
Payables for construction projects and guaranteed deposits		
State-owned contractors	**1,090,606**	221,093

(d) Payment of project management service fee

The Group entered into project management service contracts with Consulting Company, another associate of the Group, under which Consulting Company assumes the management of the reconstruction project of the group. The value of the management service contract is approximately RMB86,327,000. During the year, the Group paid a management fee of approximately RMB17,569,000 (2007: RMB15,260,000) to Consulting Company. The cumulative management fee paid by the Group to Consulting Company amounted to approximately RMB48,666,000 up to 31 December 2008.

(e) Toll income collection

Due to the geographical layout of the toll roads operated by the Group, certain toll gates of the toll roads of the Group and Airport-Heao Eastern Company are overlapping. As a result, the Group and Airport-Heao Eastern Company collect toll income for each other. During the year, the aggregate toll income collected by the Group on behalf of Airport-Heao Eastern was RMB136,891,000 (2007: RMB117,721,000), while the aggregate toll income collected by Airport-Heao Eastern on behalf of the Group was RMB125,043,000 (2007: RMB139,137,000). All toll income collected was paid back to the counterparties within three days after collection without charging any handling fees.

(f) Management entrustment

On 7 January 2008, the Company entered into an operation and management entrustment agreement with Yibin Industrial (Shenzhen) Company Limited ("Yibin Company"), a wholly-owned subsidiary of Shenzhen Investment Holding Company. Pursuant to the agreement, Yibin Company entrusts the Company to manage its 100% equity interest held in Shenzhen Baotong Expressway Construction Company Limited ("Baotong Company") and the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited ("Longda Company") by Baotong Company. The term of the operation and management entrustment agreement commenced on 8 January 2008 and will expire on 31 December 2009. However, Yibin Company retains the legal ownership in and its entitlement to risks and rewards/obligations of the two investee companies. In return for the services rendered, the Company is entitled to a management entrustment fee determined at the higher amount of an annual fee of RMB15 million, or at 8% of the annual audited net profit of Longda Company (but in any event shall not exceed RMB25 million). The management entrustment fee for the year amounted to RMB15,000,000, which was recognised on a pro rata basis based on the minimum agreed annual fee. The amount had been settled by Yibin Company as at 31 December 2008.

36 Related party transactions (continued)

(g) Key management compensation

	2008 RMB'000	2007 RMB'000
Salaries, bonus and other short-term employee benefits	**9,019**	7,536

The key management includes directors (executive and non-executive) and senior management and there are in total 21 (2007:18) key management personnel of the Company.

37 Comparative figures

Apart from the restatements made based on the changes in accounting policies (Note 2.2), the Group has revised the classification of interest income in the income statement and interest payments in the cash flow statement. The Group previously reported interest income in the income statement as other income and interest payments as cash flows for operating activities in the cash flow statement. The directors of the Company believe that it is more appropriate to classify interest income as finance income in the income statement and interest payments as cash flows for financing activities in the cash flow statement. The comparative figures have been reclassified to conform with the current year presentation. There is no impact on net profit and net cash flows as a result of these reclassifications.

Reconciliation of financial statements

The Group has prepared a separate set of unaudited interim financial statements for the year ended 31 December 2008 in accordance with the China Accounting Standards ("CAS"). The differences between the financial information prepared under the CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December 2008 RMB'000	Capital and reserves attributable to the Company's equity holders as at 31 December 2008 RMB'000
As per PRC statutory financial statements prepared under CAS	**503,195**	7,004,893
Impact of HKFRS adjustments:		
– Revenue and profit recognition for construction services and amortisation of concession intangible assets	—	42,465
	—	42,465
As restated after HKFRS adjustments	**503,195**	7,047,358

General Information

Corporate Information

Registered Chinese and English Names of the Company	深圳高速公路股份有限公司 Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address of the Company	19/F, Tower A, United Plaza, No.5022 Binhe Road North, Shenzhen
Contact Address of the Company	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Place of Business in Hong Kong	Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel:(852) 2543 0633 Fax:(852) 2543 9996
Telephone	(86) 755-8285 3300
Fax	(86) 755-8285 3400
Investor Hotline	(86) 755-8285 3330
Website	http://www.sz-expressway.com
E-mail	secretary@sz-expressway.com
Company Secretary	WU Qian
Listing Exchanges	H Share: The Stock Exchange of Hong Kong Limited Security Code: 00548 Abbreviation: Shenzhen Expressway
	A Share: The Shanghai Stock Exchange Security Code: 600548 Abbreviation: Shenzhen Expressway
	Bond: The Shanghai Stock Exchange Security Code: 126006 Abbreviation: 07 Shenzhen Expressway Bond
	Warrant: The Shanghai Stock Exchange Security Code: 580014 Abbreviation: Shenzhen Expressway CWB1
Annual Report Available at:	Hong Kong: Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen

