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Shenzhen International Holdings Limited
深圳國際控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 00152)
(the "Company")

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is issued pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The document attached hereto is the Results Announcement for the financial year ended 31 December 2010 released by Shenzhen Expressway Company Limited, a subsidiary of the Company.

Hong Kong, 25 March 2011

As at the date of this announcement, the board of directors of the Company consists of Messrs. Guo Yuan, Li Jing Qi, Liu Jun and Yang Hai as executive directors, Messrs. To Chi Keung, Simon and Wang Dao Hai as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00548)

2010 Annual Results Announcement

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2010, prepared in accordance with HKFRS, together with comparative figures for the corresponding year in 2009, as follows:

Consolidated statement of comprehensive income

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Revenue	**3,041,816**	2,475,410
Cost of services	**(1,917,986)**	(1,788,134)
Gross profit	**1,123,830**	687,276
Other (losses) /gains – net	**2,384**	(99)
Administrative expenses	**(62,328)**	(67,719)
Operating profit	**1,063,886**	619,458
Finance income	**14,161**	8,673
Finance costs	**(519,382)**	(390,944)
Finance costs – net	**(505,221)**	(382,271)
Share of profit of jointly controlled entities	**119,470**	252,049
Share of profit of associates	**178,849**	80,923
Profit before income tax	**856,984**	570,159
Income tax expenses	**(146,912)**	(44,826)
Profit for the year from continuing operations	**710,072**	525,333
Other comprehensive income for the year		
Revaluation surplus arising from the acquisition, net of tax	-	893,132
Cash flow hedges	**(12,777)**	-
Total comprehensive income for the year	**697,295**	1,418,465

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to:		
- Equity holders of the Company	**745,806**	540,219
- Minority interest	**(35,734)**	(14,886)
	710,072	525,333
Total comprehensive income attributable to:		
- Equity holders of the Company	**733,029**	1,433,351
- Minority interest	**(35,734)**	(14,886)
	697,295	1,418,465
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)		
- Basic and diluted	**0.342**	0.248
Dividends	**348,923**	261,692

Consolidated balance sheet

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**1,030,572**	1,111,330
Investment properties	**16,980**	17,556
Construction in progress	**42,034**	18,084
Concession intangible assets	**17,945,354**	17,663,392
Prepaid lease payments	**8,765**	12,110
Investments in jointly controlled entities	**967,168**	900,071
Investments in associates	**1,398,502**	1,275,094
Available-for-sale financial assets	**28,500**	28,500
Deferred income tax assets	**90,384**	35,476
	21,528,259	21,061,613
Current assets		
Inventories	**3,402**	3,436
Trade and other receivables	**297,364**	219,107
Restricted cash	**296,962**	490,257
Cash and cash equivalents	**535,465**	479,101
	1,133,193	1,191,901
Total assets	**22,661,452**	22,253,514

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**2,180,770**	2,180,770
Other reserves	**4,601,137**	4,539,806
Retained earnings		
- Proposed final dividend	**348,923**	261,692
- Others	**1,560,462**	1,237,687
	8,691,292	8,219,955
Minority interest	**687,245**	689,897
Total equity	**9,378,537**	8,909,852
LIABILITIES		
Non-current liabilities		
Borrowings	**8,565,307**	8,333,197
Deferred income tax liabilities	**822,100**	857,030
Provision for maintenance/resurfacing obligations	**882,435**	702,355
Derivative financial liabilities	**25,696**	-
	10,295,538	9,892,582
Current liabilities		
Trade and other payables	**1,478,390**	1,565,511
Current income tax liabilities	**139,264**	92,701
Provision for maintenance/resurfacing obligations	**22,832**	-
Borrowings	**1,346,891**	1,792,868
	2,987,377	3,451,080
Total liabilities	**13,282,915**	13,343,662
Total equity and liabilities	**22,661,452**	22,253,514
Net current liabilities	**(1,854,184)**	(2,259,179)
Total assets less current liabilities	**19,674,075**	18,802,434

The consolidated financial statements and notes for the year ended 31 December 2010 of the Group prepared under HKFRS are set out in the appendix to this results announcement.

ANNUAL RESULTS AND DIVIDENDS

In accordance with HKFRS, during the Reporting Period, the Group recorded a revenue of RMB3,041,816,000 (2009: RMB2,475,410,000), representing an increase of 22.88% as compared to the year 2009. Profit attributable to the equity holders of the Company during the Reporting Period amounted to RMB745,806,000 (2009: RMB540,219,000), whereas earnings per share was RMB0.342 (2009: RMB0.248), representing an increase of 38.06% as compared to the year 2009.

The Board recommended the payment of a final dividend of RMB0.16 per share to all shareholders (2009: RMB0.12 per share), totaling RMB348,923,000, for the year ended 31 December 2010. Such dividend shall be subject to approval by shareholders at the 2010 annual general meeting of the Company. The date of annual general meeting, the book closing period, the record date for dividend payment, dividend payment procedures and payment date will be notified separately.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

1. Operating Performance of Toll Highways

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

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

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

Toll Highway	Percentage of interests held by the Group	Percentage of revenue consolidated	Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
			2010	2009	Change	2010	2009	Change
Other Provinces in the PRC:								
Wuhuang Expressway	55%	-	**38**	32	17.8%	**1,272**	1,090	16.7%
Changsha Ring Road	51%	-	**8.6**	7.3	16.6%	**73**	64	14.5%
Nanjing Third Bridge	25%	-	**22**	20	10.1%	**783**	672	16.5%

Notes:

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

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

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

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

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

- **Changes in road networks layout and redistribution of demand.** The operational performances of toll highways are also subject to positive or negative influences caused by competitive or synergistic changes in neighbouring road networks, maintenance and repair works on connecting or parallel roads as well as implementation of urban traffic organisation plans. The openings and operations of high-speed railways and intercity railways in recent years have diverted traffic from highways and affected some toll highways with similar routes. The specific situation in each specific case differs. For details, please refer to the content below.

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

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

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

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

Nanguang Expressway — Songbai Road, a municipal road parallel to Nanguang Expressway, has been under expansion and reconstruction since 2009, which created a positive effect on the operational performance of Nanguang Expressway.

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

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

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

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

Reporting Period to a certain extent.

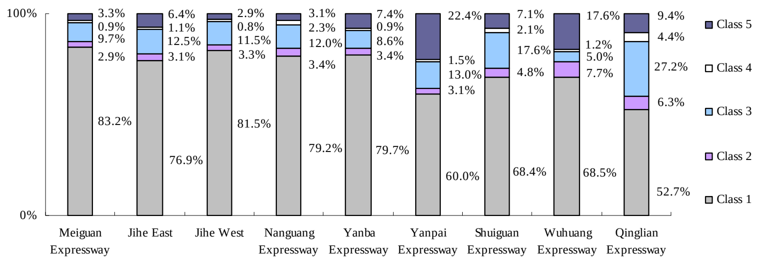
GZ W2 Expressway — Benefited from enhancement in road networks and government authorities' active implementation of traffic improvement measures, such as separation of the cross-border traffic from the urban traffic and overloading control, the cross-border traffic function of GZ W2 Expressway became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

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

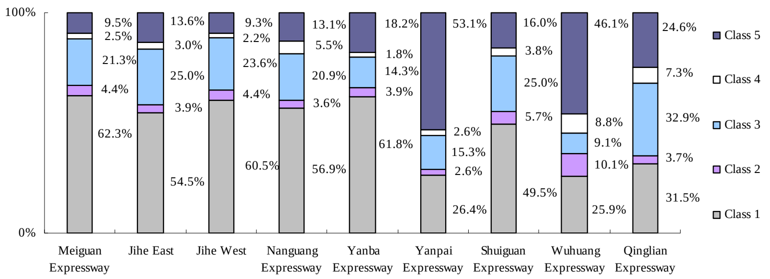
Nanjing Third Bridge — Nanjing Yangtze Tunnel commenced operation at the end of May 2010 and diverted to a significant extent the traffic flow of the passenger car volume from Nanjing Third Bridge. On the other hand, the Southeast Section of Nanjing Ring Expressway linking Nanjing Third Bridge Expressway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

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

Vehicle Category of Major Highways - by traffic volume



Vehicle Category of Major Highways - by toll revenue



2. Business Development

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

◆ **Project construction**

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

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

- **Project reconstruction and expansion**

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

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

- **Project development**

In order to further push ahead the preliminary study and relevant negotiations, the Company established a legal entity, 深圳市外環高速公路投資有限公司(Shenzhen Outer Ring Expressway Investment Company Limited), to verify the investment value of the project based on a in-depth study on the returns and risks of it. As at the end of the Reporting Period, the toll proposal for the Outer Ring Expressway has been approved and the application for site selection as well as pre-approval of land use have been submitted to relevant government authorities of Guangdong Province. The preliminary design works is expected to be commenced at the beginning of 2011. Currently, the Company does not have any investment plans on the toll highways projects.