Corporate Information

Designated Publication Website	http://www.hkex.com.hk http://www.sse.com.cn http://www.sz-expressway.com
International Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Statutory Auditor	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
PRC Legal Adviser	Guangdong Junyan Law Firm 16/F, B Tower, International Commercial Building, First Fuhua Road, Shenzhen
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lu Jia Zui Road East, Pudong New District, Shanghai
Investor Relations Consultant of H Shares	Rikes Hill & Knowlton Limited Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong
Investor Relations Consultant of A Shares	Everbloom Investment Consultant Company Limted Room 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank

Definitions

Summary of abbreviations of the enterprises invested:

Abbreviation of the company	Full name of the company	Registration place	Note
Advertising Company	深圳市高速廣告有限公司 (Shenzhen Expressway Advertising Company Limited)	Shenzhen City	
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)	Shenzhen City	
Guangyun Company	雲浮市廣雲高速公路有限公司 (Yunfu Guangyun Expressway Company Limited)	Guangdong Province	Owning Guangwu Project
GZ W2 Company	廣州西二環高速公路有限公司 (Guangzhou Western Second Ring Expressway Company Limited)	Guangdong Province	Owning GZ W2 Expressway
Huayu Company	深圳市華昱高速公路投資有限公司 (Shenzhen Huayu Expressway Investment Company Limited)	Shenzhen City	Owning Shuiguan Extension
JEL Company	Jade Emperor Limited	Cayman Islands	Owning 100% interests of Magerk Company
Jiangzhong Company	廣東江中高速公路有限公司 (Guangdong Jiangzhong Expressway Company Limited)	Guangdong Province	Owning Jiangzhong Project
Jihe East Company	深圳機荷高速公路東段有限公司 (Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited)	Shenzhen City	A Sino-foreign joint-venture enterprise which owns Jihe East
Magerk Company	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited)	Hubei Province	A wholly foreign-owned enterprise which owns the operating rights of Wuhuang Expressway
Maxprofit Company	Maxprofit Gain Limited	British Virgin Islands	Owning 25% interests of Qinglian Company
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited	Hong Kong	Owning 55% interests of JEL Company and 100% interests of Maxprofit Company
Meiguan Company	深圳市梅觀高速公路有限公司 (Shenzhen Meiguan Expressway Company Limited)	Shenzhen City	Owning Meiguan Expressway
Nanjing Company	南京長江第三大橋有限責任公司 (Nanjing Yangtze River Third Bridge Company Limited)	Jiangsu Province	Owning Nanjing Third Bridge

Definitions

Abbreviation of the company	Full name of the company	Registration place	Note
Qinglian Company	廣東清連公路發展有限公司 (Guangdong Qinglian Highway Development Company Limited)	Guangdong Province	A Sino-foreign joint-venture enterprise which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited)	Shenzhen City	A Sino-foreign joint-venture enterprise which owns Shuiguan Expressway
Shenchang Company	湖南長沙市深長快速幹道有限公司 (Hunan Changsha Shenchang Expressway Company Limited)	Hunan Province	Owning Changsha Ring Road
Yangmao Company	廣東陽茂高速公路有限公司 (Guangdong Yangmao Expressway Company Limited)	Guangdong Province	Owning Yangmao Expressway

For definitions and details of the relevant toll highways, please refer to the section "Information of Highways" in this annual report.

Other Definitions:

A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
Articles	The articles of association of Shenzhen Expressway Company Limited
Baotong Company	深圳市寶通公路建設開發有限公司(Shenzhen Baotong Highway Construction and Development Company Limited), a wholly-owned subsidiary of Shenzhen International
Board	The board of Directors of the Company
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
CAS	The Accounting Standards for Business Enterprises (2006) of the PRC
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited
CSRC	China Securities Regulatory Commission
Director(s)	The director(s) of the Company
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited), a shareholder of the Company
The Group, Group	The Company and its subsidiaries
H Shares	Overseas-listed foreign shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx

HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC
HKEx	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
Huajian Centre	華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre), a shareholder of the Company
IFRIC 12	HK(IFRIC) - Int 12 "Service Concession Arrangements" issued by the Hong Kong Institute of Certified Public Accountants
Independent Director(s)	The independent non-executive Director(s) of the Company
Interpretation No.2	"The Interpretation No.2 to Accounting Standards for Business Enterprises" issued by the Ministry of Finance
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited), which owns Longda Expressway
New Tax Law	《中華人民共和國企業所得稅法》(The Enterprise Income Tax Law of the People's Republic of China), which came into effect on 1 January 2008
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
The Reporting Period, The Period, The Year	For the year ended 31 December 2008
RMB	Renminbi, the lawful currency of the PRC
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company), a shareholder of the Company
Shenzhen International	Shenzhen International Holdings Limited, whose shares are listed on the main board of HKEx, the controlling shareholder of XTC Company
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Shenzhen Municipal Government)
SIHC	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited)
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company
XTC Company	新通產實業開發（深圳）有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited), a shareholder of the Company
Yibin Company	怡賓實業（深圳）有限公司 (Yibin Industry (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International
Yiwan Industry	怡萬實業發展(深圳)有限公司(Yiwan Industry Development (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International

Information of Highways

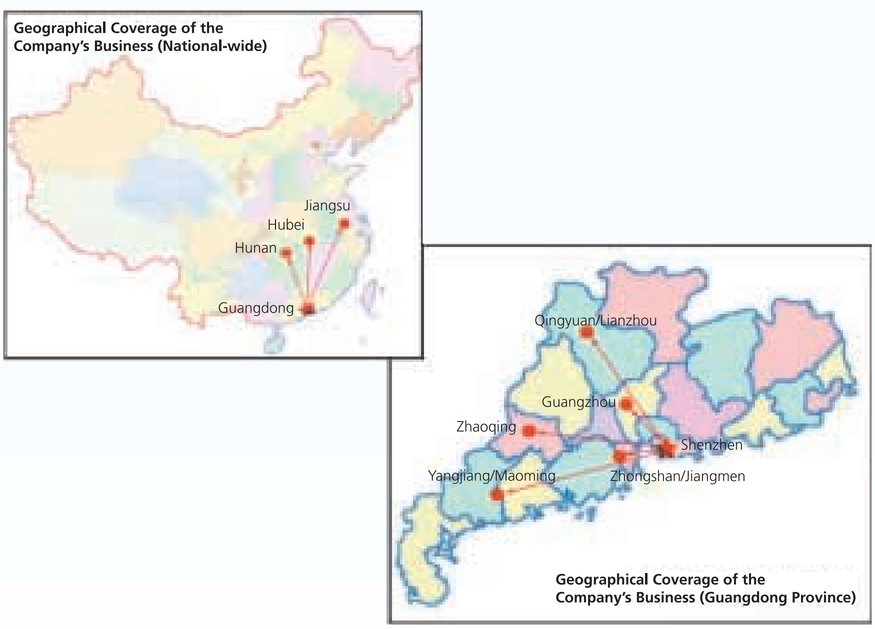
Toll Highway Projects Summary (As at April 2009)

1. Projects operated and invested by the Group

Toll Highway	Interests held by the Company	Location	Length (km)	No. of Lane(s)	Status	Operation Period
⚐ Meiguan Expressway	100%	Shenzhen	19.3	6/4	Operation	1995.05-2027.03
⚐ Jihe East	55%	Shenzhen	23.9	6	Operation	1997.10-2027.03
⚐ Jihe West	100%	Shenzhen	21.6	6	Operation	1999.05-2027.03
⚐ Yanba Expressway	100%	Shenzhen	28.1	6	Operation	2001.04-2031.12
Shuiguan Expressway	40%	Shenzhen	20.1	6	Operation	2002.02-2025.12
Shuiguan Extension	40%	Shenzhen	5.2	6	Operation	2005.10-2025.12
⚐ Yanpai Expressway	100%	Shenzhen	15.2	6	Operation	2006.05-2027.03
⚐ Nanguang Expressway	100%	Shenzhen	33.1	6	Operation	2008.01-2033.01
Yangmao Expressway	25%	Guangdong	79.7	4	Operation	2004.11-2027.07
Guangwu Project	30%	Guangdong	39.8	4	Operation	2004.12-2027.11
Jiangzhong Project	25%	Guangdong	37.5	4	Operation	2005.11-2027.08
GZ W2 Expressway	25%	Guangdong	42.0	6	Operation	Applying for approval
⚐ Qinglian Class 1 Highway	76.37%	Guangdong	215.8	4	Under-Reconstruction	Qinglian Expressway: 25 years
Wuhuang Expressway	55%	Hubei	70.3	4	Operation	1997.09-2022.09
Changsha Ring Road	51%	Hunan	34.5	4	Operation	1999.11-2029.12
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Operation	2005.10-2030.10

⚐ The projects were developed and constructed by the Company (including the former Shenzhen Freeway Development Company Limited (深圳市高速公路開發公司)).