II. Financial Analysis

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

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

1. Analysis of Operating Results

1.1 Revenue

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

Operating revenue item	**2010** (RMB'000)	**Percentage of total**	**2009** (RMB'000)	**Percentage of total**	**Change**
Toll revenue (Refer to 1.2.1 below for details)	**2,152,551**	70.77%	1,335,482	53.95%	61.18%
Management services income [(1)]	**90,935**	2.99%	58,237	2.35%	56.15%
Other income (including income from advertising service)	**58,900**	1.94%	47,955	1.94%	22.82%
Construction revenue under service concessions [(2)]	**739,430**	24.30%	1,033,736	41.76%	-28.47%
Total	**3,041,816**	100.00%	2,475,410	100.00%	22.88%

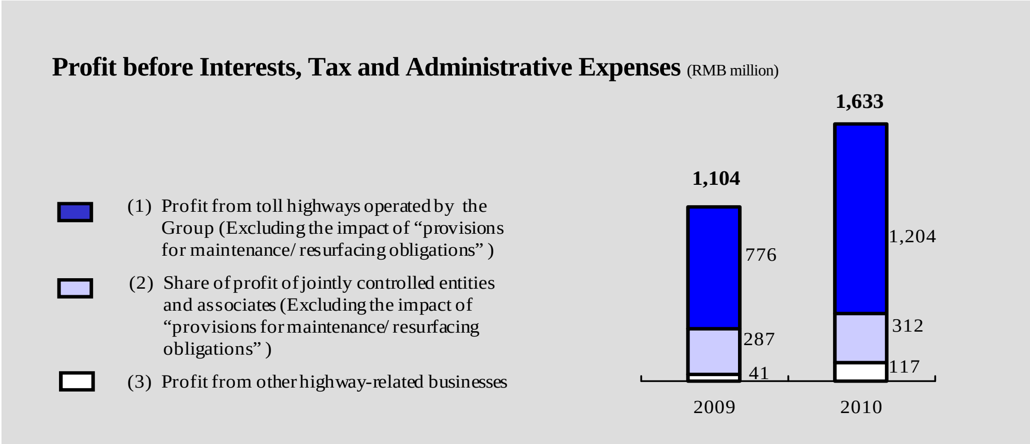
Notes:

(1) Management services income included income from entrusted construction management services of RMB75,845,000 and income from entrusted operation management services of RMB15,090,000. Please refer to 1.2.3 below for details.

(2) Pursuant to IFRIC 12 effective from 2008, the Group is required to recognise construction revenue under service concessions, which reflects the construction or reconstruction of roads with toll operating rights owned by the Group. However, the Group had no realised or realisable cash inflow during the corresponding construction periods, and according to estimates of actual construction costs of each project of the Group for the Reporting Period, the Company did not recognise profit from construction under service concessions for the aforementioned projects (2009: nil). Please refer to 1.2.3 below for details.

1.2 Profit before Interests, Tax and Administrative Expenses

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



1.2.1 Profit from Toll Highways Operated by the Group

- **Profit**

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

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

Notes:

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

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

◆ **Toll revenue**

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

◆ **Cost of services**

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

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

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

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

1.2.2 Share of Profit of Jointly Controlled Entities and Associates

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

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

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

Notes:

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

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

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

1.2.3 Profit from Other Highway-related Businesses

- **Profit from construction under service concessions**

During the Reporting Period, the Group recognised revenue and costs from construction under services concession arrangements for Nanguang Expressway, Qinglian Project, Outer Ring Expressway and expansion of Meiguan Expressway which are within the construction period, based on their percentages of completion in accordance with the relevant requirements of IFRIC 12. The Group recognised profit from construction services based on the budgets of the projects and reasonable estimates of profitability of the construction services. According to estimates of actual construction costs of each project of the Group for the Reporting Period, the Company did not recognise profit from construction services for the aforementioned projects (2009: nil). The details on the recognition principle of revenue from construction services and accounting estimates of profits are set out in note 4(a) to the Financial Statements. A detailed analysis on revenue from construction services is as follows:

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

- **Profit from entrusted construction management services**

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

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

- **Profit from entrusted operation management services**

During the Reporting Period, pursuant to the provisions of the entrusted operation management agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB15,090,000 and a relevant profit of RMB14,293,000 after deducting relevant business tax. The details are set out in note 37(c) to the Financial Statements.

1.3 Administrative Expenses and Finance Expenses

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

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

1.4 Income Tax Expenses

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

1.5 Provisions for Maintenance/resurfacing Obligations

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

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

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

1.6 Impact of Consolidation of Jihe East Company

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

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

1.7 Amortisation Policies of Concession Intangible Assets and Differences under Different Amortisation Methods

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

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortisation amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. With the growth in traffic volumes of various toll highways in 2010, the amortisation difference under the two methods of amortisation attributable to the Company based on its equity interests was RMB99,111,000 and the YOY amortisation difference greatly decreased. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects. Figures for reference calculated for various toll highways for the Reporting Period is as follows:

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

Notes:

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

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

(3) Jihe East Company has been changed from a jointly controlled entity to a subsidiary of the Company since 30 September 2009. The amortisation amount of concession intangible assets of Jihe East Company for the Reporting Period included the amortisation of premium (Units-of-usage method: RMB112 million, straight-line method: RMB122 million).

2. Analysis of Financial Position

2.1 Assets, Equity and Liabilities

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

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

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

2.2 Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, to maintain its good credit ratings and solid financial position. With the increase of the profit from toll highway projects and the operating cash flows for the Reporting Period, the Group recorded decreases in various financial leverage ratios. Given the Group's stable and robust operating cash flows, and expected growth in cash flow after the operation of new projects, the Directors of the Company are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

	31 December 2010	**31 December 2009**
Debt-to-asset ratio (Total liabilities / Total assets)	**58.61%**	59.96%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents) / Total equity)	**100.01%**	108.87%
	Jan ~ Dec 2010	**Jan ~ Dec 2009**
Interest covered multiple (Profit before interests and tax / interest expenses)	**2.47**	1.86
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	**3.58**	2.49

2.3 Liquidity and Cash Management

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

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

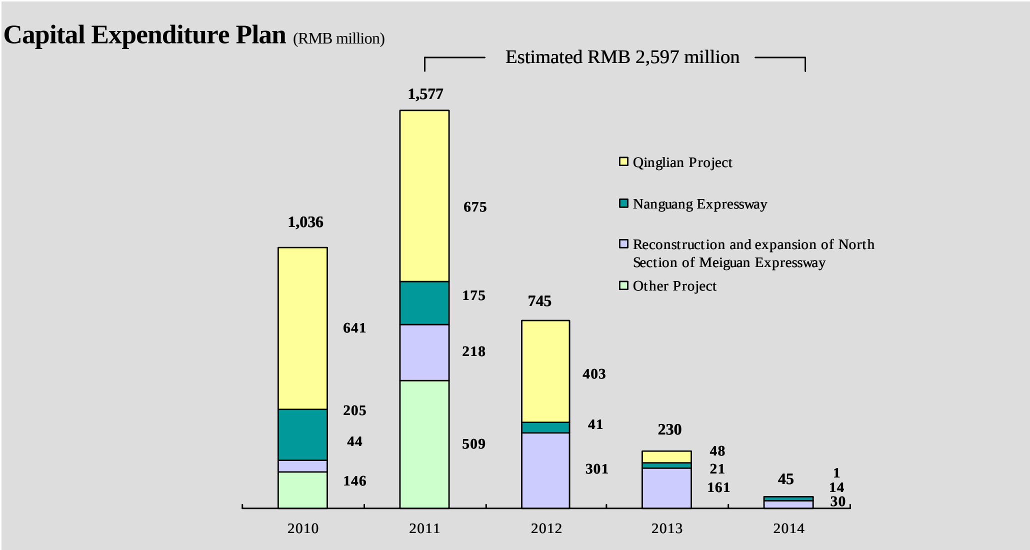
2.4 Foreign-currency Denominated Assets and Liabilities

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB1,318,895,000 and RMB1,480,000 worth of foreign currency-denominated liabilities in HK$ and other foreign currencies, respectively, while RMB50,417,000 and RMB101,000 worth of foreign currency-denominated assets were in HK$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. Despite the positive impact of the current upward trend of RMB exchange rate on the Group, the Company has arranged relevant financial instruments to lock up the exchange rate and interest rate of two medium to long-term loans denominated in HK$ respectively to minimise the risk of exchange rate and interest rate in the future. The Company has arranged "Non-Deliverable Cross Currency Swap ("NDS")" for a loan of HK$420,000,000 with a maturity period of five years to lock up its interest rate and exchange rate, and "Non-Deliverable Forward ("NDF")"for a loan of HK$227,000,000 with a maturity period of three years to lock up the exchange rate.

3. Capital and Financing

3.1 Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly the reconstruction of Qinglian Class 1 Highway into an expressway and the remaining construction and investments of Nanguang Expressway, totaling approximately RMB1.036 billion. As at 31 December 2010, the Group's capital expenditure plan comprised mainly construction and investments in the reconstruction of Qinglian Class 1 Highway into an expressway, remaining construction, investments and settlements of projects such as Nanguang Expressway and the reconstruction and expansion of Meiguan Expressway. It is expected that the Group's total capital expenditures will amount to approximately RMB2.597 billion by the end of 2014. The Group plans to satisfy such capital needs with its own capital reserves and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.



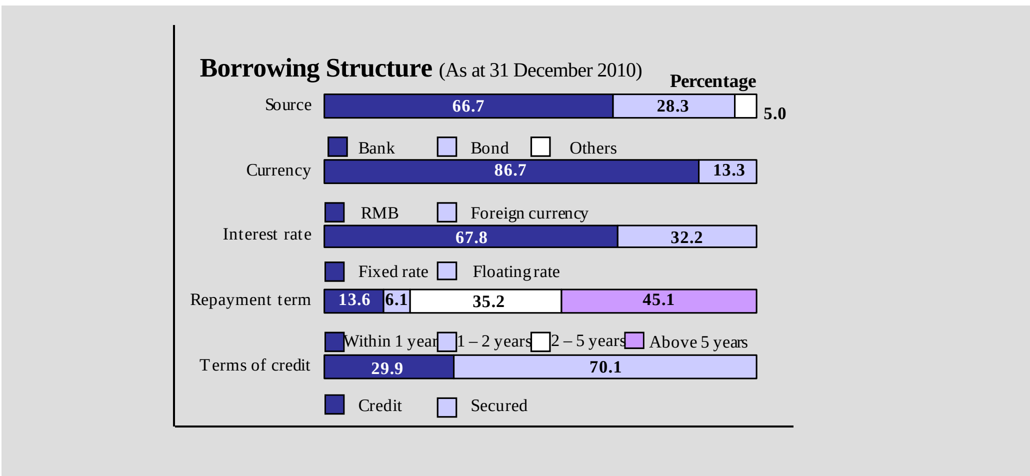
3.2 Operating Cash Flow

The toll revenue of the Group's principal toll highway operations is collected in cash, thereby giving a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totaled RMB1,814,776,000 (2009: RMB1,021,641,000), representing a YOY increase of 77.63%. After deducting the net amount of the receivables and payables of RMB205,526,000 for 2009 on behalf of Coastal Project by the Group, the Group's net cash inflow from operating activities and cash return on investments increased YOY by 47.88%, which mainly represented the growth in toll revenue generated from the toll highways operated by the Group and the corresponding increase in cash flow as a result of Jihe East Company's consolidation into the Group. For the effect of Jihe East Company's consolidation into the Group, please refer to 1.6 under "Analysis of Operating Results" above for details.

3.3 Financial Strategies and Financing Arrangements

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

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



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

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

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

4. Changes in Accounting Estimates

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

III. Plans and Objectives

The Company conducts regular review on and makes adjustments to its objectives for strategic development based on analysis and understanding of the external environment and its own condition, and incorporates such objectives into the work plans of every year. By implementing and executing specific and effective strategies and measures, the Company's development continues to move forward.

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

◆ **Operating target.** Based on the reasonable expectation that no substantial changes will take place in the operating environment, the Group has set the total toll revenue target for 2011 at not less than RMB2.45 billion, with operating costs and administrative expenses (excluding depreciation, amortisation and provision for maintenance) at not more than RMB0.61 billion, (2010 actual amount: RMB2.15 billion and RMB0.45 billion respectively).

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

- **Construction management.** The Company will improve the audit work for its substantial design plans and technologies, actively and effectively manage its own construction projects and entrusted construction projects, and grasp key aspects to strengthen quality project management. We will strive to achieve pre-set objectives for work schedule, quality, budget and safety. Meanwhile, the Group has to undertake negotiations and discussions for the specific terms and arrangements of Coastal Project to lay a good foundation for the business development of the Company.
- **Investment management.** The Group will conduct research and negotiation for the reconstruction and expansion plan of the South Section of Meiguan Expressway and the adjustment plan for its toll collection mode. We will attach greater effort to the research and development of new industries and carefully improve the progress of the projects.
- **Financial management.** We will further optimise the Company's debt structure, rationally control capital costs and strengthen cost control, budget management and medium-long term financial estimation and analysis and improve the warning system for financial risks, and fully support the financial management decision making.
- **Comprehensive management.** The Group will continue to optimise its management system, strengthen internal control management and risk management, further enhance the human resources system. The Group will also develop and apply the fitness and properness model of its staff, enhance organisational planning, training system and performance assessment system, and step up efforts in training and recruitment of talents to meet the actual needs of the Group's development.

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.

PROFILE OF SHAREHOLDERS

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and,Hong Kong, the Company had 39,773 shareholders in total, including 39,480 holders of domestic shares and 293 holders of H Shares. The information of the top ten holders of non-restricted circulating shares of the Company was as follows:

Unit: 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)	703,531,098	H Share
新通產實業開發（深圳）有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited)	654,780,000	A Share
深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company)	411,459,887	A Share
華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre)	87,211,323	A Share
廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited)	61,948,790	A Share
Ip Kow	15,126,000	H Share
Au Siu Kwok	11,000,000	H Share
China Everbright Bank Co., Ltd.-UBS SDIC Industrial Securities Investment Fund	7,350,709	A Share
Pictet Asset Management Limited - Pictet Fund (Luxemburg)	7,059,992	A Share
Wong Kin Ping + Li Tao	5,000,000	H Share

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of HKEx. The codes on corporate governance currently adopted by the Company go beyond the requirements of the aforesaid code in certain aspects.

COMPLIANCE WITH THE MODEL CODE

The Securities Transaction Code of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEx headed Model Code for Securities Transactions by Directors of Listed Issuers, as written guidelines to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The standards set out in Appendix 10 to the Listing Rules of HKEx have been incorporated into the Securities Transaction Code of the Company.

After specifically inquiring with all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management complied with the standards for securities transactions by directors as stipulated under the aforesaid code during the Reporting Period.

AUDIT COMMITTEE/RESULTS REVIEW

The audit committee of the Company has reviewed and confirmed the results announcement and financial statements of the Company for the year ended 31 December 2010.