Note: With the same number of lanes, the differences in design standards such as design speed and surface quality may cause differences in capacity. Generally, the capacity of a four-lane expressway is approximately 100,000 passenger car unit per day while the capacity of a six-lane expressway is approximately 120,000 passenger car unit per day.



2. Entrusted Operation Projects

Project	Interests held by the Company	Location	Length (km)	No. of Lane	Status	Entrusted Management Period
Baotong Company — Hold by 89.93% equity interest in Longda Expressway	—	Shenzhen/Dongguan	28.2	6	Operation	2008.01-2009.12

3. Entrusted Construction Projects

Project	Location	Estimated Investment Amount	Note
Nanping (Phase I)	Shenzhen	2.3 billion	The project was completed and open to traffic in June 2006.
Wutong Mountain Project	Shenzhen	0.22 billion	The project was completed and open to traffic in May 2007.
Hengping Project	Shenzhen	0.28 billion	Construction suspended in April 2006. Certain contracted sections resumed construction in 2008 and commenced operation in December 2008.
Nanping (Phase II)	Shenzhen	4 billion	The Company entered into an agreement in November 2007. The scheduled construction period is 36 months.
Shenyun Project	Shenzhen	0.12 billion	The Company entered into an agreement in November 2007. The scheduled construction period is 30 months.

4. Preliminary Research Work

Toll Highway	Location	Length	Basic Information
Outer Ring Expressway	Shenzhen	About 90 km	The Company is proceeding with the preliminary research work and has yet to determine the mode of investment and development plan.
Coastal Expressway (Shenzhen Section)	Shenzhen	About 31 km	The Shenzhen Municipal Government agreed in principle to undertake the project as a wholly- state-owned enterprise investment project, and to entrust the Company to take up the construction, operation, maintenance and management of the project.
Coastal Expressway Airport Feeder	Shenzhen	About 7 km	The Company is proceeding with the preliminary research work.

Information of Projects (including the definitions of the projects)

Projects in Shenzhen Region

Meiguan Expressway, the expressway from Meilin to Guanlan in Shenzhen City, running from south to north, it is a main trunk in the central part of Shenzhen. Meiguan Expressway commenced operation in May 1995. It connects in the south with Huanggang Immigration and Customs Control, one of the largest land border checkpoint in Asia, and Guanshen Expressway (Dongguan - Shenzhen) in the north, and intercepts with Jihe Expressway in the middle. It is the main route for ground transportation between Hong Kong and the mainland of China.

Jihe Expressway, the expressway from Shenzhen Bao'an International Airport to He'ao in Shenzhen City, comprising **Jihe East** and **Jihe West**. It connects with Yantian Port through its subsidiary route Yanpai Expressway in the east, passes through many connecting expressways to reach Huizhou, Shantou and surrounding areas in eastern Guangdong, links with Shenzhen Bao'an International Airport and Guangshen Expressway (Guangzhou - Shenzhen). It is part of the coastal national trunk highway of Tongsan Highway (Tongjiang, Heilongjiang - Sanya, Hainan) and is also a main trunk in the Pearl River Delta region. Jihe East and Jihe West commenced operation in October 1997 and in May 1999 respectively.

Yanba Expressway, the expressway from Yantian to Bagang in Shenzhen City, comprising **Yanba A**, **Yanba B** and **Yanba C**. Yanba A and Yanba B commenced operation in March 2001 and June 2003 respectively. Principal part of Yanba C was completed by the end of November 2008. It locates in the eastern Shenzhen, connects with Yantian Port and Shenzhen downtown in the west, passes through several seaside resorts alone the line; links with Shenshan Expressway (Shenzhen - Shantou) through Huishen Renbai Expressway (Renshan, Huizhou – Baisha, Shenzhen, referred to as Huishen Coastal Expressway, under construction) in the east. It is significant for improving the development of tourism and economy in the eastern Shenzhen.

Shuiguan Expressway, the expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage. It commenced operation in February 2002, and is the expressway that connects with the Shenzhen downtown and the Longgang Industrial Zone, which is one of the important industrial zone in Shenzhen, and is also the trunk expressway in the direction from Longgang to its peripheral areas. The Company acquired its equity interest in January 2003.