AUDITORS' PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DEFINITIONS

1. Names of Highway and Road Projects

Changsha Ring Road	The northwestern section of Changsha Ring Expressway, located in Hunan Province
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of the section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of Coastal Expressway from Guangzhou to Shenzhen during the construction period and operation period. During the Reporting Period, it specifically refers to the entrusted management during the construction period
Guangwu Project	The Ma'an to Hekou Section of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (called Guangwu Expressway for short), located in Guangdong Province
GZ W2 Expressway	Xiaotang to Maoshan Section of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway, located in Guangdong Province
Hengping Project	The entrusted construction project of Shenzhen Hengping Class 1 Highway and the connecting sections undertaken by the Company
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan (called Jianghe Expressway for short), located in Guangdong Province
Jihe Expressway	The expressway from Shenzhen airport to He'ao in Shenzhen City, comprising Jihe East and Jihe West
Longda Expressway	The expressway from Longhua in Shenzhen City to Dalingshan in Dongguan City
Longhua Extension	The entrusted construction project of Longhua Extension of Longda Expressway undertaken by the Company
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Nanjing Third Bridge	Nanjing Yangtze Third Bridge, located in Jiangsu Province
Nanping Project	The entrusted construction project of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) undertaken by the Company. The first phase of the project of Shenzhen Nanping Freeway refers to Nanping (Phase I) and was completed and opened to traffic in June 2006. The second phase of the project of Shenzhen Nanping Freeway refers to Nanping (Phase II), comprising section A and section B
Outer Ring Expressway	The Shenzhen Outer Ring Expressway
Qinglian Project	Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou (as the case may be), located in Guangdong Province
Shenyun Project	The entrusted construction project of Shenyun-North Ring Interchange renovation in Shenzhen City undertaken by the Company

Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
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)
Wuhuang Expressway	The expressway from Wuhan to Huangshi, located in Hubei Province
Wutong Mountain Project	The entrusted construction project of Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Road Checkpoint Station undertaken by the Company
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A, Yanba B and Yanba C
Yangmao Expressway	The expressway from Yangjiang to Maoming, located in Guangdong Province
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Route to Jihe Expressway

2. Enterprises invested

Consulting Company	深圳高速工程顧問有限公司(Shenzhen Expressway Engineering Consulting Company Limited)
Jihe East Company	深圳機荷高速公路東段有限公司 (Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited), which owns Jihe East
Qinglian Company	廣東清連公路發展有限公司(Guangdong Qinglian Highway Development Company Limited), which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司(Shenzhen Qinglong Expressway Company Limited), which owns Shuiguan Expressway

3. Others

A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
Board	The board of Directors of the Company
The Company, Company	Shenzhen Expressway Company Limited
Director(s)	The director(s) 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

IFRIC 12	HK(IFRIC) - Int 12 "Service Concession Arrangements" issued by the Hong Kong Institute of Certified Public Accountants
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)
PRC	The People's Republic of China excluding, for the purpose of this announcement, 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 2010
RMB	Renminbi, the lawful currency of the PRC
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company

By Order of the Board

Yang Hai

Chairman

Shenzhen, the PRC, 25 March 2011

As at the date of this announcement, 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 non-executive Director), Mr. Ting Fook Cheung, Fred (Independent non-executive Director), Mr. Wang Hai Tao (Independent non-executive Director) and Mr. Zhang Li Min (Independent non-executive Director).

This Results Announcement, which has been published on the website of HKEx at http://www.hkex.com.hk, only gives a summary of the information and particulars contained in the full Annual Report of the Company. A detailed Annual Report containing all the information to accompany annual report required by Appendix 16 to the Listing Rules of HKEx will be subsequently published on the website of HKEx at http://www.hkex.com.hk in due course.

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Consolidated Financial Statements (including notes)

For the Year ended 31 December 2010

Shenzhen Expressway Company Limited
Consolidated balance sheet

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,030,572	1,111,330
Investment properties	7	16,980	17,556
Construction in progress	8	42,034	18,084
Concession intangible assets	9	17,945,354	17,663,392
Prepaid lease payments and other intangible asset	10	8,765	12,110
Investments in jointly controlled entities	13	967,168	900,071
Investments in associates	14	1,398,502	1,275,094
Available-for-sale financial assets	15	28,500	28,500
Deferred income tax assets	22	90,384	35,476
		21,528,259	21,061,613
Current assets			
Inventories		3,402	3,436
Trade and other receivables	16	297,364	219,107
Restricted cash	17	296,962	490,257
Cash and cash equivalents	18	535,465	479,101
		1,133,193	1,191,901
Total assets		22,661,452	22,253,514
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	2,180,770	2,180,770
Other reserves	20	4,601,137	4,539,806
Retained earnings	20		
- Proposed final dividend	33	348,923	261,692
- Others		1,560,462	1,237,687
		8,691,292	8,219,955
Non-controlling interests		687,245	689,897
Total equity		9,378,537	8,909,852
LIABILITIES			
Non-current liabilities			
Borrowings	21	8,565,307	8,333,197
Deferred income tax liabilities	22	822,100	857,030
Provision for maintenance/resurfacing obligations	23	882,435	702,355
Derivative financial liabilities	24	25,696	-
		10,295,538	9,892,582
Current liabilities			
Trade and other payables	25	1,478,390	1,565,511
Current income tax liabilities		139,264	92,701
Provision for maintenance/resurfacing obligations	23	22,832	-
Borrowings	21	1,346,891	1,792,868
		2,987,377	3,451,080
Total liabilities		13,282,915	13,343,662
Total equity and liabilities		22,661,452	22,253,514
Net current liabilities		(1,854,184)	(2,259,179)
Total assets less current liabilities		19,674,075	18,802,434

Shenzhen Expressway Company Limited
Balance sheet

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	589,530	647,412
Investment properties	7	16,980	17,556
Construction in progress	8	1,747	2,803
Concession intangible assets	9	5,212,129	5,208,864
Prepaid lease payments and other intangible asset	10	394	-
Investments in subsidiaries	11	4,922,766	4,942,726
Investments in jointly controlled entities	13	186,163	195,033
Investments in associates	14	1,456,668	1,372,667
Loans to a subsidiary	12	1,332,357	818,333
Available-for-sale financial assets	15	28,500	28,500
Deferred income tax assets	22	90,384	35,476
		13,837,618	13,269,370
Current assets			
Inventories		1,620	1,957
Trade and other receivables	16	279,092	206,073
Restricted cash	17	296,962	490,257
Cash and cash equivalents	18	271,860	267,621
		849,534	965,908
Total assets		14,687,152	14,235,278
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	2,180,770	2,180,770
Other reserves	20	3,762,018	3,687,910
Retained earnings	20		
- Proposed final dividend	33	348,923	261,692
- Others		1,352,511	1,076,426
Total equity		7,644,222	7,206,798
LIABILITIES			
Non-current liabilities			
Borrowings	21	4,760,833	4,299,385
Provision for maintenance/resurfacing obligations	23	632,629	446,645
		5,393,462	4,746,030
Current liabilities			
Trade and other payables	25	600,445	609,614
Current income tax liabilities		77,433	56,239
Borrowings	21	971,590	1,616,597
		1,649,468	2,282,450
Total liabilities		7,042,930	7,028,480
Total equity and liabilities		14,687,152	14,235,278
Net current liabilities		(799,934)	(1,316,542)
Total assets less current liabilities		13,037,684	11,952,828

Shenzhen Expressway Company Limited
Consolidated statement of comprehensive income

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

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

Shenzhen Expressway Company Limited
Consolidated statement of changes in equity

	Attributable to owners of the parent				Non-	
	Share capital	Other reserves	Retained earnings	**Total**	**controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2009	2,180,700	3,594,861	1,271,797	7,047,358	704,783	7,752,141
Comprehensive income						
Profit for the year	-	-	540,219	540,219	(14,886)	525,333
Other comprehensive income						
Revaluation surplus arising from the acquisition, net of tax	-	893,132	-	893,132	-	893,132
Total comprehensive income	-	893,132	540,219	1,433,351	(14,886)	1,418,465
Transactions with owners						
Warrants subscription rights exercised	70	860	-	930	-	930
Transfer to reserve fund	-	50,953	(50,953)	-	-	-
Dividends relating to 2008	-	-	(261,684)	(261,684)	-	(261,684)
	70	51,813	(312,637)	(260,754)	-	(260,754)
Balance as at 1 January 2010	2,180,770	4,539,806	1,499,379	8,219,955	689,897	8,909,852
Comprehensive income						
Profit for the year	-	-	745,806	745,806	(35,734)	710,072
Other comprehensive income						
Cash flow hedges	-	(12,777)	-	(12,777)	-	(12,777)
Total comprehensive income	-	(12,777)	745,806	733,029	(35,734)	697,295
Transactions with owners						
Capital injected by non-controlling interests	-	-	-	-	33,082	33,082
Transfer to reserve fund	-	74,108	(74,108)	-	-	-
Dividends relating to 2009	-	-	(261,692)	(261,692)	-	(261,692)
	-	74,108	(335,800)	(261,692)	33,082	(228,610)
Balance as at 31 December 2010	2,180,770	4,601,137	1,909,385	8,691,292	687,245	9,378,537

Shenzhen Expressway Company Limited
Consolidated cash flow statement

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

Shenzhen Expressway Company Limited
Consolidated statement cash flows (continued)

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

1 General information

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2011.

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern

The Group reported net current liabilities of approximately RMB1.85 billion as at 31 December 2010. The directors of the Company had made an assessment and concluded that there is no going concern issue of the Group based on the facts that the Group has been generating increasing positive operating cash flows. It has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised banking facilities of approximately RMB5.78 billion as at 31 December 2010 which is sufficient for the Group to meet its obligations and commitments. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

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

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

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

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

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

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

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

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

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

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

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

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

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

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

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

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

(c) Associates

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates (continued)

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

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

(d) Joint ventures

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

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

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

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

2.3 Segment reporting

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

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.5 Property, plant and equipment

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

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

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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

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

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

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

2.6 Investment properties

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

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

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

2.7 Construction in progress

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

2 Summary of significant accounting policies (continued)

2.8 Concession intangible assets

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

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

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

Amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis, whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those roads. It is the Group’s policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change.

2 Summary of significant accounting policies (continued)

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

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

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

2.10 Financial assets

2.10.1 Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted cash' and 'cash and cash equivalents' in the balance sheet (Notes 2.14 and 2.15).

(b) Available-for-sale financial assets

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

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement

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

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

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

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

The Group first assesses whether objective evidence of impairment exists.

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

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

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

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

2.12 Derivative financial instruments and hedge activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedge of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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

2 Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedge activities (continued)

Cash Flow Hedge

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within 'other gains/(losses) – net'.

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2 Summary of significant accounting policies (continued)

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade payables

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

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

2.18 Borrowings

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

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

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

2 Summary of significant accounting policies (continued)

2.19 Compound financial instruments

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

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

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

2.20 Current and deferred income tax

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

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

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

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

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

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

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

2.21 Employee benefits

(a) Pension obligations

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

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

(b) Bonus plans

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

2.22 Provisions

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

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

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition

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

(a) Toll revenue

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

(b) Construction revenue under service concessions

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

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

(c) Construction management services income

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

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

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(d) Income from other services

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

(e) Interest income

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

(f) Dividend income

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

2.24 Borrowing costs

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

2.25 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

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

(b) Cash flow and fair value interest rate risk

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Cash flow and fair value interest rate risk (continued)

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

(c) Price risk

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

(d) Credit risk

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

The table below shows the bank deposits of the major counterparties of the Group as at 31 December 2010:

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

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

As a result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers, except for the amount due from government authorities in the PRC of approximately RMB193,395,000 (2009: RMB138,960,000) in relation to the project management services provided (Note 16(a)).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk

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

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

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
As at 31 December 2010				
Borrowings				
- Bank borrowings	1,391,306	616,211	1,583,141	4,367,053
- Convertible bonds	15,000	15,000	1,515,000	-
- Corporate bonds	44,000	44,000	132,000	1,108,000
- Medium-term notes	26,040	26,040	726,040	-
Trade and other payables*	1,329,221	-	-	-
Derivative financial liabilities	610	611	10,982	-
As at 31 December 2009				
Borrowings				
- Bank borrowings	1,843,306	482,731	1,967,392	5,252,697
- Convertible bonds	15,000	15,000	1,530,000	-
- Corporate bonds	44,000	44,000	132,000	1,152,000
Trade and other payables	1,566,122	-	-	-
Company				
As at 31 December 2010				
Borrowings				
- Bank borrowings	985,503	616,211	1,049,637	365,043
- Convertible bonds	15,000	15,000	1,515,000	-
- Corporate bonds	44,000	44,000	132,000	1,108,000
- Medium-term notes	26,040	26,040	726,040	-
Trade and other payables*	496,723	-	-	-
As at 31 December 2009				
Borrowings				
- Bank borrowings	1,658,126	376,248	1,169,657	556,771
- Convertible bonds	15,000	15,000	1,530,000	-
- Corporate bonds	44,000	44,000	132,000	1,152,000
Trade and other payables	610,225	-	-	-

* Advances and statutory liabilities are not included.

3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The Group's strategy is to maintain a gearing ratio within 50% to 60% and an AAA credit rating. The gearing ratio of the Group as at 31 December 2010 was as follows:

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

3.3 Fair value estimation

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

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

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

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

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

4 Critical accounting estimates and judgements

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

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

(a) Construction revenue recognition relating to concession contracts

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

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

4 Critical accounting estimates and judgements (continued)

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

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 RMB739,430,000 (2009: RMB1,033,736,000) for 2010. Due to the significant rise in construction and related costs during 2010, the actual costs were higher than the budget and the gross profit derived from the construction activities was insignificant and it had not been recognised in the statement of comprehensive income of 2010 (2009: Nil). The directors of the Company consider that these are their current best estimates on the magnitude of construction revenue and related profits. Were the magnitudes of the final construction costs and the management fee applied as a percentage of the construction costs were to be differed from management's current estimates, the Group would account for the change prospectively.

(b) Amortisation of concession intangible assets

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

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

The directors performed a periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference. The Group had appointed an independent professional traffic consultant to perform independent professional traffic studies or internally revisited its four main toll roads in 2010, and prospectively adjusted the amortisation unit according to the revised total projected traffic volume starting from 1 January 2010. The detailed information of the influence of this change is described in Note 4(e).

4 Critical accounting estimates and judgements (continued)

(c) Provisions for maintenance/resurfacing obligations

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

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

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

(d) Corporate income tax

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

(e) Changes in critical accounting estimates and assumptions

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

5 Segment information

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

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

- Toll roads operations; and
- Construction under service concession

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

The segment information provided to the board of directors of the Company for the reportable segments for the year ended 31 December 2010 is as follows:

5 Segment information (continued)

Business segment	Toll roads operations	Construction under service concessions	All other segments	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010					
Revenue (from external customers)	2,152,551	739,430	149,835	-	3,041,816
Adjusted earnings before interest, tax, depreciation and amortization("EBITDA")	1,888,171	-	69,888	(32,484)	1,925,575
Depreciation and amortisation	(544,624)	-	(4,725)	(14,021)	(563,370)
Finance income	2,758	-	240	11,163	14,161
Finance costs	(322,080)	-	(4)	(197,298)	(519,382)
Share of profit of jointly controlled entities	119,470	-	-	-	119,470
Share of profit of associates	176,637	-	2,212	-	178,849
Income tax expenses	(135,544)	-	(4,574)	(6,794)	(146,912)
Investments in jointly controlled entities	967,168	-	-	-	967,168
Investments in associates	1,388,170	-	10,332	-	1,398,502
Additions to non-current assets other than deferred tax assets	171,214	739,430	2,802	1,575	915,021
31 December 2009*					
Revenue (from external customers)	1,335,482	1,033,736	106,192	-	2,475,410
Adjusted EBITDA	1,298,802	-	22,701	(40,445)	1,281,058
Depreciation and amortisation	(311,363)	-	(5,031)	(12,234)	(328,628)
Finance income	2,005	-	143	6,525	8,673
Finance costs	(176,529)	-	(4)	(214,411)	(390,944)
Share of profit of jointly controlled entities	252,049	-	-	-	252,049
Share of profit of associates	78,979	-	1,944	-	80,923
Income tax expenses	(25,177)	-	(3,199)	(16,450)	(44,826)
Investments in jointly controlled entities	900,071	-	-	-	900,071
Investments in associates	1,266,974	-	8,120	-	1,275,094
Additions to non-current assets other than deferred tax assets	3,407,892	1,033,736	2,073	6,281	4,449,982

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

5 Segment information (continued)

Business segment	Toll roads operations	Construction under service concessions	All other segments	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010					
Assets	20,609,109	1,125,205	174,875	752,263	22,661,452
Liabilities	7,339,799	929,736	40,977	4,972,403	13,282,915
As at 31 December 2009*					
Assets	20,208,202	1,091,650	65,666	887,996	22,253,514
Liabilities	6,702,062	1,200,532	70,058	5,371,010	13,343,662

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

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

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

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

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

Revenues of approximately RMB524,491,000 (2009: RMB846,929,000) are derived from a single external customer. These revenues are attributable to construction under service concession.