Shuiguan Extension, an extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue). Shuiguan Extension commenced operation in July 2005. It connects with Bulong Interchange of Shuiguan Expressway and the Qingshuihe Checkpoint in Shenzhen, and links with the Qingshuihe and Sungang warehouse areas, the two large-scale warehouse areas in Shenzhen.

Yanpai Expressway, the expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road to Jihe Expressway. Yanpai Expressway starts from Yantian Port in the south, heading northwest to connect with Shuiguan Expressway, Jihe East and Boshen Expressway (Boluo – Shenzhen, under construction). Yanpai Expressway commenced operation in May 2006. It provides a convenient and express passage for prompt traffic diversion at Yantian Port, and also plays a significant role in relieving the traffic pressure upon Shenzhen downtown as well as facilitating tourism and economic activities in eastern Shenzhen.

Nanguang Expressway, the expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue, running from south to north, one of the main trunk in the western part of Shenzhen City. The main-line commenced operation in January 2008. It connects with Shenzhen-Hong Kong Western Corridor and Shekou Western Ports via Nanping Freeway, , and heading north to reach Dongguan City via Longda Expressway, passing through several important economic industry towns of Shenzhen. It is a fast and convenient way crossing from Hong Kong through Shenzhen to other regions in Pearl River Delta Region.

Outer Ring Expressway, the Shenzhen Outer Ring Expressway. It locates in the northern part of Shenzhen. Running from east to west, the main-line of Outer Ring Expressway is a major east-west trunk corridor of Shenzhen's planned trunk road network. The Company is proceeding with the preliminary works and applying for approval of Outer Ring Expressway.

Coastal Expressway (Shenzhen Section), the Guangshen Coastal Expressway, Shenzhen Section. The planned main-line of Coastal Expressway runs from south to north, starts from Nanshan District of Shenzhen, connects with Shenzhen Western Corridor in the south and ends at Huangpu, Guangzhou in the north. The Shenzhen Section starts from Nanshan district of Shenzhen and ends at the boundary between Dongguan City and Shenzhen City. The Shenzhen Municipal Government agreed in principle to have Coastal Expressway (Shenzhen Section) as a state-owned enterprise invested project, and to entrust the Company to take up the construction, operation, maintenance and management of the project.

Coastal Expressway Airport Feeder, the Shenzhen Airport Feeder Project of Guangshen Coastal Expressway. It is planned to run from east to west, connecting with Coastal Expressway (Shenzhen Section) and Jihe Expressway. It will become an important part of Shenzhen Airport's outbound traffic and a traffic diversion channel for Dachanwan Port. Nowadays, the Company is proceeding the preliminary works of the Project.

Longda Expressway, the expressway from Longhua in Shenzhen City to Dalingshan in Dongguan City. It links up with Bulong Class I Highway and the Fulong Freeway in the south, connects with Changhu Expressway (Changping - Humen) after crossing with Jihe Expressway and Nanguang Expressway. The Shenzhen Section and Dongguan Section of Longda Expressway commenced operation on September 2005 and January 2007 respectively. Shenzhen International completed the acquisition of Baotong Company in December 2007, held 89.93% interests of Longda Company indirectly, and entrust the Company to manage 100% equity interest in Baotong Company in January 2008.

Projects in Other Regions of Guangdong Province

Yangmao Expressway, the expressway from Yangjiang City to Maoming City. Yangmao Expressway commenced operation in November 2004. It links with Kaiyang Expressway (Kaiping - Yangjiang) and Maozhan Expressway (Maoming - Zhanjiang), and is an important part of the coastal national trunk highway of Tongsan Highway (Tongjiang, Heilongjiang - Sanya, Hainan) in Guangdong Province.

Guangwu Project, the Section from Ma'an to Hekou of the Guangwu Expressway (Guangzhou - Wuzhou). Guangwu Project commenced operation in December 2004, it starts from Zhaoqing City, Guangdong Province in the east, connects with the Guangzhao Expressway (Guangzhou - Zhaoqing), ends in Yunfu City, Guangdong Province in the west, and connects with the second phase of Guangwu Expressway (under construction). Guangwu Project is a section of national trunk highway from Shantou, Guangdong Province to Qingshuihe, Yunnan Province which connects up the Pearl River Delta region, Guangxi Province and southwestern region of China.

Jiangzhong Project, the expressway from Zhongshan City to Jiangmen City and the second phase of the expressway from Jiangmen City to Heshan City (called Jianghe Expressway for short). Jiangzhong Project was completed and commenced opertion, in November 2005, forms a major trunk road network in southwest region of Guangdong Province, and helps enhance the economic activities between western Guangdong Province and Pearl River Delta region.

GZ W2 Expressway, Xiaotang to Maoshan Section of national trunk highway Guangzhou Ring Road, also referred to as Guangzhou Western Second Ring Expressway. GZ W2 Expressway commenced operation in December 2006. It starts from the Guangsan Expressway (Guangzhou - Sanshui) in Nanhai District, Foshan City and ends at Baiyun District, Guangzhou City. It links with Guangzhou Northern Second Ring Expressway, connects many Expressways and National Highways around Guangzhou City. It serves as a convenient passage running from the region to the west of Guangzhou to Guangzhou Huadu International Airport.

Qinglian Project, includes Qinglian Class 1 Highway and Class 2 Highway from Qingyuan City to Lianzhou City in Guangdong Province. Qinglian Project locates in north part of Guangdong Province and connects Qingyuan City and Lianzhou City which near the boundary of Hunan Province. It is a major highway transport corridor connecting the less developed areas in the northwestern part of Guangdong Province with the developed areas of the Pearl River Delta region. Qinglian Class 1 Highway is proceeding its reconstruction into an expressway, and the then expressway will connect with the highway network in the Pearl River Delta via Guangqing Expressway (Guangzhou - Qingyuan) in the south, and with Jingzhu Expressway (Beijing - Zhuhai) in the north via the Yilian Expressway (Yizhang – Lianzhou, under construction). It will form an essential route linking up the northern and southern highway networks of Guangdong Province and will enhance the trading and economic activities from the Pearl River Delta region towards the central areas. The 190km road surface works for the reconstruction of Qinglian Class 1 Highway was completed on December 2008.

Projects in Other Provinces in the PRC

Wuhuang Expressway, the expressway from Wuhan City to Huangshi City, locates in Hubei Province. Wuhuang Expressway was formerly a Class 1 highway which commenced operation in 1991. In 1996, the highway was reconstructed into an expressway. In 2002 to 2003, Wuhuang Expressway underwent major maintenance. The Group acquired its equity interest in August 2005. Running from east to west, Wuhuang Expressway is an important part of Hurong national highway (Shanghai – Chengdu), and is also the major hub of transportation network of eastern part of Hubei Province. It connects with Jingzhu Expressway (Beijing – Zhuhai) and National Highway 107 in Wuhan City, and reach to Anhui Province and Jiangxi Province through surrounding expressway networks.

Changsha Ring Road, Changsha National Highway Ring Road (Northwestern Section), locates in Hunan Province. Changsha Ring Road commenced operation in November 1999, linking with Jingzhu Expressway (Beijing - Zhuhai), National Highway 107 (Changsha Section) in the northeast and Changyi Expressway (Changsha - Yiyang), National Highway 319 (Changsha Section) and southwestern section of Hunan Changsha Ring Road in the west. It serves as an important infrastructure facility of Changsha City.

Nanjing Third Bridge, Nanjing Yangtze Third Bridge, locates in Jiangsu Province. Nanjing Third Bridge commenced operation in October 2005. It connects with several cross-regional expressways which reach to Anhui Province, Jiangsu Province and Zhejiang Province in the south and north, respectively. It is a convenient passage along the Hurong National Highway (Shanghai - Chengdu) crossing over Yangtze River at Nanjing City.

Note: For information of toll rates, please visit the website http://www.sz-expressway.com, section "Toll Roads & Bridges"

Entrusted Construction Projects

Nanping (Phase I), Nanping (Phase II), Shenzhen Nanping Freeway (also referred to as Nanping Avenue) Phase I, main-line project of Nanping Freeway Phase II. Nanping (Phase I) comprises a trunk road with a total length of approximately 15km and a feeder road of a total length of approximately 4km which connect with Shuiguan Expressway in the east. It has been open to traffic since 30 June 2006. The total length of Nanping (Phase II) is approximately 15km. It starts from Coastal Expressway (Shenzhen Section) in the west and is planned to connect with Shenzhen Western Corridor and Nanguang Expressway etc., and intersects with Nanping (Phase I). Its scheduled construction period is 36 months.