5 Segment information (continued)

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

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

5 Segment information (continued)

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

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

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

6 Property, plant and equipment

Group

	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2009				
Cost	421,581	513,842	23,003	958,426
Accumulated depreciation	(67,741)	(181,066)	(12,643)	(261,450)
Net book amount	353,840	332,776	10,360	696,976
Year ended 31 December 2009				
Opening net book amount	353,840	332,776	10,360	696,976
Addition from acquisition of a subsidiary	29,640	17,603	1,215	48,458
Transfer from construction in progress (Note 8)	151,885	277,632	-	429,517
Additions	-	12,860	5,101	17,961
Disposals	-	(120)	-	(120)
Depreciation	(17,638)	(60,050)	(3,774)	(81,462)
Closing net book amount	517,727	580,701	12,902	1,111,330
As at 31 December 2009				
Cost	603,106	821,817	28,224	1,453,147
Accumulated depreciation	(85,379)	(241,116)	(15,322)	(341,817)
Net book amount	517,727	580,701	12,902	1,111,330
Year ended 31 December 2010				
Opening net book amount	517,727	580,701	12,902	1,111,330
Transfer from construction in progress (Note 8)	2,453	18,334	-	20,787
Additions	3,375	23,409	3,107	29,891
Disposals	(23,248)	(6,121)	(487)	(29,856)
Depreciation	(21,206)	(75,424)	(4,950)	(101,580)
Closing net book amount	479,101	540,899	10,572	1,030,572
As at 31 December 2010				
Cost	574,456	842,028	25,427	1,441,911
Accumulated depreciation	(95,355)	(301,129)	(14,855)	(411,339)
Net book amount	479,101	540,899	10,572	1,030,572

6 Property, plant and equipment (continued)

Company

	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2009				
Cost	378,748	451,073	16,376	846,197
Accumulated depreciation	(46,187)	(143,420)	(9,805)	(199,412)
Net book amount	332,561	307,653	6,571	646,785
Year ended 31 December 2009				
Opening net book amount	332,561	307,653	6,571	646,785
Transfer from construction in progress (Note 8)	33,724	17,120	-	50,844
Additions	-	7,056	2,769	9,825
Disposals	-	(138)	(596)	(734)
Depreciation	(13,324)	(43,460)	(2,524)	(59,308)
Closing net book amount	352,961	288,231	6,220	647,412
As at 31 December 2009				
Cost	412,472	475,111	18,549	906,132
Accumulated depreciation	(59,511)	(186,880)	(12,329)	(258,720)
Net book amount	352,961	288,231	6,220	647,412
Year ended 31 December 2010				
Opening net book amount	352,961	288,231	6,220	647,412
Transfer from construction in progress (Note 8)	-	10,962	-	10,962
Additions	3,255	14,948	2,262	20,465
Disposals	(23,240)	(3,480)	(412)	(27,132)
Depreciation	(14,471)	(44,520)	(3,186)	(62,177)
Closing net book amount	318,505	266,141	4,884	589,530
As at 31 December 2010				
Cost	359,509	486,601	15,963	862,073
Accumulated depreciation	(41,004)	(220,460)	(11,079)	(272,543)
Net book amount	318,505	266,141	4,884	589,530

6 Property, plant and equipment (continued)

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

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

7 Investment properties

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

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

8 Construction in progress

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

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

9 Concession intangible assets

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

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

9 Concession intangible assets (continued)

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

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

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

The operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Guangdong Qinglian Highway Development Company Limited ("Qinglian Company") are secured for non-current bank borrowings amounting to RMB3,633,900,000 (Note 21(a)). The full amount of the principal and related interests of the Company's convertible bonds is guaranteed by the Shenzhen Branch of the Agricultural Bank of China, which is in turn secured by the 47.30% of the operating rights of Nanguang Expressway (Note 21(c)).

10 Prepaid lease payments and other intangible assets

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

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

11 Investments in subsidiaries

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

11 Investments in subsidiaries (continued)

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held	
				Direct	Indirect
Shenzhen Meiguan Expressway Company Limited ("Meiguan Company")	PRC, limited liability company	Construction, operation and management of an expressway in the PRC	RMB332,400,000	100%	-
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao Eastern Company")	PRC, limited liability company	Construction, operation and management of an expressway in the PRC	RMB440,000,000	100%	
Shenzhen Expressway Advertising Company Limited	PRC, limited liability company	Advertising agency in the PRC	RMB2,000,000	95%	5%
Mei Wah Industrial (Hong Kong) Limited ("Mei Wah")	Hong Kong, limited liability company	Investment holding in Hong Kong	795,381,300 Ordinary shares of HKD1 each	100%	-
Maxprofit Gain Limited ("Maxprofit")	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	1 Ordinary share of USD1 each	-	100%
Qinglian Company	PRC, limited liability company	Development, operation and management of highways, PRC	RMB2,040,000,000	51.37%	25%
Shenzhen Outer Ring Expressway Investment Company Limited*	PRC, limited liability company	Construction, operation and management of an expressway in the PRC	RMB100,000,000	100%	-

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

12 Loans to a subsidiary

The balance represented two loans granted to Qinglian Company.

A loan with carrying amount of RMB818,333,000 (2009: RMB818,333,000) is unsecured, bearing interest at 5.5% per annum and is repayable using the funds to be generated from the operations of the Qinglian Expressway (upon completion of construction) of Qinglian Company. The loan and interest should be fully repaid by 2022. The fair value of the loan as at 31 December 2010 was approximately RMB788,954,000 (2009: RMB791,592,000), which is determined based on expected cash flows discounted using the borrowing rate of 5.30% per annum.

The other loan with carrying amount of RMB514,024,000 (2009: Nil) is unsecured, bearing interest at 3.72% per annum and is repayable using the funds to be generated from the operations of the Qinglian Expressway (upon completion of construction) of Qinglian Company. The loan and interest should be fully repaid by 2012. The fair value of the loan as at 31 December 2010 approximated its carrying amount as the effect of discounting is not significant.

13 Investments in jointly controlled entities

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

The year end balance comprised the following:

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

13 Investments in jointly controlled entities (continued)

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

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

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

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

(b) The amount represents advances made to Shenchang Company. The advances were made by the Company as part of its investment commitments in these jointly controlled entities as stipulated in the provisions under the relevant investment agreements. In the opinion of the directors, these advances are investment in nature and are therefore stated at cost.

The advances are unsecured, non-interest bearing and are repayable out of the funds to be generated from the operations of the respective toll road projects. The directors considered that there was no provision required as at 31 December 2010.

(c) The amount represents the provision for impairment loss made in prior years against the Company's investment in Shenchang Company arising from impairment of the underlying toll road assets operated by Shenchang Company. As the performance of Shenchang Company has been improved in 2010, the directors considered that there was no need to make further impairment provision for this investment.

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

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

13 Investments in jointly controlled entities (continued)

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

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

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

14 Investments in associates

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

The year end balance comprises the following:

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

14 Investments in associates (continued)

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

Name	Nature of legal entity and paid-in capital	Principal activities	Assets		Liabilities		Revenue		Profit/(loss)		*Interest held	
			2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	%	%
Shenzhen Qinglong Expressway Company Limited("Qinglong Company")	PRC, Sino-foreign cooperative enterprise RMB100,000,000	Construction, operation and management of an expressway in the PRC	719,548	512,463	522,998	397,988	181,899	158,938	95,173	80,361	40%	40%
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	Limited liability company, RMB15,000,000	Project management consulting, construction consulting and sales of construction materials	27,211	21,950	16,879	13,829	36,818	31,369	2,212	1,945	30%	30%
Shenzhen Huayu Expressway Investment Company Limited	Limited liability company, RMB150,000,000	Development, investment, operation and management of expressway	212,233	221,148	154,512	158,785	37,125	30,030	7,702	4,759	40%	40%
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	Limited liability company, RMB1,415,000,000	Development, operation and management of expressways and related facilities	727,290	762,540	458,556	505,943	83,130	67,161	12,136	(2,570)	25%	25%
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	Limited liability company, RMB1,080,000,000	Development, operation and management of bridges	836,163	841,535	585,560	601,447	71,238	61,327	10,515	(2,785)	25%	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Limited liability company, RMB200,000,000	Development, operation and management of expressway	513,340	579,387	285,509	341,425	100,803	89,173	19,869	12,438	25%	25%
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	Limited liability company, RMB1,000,000,000	Development, operation and management of expressway	668,123	680,209	457,363	490,959	63,615	42,978	21,511	(13,309)	25%	25%
Yunfu Guangyun Expressway Company	Limited liability company, RMB10,000,000	Development, operation and management of expressway	391,362	413,232	215,391	246,994	53,695	33,497	9,731	84	30%	30%
			4,095,270	4,032,464	2,696,768	2,757,370	628,323	514,473	178,849	80,923		

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

14 Investments in associates (continued)

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

(c) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company and Qinglong Company amounting to RMB30,135,000, RMB45,165,000 and RMB1,636,000, respectively. After the assessment made by the directors, there was no impairment loss incurred as at 31 December 2010.