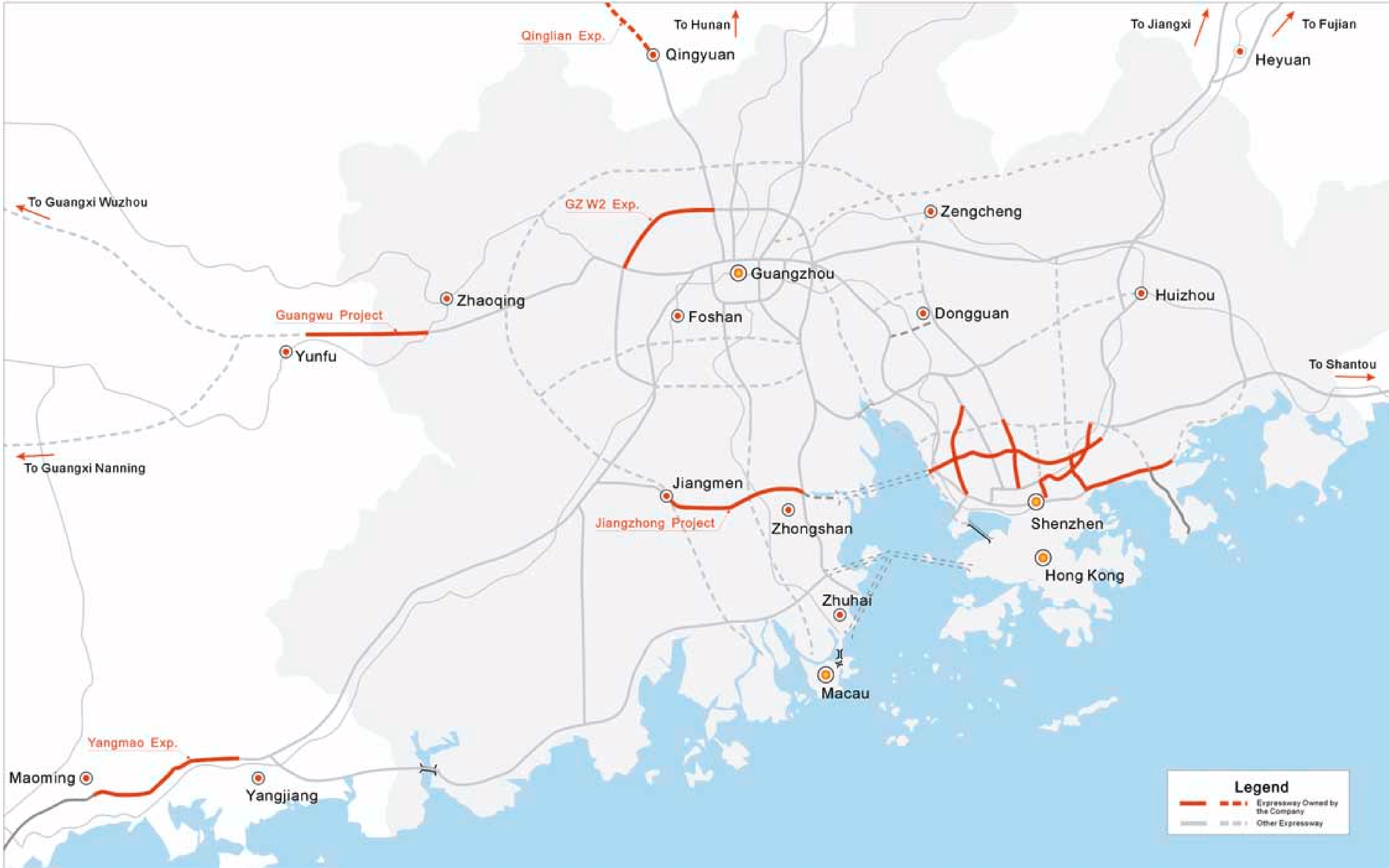
Hengping Project, Shenzhen Hengping Class 1 Highway (Western Section), approximately 17km. Hengping Class 1 Highway starts from Shuiguan Expressway, heading west to Longgang District, Shenzhen and will connect with Huiyan Expressway (Huizhou – Yantian). According to the arrangement of Shenzhen Municipal Government, the section about 6.7 km had been completed by the end of December, 2008, where the remaining section of approximately 10km has been suspended construction.

Wutong Mountain Project, Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Road Checkpoint Station Project. Wutong Mountain Project is an ancilliary project of Yanpai Expressway, starting from Yantian Interchange in the south and ending at Yantian Tunnel in the north. The total length is approximately 2km. It was completed in May 2007.

Shenyun Project, the Shenyun-North Ring Interchange renovation project, includes the additional ramp and relative auxiliary projects, and the old bridge renovation and reinforcement. The length of the additional ramp is approximately 2km. Its scheduled construction period is 30 months.

Road Network of Shenzhen Area

Road Network of Pearl River Delta



Road Network of Qinglian Expressway

Road Network of Changsha Ring Road

Road Network of Wuhuang Expressway

Road Network of Nanjing Third Bridge

Operational Statistics Summary for Last Ten Years

Unit: number of vehicles

Average daily traffic volume	99	00	01	02	03	04	05	06	07	**08**
Shenzhen Region										
Meiguan Expressway	22,760	23,659	33,634	37,566	46,397	64,199	76,343	89,909	98,285	**92,744**
Jihe East	16,799	21,602	25,103	26,547	33,308	44,446	56,468	70,278	88,675	**90,991**
Jihe West	10,028	12,787	16,134	21,809	28,284	35,257	46,462	53,765	65,741	**67,661**
Yanba Expressway			5,762	5,343	7,423	9,427	11,572	14,179	12,492	**13,879**
Shuiguan Expressway				22,762	30,397	39,842	54,747	75,281	103,236	**106,241**
Shuiguan Extension							31,739	25,477	28,086	**28,181**
Yanpai Expressway								15,915	26,313	**31,898**
Nanguang Expressway										**16,336**
Other Regions in Guangdong Province:										
Yangmao Expressway						8,179	10,362	13,099	16,205	**18,119**
Guangwu Project						1,926	6,120	7,695	9,185	**9,806**
Jiangzhong Project							15,472	26,114	39,492	**45,344**
GZ W2 Expressway								2,186	6,165	**9,574**
Other Provinces in the PRC:										
Changsha Ring Road		1,302	1,373	2,576	3,454	4,636	5,393	5,439	5,791	**6,020**
Wuhuang Expressway							22,895	23,530	27,846	**29,140**
Nanjing Third Bridge							8,276	12,184	16,788	**18,334**

Unit:RMB'000

Average daily toll revenue	99	00	01	02	03	04	05	06	07	**08**
Shenzhen Region										
Meiguan Expressway	304.7	332.2	476.7	501.7	560.5	707.7	795.3	878.3	903.0	**791.8**
Jihe East	269.3	364.2	420.4	430.1	499.5	631.1	786.6	904.5	1,150.6	**1,227.3**
Jihe West	106.8	231.1	287.0	385.0	484.5	593.9	739.9	775.8	945.1	**937.3**
Yanba Expressway			36.1	35.5	61.2	89.2	115.1	153.0	172.7	**195.6**
Shuiguan Expressway				234.7	300.1	382.3	504.1	682.8	964.8	**1,006.0**
Shuiguan Extension							229.5	162.7	181.9	**178.9**
Yanpai Expressway								252.0	370.1	**407.0**
Nanguang Expressway										**176.0**
Other Regions in Guangdong Province:										
Yangmao Expressway						394.3	546.9	719.0	913.1	**902.3**
Guangwu Project						75.3	164.8	224.1	266.0	**265.0**
Jiangzhong Project							200.8	386.3	581.8	**651.8**
GZ W2 Expressway								68.6	180.7	**301.5**
Other Provinces in the PRC:										
Changsha Ring Road		18.0	18.4	36.2	46.8	55.2	58.3	54.1	61.6	**60.5**
Wuhuang Expressway							728.0	887.5	1,052.0	**1,017.1**
Nanjing Third Bridge							324.9	472.5	629.3	**640.1**

Confirmation

Confirmation to the Annual Report 2008 by Directors and Senior Management

As the Directors and senior management of Shenzhen Expressway Company Limited ("Company"), we confirm that there are no false representations or misleading statements contained in or material omissions from the Annual Report 2008 of the Company, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of the report.

2 April 2009

Signatures of Directors:

Yang Hai: ______________________

Wu Ya De: ______________________

Li Jing Qi: ______________________

Zhao Jun Rong: ______________________

Tse Yat Hong: ______________________

Lin Xiang Ke: ______________________

Zhang Yang: ______________________

Chiu Chi Cheong, Clifton: ______________________

Lam Wai Hon, Ambrose: ______________________

Ting Fook Cheung, Fred: ______________________

Wang Hai Tao: ______________________

Zhang Li Min: ______________________

Signatures of Senior Management Members:

Li Jian: ______________________

Ge Fei: ______________________

Zhou Qing Ming: ______________________

Gong Tao Tao: ______________________

Wu Xian: ______________________

Wu Qian: ______________________