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

15 Available-for-sale financial assets

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

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

16 Trade and other receivables

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

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

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

16 Trade and other receivables (continued)

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

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

The construction management services income of the Nanping (Phase II) Project, the renovatin project of the Shenyun-North Ring Interchange, Longhua Expending Project and Yanjiang Project recognised during the year, using the percentage of completion method in accordance with the accounting policies of the Group, totally amounted to approximately RMB33,610,000. In 2010, the Company recognised construction management services income of Hengping Project and Wutong Mountain Project amounting to RMB42,234,000 according to the audited results of budgeted construction costs and actual costs respectively.

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

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

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

16 Trade and other receivables (continued)

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

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

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

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

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

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

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

(c) Due to the fact that the Group is mainly engaged in toll road operations, its income is mainly received in cash and it usually does not maintain any trade receivable balances. Accordingly, the Group does not have any specified credit period for its customers. As at 31 December 2010, the Group had no overdue receivables and the Group's trade and other receivables did not contain impaired assets (2009: Nil).

17 Restricted cash

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

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

18 Cash and cash equivalents

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

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

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

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

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

19 Share capital

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

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

20 Other reserves and retained earnings

Other reserves

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

Company	Share premium RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2009	2,060,009	867,978	453,391	254,719	3,636,097
Warrants subscription rights exercised	860	-	-	-	860
Transfer (d)	254,719	-	-	(254,719)	-
Transfer from retained earnings to reserve fund	-	50,953	-	-	50,953
As at 31 December 2009	2,315,588	918,931	453,391	-	3,687,910
Transfer from retained earnings to reserve fund	-	74,108	-	-	74,108
As at 31 December 2010	2,315,588	993,039	453,391	-	3,762,018

20 Other reserves and retained earnings (continued)

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

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

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

(b) Share premium

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

(c) Statutory surplus reserve and discretionary surplus reserve

Pursuant to relevant PRC regulations and the articles of association of the Company, 10% of the profit after tax of the Company as determined under CAS, amounting to RMB74,108,000 (2009: RMB50,953,000), has been appropriated to reserve fund.

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

Retained earnings

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

20 Other reserves and retained earnings (continued)

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

21 Borrowings

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

21 Borrowings (continued)

(a) Amongst non-current bank borrowings, HKD210,000,000 (equivalent to RMB178,689,000) is secured by a pledge of the 55% equity rights of JEL held by Mei Wah (Note 13(d)); RMB3,633,900,000 is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Qinglian Company, a subsidiary of the Company(Note 9).; and RMB665,000,000 is secured by a pledge of the 40% equity rights of Qinglong Company held by the Company (Note 14(d)).

(b) Other borrowings amounting to USD223,000 (equivalent to RMB1,480,000) were granted by the Spanish Government through the China Construction Bank Corporation, with interest-bearing of 1.8% per annum. The borrowings are guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan"), a related party of the Company.

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

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for a non-convertible bond in the market with equivalent terms. The residual amount, representing the carrying value of the bonds after deduction of the fair value of the liability component, represents fair value of the equity conversion option, was included in equity under other reserves, net of attributable transaction costs, on the inception date. The full amount of the principal and related interests of the bonds is guaranteed by the Shenzhen Branch of the Agricultural Bank of China, which is in turn secured by the 47.30% of the operating rights of Nanguang Expressway (Note 9).

21 Borrowings (continued)

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

	2010 RMB'000	2009 RMB'000
Face value of convertible bonds on 9 October 2007	1,500,000	1,500,000
Fair value of liability component	(1,162,802)	(1,162,802)
Equity component	337,198	337,198
Transaction costs attributable to equity component	(9,284)	(9,284)
Tax on equity component	(73,195)	(73,195)
Recorded in reserves	254,719	254,719
Fair value of liability component on 9 October 2007	1,162,802	1,162,802
Transaction costs attributable to liability component	(32,018)	(32,018)
Liability component on initial recognition on 9 October 2007	1,130,784	1,130,784
Interest expense from issuing date to 31 December 2009/2008	124,877	67,248
Interest expense for this year	75,505	72,629
Interest expense paid	(15,000)	(15,000)
Liability component as at 31 December	1,316,166	1,255,661

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

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

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

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

21 Borrowings (continued)

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

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

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

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

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

21 Borrowings (continued)

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

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

The fair values of bank borrowings and other borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 1.76% to 6.12% (2009: 2.44% to 5.94%) per annum.

The fair values of the convertible bonds and corporate bonds are calculated using cash flows discounted at a rate based on a market interest rate for an equivalent non-convertible bond at 4.37% per annum and that of a comparable corporate bond at 5.30% per annum, respectively.

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

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

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

21 Borrowings (continued)

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

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

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

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

22 Deferred income tax

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

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

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

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

22 Deferred income tax (continued)

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

Group	**Deferred tax assets**			
	Payroll accrued but not paid RMB'000	Provision for resurfacing obligations RMB'000	Taxable financial subsidies RMB'000 (Note a)	Total RMB'000
As at 1 January 2009	-	76,033	25,313	101,346
Acquisition of a subsidiary	-	62,935	-	62,935
Recognised in the statement of comprehensive income	6,819	36,621	(429)	43,011
As at 31 December 2009	6,819	175,589	24,884	207,292
As at 1 January 2010	6,819	175,589	24,884	207,292
Recognised in the statement of comprehensive income	(5,342)	50,728	(526)	44,860
As at 31 December 2010	1,477	226,317	24,358	252,152

Group	**Deferred tax liabilities**		
	Concession intangible assets RMB'000	Convertible bonds RMB'000	Total RMB'000
As at 1 January 2009	427,352	64,273	491,625
Acquisition of a subsidiary	590,059	-	590,059
Recognised in the statement of comprehensive income	(42,380)	(10,458)	(52,838)
As at 31 December 2009	975,031	53,815	1,028,846
As at 1 January 2010	975,031	53,815	1,028,846
Recognised in the statement of comprehensive income	(32,841)	(12,137)	(44,978)
As at 31 December 2010	942,190	41,678	983,868

22 Deferred income tax (continued)

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

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

22 Deferred income tax (continued)

(a) In 2008, the Group became liable to pay PRC corporate income tax of RMB39,236,000 for certain past financial subsidies and incentives granted by local governments and received by the Group in prior years (Note 35(b)). They were initially exempt from taxation according to the provisions of certain policies promulgated by the local government authorities. The Company was advised by the relevant local tax authorities that after settlement of these tax charges, any future amortisation of the related financial subsidies, which have been deferred on the balance sheet of the Group, would be allowed to claim tax deductions for income tax reporting purposes in the future. Accordingly, deferred tax assets of RMB25,313,000 had been recognised in 2008 on such deductible temporary differences originating from the accounting base and tax base of these subsidies based on a tax rate of 25%, which is the tax rate expected to enact when a substantial portion of such temporary differences reverse.

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

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

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

23 Provision for maintenance/resurfacing obligations

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

24 Derivative financial instruments

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

(a) CNY/HKD cross currency interest rate swap

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

(b) Forward foreign exchange contracts

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

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

25 Trade and other payables

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

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

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

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

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

(b) This represents project funds paid in advance by the Shenzhen Communications Bureau to the Company for the management of the project of main route of Hengping Project under a construction management contract entered by the government authority and the Company (Note 17).

25 Trade and other payables (continued)

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

(d) The balances related to Yanjiang Project managed by the Company under a management service contract (the 'Contract'). Under the Contract, the Company provides project management services for construction, operation and maintenance of the Yanjiang Project for the government authority. As at 31 December 2010, the balance represented the net payable relating to the Yanjiang Project.

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

26 Other gains/(losses) - net

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

(a) To manage the fluctuation of foreign currency and interest rate, the Group entered into certain foreign exchange forward contracts and interest swap contracts in 2007 and 2008, which expired in 2009.

27 Expenses by nature

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

(a) This represents the construction costs recognised for the year associated with the construction and upgrade services provided under the service concessions using the percentage of completion method.

(b) The amount represents PRC business tax and surcharges levied on the Group's toll road income at RMB67,715,000 (2009: RMB43,721,000); on service income derived from the provision of construction management services income at RMB5,174,000 (2009: RMB1,018,000); as well as on income arising from the provision of other services at RMB4,481,000 (2009: RMB3,084,000).

Toll income of the Group is subject to the following taxes and surcharges:

- PRC business tax at 3% or 5% of toll income;
- City development tax at 7% of the PRC business tax; and
- Education supplementary fee at 3% of the PRC business tax.

28 Employee benefit expenses

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

(a) The Group participates in the municipal retirement schemes managed by the local social security administration bureaus. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 10% to 11% (2009: 10% to 11%) of the monthly salary of the employees during the year. The bureaus are responsible for making the pension payments to the retired employees of the Group and the Group has no further obligations.

(b) Directors' and senior management's emoluments

An analysis of the directors and supervisors' fees, salary and allowance for their attendance in meetings paid and payable to each of the director of the Company for the year ended 31 December 2010 is set out below:

Name of director/supervisor	**Fees**	**Salary**	**Meeting allowance**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Yang Hai	-	958	-	958
Mr. Wu Ya De	-	958	-	958
Mr. Li Jing Qi	-	-	-	-
Mr. Zhao Jun Rong	-	-	-	-
Mr. Tse Yat Hong	-	-	-	-
Mr. Lin Xiang Ke	-	-	-	-
Ms. Zhang Yang	-	-	9	9
Mr. Chiu Chi Cheong, Clifton	350	-	8	358
Mr. Lam Wai Hon, Ambrose	150	-	8	158
Mr. Ting Fook Cheung, Fred	150	-	8	158
Mr. Wang Hai Tao	150	-	9	159
Mr. Zhang Li Min	150	-	10	160
Mr. Zhong Shan Qun	-	-	-	-
Mr. Fang Jie	-	539	8	547
Mr. He Sen (i)	-	-	6	6

28 Employee benefit expenses (continued)

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

An analysis of the directors and supervisors' fees, salary and allowance for their attendance in meetings paid and payable to each of the director of the Company for the year ended 31 December 2009 is set out below:

Name of director/supervisor	**Fees**	**Salary**	**Meeting allowance**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Yang Hai	-	958	-	958
Mr. Wu Ya De	-	958	-	958
Mr. Li Jing Qi	-	-	-	-
Mr. Zhao Jun Rong	-	-	-	-
Mr. Tse Yat Hong	-	-	-	-
Mr. Lin Xiang Ke	-	-	7	7
Ms. Zhang Yang	-	-	12	12
Mr. Chiu Chi Cheong, Clifton	350	-	18	368
Mr. Lam Wai Hon, Ambrose	150	-	16	166
Mr. Ting Fook Cheung, Fred	150	-	15	165
Mr. Wang Hai Tao	150	-	15	165
Mr. Zhang Li Min	150	-	15	165
Mr. Zhong Shan Qun	-	-	-	-
Mr. Yang Qin Hua (ii)	-	-	14	14
Mr. Fang Jie	-	471	19	490
Mr. Jiang Lu Ming (iii)	-	247	5.5	252.5

(i) Appointed in January 2010.
(ii) Resigned in January 2010.
(iii) Resigned in May 2009.

In addition, the directors and supervisors are also entitled to other benefits and allowances including employer's contributions made to medical schemes, festival surcharges and car allowances.

28 Employee benefit expenses (continued)

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

During the year ended 31 December 2010, Mr. Yang Hai, Mr. Wu Ya De, Mr. Jiang Lu Ming, Mr. Fang Jie and Mr. He Sen were entitled to other benefits and allowances and the respective amounts were RMB32,000 (2009: RMB22,000), RMB32,000 (2009: RMB22,000), Nil (2009: RMB9,000), RMB86,000 (2009: RMB65,000) and RMB6,000 (2009: Nil), respectively.

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

During the years ended 31 December 2010 and 2009, no emoluments had been paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office.

(c) Five highest paid individuals

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

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

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

29 Finance income and costs

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

Borrowing costs of RMB22,704,000 (2009: RMB125,156,000) arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised during the year and had been included in additions to concession intangible assets. Capitalisation rates are ranged from 3.84% to 5.508% per annum (2009: 5.346 % to 6.12% per annum).

30 Income tax expenses

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

30 Income tax expense (continued)

(a) The Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") is effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to the Company and all of its subsidiaries established in the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012. The rates are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012.

The PRC corporate income tax charged to the consolidated statement of comprehensive income had been calculated based on the assessable profits of the Company and its subsidiaries located in the PRC of the year at a rate of tax applicable to the respective companies at 22% (2009: 20%).

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

(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

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

31 Profit attributable to owners of the parent

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

32 Earnings per share

Basic -

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

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

Diluted -

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no potential dilutive shares throughout the year and the diluted earnings per share presented are the same with basic earnings per share.

33 Dividends

The dividends paid in 2010 and 2009 were RMB261,692,000 (RMB0.12 per share) and RMB261,684,000 (RMB0.12 per share), respectively. The directors recommend the payment of a final dividend of RMB0.16 per ordinary share, totalling RMB348,923,000. Such dividend is to be approved by the shareholders at the 2010 Annual General Meeting. This proposed dividends was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2011.

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

34 Cash generated from operations

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

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

35 Contingencies

(a) Project Construction Management Contracts

The Company has entered into certain project construction management contracts with government authorities. For Nanping Freeway (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, the Company had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

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

35 Contingencies (continued)

(b) Penalty on Back Taxes

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

(c) Arbitration in progress

On 8 December 2004, the Company signed a construction contract with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping Freeway (Phase I) Project. As disputes concerning the unit prices of some items under the contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against the Company in 2007. As at the date of approval of the financial statements, the arbitration process is still in progress. According to the relevant provisions in the contract, the directors concluded that the result of the arbitration would not lead to any significant adverse impact on the Company's operating results.

On 1 June 2004, the Company signed a construction contract with Jilin Great Wall Construction Company Limited ("Great Wall") for Nanping (Phase I) Project. As disputes concerning construction volume and the unit prices of some items under the contract arose that were not resolved by mutual agreement, Great Wall applied for arbitration to Shenzhen Arbitration Commission against the Company in December 2009. As at 31 December 2010, the arbitration has been revoked, and the Company is still negotiating with Great Wall on the quantities and unit price of the project. The directors considered that the outcome of the negotiation will have no significant impact on the Company's operating results.

36 Commitments

Capital expenditure and investment commitments at the balance sheet date not yet incurred are as follows:

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

The above capital commitments are capital expenditures of concession intangible assets for Nanguang Expressway, Outer Ring Expressway, Qinglian Expressway and Meiguan Expressway. The investment commitments relate to addition capital injection to be made to Qinglong Company and Qinglian Company as approved by the board of directors of the Company.

In the opinion of the directors, the above commitments could be fulfilled by internal financial resources, banking facilities and external financing arrangements made available to the Group.

37 Related party transactions

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

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

37 Related party transactions (continued)

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

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

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

(b) Payment of project management service fee

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

(c) Management entrustment

On 28 December 2009, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited ("Longda Company"). However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. In return for the services rendered, the Company is entitled to a management entrustment fee determined at the higher amount of an annual fee of RMB15 million, or at 8% of the annual audited net profit of Longda Company (but in any event shall not exceed RMB25 million). The term of the operation and management entrustment agreement commenced on 1 January 2010 and will expire on 31 December 2011. The management entrustment fee for the year amounted to RMB15,000,000 (2009: RMB15,000,000). The amount had been settled by Baotong Company as at 31 December 2010.

37 Related party transactions (continued)

(c) Management entrustment (continued)

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

In May 2009, the Company entered into a project construction management contract with Baotong Company. Pursuant to the contract, Baotong Company entrusts the Company to construct Longhua Extension of Longda Company ("Longhua Extension"). The period of construction is 24 months from the contract's signing date. As the outcome of the construction management services could not be estimated reliably in 2010, the Group recorded the related construction management service income of RMB1,294,000 (Note 16(a)) at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

(d) Key management compensation

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

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

Reconciliation of financial statements

The Group has prepared a separate set of financial statements for the year ended 31 December 2010 in accordance with the China Accounting Standards ("CAS"). The differences between the financial information prepared under the CAS and HKFRS are summarised as follows:

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